adidas

ANNUAL REPORT

2022

OUR PURPOSE

THROUGH SPORT WE HAVE THE POWER TO CHANGE LIVES

OUR MISSION

TO BE THE BEST SPORTS BRAND IN THE WORLD

OUR ATTITUDE

‚IMPOSSIBLE IS NOTHING'

TARGETS - RESULTS - OUTLOOK

TARGETS - RESULTS - OUTLOOK

	2022 Targets[1,2]	2022 Results (vs. prior year)[2]	2023 Outlook
Currency-neutral sales development	to increase at a rate between 11% and 13%	1%	to decline at a high-single-digit rate
Gross margin	to increase to a level of between 51.5% and 52.0%	47.3% (3.4pp)	
Operating margin/ operating profit/loss	to increase to a level of between 10.5% and 11.0%	3.0% (6.4pp)	operating loss of € 700 million
Net income from continuing operations (€ in millions)	to increase to a level of between € 1,800 million and € 1,900 million	254 (83%)	
Average operating working capital in % of net sales	to decrease to a level below 20%	24.0% 4.0pp	to reach a level of between 25% and 26%
Capital expenditure (€ in millions)[3]	to increase to a level of up to € 900 million	695	to reach a level of around € 600 million

1 As published on March 9, 2022; the outlook was updated over the course of the year.
2 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
3 Excluding acquisitions and leases.

FINANCIAL HIGHLIGHTS 2022 (IFRS)

FINANCIAL HIGHLIGHTS 2022 (IFRS)

	2022	2021	Change
Operating Highlights (€ in millions)			
Net sales[1]	22,511	21,234	6%
Gross profit[1]	10,644	10,765	(1%)
Other operating expenses[1]	10,260	8,892	15%
EBITDA[1]	1,874	3,066	(39%)
Operating profit[1]	669	1,986	(66%)
Net income from continuing operations[1]	254	1,492	(83%)
Net income attributable to shareholders	612	2,116	(71%)
Key Ratios			
Gross margin[1]	47.3%	50.7%	(3.4pp)
Other operating expenses in % of net sales[1]	45.6%	41.9%	3.7pp
Operating margin[1]	3.0%	9.4%	(6.4pp)
Effective tax rate[1]	34.5%	19.4%	15.0pp
Net income attributable to shareholders in % of net sales[1]	2.7%	10.0%	(7.2pp)
Average operating working capital in % of net sales[1]	24.0%	20.0%	4.0pp
Equity ratio[2]	24.6%	34.0%	(9.4pp)
Adjusted net borrowings/EBITDA[1]	3.2	0.7	n.a.
Financial leverage[2]	121.2%	27.7%	93.5pp
Return on equity[2]	12.3%	28.1%	(15.9pp)
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets	20,296	22,137	(8%)
Inventories	5,973	4,009	49%
Receivables and other current assets	4,961	4,072	22%
Operating working capital	5,594	3,890	44%
Shareholders' equity	4,991	7,519	(34%)
Capital expenditure	695	667	4%
Net cash (used in)/generated from operating activities[1]	(458)	2,873	n.a.
Per Share of Common Stock (€)			
Basic earnings[1]	1.25	7.47	(83%)
Diluted earnings[1]	1.25	7.47	(83%)
Net cash (used in)/generated from operating activities[1]	(2.50)	14.79	n.a.
Dividend[3]	0.70	3.30	(79%)
Share price at year-end	127.46	253.20	(50%)
Other (at year-end)			
Number of employees	59,258	61,401	(3%)
Number of shares outstanding	178,537,198	191,594,855	(7%)
Average number of shares	183,263,629	194,172,984	(6%)

1 2022 and 2021 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Based on shareholders' equity.
3 Subject to Annual General Meeting approval.

ABOUT THIS REPORT

With the Annual Report 2022, 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 2022 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

The reporting period is the financial year from January 1 to December 31, 2022. 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 2022 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 green: 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 KPMG AG Wirtschaftsprüfungsgesellschaft. ► SEE REPRODUCTION OF THE INDEPENDENT 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 KPMG AG 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 KPMG's engagement to review the Online Report or references to external sources such as our corporate website. ► SEE NON-FINANCIAL STATEMENT ► SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR ► 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/S/FINANCIAL-PUBLICATIONS

ADIDAS ANNUAL REPORT 2022

TO OUR SHAREHOLDERS

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ADDITIONAL INFORMATION

1

TO OUR SHAREHOLDERS

INTERVIEW WITH OUR CEO

BJØRN GULDEN

> adidas is a company like no other. We have all the ingredients to win.

HELLO BJØRN, AND WELCOME TO THE THREE STRIPES. OR SHOULD WE RATHER SAY: 'WELCOME BACK' TO THE THREE STRIPES?

Well, you can say both. It's a 'welcome' and of course it's a 'welcome back' and I appreciate both. It's like coming home to the brand I have always had strong feelings for. My father was an adidas player and I played sports in adidas all the time when I was a kid. And of course, it was my first job. I followed adidas even when I was working in different parts of the industry, so being allowed to come back is a great honor.

HOW DID IT FEEL COMING TO THE OFFICE AS ADIDAS CEO AT THE BEGINNING OF THE YEAR?

Walking into the building gave me a very positive feeling. Of course, I'm aware that things are not great and that the expectation is on us that we will improve. And I can sense that hope.

YOU'VE BEEN AN ATHLETE ALMOST YOUR ENTIRE LIFE AND NOW YOU'RE THE CEO OF ADIDAS. HOW HAS SPORT SHAPED YOUR LIFE AND YOUR LEADERSHIP STYLE?

Well, sport is my life. Because my father was a professional athlete, I did all kinds of sports when I was a kid – from skiing and track and field to handball and football. I went on to play football and handball professionally, but unfortunately, an injury ended my career early. My wife was a national champion in gymnastics, and my sons played football at a high level. I spend almost 100% of my time with things that are related to sports.

I have a bachelor's degree and I have a master's, but the one thing that has taught me the most about leadership is playing team sports. You play with people you like, with people you don't like, or who are better than you, worse than you, and you must find a spot where you can have the biggest influence on the team. I've learned a lot from sport and I'm still learning a lot.

YOU DESCRIBE YOURSELF AS A 'SPORTS ROMANTIC.' WHAT DO YOU MEAN BY THAT?

I think all sports are important. There's a tendency to focus on the big ones like football, basketball and running, but smaller sports are just as interesting. I always felt that Adi Dassler was also a sports romantic, trying to deliver the best equipment for all sports. And I have the same philosophy. Visibility across many sports brings a lot of worth because that will give us credibility. That's why I'm a sports romantic. I love all sports.

YOU MENTIONED TEAM SPORTS EARLIER. HOW DO YOU BUILD A WINNING TEAM?

Well, it's difficult to say how I build a winning team because the word 'I' is a little bit misleading. I think we build winning teams by showing respect for each other, playing to each other's individual strengths and trying to make our colleagues better. That's the best formula. When you look at the Football World Cup, the best team on paper doesn't always win. Often, the team that comes together and acts like a team wins.

Of course, you need a coach, and you need captains. In the end, we need to remember that a bad coach can make a good team bad, but a great coach alone can't make a bad team good. All the players need to play their roles and make their teammates better, not only themselves. Those are the teams that will win in the future.

Then there's the culture of the company. We're operating in so many different markets that we are dependent on a truly multicultural team. I also think our workplace should be the most fun place to be. We should laugh a lot and we should not take ourselves too seriously. We should be allowed to be different, and we need to show each other respect. It doesn't matter who you are or what job you have, we are all adidas. With this comes the team spirit that we will need to win.

NOW LET'S SHIFT GEARS AND TALK ABOUT THE BUSINESS. WHAT'S YOUR VIEW ON THE CURRENT STATE OF AFFAIRS?

You look at the numbers and it's obvious that we're not performing the way we should. I have said it many times, but we have all the ingredients to win: We have a great brand, we have credibility, we have authenticity, we have innovation, we have collaborations, we have very talented people, and we have a global network.

But covid-19 brought problems for adidas that maybe weren't addressed as pragmatically as they should have been. Now we are locked into a strategy that isn't really tied to how the world has changed – with the pandemic and everything that came after.

Now we should please our multi-brand retail partners and their consumers. They need to see strong income, but we also need strong direct-to-consumer sales for ourselves. We have to deal with all these channels in an optimized way and with more discipline in how we go to market.

We know 2022 was a difficult year and 2023 won't be much easier. Our entire industry has suffered from high inventory levels and, as a result, there is a lot of discounting going on in the marketplace.

But we do have some winners, especially in the performance area. We have a very good football business with great new concepts and products, and we've made huge progress in running, which is maybe the most difficult area to qualify in. I love to see that we've established ourselves in the outdoor industry, our golf business is doing well, and we have some exciting things coming up in basketball.

On the lifestyle side, we have collaborations with Gucci, Prada, Moncler, and more. I think when people say we're not exciting, maybe sometimes we are too exciting and don't celebrate the individual wins because we have so many. I'm sure that if we get some time, we can – and will – turn this into a very successful formula. Again, we just need to work a little bit more on the basics.

WHAT DOES ADIDAS NEED TO FOCUS ON TO GET BACK ON TRACK?

We need to focus on the core of our business, which is design, development, sourcing, marketing, selling, and delivering product. We should never forget that we are a shoe, apparel, and accessories brand that sells physical product. Everything around that should support this, so right now, that means focusing on the product, on how we go-to-market and being the most service-minded organization both to our retail partners and the consumer.

We should be the most liked brand by both athletes and by those who are influential in our business. We need to create the best product and must always remember that our consumers – although informed globally – still think and act locally.

WHAT'S YOUR VIEW ON THE IMPORTANCE OF OUR MARKETS?

During covid-19, markets drifted away from each other. China was open and closed at the same time, the US was open, but Europe was closed – that meant that the launch of products and the flow of our industry switched from being very global to very local. The political tensions and economic chaos of the last three years have also fed into this.

The needs in China might be different to those in Germany or in North America. This local focus of giving the consumer what they want has to be top of mind. You cannot tell the consumer what they want. We need to listen to what our consumers want from us. Yes, they are influenced by global athletes, global celebrities, and global products, but we also need to accept that there are local influences. We need to find that balance.

We can also optimize our go-to-market processes. Speed has become more important, and we need to be more agile. Things change quickly, and we need to move with this change to stay relevant in the eyes of our consumer.

DO YOU WANT TO FOCUS ON SPECIFIC MARKETS?

They will be treated equally, yet individually. I think it's wrong to set priorities and say that one market is more important than the other, we should be strong in every market and tailor our approach for each individual one.

Saying that, as our home market, we should be market leader in Europe. We also know that if you're not successful in North America, you're not really a global brand. China has been a growth driver for us. Because of the pandemic and other challenges, however, we're not where we used to be, but I have a feeling that things will improve there. Latin America is on fire, which makes me optimistic. And then, there are markets like Korea and Japan which are very directional and very fashion oriented. Here we have a real opportunity to grow.

So, to win in every market, we need to work more closely with our accounts to find out what works and what doesn't. If you have a good product and the retailer wants it, our consumers will probably buy it. If the retailer doesn't want it, then it's likely the consumer doesn't want it either.

We have both physical stores and e-com sites, so we can always bring whatever we want to market and test it. We're already sitting on a lot of consumer insights which could definitely help us win in the markets.

TALKING ABOUT INSIGHTS AND TRENDS, WHAT TRENDS IN THE INDUSTRY DO YOU SEE RIGHT NOW?

There are so many mega trends that are good for us as a company, but the one that I've liked most is that, during covid-19, people have been coming back to sports. They're becoming more health conscious and embracing individual sports – especially in the outdoors – like walking, running, biking, and skiing. There's also growth in yoga, pilates and a variety of other sports, and that's very good for us!

The workplace is becoming more casual, and people are wearing sneakers and branded sweatshirts to work. It's clear that working from home has led people to become more casual in every aspect of their lives.

Last year also saw the Samba and the Gazelle become that special look everyone wanted. This is something that we own and it's very, very hot. It has happened organically over the last six to nine months and it's a trend that we're really exploiting.

ADIDAS HAS ALWAYS HAD A STRONG FOCUS ON SUSTAINABILITY. HOW IMPORTANT IS THIS TOPIC TO YOU?

For me, sustainability is a focus all companies must have. Doing things that are good for the next generation – for the planet – is a value that we should all have. This industry – and especially adidas – has done a lot of good stuff for the planet over the last 30 years. Back then, we didn't think about it at all and look where we are now.

Our company has set very clear targets on what we want to achieve, and we will do exactly that. Sustainability is going to be one of the things that every employee – especially those working on product – needs to know about. It's not something we can delegate to just one department, I believe that everybody in the company needs to have knowledge in this.

WHAT ARE YOU MOST LOOKING FORWARD TO IN 2023?

Well, I look forward to the big sporting events including the FIFA World Cup 2023 in Australia and New Zealand. On the business side, I'm looking forward to making progress on our turnaround and showing our people that we can make a positive shift. Although we have problems in the short term, we can get back to where we belong.

DO YOU HAVE ANY FINAL MESSAGE FOR OUR SHAREHOLDERS?

adidas is a company like no other. There's probably no other brand in the world that is as emotional as adidas. We are relevant in sport, in music, in entertainment, and in fashion. Our appeal is global and stretches over multiple generations. And when I look to the future, I see people doing more sport, dressing more casually and being even more brand-driven. Given all this, I think we're a great company to invest in.

EXECUTIVE BOARD

OUR EXECUTIVE BOARD IS COMPOSED OF SIX 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

BJØRN GULDEN [1]

Chief Executive Officer

Bjørn Gulden 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 Gulden 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 Gulden was CEO and from 2013 to 2018 a supervisory board member of the Danish jewelry brand Pandora. In 2013, he joined Puma SE in Herzogenaurach as Chief Executive Officer. From 2014 to 2022, he also was a member of the supervisory board of Borussia Dortmund GmbH & Co. KgaA. Since January 1, 2023, Bjørn Gulden has been a member of the Executive Board and Chief Executive Officer (CEO) of adidas AG, Herzogenaurach, Germany.

MANDATES:

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

1 Since January 1, 2023.

ROLAND AUSCHEL

Global Sales

Roland Auschel was born in Bad Waldsee, Germany, in 1963 and is a German citizen. After obtaining a bachelor's degree in European Business Studies from the Münster University of Applied Sciences, Germany, and the University of Hull, UK, as well as an MBA from the University of Miami, USA, he joined the adidas team as a Strategic Planner in 1989. During his career with the company, he has held many senior management positions, including Business Unit Manager, Key Account Manager Europe and Head of Region Europe, Middle East and Africa. In 2009, he became Chief Sales Officer Multichannel Markets. In 2013, Roland Auschel was appointed to the Executive Board and is responsible for Global Sales.

BRIAN GREVY

Global Brands

Brian Grevy was born in Kolding, Denmark, in 1971 and is a Danish citizen. After his studies at the Business School in Vejle, Denmark, he held various leadership positions at adidas and Reebok Nordics between 1998 and 2006. In 2006, he transferred to the adidas headquarters in Herzogenaurach, Germany, to become Director Men's Training and, as of 2010, Senior Vice President Training and Regional Sports. From 2012 to 2014, Brian Grevy acted as General Manager adidas Nordics in Stockholm, Sweden. During the years 2014 to 2016, he led the adidas Business Unit Training as General Manager in Herzogenaurach, Germany. He then joined Gant in Stockholm, Sweden, as Chief Marketing Officer, where he became Chief Executive Officer in 2018. In 2020, Brian Grevy was appointed to the adidas Executive Board and is responsible for Global Brands.

MANDATES:

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

HARM OHLMEYER

Chief Financial Officer

Harm Ohlmeyer 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 Ohlmeyer 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 Ohlmeyer 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.

MANDATES:

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

AMANDA RAJKUMAR

Global Human Resources, People and Culture

Amanda Rajkumar was born in Northampton, UK, in 1972 and is a British national. She holds a Bachelor of Science degree from Goldsmiths College, London University, UK, and began her professional career as a research psychologist before joining the London-based recruitment consultancy JM Management. From 1998 onward, she held various senior HR leadership and managerial positions at JPMorgan Chase. She joined BNP Paribas in 2009, where over eleven years, she was responsible for Global Human Resources for different business divisions based out of Europe and the US. Most recently, she was Chief Human Resources Officer for the Americas region, with responsibility for the Intermediary Holding Company of BNP Paribas in the Americas overseeing the retail and wholesale divisions. At the beginning of 2021, Amanda Rajkumar was appointed to the adidas Executive Board and is responsible for Global Human Resources, People and Culture. In May 2021, she was appointed as Labor Director.

MARTIN SHANKLAND

Global Operations

Martin Shankland 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 Shankland was appointed to the Executive Board and is responsible for Global Operations.

EXECUTIVE BOARD MEMBER UNTIL NOVEMBER 11, 2022

KASPER RORSTED

Mandates:

- Member of the Supervisory Board, Siemens AG, Berlin and Munich, Germany
- Member of the Board of Directors, Nestlé S.A., Vevey, Switzerland[2]

2 Until April 7, 2022.

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 Gerpinnes, 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[3], 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[4], 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[5]

3 Since July 21, 2022, previously Sienna Capital S.à.r.l.
4 Since November 19, 2019.
5 Since May 8, 2022, previously Project Manager Creative Direction, 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, USA[6]

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
State District Manager of the Industrial Union IG BCE, State District Bavaria, Munich, Germany
Membership in other statutory supervisory boards in Germany:
- Member of the Supervisory Board, Wacker Chemie AG, Munich, Germany

6 Since December 14, 2020.
* 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, USA (in liquidation)

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, Evercore GmbH, Frankfurt/Main, Germany

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

– Non-Executive Director, Levere Holding Corp., Grand Cayman, Cayman Islands

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[7]

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[8]

7 Since May 1, 2022, previously Vice Chairman of Global Banking and Asia Pacific, JPMorgan Chase & Co., New York, USA.
8 Since August 15, 2021, previously Senior Vice President Global Sports Marketing & Brand Relations, adidas AG.
* Employee representative.

SUPERVISORY BOARD MEMBER UNTIL AUGUST 31, 2022

ROLAND NOSKO*

residing in Wolnzach, Germany
born on August 19, 1958
Member of the Supervisory Board since May 13, 2004
District Manager of the Industrial Union IG Bergbau, Chemie, Energie (IG BCE), District of Nuremberg, Nuremberg, Germany
Membership in other statutory supervisory boards in Germany:

- Deputy Chairman of the Supervisory Board, CeramTec GmbH, Plochingen, Germany[9]
- Member of the Supervisory Board, Plastic Omnium Automotive Exteriors GmbH, Munich, Germany[10]

STANDING COMMITTEES

Steering Committee:
Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*
General Committee:
Thomas Rabe (Chairman), Ian Gallienne, Udo Müller*, Michael Storl*[11]
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*[12], Udo Müller*

Biographical information on our Supervisory Board members is available online
► ADIDAS-GROUP.COM/SUPERVISORY-BOARD

9 Until May 10, 2022.
10 Until September 22, 2022.
11 Since October 12, 2022, previously until August 31, 2022: Roland Nosko.
12 Since January 1, 2022, previously until December 31, 2021: Roswitha Hermann.
* Employee representative.

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

2022 was a disappointing year for adidas. Geopolitical tensions as well as macroeconomic and company-specific challenges, severely impacted adidas' top- and bottom-line performance last year. While large parts of the global economy recovered from the coronavirus pandemic, business activity in Greater China was still negatively affected by strict lockdown measures throughout most of the year. In addition, the war in Ukraine, continued supply chain constraints, increasing inflation, tightened monetary policy and, as a result, a slowdown in consumer demand, had a significant adverse impact on the company's business activities. In this challenging environment, adidas posted solid growth in its Western markets as well as in Asia-Pacific. The company continued to invest into the creation and marketing of its products, the physical and virtual consumer experience as well as into driving its sustainability efforts and further improving its digital set-up. In addition to the challenging market backdrop, adidas faced company-specific challenges such as the slower recovery in Greater China and the termination of its Yeezy partnership. As a result, the company's top- and bottom-line results came in significantly below our initial expectations. With the appointment of Bjørn Gulden as new CEO as of January 1, 2023, we have been paving the way for a successful restart of adidas. Consequently, the company is currently conducting a thorough strategic review, which also includes its long-term financial ambition.

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 corporate strategy, 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 and the effectiveness and development of the Internal Control and Risk Management Systems, 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 geopolitical situation in Ukraine and the associated wind-down of business operations in Russia, the ongoing pandemic-related restrictions and the related slower recovery of the business in China, elevated inventory levels due to declining consumer demand and the termination of the Yeezy partnership. The Executive Board informed us regularly about the measures taken to mitigate the negative effects on operational performance.

Furthermore, the Executive Board provided us regularly with comprehensive written reports 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 within the entire Supervisory Board and to put forward suggestions before passing resolutions based on in-depth examination and extensive consultation. At the Supervisory Board meetings, the Executive Board was available for discussions and 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 to us by the Executive Board.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

In the past financial year, the Supervisory Board primarily exercised its duties in plenary 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 Supervisory Board within the virtual meetings.

TYPE OF MEETING

	Virtual meeting	Physical meeting
Supervisory Board	6	3
General Committee	4	2
Audit Committee	1	3

The external auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, ('KPMG') attended all meetings of the Supervisory Board, with the exception of three extraordinary meetings, insofar as no Executive Board matters or internal matters of the Supervisory Board were discussed. Furthermore, KPMG 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 corporate strategy, business planning and development, the risk situation, control and risk management as well as 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, also at short notice, if required. The Chairman of the Supervisory Board regularly reported during meetings on discussions with the Executive Board outside the Supervisory Board meetings.

The Supervisory Board also met regularly without the Executive Board members, in particular to discuss internal affairs of the Supervisory Board as well as personnel and compensation matters relating to the Executive Board. The Audit Committee also follows the new recommendation D.10 of the Code and regularly confers with the auditor in the Audit Committee meetings without the Executive Board being present.

In this year under review, too, the participation rate of the Supervisory Board and its committees was consistently high, totaling approximately 96% (2021: approximately 98%) 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, 2022			
Thomas Rabe, Chairman	15	15	100%
Ian Gallienne, Deputy Chairman	15	15	100%
Udo Müller, Deputy Chairman	15	15	100%
Petra Auerbacher	9	9	100%
Birgit Biermann[1]	4	4	100%
Jackie Joyner-Kersee	9	9	100%
Christian Klein	9	6	67%
Bastian Knobloch	9	8	89%
Kathrin Menges	13	13	100%
Beate Rohrig	9	9	100%
Nassef Sawiris	9	9	100%
Frank Scheiderer	13	13	100%
Michael Storl[2]	11	11	100%
Bodo Uebber	13	13	100%
Jing Ulrich	9	6	67%
Günter Weigl	13	13	100%
Member of the Supervisory Board until August 31, 2022			
Roland Nosko	7	7	100%

1 Member of the Supervisory Board since September 1, 2022.
2 Member of the General Committee since October 12, 2022.

TASKS AND TOPICS FOR THE ENTIRE SUPERVISORY BOARD

In the year under review, there were nine meetings of the entire Supervisory Board (2021: seven 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. Furthermore, we focused on the impact of the geopolitical situation in Ukraine and the associated wind-down of business operations in Russia, the ongoing pandemic-related restrictions and the related slower recovery of the business in China, the elevated inventory levels due to declining consumer demand and the termination of the Yeezy partnership. Moreover, we thoroughly addressed supply chain challenges, the development of the market shares in the major markets and adidas' brand heat, also compared with our competitors. Additionally, we examined the development of e-commerce sales, the continued expansion of adidas' direct-to-consumer business, and the progress of the company's digital transformation. The status of the Reebok divestiture process was also regularly addressed and conferred on. We also discussed the annual and multi-year planning of the Executive Board. One of the focus topics in this respect was the implementation status of the long-term strategy 'Own the Game' that will run until the 2025 financial year. The growing importance of ESG-related topics and their regulation was also discussed regularly by the Supervisory Board. Finally, the Executive Board informed us about the implementation of the people strategy and the measures taken to foster and accelerate Diversity, Equity, and Inclusion at adidas. As regards personnel matters, the extension of the appointments of Roland Auschel and Brian Grevy and the change in the Chief Executive Officer position from Kasper Rorsted to Bjørn Gulden were some of the main topics of consultation.

In accordance with statutory regulations or the Rules of Procedure, certain transactions and measures by the Executive Board require the prior approval of the Supervisory Board. The Supervisory Board discussed transactions requiring approval as they arose and gave its approval to resolution items after detailed reviews, in some cases based on preparations by the relevant committees. In addition, the Supervisory Board regularly discussed personnel and compensation matters with respect to the Executive Board as well as questions of corporate governance. ▶ ADIDAS-GROUP.COM/S/COMPENSATION ▶ SEE DECLARATION ON CORPORATE GOVERNANCE

At the February meeting of the Supervisory Board, the Executive Board reported on the company's situation and preliminary financial results for the 2021 financial year as well as the pandemic-related challenges in China and Vietnam. Moreover, we discussed the dividend and return policy of adidas AG, the M&A strategy, and the status of the Reebok divestiture. In this connection, in case of a successful divestiture of Reebok to the Authentic Brands Group, we approved to return the majority of the proceeds from the divestiture to the shareholders by way of another share buyback program. In addition to adidas' ESG targets, we also dealt with the 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 2021 financial year. We also determined the appropriateness of the Executive Board compensation following an internal appropriateness test. In addition, we discussed the criteria and targets for the variable, performance-based compensation of the Executive Board members for the 2022 financial year. Furthermore, following a thorough consultation, we resolved the extension of the appointments of Roland Auschel and Brian Grevy as members of the Executive Board of adidas AG. Finally, we addressed corporate governance topics such as the adjustment of the Supervisory Board compensation and the adoption of the 2021 Compensation Report and the Declaration of 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 2021 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 examination of the content of the non-financial statement commissioned by the Supervisory Board in accordance with § 111 section 2 sentence 4 of the German Stock Corporation Act (Aktiengesetz – AktG). After in-depth examination of the financial statements and on the basis of the independent auditor's report and the Audit Committee report on the audit results, the Supervisory Board approved the annual financial statements and consolidated financial statements as well as the combined Management Report including the non-financial statement for adidas AG and the adidas Group. The annual financial statements were thus adopted. The Executive Board also reported on the situation in Russia and Ukraine and the respective financial impact on adidas as well as on the security of and support provided for the employees there. In addition, the Executive Board reported on the company's current business situation, the outlook for the 2022 financial year, the challenges of the operating business in China and the planned mitigating measures. Furthermore, the Executive Board gave us an update on adidas brand topics and current marketing campaigns, key partnerships and the new operating business in the area of metaverse and NFT. The successful conclusion of the Reebok divestiture was another topic. 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 2022 Annual General Meeting, including the proposal on the appropriation of retained earnings for the 2021 financial year. In addition, at the March meeting, we finalized the criteria and targets for the variable, performance-based compensation of the Executive Board members for the 2022 financial year. The Supervisory Board was also given a comprehensive presentation of new product developments.

At the May meeting, we focused on the current business performance, the business situation in China, and the impact of the war between Russia and Ukraine. The Executive Board outlined the financial report for the first quarter of 2022 and reported on the revised outlook for the 2022 financial year reflecting the impact of the pandemic-related lockdowns in China. Furthermore, the Executive Board reported on the conclusion of a new, long-term strategic partnership with Foot Locker Inc. We were also given an update on adidas' market shares and the development of brand heat. In light of the ongoing share buyback program, we approved the Executive Board's adjusted resolution proposal on the appropriation of retained earnings and discussed the percentage of women on the Executive Board.

At the August meeting, we discussed, in particular, the Q2 and half-year results for 2022, the business situation in China, also compared with competitors, and the situation in Russia and Ukraine. The Executive Board also outlined the adjustment of the outlook for 2022 in view of the slower than expected recovery of the business in China. In this regard, we also discussed mitigating measures with the Executive Board. Furthermore, we received another update on adidas' market shares, the development of brand heat, marketing investments and their efficiency as well as on product innovations. Comprehensive and detailed reports were given on adidas' talent strategy and the topics of Tech and Data & Analytics. Furthermore, we discussed the amendments to the Code and their meaning for the company, and approved the court appointment of Birgit Biermann as new Supervisory Board member on the employee representative side due to the resignation of Roland Nosko with effect from August 31, 2022. Finally, the Supervisory Board was provided with training opportunities.

At an extraordinary Supervisory Board meeting in August, after a thorough discussion, we decided to follow the recommendation of the General Committee to approve the amicable termination of the appointment of Kasper Rorsted as Executive Board member of adidas AG in 2023 and the termination agreement to the Executive Board service contract. Furthermore, it was resolved to initiate the succession process.

The October meeting focused on the current business situation and the preliminary financial results for Q3 2022, the outlook for the year under review and the emerging challenges for the operating business, the planned Business Improvement Program, and the business development in China. In connection with the report on the situation in Russia and Ukraine, we approved the Executive Board's proposal to wind down business operations in Russia. Moreover, we approved the extension of the term and the increase of the commitments of the revolving credit facility. Furthermore, we discussed with the Executive Board our collaboration strategies with partners and received an update on the strategic orientation of the basketball business as well as a presentation of product innovations in this regard. We also thoroughly discussed the Yeezy partnership and the settlement of a legal dispute with a competitor. Following a report by our Supervisory Board member responsible for ESG about sustainability issues at adidas AG, in particular the 'share of sustainable articles offered' ('9 out of 10'), we addressed in detail the horizontal comparison of the Executive Board compensation, which had been conducted by an external compensation consultant. On this basis, the Executive Board compensation was assessed to be appropriate. In addition, the Supervisory Board elected Michael Storl as member of the General Committee. He succeeded Roland Nosko due to the latter's resignation from the Supervisory Board with effect from the end of August 31, 2022. We also discussed the results of the self-assessment (efficiency examination) of our work. Based on the self-assessment results, we derived selective measures to improve the Supervisory Board's work. In general, the self-assessment results confirmed the high effectiveness of the work of the Supervisory Board and its committees.

At an extraordinary Supervisory Board meeting in October, after a thorough discussion, we followed the Executive Board's recommendation and approved the termination of the Yeezy partnership and the discontinuation of the production of Yeezy brand products.

Following in-depth consultations and upon recommendation of the General Committee, we resolved to appoint Bjørn Gulden as Executive Board member and Chief Executive Officer, each with effect from January 1, 2023, as well as the conclusion of his Executive Board service contract at our extraordinary Supervisory Board meeting in November. Moreover, we resolved, also upon recommendation of the General Committee, the amicable termination of the appointment of Kasper Rorsted as Executive Board member and Chief Executive Officer with effect from the end of November 11, 2022, as well as the appointment of Harm Ohlmeyer as Chief Executive Officer for the period from November 12, 2022, to December 31, 2022. Furthermore, we approved the issuance of non-share-based bonds with an aggregate amount of up to € 1,000,000,000.

At the December meeting, we focused on the preliminary Budget and Investment Plan for the 2023 financial year presented by the Executive Board 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 2023. Moreover, the Executive Board gave a comprehensive report on the implementation status of our strategy 'Own the Game,' including an overview on the current business situation and on the outlook for the year under review. We also discussed the Business Improvement Plan, the business situation in China, the status of the wind-down of business operations in Russia, and the Yeezy partnership. In addition, we dealt with the succession planning for the Executive Board, the assessment of the independence of the Supervisory Board members and resolved the Declaration of Compliance with the Code. Other topics were the resolution on the adjusted competency profile for the Supervisory Board prepared by the General Committee and thoroughly evaluated by the entire Supervisory Board as well as the adjustment of the Rules of Procedure of the Executive Board, Supervisory Board, and Audit Committee in view of the amendments to the Code. The Supervisory Board also resolved the necessary amendment to the Articles of Association to reflect the reduction of the nominal capital and the changed number of shares resulting from the cancelation of shares.

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 (2021: four 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 the appointments of Roland Auschel and Brian Grevy and the amicable termination of the appointment of Kasper Rorsted. Moreover, the General Committee comprehensively prepared the search for a successor to the Chief Executive Officer and the appointment of Bjørn Gulden. Regarding Executive Board compensation, the General Committee drafted proposals for resolutions on the targets, target achievement, and amount of the variable performance-related compensation, and pre-examined the appropriateness of the Executive Board compensation. Furthermore, the General Committee discussed in detail the compensation report and the long-term succession planning for the Executive Board. The adjustment of the Supervisory Board compensation and the horizontal comparison to ascertain the appropriateness of the Executive Board compensation were also prepared by the General Committee for the entire Supervisory Board.

The **Audit Committee** held four meetings in the year under review (2021: 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 follows the recommendation of the Code and regularly confers 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 2021 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 2021 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 dealt intensively with the continued development and monitoring of the effectiveness of the Risk Management System, the Internal Audit System, the Internal Control System, and the Compliance Management System. Other matters discussed in detail were the assignment of the audit mandate to the auditor appointed by the Annual General Meeting and the determination of the audit fees and key audit matters. 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, for the first time, 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 independence and qualification of the auditor, while also taking into account the non-audit services provided by the auditor. With regard to the quality of the audit, the Audit Committee determined on the basis of the auditor's report on its own quality assurance system, the findings of the German Auditor Oversight Body (Abschlussprüferaufsichtsstelle – APAS), and its internal quality review, that there were no indications of quality issues in the 2021 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 had in-depth discussions about the transition regarding the external rotation of the auditor in 2023 and dealt thoroughly with the audit plan and risk management report. At each committee meeting, the Audit Committee was also informed about the findings and developments of the Internal Audit department as well as in the area of compliance.

Furthermore, the meetings of the Audit Committee covered topics such as data protection and information security, business partner due diligence, adidas Global Business Services as well as sustainability issues at adidas (including the Executive Board compensation target 'share of sustainable articles offered' – '9 out of 10'). Other topics were the German Supply Chain Act, the KPIs of the non-financial statement, and amendments to the Code. The provisions of the Corporate Sustainability Reporting Directive and the impact of currency effects on the business of adidas, including the associated hedging strategy and pension obligations, were also discussed by the Audit Committee.

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

As in previous years, the **Mediation Committee** to be established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG) did not have to be convened in the year under review.

ELECTION AND COMPOSITION OF THE SUPERVISORY BOARD

The long-serving Supervisory Board member Roland Nosko resigned as employee representative from the Supervisory Board with effect from the end of August 31, 2022. With effect from September 1, 2022, and for the period until the end of the 2024 Annual General Meeting, Birgit Biermann was appointed by court as new employee representative on the Supervisory Board. This was also the reason for changing the composition of the General Committee, and Michael Storl was elected as new General Committee member with effect from October 12, 2022. ► 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 offered Supervisory Board members who joined the Supervisory Board during the year under review, or who assumed new responsibilities within the Supervisory Board, an introduction to the work of the Supervisory Board and/or to new areas of responsibility within adidas AG. The Supervisory Board members were given detailed resources on the business and subject areas that are relevant to their particular tasks. In addition, the Supervisory Board attended a company presentation that included the latest innovations and new product launches from adidas and its cooperation partners. Furthermore, the company regularly informs the Supervisory Board about current legislative changes and external training opportunities and provides the Supervisory Board with relevant specialist literature.

CHANGES TO THE EXECUTIVE BOARD

In August 2022, the Supervisory Board and Kasper Rorsted mutually agreed on the resignation of Kasper Rorsted from his position as Chief Executive Officer. In November 2022, the Supervisory Board appointed Bjørn Gulden as new Executive Board member and Chief Executive Officer with effect from January 1, 2023. In agreement with the Supervisory Board, Kasper Rorsted resigned from his position as Chief Executive Officer upon expiry of November 11, 2022, and left the company. Harm Ohlmeyer was appointed as interim Chief Executive Officer for the period from November 12, 2022, to December 31, 2022. Moreover, we extended the mandate of Brian Grevy, responsible for Global Brands, by five years effective February 2023 and the mandate of Roland Auschel, responsible for Global Sales, by two years effective January 2023 until December 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 discussed at their meetings the requirements of the German Stock Corporation Act and the Code in regard to corporate governance. Further detailed information on corporate governance within the company can be found in the Declaration on Corporate Governance. ► SEE DECLARATION ON CORPORATE GOVERNANCE

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2022 and was made permanently available on our website. ► 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 International, Inc., and the Supervisory Board member Jackie Joyner-Kersee 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

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

KPMG audited the 2022 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 2022 annual financial statements of adidas AG, prepared in accordance with the requirements of the German Commercial Code, and the combined Management Report of adidas AG and the adidas Group. Furthermore, at the request of the Supervisory Board, KPMG audited the non-financial statement. The financial statements, the proposal on the appropriation of retained earnings, and the auditor's reports of the annual 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 6, 2023, and at the balance sheet meeting of the Supervisory Board on March 7, 2023, during which the Executive Board explained the financial statements in detail. At both meetings, the auditor reported on the material results of the audit, inter alia with regard to the audit focus points agreed as well as the key audit matters, and was available for questions and the provision of additional information. The auditor did not report any significant weaknesses with respect to the Internal Control and Risk Management Systems relating to the accounting process. Prior to the passing of the resolution, the auditor 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 first-time 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 discussed in depth and approved the Executive Board's proposal concerning the appropriation of retained earnings for the 2022 financial year.

Based on our own examinations of the annual and consolidated financial statements (including the non-financial statement), we came to the conclusion that there are no objections to be raised. Following the recommendation of the Audit Committee, the Supervisory Board therefore approved the audit results and the financial statements prepared by the Executive Board, including the non-financial statement, for the 2022 financial year. The annual financial statements were thus adopted. As the responsible audit partners, auditor Angelika Huber-Straßer has signed the annual financial statements since the 2021 financial year and auditor Johannes Hanshen since the 2022 financial year.

KPMG has been acting as auditor and Group auditor for adidas AG since the 1995 financial year. On the basis of the transitional periods of Article 41 Regulation (EU) No. 537/2014, KPMG may not be reappointed as auditor after June 17, 2023. In the 2021 financial year, the Audit Committee had already conducted a tendering and selection process for a new auditor for the 2023 financial year in accordance with the requirements of Article 16 section 3 of the EU Audit Regulation. Based on the proposal prepared by the Audit Committee, the 2022 Annual General Meeting, upon proposal of the Supervisory Board, appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft as auditor and Group auditor for the 2023 financial year. Prior to this, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft had confirmed to both the Supervisory Board and Audit Committee that there are no circumstances that could prejudice their independence as auditor or that could cast doubt on the independence of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

EXPRESSION OF THANKS

On behalf of the entire Supervisory Board, I would like to thank the long-serving Supervisory Board member Roland Nosko, who resigned during the year under review, for his tremendous dedication to the company and his exceptional work on the Supervisory Board. Furthermore, 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 Kasper Rorsted, who resigned from the Executive Board in mid-November, for his achievements for the company during the past six years. He strategically repositioned the company and fast-forwarded its digital transformation. In North America, the world's largest sporting goods market, adidas has doubled its sales during his term of office since 2016. In addition, with Kasper Rorsted at the helm, adidas has strengthened its leadership position in sustainability and increased Diversity, Equity, and Inclusion throughout the company. We would like to express our gratitude and respect for these achievements.

For the Supervisory Board

THOMAS RABE
CHAIRMAN OF THE SUPERVISORY BOARD
March 2023

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)

In December 2021, the adidas AG Executive Board and Supervisory Board issued the last Declaration of Compliance with the German Corporate Governance Code in the version of December 16, 2019, published in the Federal Gazette on May 20, 2020, pursuant to § 161 AktG. The following declaration refers to the recommendations of the 'Government Commission on the German Corporate Governance Code' in the version of December 16, 2019 ('Code 2019') and the version of April 28, 2022, published in the Federal Gazette on June 27, 2022 ('Code 2022').

1. The adidas AG Executive Board and Supervisory Board declare that since the last declaration, the recommendations of the Code 2019 have been met with the following exceptions:

Recommendation C.5 Alternative 1 Code 2019

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 Code 2019 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 Alternative 2 Code 2019

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. 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.

2. Furthermore, the adidas AG Executive Board and Supervisory Board declare that since the last Declaration of Compliance, the recommendations of the Code 2022 have been and are met with the following exceptions:

Recommendation B.3 Code 2022

With effect from January 1, 2023, the Supervisory Board has appointed Bjørn Gulden as member of the Executive Board and Chief Executive Officer for a period of five years, thus exceeding the term of office of three years recommended for initial appointments.

The Supervisory Board is of the opinion that, in view of Bjørn Gulden's qualification and experience and the implementation of long-term strategic decisions and goals, an initial appointment of five years is in the company's best interest.

Recommendation C.5 Alternative 1 Code 2022

Bjørn Gulden, appointed member of the Executive Board and Chief Executive Officer from January 1, 2023, holds mandates with requirements comparable to mandates in non-group listed companies at Tchibo GmbH and Salling Group A/S, a stock corporation under Danish law which is not listed. Furthermore, he holds a mandate at Essity Aktiebolag (publ)., a listed stock corporation under the laws of the Kingdom of Sweden. The Supervisory Board is convinced that Bjørn Gulden's mandates will not affect the due performance of his duties as a member of the Executive Board and Chief Executive Officer. In particular, the Supervisory Board has assured itself that Bjørn Gulden will have sufficient time to perform his duties.

Recommendation C.5 Alternative 1 Code 2022

With regard to the mandates held by Ian Gallienne, reference is made to the above explanations. We are of the opinion that in accordance with its rationale, recommendation C.5 alternative 1 Code 2022 is not applicable to Ian Gallienne. For precautionary reasons, however, a deviation is declared.

Recommendation C.5 Alternative 2 Code 2022

With regard to the mandate held by Thomas Rabe, reference is made to the above explanations. The Supervisory Board is convinced that Thomas Rabe's mandate 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.

Herzogenaurach, December 2022

For the Executive Board HARM OHLMEYER 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

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 both in terms of 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. Upon expiry of November 11, 2022, Kasper Rorsted, who had been Chief Executive Officer until then, departed from the Executive Board of adidas AG. Thus, the Executive Board consisted of five members at the balance sheet date. With effect from January 1, 2023, Bjørn Gulden was appointed as ordinary member of the Executive Board and Chief Executive Officer. Since this point in time, the Executive Board of adidas AG once again consists of six 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 identifies and assesses risks and opportunities for the company associated with social and environmental factors as well as the ecological and social impacts 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 System and Risk Management System appropriate and effective with regard to the scope of business activities and the company’s risk situation, comprising, both, a Compliance Management System aligned to the company’s risk situation and 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. It is tied to the company's interest 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 continuously report to the CEO 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 accounts for diversity 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 outlined 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 new Chairman of the Supervisory Board. Due to Herbert Kauffmann's departure, Jackie Joyner-Kersee 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 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 expire at the end of the 2024 Annual General Meeting.

In order to increase the efficiency of its work and to deal with complex topics, the Supervisory Board has formed five permanent committees from within 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 Roland Nosko (until August 31, 2022) Michael Storl (since October 12, 2022)
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 Code 2022. The Chairmen of the committees report to the Supervisory Board on the results of the committee work on a regular basis.

Further information on the committees can be found on the company's website.
► ADIDAS-GROUP.COM/S/SUPERVISORY-BOARD-COMMITTEES

In the 2022 financial year, after implementing the provisions of the Act to Strengthen Financial Market Integrity (Gesetz zur Stärkung der Finanzmarktintegrität – FISG) in the 2021 financial year, the Supervisory Board amended its Rules of Procedure as well as the Rules of Procedure of the Audit Committee to reflect the amendments to the Code 2022 adopted on April 28, 2022. The amendments clarify that the Supervisory Board's supervision and advising activities also include sustainability issues. Accordingly, non-financial reporting and its audit and assurance are also included in accounting and auditing 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

In the 2022 financial year, the Supervisory Board also revised the objectives regarding its composition (including the competency profile for the entire Supervisory Board) once again, taking into account the new recommendations of the Code 2022, and made them more specific with particular regard to the sustainability issues relevant to adidas. These 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. To this end, it is ensured that the Supervisory Board as a whole possesses the competencies considered essential in view of adidas'

activities. This includes, 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 in the areas of digital transformation and information technology (including IT security), production, marketing, and sales, in particular also in 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, 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 members of the Supervisory Board as a whole must be familiar with the sporting goods industry.
► ADIDAS-GROUP.COM/S/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 2022, whereby it is assumed that the independence of employee representatives is not impaired either by their role as employee representatives or 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 2022, 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 should be 72 years at the time of their appointment. As a rule, the length of membership in the Supervisory Board should not exceed 15 years or three terms of office.

In the Supervisory Board's assessment, the Supervisory Board as a whole in its current composition fulfills the objectives stated and the competency profile. With Bodo Uebber, Chairman of the Audit Committee, and Thomas Rabe, Chairman of the Supervisory Board, at least two members of the Supervisory Board have substantial expertise in the fields of accounting or auditing. In addition to Kathrin Menges, the Supervisory Board member responsible for ESG, Bodo Uebber also possesses specific expertise and experience in the application of accounting principles and internal control and risk management systems as well as 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 election proposals to the Annual General Meeting are always prepared by the Nomination Committee. They take into account the objectives regarding the Supervisory Board's composition resolved upon by the Supervisory Board and are aimed at fulfilling the competency profile developed by the Supervisory Board for the Board as a whole. The Supervisory Board pays attention to a balanced composition to ensure that the required know-how is represented on as broad a scale as possible. Moreover, the Supervisory Board ascertains 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, 2022	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, 2022	Udo Müller	Petra Auerbacher	Birgit Biermann	Bastian Knobloch	Beate Rohrig	Frank Scheiderer	Michael Storl	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, 2022	Thomas Rabe (2019)[1]	Ian Gallienne (2016)[1]	Jackie Joyner-Kersee (2021)[1]	Christian Klein (2020)[1]	Kathrin Menges (2014)[1]	Nassef Sawiris (2016)[1]	Bodo Uebber (2019)[1]	Jing Ulrich (2019)[1]
Accounting[2]	✓				✓ (AC)[4]		✓ (AC)[4]	
Auditing[3]	✓				✓ (AC)[4]		✓ (AC)[4]	
ESG	✓ (G)[5]	✓ (G)[5]	✓ (S)[5]	✓ (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 & 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, 2022	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 Storl (2019)[1]	Günter Weigl (2019)[1]
Accounting[2]								
Auditing[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 & 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 the strategy, planning, business development, on the company's risk situation, the risk management and the compliance organization as well as material compliance cases and litigation, and 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 prior 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/S/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/S/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/S/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 in detail the latest developments in corporate governance, especially the new requirements of the Code 2022 and the sustainability issues relevant to adidas.

Moreover, the Supervisory Board as well as the Audit Committee, General Committee, and Nomination Committee regularly assess the efficiency of their work. As the improvement measures for increasing the efficiency of the Supervisory Board's work resolved upon in 2020 were deemed to have been implemented successfully in the 2021 financial year, the Supervisory Board conducted another efficiency examination of its work in October 2022 and concluded that the Supervisory Board as a whole as well as its respective committees are efficient, and resolved upon specific measures to further improve the organization of the Supervisory Board's work.

The compensation of the Supervisory Board members is set out in the Compensation Report.
► ADIDAS-GROUP.COM/S/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 will be 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 to leadership positions.
► SEE OUR PEOPLE

With Amanda Rajkumar joining the Executive Board, the target set by the Supervisory Board of 1/7 respectively 14.29% for the representation of women on the Executive Board with the deadline of June 30, 2022, had already been fulfilled. At the same time, the requirements set forth in § 76 section 3a AktG introduced with the Second Leadership Positions Act (Führungspositionengesetz – FüPoG II) are fully met, which requires that at least one woman and at least one man be appointed as members of the Executive Board.

In addition, the Executive Board has set targets and deadlines for female representation in the first two management levels of adidas AG.

As the targets for the first management level and the second management level had already been exceeded on December 31, 2021, with 38% and 31%, respectively, the Executive Board defined a percentage share of female representation of 39% for the first management level and 31% for the second management level. The Executive Board set December 31, 2023, as deadline for achieving these two targets. As at the balance sheet date, the percentage share of women amounted to 44% for the first management level and 37% for the second management level. Moreover, the global share of women in leadership positions amounted to 39%, which means that the target of 39% was met.

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 had not objected 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, 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, 2022, six of the company's 16 Supervisory Board mandates were held by women.

Within the framework of the employee strategy already launched in 2021, 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 AG and Jackie Joyner-Kersee. 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-Kersee. The Supervisory Board passed a unanimous resolution approving this agreement without the participation of Jackie Joyner-Kersee. ► 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

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 significantly increase our commitment to sustainability in the years ahead. In addition to the continued digital transformation of the company, we are working closely with our partners in the global supply chain to reduce energy consumption and increase the proportion of green energy we use. By 2025, nine out of every ten adidas articles should be made from more sustainable materials, while the carbon footprint per product should be reduced by 15% in comparison to baseline year 2017. adidas aims for climate-neutral operation at its locations by 2025 and to reach complete climate neutrality by 2050.

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

COMPLIANCE AND RISK MANAGEMENT

Compliance with laws, internal and external provisions, and 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

In addition, we provide all documents and information on our Annual General Meeting on our website. In view of the uncertainties surrounding the coronavirus pandemic and to protect the health of our shareholders, employees, and other participants, the Annual General Meeting was held once again in a virtual format on May 12, 2022. We were determined to allow our shareholders to participate in the virtual event as comprehensively as possible within the legal framework and the pandemic-related restrictions. As in previous years, coverage of the Annual General Meeting was available to adidas AG shareholders via our shareholder portal and to the general public via our website. The Executive Board and Supervisory Board provided detailed answers to pre-submitted questions. The content of the CEO's speech was published prior to the Annual General Meeting. Finally, in 2022 as well, it was possible to share video messages with all adidas shareholders via the shareholder portal, which were also shown during the Annual General Meeting. In addition, for the first time, the shareholders of adidas AG had the opportunity to ask follow-up questions relating to questions submitted in advance and answered by the Executive Board or the Chairman of the Supervisory Board. The measures undertaken were intended to align our shareholders' justified interests in a broadest possible participation in the Annual General Meeting on the one side with the company's responsibility to protect the health of all participants on the other.
► 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

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 29 ▶ SEE OUR PEOPLE ▶ 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 27

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).

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed as auditor for the 2022 annual financial statements and consolidated financial statements by the Annual General Meeting. The Supervisory Board had previously assured itself of the auditor's independence. ▶ SEE REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

OUR SHARE

Global stock markets were volatile in 2022 and ended the year significantly below prior-year levels. The DAX and the EURO STOXX 50 decreased by 12% each, while the MSCI World Textiles, Apparel and Luxury Goods Index was down 24% as a result of severe macroeconomic challenges and geopolitical tensions. In this generally negative market environment, the adidas AG share underperformed the broader stock market and ended 2022 with a decrease of almost 50% compared to the prior year.

GLOBAL STOCK MARKETS SIGNIFICANTLY LOWER AT THE END OF 2022

After heightened volatility throughout the year, global stock markets were significantly lower at the end of 2022 compared to 2021. The war in Ukraine and the continued negative impact of the covid-19 pandemic as well as their economic consequences severely impacted investor sentiment. Global central banks addressing multi-year high inflation levels with interest rate hikes also weighed on financial markets. Against this negative backdrop, the DAX and the EURO STOXX 50 lost 12% each in 2022, while the MSCI World Textiles, Apparel and Luxury Goods Index decreased by 24%. In addition to general market pressure, the adidas AG share underperformed the broader stock market and ended 2022 with a decrease of almost 50% compared to the prior year. Apart from severe macroeconomic challenges and geopolitical tensions, a further deterioration of traffic trends in Greater China, significant inventory build-up also in major Western markets, the incurrence of several one-off costs as well as the negative impact from the termination of the Yeezy partnership weighed on the development of the adidas AG share.

LEVEL 1 ADR UNDERPERFORMS COMMON STOCK

Our Level 1 ADR closed 2022 at US $ 67.74, representing a decrease of 53% versus the prior year level (2021: US $ 144.00). The more pronounced decrease 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 2022. The number of Level 1 ADRs outstanding decreased to 9.5 million at year-end 2022 compared to 10.9 million at the end of 2021. The average daily trading volume increased to around 172,000 ADRs in 2022 (2021: around 65,000). Further information on our ADR program can be found on our website. ► ADIDAS-GROUP.COM/ADR

ADIDAS AG SHARE MEMBER OF IMPORTANT INDICES

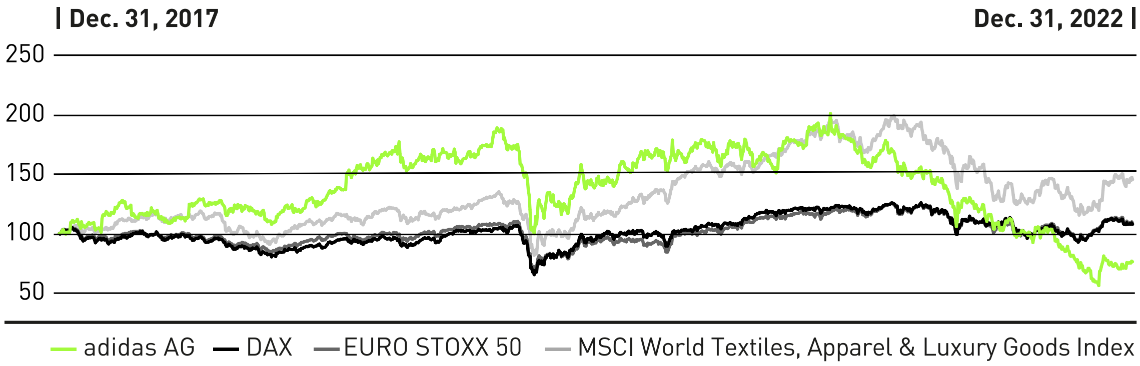
The adidas AG share is part of a variety of high-quality indices around the world such as the DAX, the EURO STOXX 50 Index as well as the MSCI World Textiles, Apparel and Luxury Goods Index. At December 31, 2022, our weighting in the DAX was 2% (2021: 3%) and we ranked 19 on market capitalization (2021: 12).

PERFORMANCE OF THE ADIDAS AG SHARE AND IMPORTANT INDICES AT YEAR-END 2022 IN %

	1 year	3 years	5 years	10 years
adidas AG	(50)	(56)	(24)	89
DAX	(12)	5	8	83
EURO STOXX 50	(12)	1	8	44
MSCI World Textiles, Apparel and Luxury Goods Index	(24)	12	45	121

Source: Bloomberg.

FIVE-YEAR SHARE PRICE DEVELOPMENT [1]



1 Index: December 31, 2017 = 100. Source: Bloomberg.

ADIDAS AG SHARE

		2022	2021	Important indices
Number of shares outstanding at year-end[1]	shares	178,537,198	191,594,855	— DAX — EURO STOXX 50 — MSCI World Textiles, Apparel and Luxury Goods — MSCI World ESG Leaders Index — FTSE4Good Index Series
Basic earnings per share[2]	€	1.25	7.47	
Diluted earnings per share[2]	€	1.25	7.47	
Year-end price	€	127.46	253.20	
Year high	€	260.85	336.25	
Year low	€	93.95	245.00	
Market capitalization[3]	€ in millions	22,756	48,512	
Dividend per share	€	0.70[4]	3.30	
Dividend payout	€ in millions	125[4]	610	
Dividend payout ratio[2]	%	49.2[4]	40.9	
Dividend yield	%	0.5[4]	1.3	
Shareholders' equity per share[3]	€	27.96	39.24	
Price-earnings ratio at year-end[5]	x	102.4	33.9	
Average trading volume per trading day[6]	shares	783,409	546,483	

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 dividend of € 0.70 per dividend-entitled share to shareholders at the Annual General Meeting on May 11, 2023 (2022: € 3.30). The total payout of € 125 million (2022: € 610 million) reflects a payout ratio of 49.2% (2022: 40.9%) of net income from continuing operations. This is at the upper end of the target range of between 30% and 50% of net income from continuing operations as defined in our dividend policy.

Dividend

€ 0.70 (subject to Annual General Meeting approval)

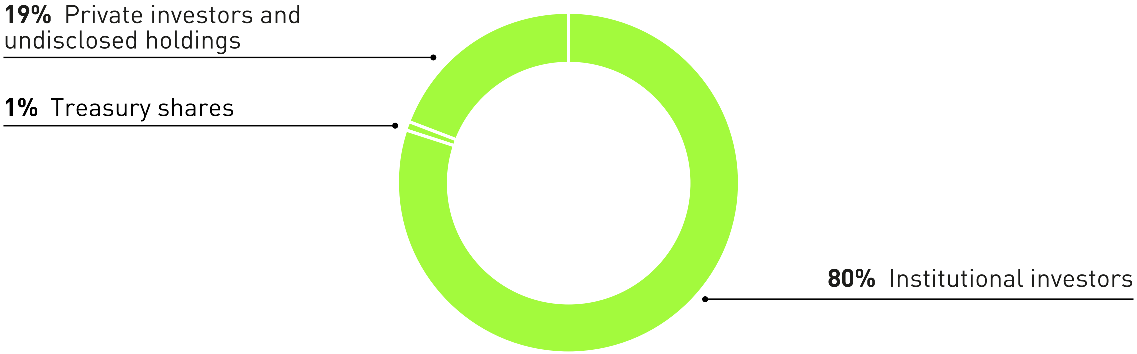
ADIDAS RETURNS MORE THAN € 3,100 MILLION TO SHAREHOLDERS IN 2022

In December 2021, adidas had introduced its latest multi-year share buyback program. The first tranche of this program launched on January 10, 2022 and was completed on February 22, 2022. During that period, the company bought back 4,156,558 shares for a total amount of € 1,000 million. In addition to the company's regular buyback activities and against the background of the formal closing of the Reebok divestiture on February 28, 2022, adidas launched a second share buyback program to return the cash proceeds from the Reebok divestiture to its shareholders. As a result, between March 14 and October 10, 2022, adidas bought back 8,978,138 shares for a total consideration of € 1,500 million. Taking into account both share buybacks, adidas bought back 13,134,696 shares for a total amount of € 2,500 million in 2022. Including the dividend payment of € 610 million in May 2022, the company returned more than € 3,100 million to its shareholders in 2022. After the completion of both share buybacks in 2022, adidas decided to cancel a total of 12,100,000 treasury shares, reducing the company's share count and stock capital accordingly.

STRONG INTERNATIONAL INVESTOR BASE

Based on our share register, the adidas AG currently has more than 169,000 shareholders (2021: more than 125,000). The higher number of shareholders was mainly driven by an increase in the number of German retail investors. In our latest ownership analysis conducted in December 2022, we identified almost 100% of our shares outstanding. Institutional investors represent the largest investor group, holding 80% of shares outstanding (2021: 81%). Private investors and undisclosed holdings account for 19% (2021: 19%). Lastly, adidas AG currently holds 0.8% of the company's shares as treasury shares (2021: 0.3%). This increase is mainly driven by our share buyback activities.

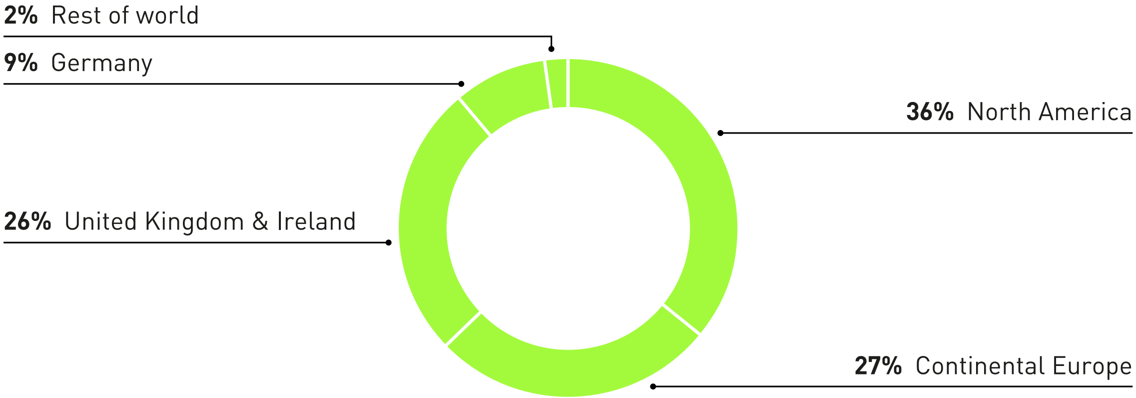
SHAREHOLDER STRUCTURE BY INVESTOR GROUP[1]



1 As of January 2023.

In terms of geographical distribution, the North American market currently accounts for 36% of institutional shareholdings (2021: 31%), followed by the UK and Ireland with 26% (2021: 26%). Identified German investors hold 9% of institutional shareholdings (2021: 12%). Institutional investors from other continental European countries account for 27% (2021: 28%) and 2% of institutional shareholders were identified in other regions of the world (2021: 3%).

SHAREHOLDER STRUCTURE BY REGION[1,2]

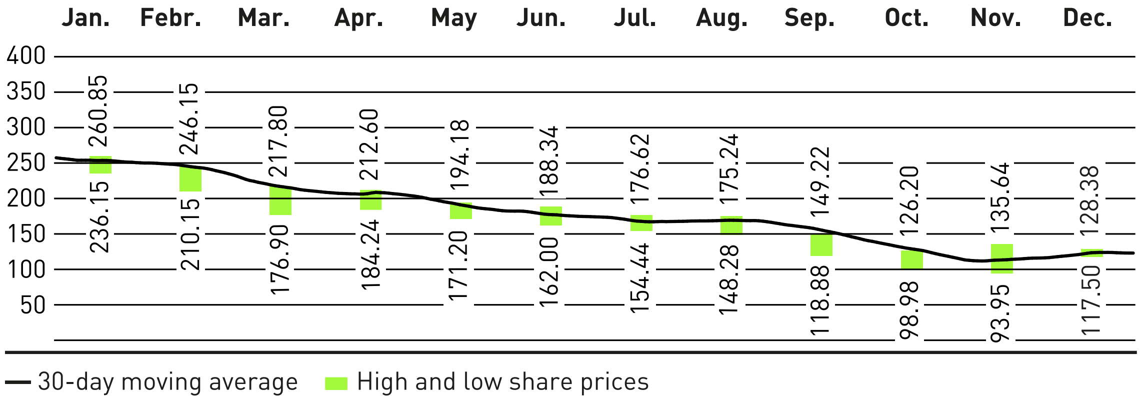


1 As of January 2023.
2 Reflects institutional investors only.

MAJORITY OF ANALYSTS WITH A NEUTRAL RATING OF THE ADIDAS AG SHARE

37 analysts from investment banks and brokerage firms regularly publish research reports on adidas. As at December 31, 2022, 57% of analysts recommended investors to 'hold' our share (2021: 31%), 32% advised investors to 'buy' our share (2021: 63%), and 11% recommended to 'sell' our share (2021: 6%).

ADIDAS AG HIGH AND LOW SHARE PRICES PER MONTH [1] IN €



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

VOTING RIGHTS NOTIFICATIONS PUBLISHED

All voting rights notifications received in 2022 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 ▶ SEE NOTE 26

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

2

GROUP MANAGEMENT REPORT OUR COMPANY

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

STRATEGY

With sport playing an increasingly important role in more and more people's lives, both on and off the field of play, we operate in a highly attractive industry. Based on the authenticity of the adidas brand and our constant efforts to understand our consumers' needs, we aim at capitalizing on the acceleration of favorable long-term structural trends by pushing the boundaries of products, experiences, and services.

Since the creation and launch of our 'Own the Game' strategy, the economic and political environment we operate in has significantly changed. Macroeconomic challenges as well as geopolitical tensions have had an adverse impact on our business, our consumers, and business partners. Paving the way for a restart, Bjørn Gulden joined adidas as new CEO in January 2023. In this context, we are currently conducting a thorough strategic review, which also includes the financial ambition for 2025. We will provide an update on the outcome of this review in the course of the second half of 2023 and, in the meantime, continue to diligently execute our functional priorities.

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 cultures and remain one of the most recognized and iconic brands, on and off the field of play, we need to maintain credibility. This means delivering groundbreaking innovations in sports, as well as cutting-edge fashion items that are culturally relevant. We are continuously sharpening our edges of adidas 'Performance' and 'Lifestyle' and therefore have introduced our new 'Sportswear' proposition as a part of adidas' updated brand architecture.

For over 70 years, we have innovated for sports. The performance logo 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 other hand, adidas Originals caters to lifestyle in a futuristic way and is motivated by the collective memory of sports. adidas Originals represents brand classics and new visionary designs. The brand with the iconic Trefoil celebrates products that connect to culture, leveraging our archive, and expanding into new premium and luxury segments. Lastly, our newest addition 'Sportswear,' is built for everyone. It is born from sport and worn for style. Sportswear provides everyday products that redefine comfort, versatility, and aesthetics, with the first collection launched in 2022.

FRANCHISES AS LIGHTHOUSES FOR OUR BRAND

We believe that brand perception is largely influenced by footwear and has the potential to drive consumer desire among product categories, a lever for growing market share. An archive that is unrivaled in the industry, cutting-edge technological breakthroughs, and access to fundamental athlete insights provide plenty of opportunities to create newness in footwear and push the industry boundaries. Franchises are one of our strategic priorities with the ambition to focus and reduce the number of footwear models overall. Simply put, franchises are our most iconic symbols of sport and culture acting as lighthouses for our brand. They represent the very best of adidas, influencing not only sport but also culture, reimagining the notions of performance and lifestyle footwear while contributing to building our brand equity. Through uncompromised functionality, iconic design markers, and unique stories they are clearly targeted toward the consumer and have the potential to be iterated over time to preserve desirability. Their life cycles are also diligently managed to maintain consumer relevance and commercial longevity. Key footwear franchises for the adidas brand include, among others, Superstar, Stan Smith, Samba, Ultraboost, and NMD. In 2022, key footwear franchises represented almost 33% of the brands footwear business. On the apparel side, adidas manages a portfolio of franchises including the Tiro Pant, MyShelter Jacket, and the Z.N.E. Hoodie.

BRAND DESIRABILITY FUELED BY INNOVATION AND COLLABORATIONS

Innovation is a key enabler for success in our industry. We are applying an innovative mindset to all aspects of our business – from creation to consumer, in order to create tangible proof points of our credibility, elevate experiences, and push the boundaries in sustainability. In addition to leveraging iconic 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´s best for the athlete. We aim to bring new groundbreaking technologies and processes to life, investing in sustainability, and exploring all the possibilities of digitalization. Our key technology platforms Boost, Lightstrike, Repetitor, 4D, and Strung are proof points for our broader innovation approach. We bring functionality and meaning together, where we work on nothing but experientially focused examples of elevated human performance. We invest in manufacturing techniques and new technologies aiming to address deeply understood athlete challenges.

We also collaborate with athletes and consumers, universities, and innovative companies, as well as national and international governments and research organizations. We are enhancing our innovative collaboration with both our established partners such as BASF and Carbon, while simultaneously seeking out new partnership opportunities with brands sharing our sustainability mission, such as Infinited Fiber Company.

COMMERCIALIZATION OF INNOVATIONS

We believe developing industry-leading technologies, materials, and consumer experiences is only one aspect of being an innovative leader. Equally important is the successful commercialization of those innovative concepts.

We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance, competitive products. In 2022, we continued to serve consumers with innovative technologies, materials and sustainable concepts built into our products:

- **'Bra Revolution':** Sports bras are among the most essential workout pieces, but many women aren't wearing the right size. That is why we have redesigned our entire bra line with 43 new styles in 72 sizes to fit more bodies and workouts than ever before. In February 2022, we launched the 'Bra Revolution' campaign which was the biggest campaign activation for Training in 2022. Using the latest material and design innovations, the new collection features training bras, studio bras, everyday bras, and running bras.
- **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 makes it possible to map and program different fiber properties thread by thread. With a flexible and a lightweight seamless cocoon feel around the foot, Strung helps optimize comfort and supports the athlete on long distance runs. The Strung upper is fused to a Prime X outsole packed with carbon EnergyRODS and three layers of Lightstrike Pro for a responsive run.
- **4DFWD 2:** The shoe's industry-first bowtie-shaped lattice midsole transforms vertical pressure into a horizontal force, designed to move runners in one direction only: forward. 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 on the pavement. With the 4DFWD 2, we have introduced a new Continental outsole that provides extra grip for a confident run in any weather condition. We also introduced an all-new Primeknit+ and engineered mesh upper construction for an extra supportive and snug fit. Complemented by a new integrated heel counter, Primeknit+ offers a sock-like fit, while areas of engineered mesh provide support exactly where runners need it most. Made with a series of recycled materials, the upper features at least 50% recycled content.

– **Adizero Adios Pro 3:** The newest addition to the iconic Adizero range, the Adizero Adios Pro 3 is a true testament to the brand's continued dedication to elevating the performance of runners by helping them push the boundaries of what is possible. Launching in two colorways, the Adizero Adios Pro 3 features EnergyRODS 2.0 embedded in the midsole that run parallel to the metatarsals, Lightstrike Pro foam that provides cushioning and energy return to support runners, a new race-ready upper, and a Continental rubber outsole with traction to help take corners at a fast pace. In addition, the product is made in part with a series of recycled materials. In 2022, half of the twelve major marathons worldwide were won by athletes wearing Adizero.
– **'Al Rihla' – official match ball of the FIFA World Cup Qatar 2022:** 'Al Rihla' means 'the journey' in Arabic and was inspired by the architecture, iconic boats, and flag of Qatar. The ball is designed to support the highest game speeds as it travels faster in flight than any other World Cup ball. Designed from the inside out using data from rigorous testing in adidas labs, wind tunnels, and on the field, Al Rihla offers the highest level of accuracy and reliability on the field of play, in part due to its new panel shape and surface textures. Additionally, 1% of all ball net sales in Football will be donated to the Common Goal movement to help drive social change and support grassroots football communities worldwide.
– **adidas by Stella McCartney – 'Made To Be Remade' capsule:** The 'Made To Be Remade' program is adidas' first approach to delivering the potential of circular fashion, following the launch of its Futurecraft.Loop shoe in 2019 – an early prototype of circular footwear. The adidas by Stella McCartney garment, launched in 2022, is the latest milestone demonstrating the successful implementation of the entire value chain to produce a commercial end-of-life garment. Joining forces with leading names and innovators in the fashion industry to create, test, and innovate, the adidas by Stella McCartney tracksuit forms the pinnacle expression of the brand's pilot circularity program 'Made To Be Remade,' a take-back program that allows consumers to wear down products and then return them by scanning a QR code on the product for it to be remade.

Beyond innovative technologies, sustainable concepts and materials, key products, and collaborations of the 2022 business year include:

– **adidas x Gucci:** Originally debuting on the 'Exquisite Gucci' runway, the first adidas x Gucci collection dropped in June 2022 in select Gucci stores, dedicated pop-up stores and digital channels such as the adidas Confirmed app. The collection expands on the creative concept founded on an affinity for the three stripes. Reflecting a shared commitment to innovation, progress, sustainability goals, and collective action, the collection features multiple pieces crafted with future-conscious material fabrications including polyester, cotton, and viscose.
– **adidas NFT wearable collection:** adidas Originals unveiled a limited collection of blockchain-based virtual wearables, released as non-fungible tokens (NFTs). The collection represented the brand's first NFT collection of wearables, which is a new, interoperable product category adidas calls 'Virtual Gear.' The launch of this 16-piece collection accelerates adidas Originals' drive towards strengthening its community-based, member-first, and open metaverse strategy. Designed to be worn by virtual avatars, and accessible through a Profile Picture (PFP) dressing tool, every piece within the NFT offering is interoperable with other identity-based projects and worlds. This means that the adidas collection is able to respond and adapt to the emerging metaverse environments, so that the 'Virtual Gear' is ready for all dimensions of Web3.
– **adidas x Calm:** On World Mental Health Day, adidas announced a new partnership with 'Calm,' the world's leading mental health platform. The two brands are uniting with the ambition of progressing sports performance by supporting mental well-being. The partnership will kick off as a pilot in the UK and US, with adiClub members able to redeem points to unlock Calm Premium services. There will also be a specially tailored set of Calm-created content available to all global users, curated by adidas and aligned to supporting sports performance. The initial collaboration will be based on the concept of 'Rest. Restore. Perform.' with the practice of mindfulness and mental fitness helping to strengthen

how athletes of all levels perform. In the longer term, the aim is to explore a range of co-created, unique, and experience-based benefits for adiClub members, as well as a broader integration of the two brands' digital ecosystems.

- **adidas x Soul Cap:** adidas announces its first swim cap made in partnership with London-based start-up 'Soul Cap.' This collaboration – which follows last summer's launch of adidas' full-coverage and inclusive sizing swimwear ranges – is part of the brand's ongoing commitment to make water sports more accessible. adidas and Soul Cap share the belief that sports belongs to everyone and participation is possible for everyone. By offering a swimwear product suitable for a range of hairstyles, the brands are joining efforts on their quest to increase access and inclusivity to swimming.

IMPACTFUL AND EFFECTIVE MARKETING INVESTMENTS

An additional important building block of creating brand desirability and winning the consumer are our marketing investments. 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 overarching several categories under 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 2022 brand marketing plan showcased a variety of activations at all levels of the marketing funnel:

- **'I'mPossible':** In the first quarter of 2022, adidas continued its 'Impossible is Nothing' story with the announcement of its biggest ever commitment to women: 'I'mPossible.' Driven by its company purpose 'Through sport, we have the power to change lives,' the brand released a fully integrated campaign to launch major new women-focused product innovations, including the most inclusive bra range to date, alongside enhanced support for established and emerging athletes, and new grassroots programs. The campaign spotlighted a global collective of inspiring women who are breaking down barriers in sport and beyond. In addition to the new collection of sports bras, the campaign also featured Ultraboost 22, a running shoe built to address differences between male and female instep height, heel anatomy and gait cycle trend.
- **Run for the Oceans ('RFTO'):** Under the umbrella of 'Together, impossible is nothing,' we continued to elevate our purpose to help end plastic waste with the fifth edition of the 'Run for the Oceans' (RFTO) in May 2022. Compared to previous years, RFTO 2022 included more sports activities such as tennis,

football, and wheelchair movement. The goal was to encourage global sporting communities and motivate nine million participants to collect 250 million active minutes by June 8, 2022, World Oceans Day. For every ten minutes of movement, adidas together with Parley, pledged to cleaning up the equivalent weight of one plastic bottle – up to a maximum of 250,000 kg.
- **X-Speedportal:** A highlight in summer was the launch of the new X-Speedportal football boot, the latest innovation from the adidas' X-Speed boot franchise designed for players to enjoy acceleration while providing grip for movement in any direction. For the marketing campaign, adidas teamed up with Emmy award-winning animated comedy series 'Rick and Morty.' The campaign launched with a 90-second film featuring football players Mohamed Salah and Vivianne Miedema, as well as Rick and Morty. The film drove great awareness across all our channels – social, PR, digital, and retail. Among others, football clubs Arsenal London and Manchester United supported the campaign on social channels.
- **Members Week:** Building on the success of 'Members Week 2021,' we held this week-long digital festival twice in 2022 to celebrate the best of adidas, bringing some of the biggest product collaborations to consumers. During Members Week in April, many raffle opportunities were offered to members to win exclusive products and experiences. Items included, among others, a personalized workout plan from our adidas Runners coaches across the world or the chance to win the official World Cup match ball. The Members Week in October was kicked off with the Black Panther product pack drop exclusively for members in collaboration with Disney, as well as the Embroidery pack allowing members to express their style with a new adidas classic apparel collection and the launch of the Authentic Balance product pack celebrating training moments. Synced with Members Week, the event was extended to the Confirmed app to give the sneakerheads and streetwear community a chance to redeem points to access a Golden Ticket to secure their next hype drop. Members were eligible to win tickets to the FIFA World Cup in Qatar, as well as many other relevant local experiences driven by the markets.
- **Impossible is Nothing:** Rounding up 2022 with the FIFA World Cup Qatar 2022 set the stage for another chapter of 'Impossible is Nothing,' where adidas launched a month-long campaign, bringing its iconic brand partners together for a one-of-a-kind 'family reunion.' The campaign featured Lionel Messi, Karim Benzema, Achraf Hakimi, Son Heung-Min, Jude Bellingham, Pedro 'Pedri' González López, Serge Gnabry as well as musician Stormzy. adidas was the most talked about brand at the World Cup by reaching over one million social conversations. The Impossible is Nothing World Cup brand campaign was the most watched adidas campaign of all time reaching 2.3 billion video views overall. Furthermore, Lionel Messi's post after the World Cup final of him lifting the trophy and wearing the home jersey of Argentina became the most-liked Instagram content piece of all time.

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), UEFA Champions League (men's and women's), as well as new partnerships with race organizer 'Atlanta Track Club,' and the Brooklyn, Cape Town, and Rio Marathons. Along with the world-renowned Boston, Mexico City, and Berlin Marathons, these events provide an important link to running consumers.
- **High-profile teams:** National association football teams of Argentina, Belgium, Colombia, Germany, Italy, Jamaica, Japan, Mexico, and Spain, as well as top football clubs such as Arsenal London, F.C. Bayern Munich, Flamengo Rio de Janeiro, Juventus Turin, Manchester United and Real Madrid, the New Zealand All Blacks in rugby, national Olympic associations such as the British Olympic Association and German Olympic Sports Confederation, as well as American universities such as the University of Miami, Arizona State University, University of Washington, and Texas A&M University.

- **High-profile individuals:** Football stars Lionel Messi, Karim Benzema, Mo Salah, Paul Pogba, Pedro González López, Gianluigi Donnarumma, Serge Gnabry, Manuel Neuer, Jude Bellingham, Heung-min Son, Vivianne Miedema, Wendie Renard and Jürgen Klopp; basketball stars Candace Parker, Damian Lillard, Donovan Mitchell, James Harden, Trae Young, and Derrick Rose; American football players Patrick Mahomes, Aaron Rodgers, JuJu Smith-Schuster and Trevor Lawrence; tennis players Félix Auger-Aliassime, Maria Sakkari, Jessica Pegula, Garbiñe Muguruza, Alexander Zverev, Elena Rybakina, and Stefanos Tsitsipas; alpine skier Mikaela Shiffrin; outdoor athletes Sasha DiGiulian and Danny MacAskill; track and field athletes Noah Lyles and Shaunae Miller-Uibo, as well as marathon runner Evans Chebet.
- **Cultural marketing partners:** Anitta, Bad Bunny, Beyoncé, Blackpink, Craig Green, Deepika Padukone, Ding Yun Zhang, Dinos (Jules Jomby), Grace Wales Bonner, HoYeon Jung, Jay Park, Jeremy Scott, Jerry Lorenzo, Karlie Kloss, Léna Mahfouf, Lena Waithe, Lous and the Yakuza, Pharrell Williams, Sean Wotherspoon, and Stormzy.

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 shopping experience within the sporting goods industry across all consumer touchpoints. To transform the marketplace, we are actively shaping and accelerating the growth of our integrated trade network. Our goal is to establish scalable business solutions that deliver premium experiences, thereby meeting and surpassing consumer expectations with an integrated brand offering.

While 2022 saw a reduction in distribution points due to a challenging market environment and heightened macroeconomic uncertainty, we continued to leverage a consistent global framework with close to 2,000 own retail stores and our own e-commerce channel, the latter being our single biggest retail presence and available in 65 countries.

CHALLENGING MARKET ENVIRONMENT

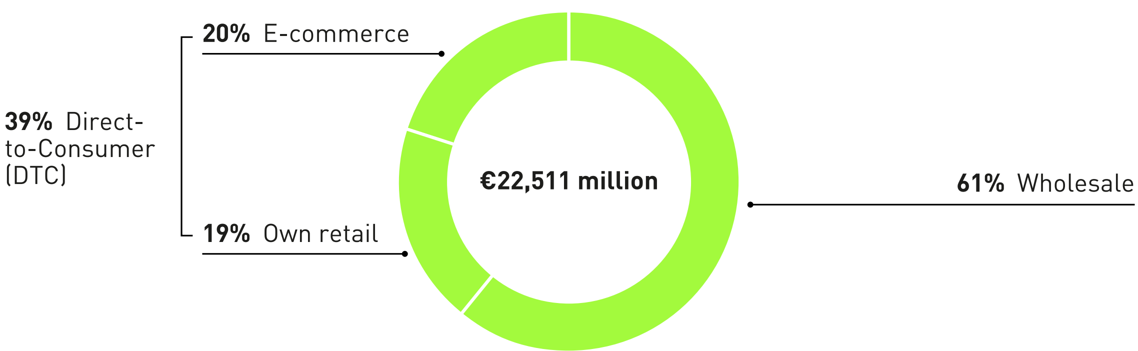
The challenging macroeconomic and geopolitical conditions in 2022 continued to impact our business, with some markets more affected than others. In October 2022, we decided to initiate the process of the winding down of our business operations in Russia. Continued and widespread covid-19 restrictions, as well as significant inventory takebacks in Greater China, also had a negative impact on our sales development.

To meet these challenges, we moved closer to our Alliance Accounts to continue to drive growth in all areas where this is feasible, and digitalization remained central to our future-proofing efforts. Retail regained momentum in the course of the year as consumers returned to physical stores. We evolved the brand experience by upgrading existing stores to the latest concepts and opening new brand centers in several markets. We continued to grow e-commerce, providing premium, connected, and personalized shopping experiences through exclusive products and engaging member offerings.

2022 CHANNEL MIX

Wholesale remained our largest channel accounting for 61% of total net sales in 2022 (2021: 62%). The share of DTC business, consisting of own retail and e-commerce sales, was 39% in 2022 (2021: 38%). Our adiClub membership program has reached 303 million members across around 50 countries, enabling us to build direct relationships with our consumers.

NET SALES BY CHANNEL



WHOLESALE

Our main objective in Wholesale is to win market share in critical consumer touchpoints on- and offline, especially in key trade zones and high streets. We continued to proactively manage our orderbook to make stock accessible to all channels and customers, both on- and offline. In 2022, we continued to invest in digital tools to future-proof our Wholesale business. Our industry-leading digital sell-in tool 'Digital Showroom,' for example, enables customers to see our complete product rollout, including individual product stories, in a single environment. In 2022, the channel delivered double-digit top-line growth in EMEA, North America, and Latin America. The Alliance Accounts, our key partners, are growing faster than the overall channel. Leveraging our strong cross-functional partnerships with Alliance Accounts in sales and activation, we achieved considerable success in landing our products, services, and stories. This is critical to ensure a holistic consumer journey.

We continued to focus on and invest in 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. Our 'Partner Program' brings us one step closer to sharing our product and inventory data with strategic partners and their consumer-facing digital platforms. Despite severe headwinds in the online marketplace in 2022, our Partner Program grew at a mid-single-digit rate compared to 2021. We also rolled out our Partner Program in Emerging Markets, South Korea, and Greece.

E-COMMERCE

In e-commerce, we showcased our brand differentiators such as exclusive products and engaging member experiences. Our own e-commerce grew by 10% in 2022 to € 4,617 million (2021: € 4,193 million)[13] reflecting 4% currency-neutral growth, as we leveraged the launch of new products across our key categories as well as from major sporting events such as the FIFA World Cup Qatar 2022 and 'Run for the Oceans,' which extended our reach to Gen Z. We were also the first brand in our industry to enable membership integration on Instagram.

We continued the work toward premium, connected, and personalized shopping experiences that enable direct relationships with our consumers. In addition to our adidas e-commerce platform, which is available in 65 countries, our adidas app strategy continued to fuel our mobile and member focus and has reached close to 50 countries across all major markets, achieving a significant share of business in the adidas digital ecosystem. The adidas app provides a premium experience with immersive storytelling, personalized content, frictionless checkout, seamless order tracking, and access to our membership program, which was relaunched as 'adiClub' in 2022 with an updated visual identity. Members collect points from interactions across all our touchpoints (.com, apps, retail stores), enabling them to climb levels and unlock rewards, including personalized experiences. In 2022, we also launched a new redemption feature in seven countries (Argentina, Brazil, Canada, Colombia, Mexico, the UK and the US) and introduced six ways for members to spend their collected points ('Money-can't-buy' products, raffles, vouchers, partner offers, Golden Tickets, and donations).

In addition, our sports apps amplify our purpose that, 'Through sport, we have the power to change lives,' and sports engagement is driving increased sales and membership. For example, in 2022, we set new participation records in engagement activities such as 'Run for the Oceans,' which reached 6.7 million participants through our sports apps and connected partners, with 1.3 million being newly acquired members. The success of our membership program is visible in key metrics, such as a consumer lifetime value that is significantly higher compared to non-members.

13 E-commerce net sales reported in the previous year's annual report amounted to € 3,942 million. Due to a change in the reporting logic, certain transactions, e.g., Click & Collect or ship-from-store transactions, are now reported in the e-commerce channel and no longer in own retail. 'Endless aisle' transactions, on the other hand, are now reported in own retail and no longer in the e-commerce channel.

As our latest and most premium touchpoint for sneakerheads and style, the 'Confirmed' app continues to unlock commercial opportunities in digital and generate more buzz, energy, and consumer engagement through new collaborations with high fashion brands such as Gucci, Prada, and Balenciaga. In 2022, we expanded the app to include Brazil, Mexico, Singapore, and South Korea, bringing our most coveted and premium products to adidas consumers.

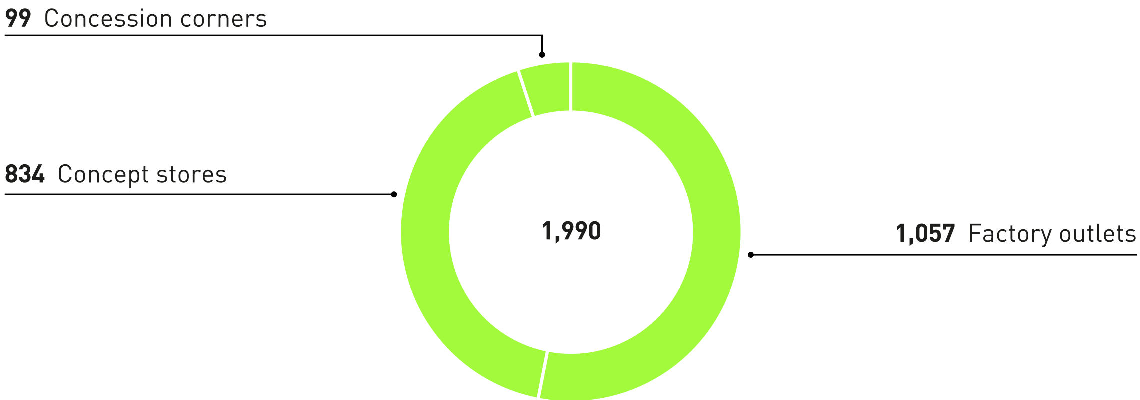
RETAIL

Our close to 2,000 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. With our fleet of halo stores (including flagship stores and brand centers) focusing on premium experiences, core stores 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.

In 2022, the total number of stores decreased from almost 2,200 in 2021 to close to 2,000 in 2022, mainly driven by our decision to initiate the winding down of our operations in Russia.

Halo stores are at the top of our concept store fleet and remained a priority in 'Key Cities.' In 2022, we continued to elevate our Key Cities through additional flagship stores that drive our focus on digitalization, personalization, and a seamless premium consumer experience across all touchpoints. We upgraded selected stores to the latest store design concepts and opened new brand centers across several markets to improve brand image and commerciality. In Mexico City, we opened two new stores: one is the largest in Latin America, and the other includes an adidas Running Center. We also opened a new brand center in Warsaw, now the largest in Eastern Europe, with spaces for the adidas Runners Warsaw community as well as artists and sustainability education for children. The new brand center in Rome has 28 digital touchpoints and immersive dressing rooms with changeable backgrounds for a truly digital consumer experience. Continuing the success of the 'Home of Sport' store design concept launched in 2021, we opened a new store in Battersea, London, focusing on local consumer groups and promoting an active lifestyle through hosted fitness sessions.

STORES BY CONCEPT TYPE



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 upon 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

Marketing	Design	Product development	Sourcing	Supply chain management	Global Sales
Briefing	Concept	Product creation	Manufacturing	Distribution	Sales
		Global Operations			

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 1,018 million pieces of apparel, footwear, and accessories and gear in 2022 (2021: 938 million pieces).

In 2022, we worked with 117 independent manufacturing partners (2021: 114) that were producing in 259 manufacturing facilities (2021: 234). The majority (71%) of our independent manufacturing partners are located in Asia (2021: 71%). We value long-term relationships: 72% of our independent manufacturing partners have worked with adidas for at least ten years, and 37% 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]	117	25	62	33
Average years as independent manufacturing partner	20.0	21.5	19.6	19.5
Relationship < 10 years	28%	40%	24%	27%
Relationship 10 – 20 years	35%	24%	37%	37%
Relationship > 20 years	37%	36%	39%	36%

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

Relationships >20 years

37%

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

INDONESIA REMAINS LARGEST FOOTWEAR SOURCING COUNTRY

Indonesia represented our largest sourcing country in 2022 with 34% of the total volume (2021: 36%), followed by Vietnam with 32% (2021: 30%) and China with 16% (2021: 15%). Overall, 97% of our total 2022 footwear volume was produced in Asia (2021: 96%). In 2022, our footwear manufacturing partners produced approximately 419 million pairs of shoes (2021: 340 million pairs). Our largest footwear factory produced approximately 7% of the footwear sourcing volume (2021: 8%).

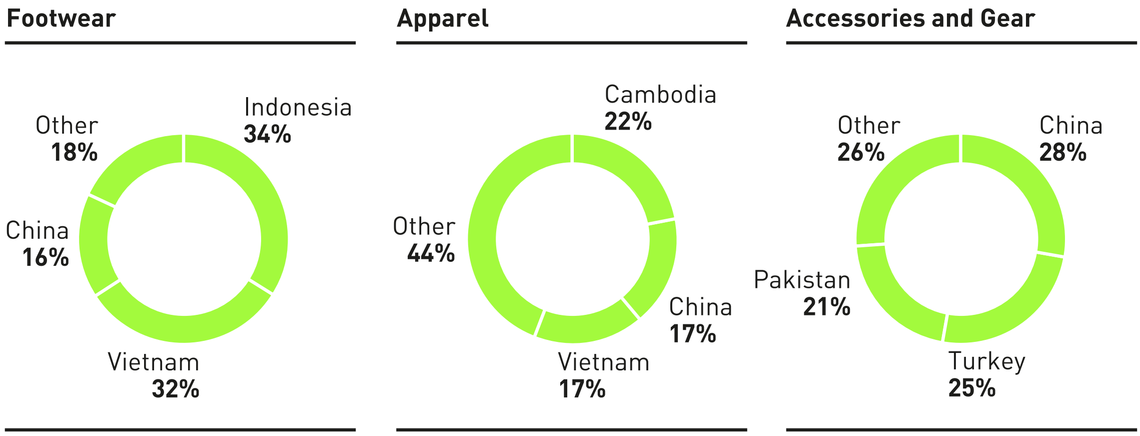
CAMBODIA REMAINS LARGEST SOURCE COUNTRY FOR APPAREL

In 2022, we sourced 91% of the total apparel volume from Asia (2021: 91%). Cambodia was the largest sourcing country, representing 22% of the produced volume (2021: 21%), followed by Vietnam with 17% (2021: 15%) and China with 17% (2021: 20%). In total, our manufacturing partners produced approximately 482 million units of apparel in 2022 (2021: 482 million units). The largest apparel factory produced approximately 9% of this apparel volume (2021: 11%). Overall, apparel production remains more fragmented than footwear.

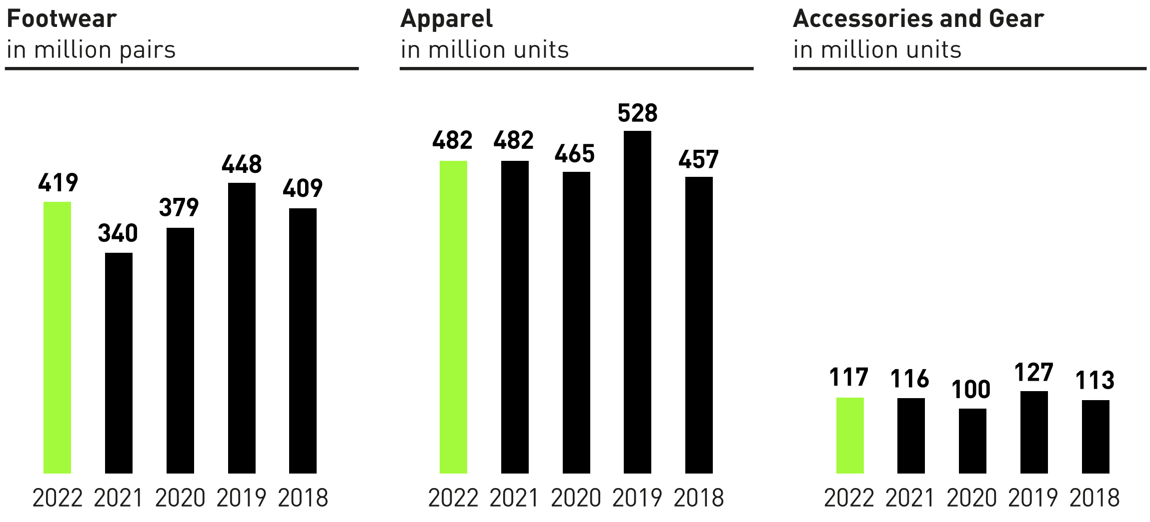
CHINA REMAINS MAIN SOURCE COUNTRY FOR ACCESSORIES AND GEAR

In 2022, 72% of our accessories and gear, such as balls and bags, were produced in Asia (2021: 69%). China remained our largest sourcing country, accounting for 28% of the sourced volume (2021: 34%), followed by Turkey with 25% (2021: 29%) and Pakistan with 21% (2021: 15%). The total accessories and gear sourcing volume was approximately 117 million units (2021: 116 million units), with the largest factory accounting for 20% of production (2021: 21%).

WORLDWIDE PRODUCTION VOLUMES BY COUNTRY



TOTAL PRODUCTION VOLUMES BY CATEGORY [1]



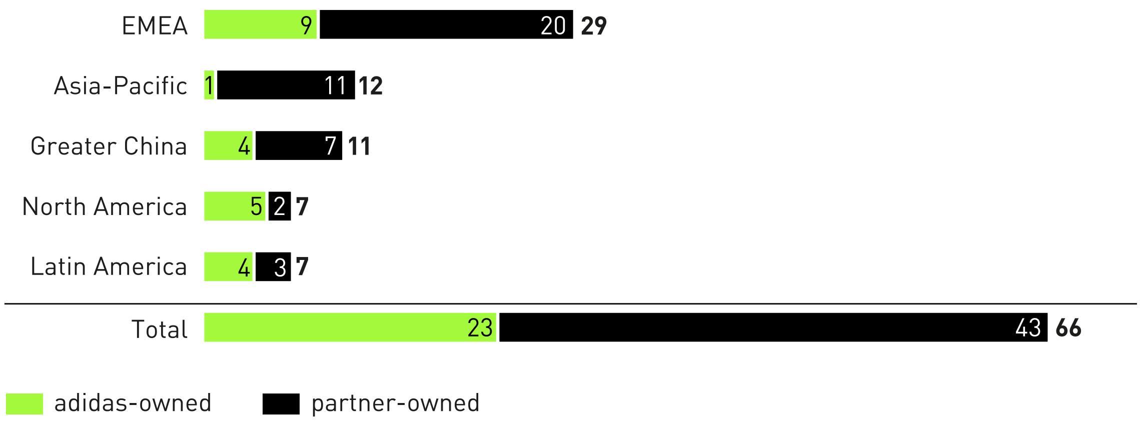
1 2022 and 2021 figures reflect the divestiture of the Reebok business.

AGILE AND EFFICIENT DISTRIBUTION CENTER NETWORK

By following a clear strategic framework, we enhanced our distribution center landscape in 2022 through process automation, system upgrades, and distribution center capacity expansion. 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 66 distribution centers, enabling us to service our global demand efficiently and effectively. We operate distribution centers in all our markets, with 29 distribution centers in EMEA, eleven in Greater China, twelve in Asia-Pacific, seven in North America, and seven in Latin America. In view of an above-average dynamic economic environment, the end of 2022 was characterized by close monitoring of consumer behavior and adjusting the size of the network to changing demand.

ADIDAS VS. PARTNER-OWNED AND -OPERATED DISTRIBUTION CENTERS PER REGION



Of the 66 distribution centers that make our global network, 23 are owned and operated by adidas, while 43 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 point of sale, 32 of our distribution centers are set up to serve all our channels. The other 34 have a channel- or service-specific set-up, in line with the needs and developments of the different markets. This includes three facilities where adidas is testing a dedicated returns concept to enhance 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 across the globe.

ON-TIME IN-FULL DELIVERY TO OUR CONSUMERS

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 request date to our own retail stores only.

During the first half of the year, we continued to experience external disruptions including covid-19-related factory shutdowns in Asia, container shortages, port congestions, and carrier disruptions which impacted our ability to provide the highest product availability in our distribution centers. From the third quarter onward, the ongoing supply chain disruptions and slowing consumer demand led to an increase in excess inventory that exceeded the storage capacities of our distribution centers. Despite these challenges, mitigating actions such as leveling out production periods, expediting factory to port flows, and selectively prioritizing airfreight resulted in OTA KPI improvement to pre-crisis levels in the fourth quarter. In 2022, 82% of adidas products were available on time (2021: 87%) and in the last quarter, the figure was 87%, which means we achieved our target for the full year.

Despite the availability challenges, through diligent focus on operational excellence across systems, outbound transportation, and distribution centers, we ensured stable delivery performance throughout the year for our own retail stores against the request dates. In 2022, adidas delivered 83% of its adidas brand products on time and in full (2021: 83%), continuing the journey toward the 2025 OTIF ambition of 90%.

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 key talent,
- building role model leaders that 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

Our goal is to develop a culture that values the experience, well-being, and performance of our employees. To support this, we introduced our adidas values in 2022: Courage, Ownership, and Innovation, as well as Team Play, Respect, and Integrity. Throughout the year, we focused on implementing and embedding these values across our people policies and processes, including the way we hire, promote, and evaluate performance. To support the global launch, we took a cascade leadership development approach and upskilled nearly 300 of our executive leaders plus an additional 1,957 people leaders. These leaders are now going through the 'Living Our Values Team Workout' development session together with their teams. The training is offered in 21 languages globally.

EMBEDDING DIVERSITY, EQUITY, AND INCLUSION INTO OUR CULTURE

We strongly believe that embedding 'Diversity, Equity, and Inclusion' into our culture 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, 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 and connect with our consumers.

In 2022, we launched a new DEI strategy to 'Create an Equal Playing Field for All,' 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, LGBTQ+, Race & Ethnicity, and Disability). The survey participation of 42% of employees exceeded the benchmarks for a survey of this type. We integrated the launch of the strategy into our multi-market 'Global Week of Inclusion' in October 2022, during which we held multiple panel discussions and learning webinars. Various elements of diversity were addressed during this week, including cognitive diversity, ageism, disability, and mental health.

To support our DEI strategy and initiatives, we are continuing to progress on our aspirations and commitments:

- **Women in leadership:** As part of our people strategy, adidas has established a measurable, aspirational goal to help us realize our DEI ambitions. We are committed to increasing female representation in management positions (Director level and above) globally to more than 40% by 2025. Having achieved our target of 39% in 2022 (2021: 37%) reflects our commitment to equity as well as our consumer focus, where women are a priority. Moreover, for the Executive Board and the first two levels below, adidas has clear statutory targets regarding female representation. SEE DECLARATION ON CORPORATE GOVERNANCE

Women in management positions

39%

- **Global racial equity:** Our new 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 under-represented and marginalized groups. We commit to promoting inclusivity across all diversity dimensions and across different intersectionalities.

- **'Employee Resource Groups' ('ERGs'):** Throughout the company, we continue to support and grow our ERGs. These 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, LGBTQ+, experienced generation, faith, disability, and mental health. Participation in these groups is voluntary and inclusive to all employees. In 2022, an ERG task force was formed to create a new operating model, structure, and guideline to reward, recognize, and develop contributing 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 $ 120 million in the US toward ending racism and supporting Black communities through to 2025 as well as funding for 50 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 2022, we are well on track to meet our goal.

- **DEI Executive Council:** Our DEI Executive Council, made up of a diverse group across the organization, including all members of the Management Board and leaders from each market, has continued its work in 2022 to increase accountability on global DEI initiatives and to drive the execution of our DEI strategy. Within their individual functions and markets, Council members have committed to identifying and removing cross-functional and market-based barriers. In this way, the values of adidas are anchored and exemplified at management level. The termination of the Yeezy partnership in October 2022 should also be seen in this context.

ATTRACTING KEY TALENT

Market conditions in 2022 were similar to those in 2021, and adidas continued to compete for highly sought-after talent in a changing business landscape. In 2022, we hired 8.7% fewer employees than in 2021. adidas remains a leading company to work for, with our 'employer of choice' status continuing to receive global recognition in 2022 as we topped our category in Forbes' 'World's Best Employers' list for the second year in succession and placed 16th overall (2021:14th). We also remained on Universum's 'World's Most Attractive Employers' rankings in 2022 for business and IT students worldwide. In addition, our Tech, Digital, and Data & Analytics hiring team was named 'TA Team of the Year' in 2022 by HRO Today Forum EMEA for our innovative hiring strategies. Lastly, in Greater China, we celebrated two accolades sponsored by 51job, Inc. that we have received for the first time: the '100 Excellence Employer of China Award' and the 'Excellence in Talent Attraction & Retention Award' for our commitment to identifying talent strategy, early talent attraction and development.

To support our talent pipeline, we executed several programmatic interventions in 2022:

- **'Unlimited' program:** After achieving success in North America, the adidas 'Unlimited' program expanded into EMEA in the second quarter of 2022. '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 fifth recruitment cycle, while EMEA completed its first cycle with employees who started their new roles in September 2022.

- **Undergraduate and MBA internship programs:** In 2022, we employed 305 interns globally (2021: 105). Students were provided with a three- to six-month work and developmental opportunity within adidas, accompanied by robust internship programming 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.

- **Recruitment experience enhancements:** In 2022, adidas kicked off 'Program Diamond' to promote continuous improvement in our hiring approach. The goal is to ensure a smooth transition from hire to onboarding, focused on optimizing automation in the hiring process and elevating the candidate and employee experience. As part of this initiative, we piloted a new onboarding experience to create a greater sense of community among new joiners at our headquarters in Herzogenaurach.

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 2022, 1,026 employees enrolled in 'MDE' or 'DDE,' and of those 743 employees graduated the programs through a virtual experience. Additionally, 3,087 people leaders and/or those who aspire to lead people enrolled in 'PLE,' with 2,570 completing the program through a virtual, collaborative experience. In 2022, our 'People Leader Experience' won the 'Brandon Hall Group HCM Excellence Award' for 'Best Advance in Competencies and Skill Development,' while our 'Director Development Experience' won the 'Brandon Hall Group HCM Excellence Award' for 'Best Unique or Innovative Leadership Program.'

- **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, leading the execution of our business strategy 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.

- **High-potential programs:** We invest in selected high-performing and high-potential employees through three dedicated programs: 'Global High Potential Group' ('GHIPO'), 'Local High Potential Group' ('LHIPO'), and 'Future High Potential Group' ('FHIPO') program. Our 'GHIPO' and 'LHIPO' programs enable us to identify and develop global and local high-potential leaders who have the ability to take on more complex and demanding responsibilities at a higher leadership level. The programs are designed to build peer relationships and to give participants cross-functional and cross-cultural exposure. The 'FHIPO' program enables us to identify and develop selected high-potential employees at an early stage in their careers. The program is designed to build on participants' skills, further evolve their capabilities, strengthen their behaviors, and expand their business perspective. Through continuous investment into the development and growth of our 'HIPOs,' we are strengthening our global, regional, local, and functional succession pipelines at different levels. Until the end of 2022, a total of 93% of the 'GHIPO,' 74% of the 'LHIPO,' and 37% of the 'FHIPO' 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**: After the successful launch of the 'Employee Listening Survey' ('ELS') to all corporate and retail employees in 2021, we expanded the survey into distribution centers ('DCs') in the first quarter of 2022. This was the first time the entire DC population had had the opportunity to complete such a survey, and the participation rate was 53%. With the holistic results gathered from the entire organization, we were able to identify three key global themes to drive our next steps: Feedback, trust, and career advancement. Throughout 2022, these themes remained at the heart of our strategic HR initiatives and inspired the creation of our 'ELS' Ambassadors, i.e., representatives of regions and functions who ensure our global themes are integrated into local initiatives, while also addressing specific findings in their market or function. The 'ELS Ambassadors' will be integral in the rollout of the next iteration of the 'ELS,' planned for the first quarter of 2023.

- **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 cycle to work and include sports in their working day. 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, medical and psychosocial consultations (in-person and virtual), and 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. In addition, 2022 saw the launch of several pilots across Germany aimed at elevating our approach to health. These include a certified peer program on psychological first aid, an ergonomic program for our distribution center employees, and a tailored three-year plan for our dual students and apprentices to support a healthy start to their working life.

- **Return to office:** In 2022, we were able to reopen several offices around the world, including our Herzogenaurach headquarters, where we introduced our new hybrid workplace concept as of May. We implemented a range of measures, such as vaccination centers, crisis management support, and training to ensure the ongoing safety of our people and to limit the risk of infections in the workplace. In our own retail stores, we implemented safety protocols and trainings to ensure the safety of all employees and customers, and we will continue to do so. For more than two years, China had maintained the world's strictest covid measures. During the severe lock down period in Shanghai, we implemented a special assistance program for all employees. We also provided food, expat support, and unlimited psychological care for employees in all other cities in mainland China.

- **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, 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 in order to measure our progress toward our targets and to identify areas for potential improvement. Our training and guidelines on health and safety have been successfully implemented and scaled throughout the organization. In 2022, we recorded a Lost Time Incident Rate ('LTIR') of 0.44 (2021: 0.40), as well as, unchanged to the previous year, a zero Occupational Illness Frequency Rate ('OIFR') and zero fatalities for own employees. For external, contracted workforce, we recorded an improved LTIR of 0.67 (2021: 0.97), and one work-related fatal accident (2021: 0). 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 parent-child offices and a bilingual childcare facility, 'World of Kids,' with 270 places. We also run children's camps to support working parents during school holiday. In Herzogenaurach alone, 445 children attended these camps during 2022. The ongoing pandemic required a considerable degree of flexibility to meet individual needs in some locations. In China, for instance, adidas provided food and 1.5-hour lunch breaks during lockdown to help employees care for their families.

  - **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.

  - **Flexible work:** Our worldwide off-campus-working approach, which allows our employees to work up to 40% of their working hours from home, was expanded in January 2022 to enable short-term remote working from another location (domestic or international). This new approach is called 'Work from Anywhere.' Having experienced the importance of social and personal interaction first-hand during the pandemic, we want to provide flexibility to support employees' unique needs and experiences.

- **Commitment to impact:** Together with our employees and partners, we act on our core belief 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 2022, teams across all markets took part in multifaceted volunteering initiatives under a new 'Community & Social Impact' framework, listening to the respective communities' needs and promoting a culture of co-creation. Our projects ranged from sports coaching in safe places for women and girls trying out new and diverse activities to skills-based support such as mentoring refugees to help them unlock their potential in the labor market. Collectively, adidas employees performed 3,570 hours of voluntary work[14], engaged in 28 different virtual or real-world projects, and/or supported 34 non-profit organizations or social ventures. In 2022, adidas continued to run fundraising campaigns where we matched employee donations. Our employee fundraiser 'Support for Ukraine' raised more than € 120,000 by matching our employees' contributions and was one example of how we demonstrated our collective and united support as one adidas family in 2022.

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. In 2022, more than 59,000 employees worldwide invested a total of 1,175,000 hours in training courses and workshops – an average of 19.7 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 90% of employees said it made them feel more connected to the people and culture at adidas and would recommend the program to others.

14 Excludes 'ERG' and individual hours of voluntary work. While for 2021 we only reported projects curated and managed by the adidas Global Community & Social impact team, 2022 numbers include global data.

In addition to our 'Board Mentoring Circle,' which ran until June 2022, we also continued to partner with former track and field athlete Edwin C. Moses on a mentoring experience for selected employees to help elevate their ability to reinforce and support our cultural aspirations. Participants comprised a small and diverse cohort of high-potential leaders across North America.

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 is our global performance development approach and a key enabler of our high-performance culture. During the fourth quarter of 2021 and throughout 2022, we initiated a review of #MYBEST to include our new values and to explore the future of performance at adidas. In 2022, we sharpened our focus and simplified our approach: #MYBEST now has three elements to encourage regular high-quality conversations between employee and line manager, and to ensure goals are set and reviewed quarterly. A formal performance evaluation takes place twice a year, with employee development being the focus of every monthly 'Touch Base' conversation. We continue to work on making the performance evaluation and potential assessment processes more equitable and to further develop our line managers' capabilities to engage in meaningful performance standard conversations. As we implement the new values into #MYBEST in 2023, we will focus on the adoption of these values and how they are lived.

- **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 programs,

  - 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, enable location strategy, and enforce 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 amounts to almost half our global workforce (excluding Retail). A total of 4,468 employees participated in the program in 2022 (2021: 5,230).

GLOBAL EMPLOYEE POPULATION

On December 31, 2022, the company had 59,258 employees worldwide (2021: 61,401). Thereof, 8,556 were employed at adidas AG (2021: 8,096). On a full-time equivalent basis, the company had 51,777 employees on December 31, 2022 (2021: 53,870), thereof 7,678 at adidas AG (2021: 7,241). In 2022, personnel expenses increased slightly to € 2,856 million (2021: € 2,659 million[15]), representing 13% of sales (2021: 13%). ▶ SEE TEN-YEAR OVERVIEW ▶ SEE NOTE 41 ▶ SEE NOTE 32

Employees worldwide

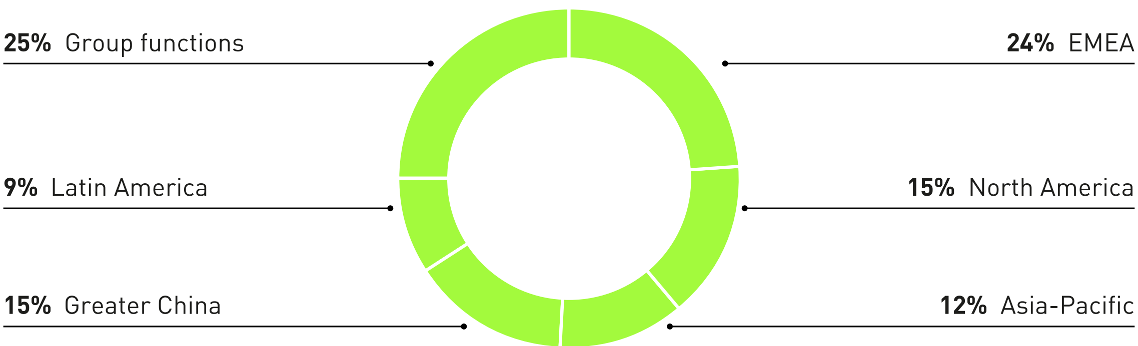
59,258

EMPLOYEE STATISTICS[1]

	2022	2021
Total number of employees[2]	59,258	61,401
Total employees		
Male	48%	47%
Female	52%	53%
Management positions[3]		
Male	61%	63%
Female	39%	37%
Average age of employees (in years)	32	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 SPLIT[1]



1 At year-end.

15 Prior year adjusted to reflect adequate allocation of expenses.

NUMBER OF EMPLOYEES BY FUNCTION[1]

	Employees[2]			Full-time equivalents	
	2022	in %	2021	2022	2021
Own retail	31,477	53	34,163	25,123	28,061
Sales	3,112	5	3,281	3,022	3,180
Logistics	8,254	14	8,733	7,867	8,359
Marketing	4,685	8	4,633	4,460	4,382
Central administration	5,161	9	5,096	4,931	4,871
Production	558	1	464	545	447
Research and development	1,031	2	1,028	966	956
IT	4,980	8	4,003	4,864	3,614
Total	**59,258**	**100**	**61,401**	**51,777**	**53,870**

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.' In 2021, we have doubled down on our commitment to sustainability and defined a roadmap for 2025 and beyond that allows us to create a positive impact across relevant areas, always focusing on the most material topics – for us and our stakeholders. We will continue to move to a comprehensive, consumer-facing sustainable article offering at scale, expand our circular services, and work toward achieving climate neutrality (CO_2e) across our entire value chain. We continue to empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Lastly, we aim to uphold the highest social compliance standards in our supply chain.

We believe that moving toward achieving the targets we have defined for 2025 will set us up for future success. Yet we know that we cannot achieve these alone. We will leverage our long-term relationships with suppliers to ensure they can continue moving with us in alignment with our decarbonization efforts, and work closely with partners to scale innovative materials and recycling technologies.

► 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 sustainability strategy and also leads the 'Sustainability Sponsor Board,' which is composed of senior representatives from Global Brands, Global Operations, Digital, Sales, and other relevant functions across the company. The 'Sustainability Sponsor Board' ensures cross-functional alignment, transparent end-to-end management, and execution of agreed-upon sustainability goals within their functions. This includes reviewing and signing-off on policies as required. We also maintain a separate compliance function which is operated as the Social and Environmental Affairs ('SEA') Team to evaluate supplier-facing social and environmental compliance performance and human rights impacts, reporting, through the General Counsel, to the CEO.

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 initiated sustainability training for our retail colleagues, with the objective of informing, engaging, and inspiring our entire team and all consumers we interact with on a daily basis, around the globe.

MATERIALITY

Throughout 2022, adidas conducted a full-scope materiality analysis to confirm non-financial topics relevant to the company's external reporting. The process was based on existing and future regulatory disclosure requirements applicable to adidas. These requirements, in combination with existing material topics, were the starting point for creating a long list of potentially material ESG ('environmental, social, and governance') topics. In a series of workshops with internal stakeholders, including responsible experts and senior management of relevant functions, we identified and validated related impacts, risks and opportunities for these topics. The analysis was carried out from an impact materiality perspective as well as from a financial materiality perspective, each of which was assessed both qualitatively and quantitatively. This has ultimately led us to form a two-dimensional materiality matrix and a list of material topics, which forms the basis of the non-financial statement presented in this report. Notably, all existing material topics were fully confirmed. The topic of biodiversity was identified as a new material topic. ▶ 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. 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. The adidas 'Stakeholder Relations Guideline' specifies key principles for the development of stakeholder relations and details 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 leather 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 transparent communication with our stakeholders 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 and reporting platforms 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.

We acknowledge the value of climate-related reporting and for many years have been reporting into well-established frameworks. Based on its international accreditation, we are aiming to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations that enable companies to improve reporting of climate-related financial information, especially climate-related risks and opportunities. The TCFD is structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management as well as metrics and targets. We believe that with our long-standing commitment to and strategic focus on sustainability we are already covering elements of the four thematic areas in various sections of our Annual Report. adidas has a comprehensive roadmap with clear targets in place. The Sustainability Sponsor Board ensures end-to-end management to achieve these 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. To further refine and develop the core reporting elements in line with the TCFD recommendations, a cross-functional project team was set up. This team met throughout 2022 to establish solid governance processes around the TCFD and created a prioritized list of climate-related risks and opportunities. Further, relevant stakeholders took part in upskilling sessions, and, together with several experts, the Risk Management team conducted a qualitative climate-related risk and opportunity assessment. Given the complex nature of the topic, further preparation will be needed to build more granularity and to ensure high quality for more extensive external reporting for scenario analyses.

► 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 2022, adidas was again subject to comprehensive corporate environmental, social, and governance ('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 2022

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 (first 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 (14.7/100, upper score: 0)	CDP Forests ('CC' score, upper score: 'A')	World Benchmarking Alliance Gender Benchmark (among top 3 in our industry)
ISS Corporate Rating (Prime 'B-' Score, upper score: 'A')	Corporate Information Transparency Index (among top 3 across industries)	

Following a thorough update of its ESG evaluation by rating agency S&P in 2022, adidas maintained its overall strong ESG Evaluation Score of 85, keeping us among the top ten in the entire S&P Global Rating Universe, despite it having doubled compared to last year. In its comprehensive assessment, S&P emphasized our industry-leading approach to innovation, supply chain management, and commitment to strong corporate governance values. For the first time in 2022, adidas responded to the CDP Forest assessment and managed to already score equal to the industry and European average, evidencing our ongoing developments to prevent deforestation and preserve biodiversity.

ENVIRONMENTAL IMPACTS

Managing the environmental impacts along the entire value chain including our own sites is a key focus of our work. We are committed to decarbonization by reducing our absolute energy consumption as well as transitioning to clean energy. We are also committed to steadily increasing the use of more sustainable materials and manufacturing technologies in our products and expanding our circular services. We continue to address water efficiency and quality, with an advanced chemical management program in place. The following table provides an overview of the targets we have set ourselves that will help us reduce our environmental impacts.

TARGETS FOR 2025 AND BEYOND: ENVIRONMENTAL IMPACTS

Target year	Area	Target	Baseline
2025	**Own operations**		
	Emissions	Achievement of climate neutrality (CO_2e)	
	Water	15% water consumption intensity reduction (m^3/m^2)	2019
	Waste	95% waste diversion rate	2019
	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
	Chemicals (Input)	80% of supplier facilities to use 80% of the chemicals for production achieving the highest level of conformance (level 3) with ZDHC MRSL	
	Wastewater (Output)	80% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level'	
	Product		
	Sustainable article offering[1]	9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials	
	Decarbonization	15% reduction of GHG emissions per product	2017
2030	Entire value chain (from raw material production to own operations)	30% reduction of GHG emissions	2017
2050		Achievement of climate neutrality (CO_2e)	

1 Subject to reasonable assurance engagement of KPMG AG Wirtschaftsprüfungsgesellschaft.

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:

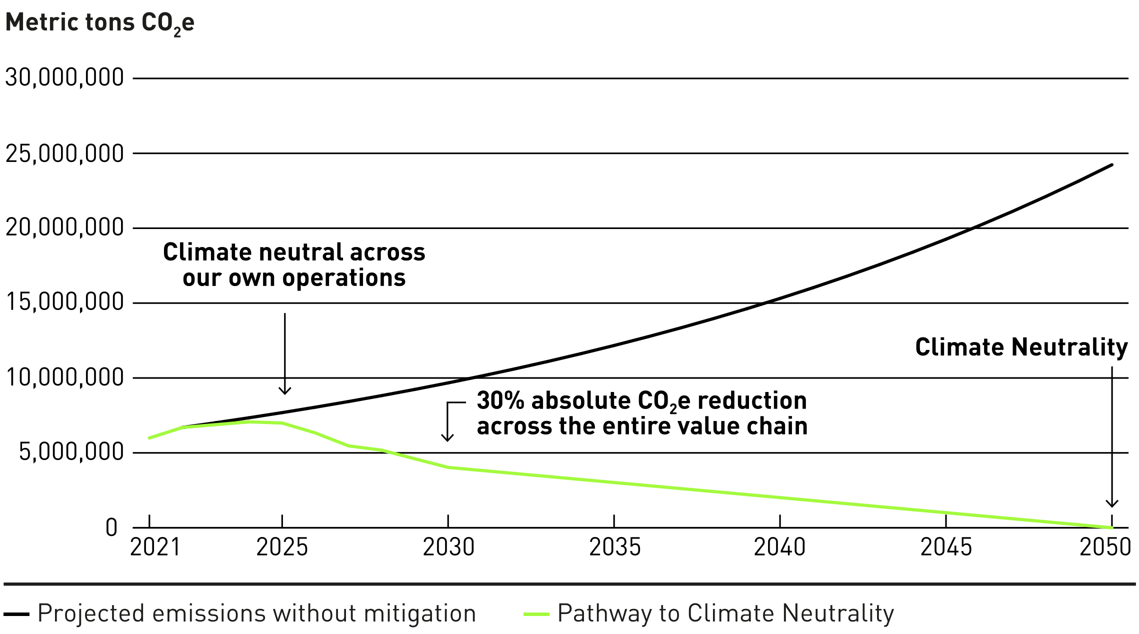
- achieving climate neutrality (CO_2e) across its own operations (Scope 1 and 2) by 2025,
- reducing absolute greenhouse gas (GHG) emissions across the entire value chain (Scope 1, 2, 3)[16] by 30% by 2030, measured against a baseline of 2017,
- achieving climate neutrality (CO_2e) across the entire value chain by 2050.

Our emission reduction targets by 2030 have been approved by the 'Science Based Targets initiative' ('SBTi'). Within the 2025 target, we commit to reducing absolute Scope 1 and 2 GHG emissions by 90% 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 3) meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practices.

2030 Goal: GHG emissions reduction across entire value chain

-30%

ADIDAS PATHWAY TO CLIMATE NEUTRALITY



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

Our 'Environmental Footprint Tool' enables us to quantify, monitor, and be transparent about our carbon footprint not only across our own operations, but along our entire value chain. This covers all stages from extraction, production and processing of materials, product assembly, own operations, and logistics to the use phase and the disposal of our products at the end of their lifetime. Results for 2022 clearly show again that our environmental impacts are distributed unequally across the value chain, with the most significant impacts generated in the supply chain, particularly raw materials production and processing. We are moving ahead with our ambition to fully integrate the tool into our existing data-tracking systems to enable real-time simulations.

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 2022 decreased compared to the previous year. This reduction was majorly driven by our focus on innovation that enabled us to, for example, reduce emissions through low-carbon manufacturing and materials. In 2022, 96% of all polyester we used was recycled polyester, ensuring we are on the right path to achieving our target to only use recycled polyester. By continuing to focus on our decarbonization strategy which includes further material innovation, switching to cleaner energy sources at our supplier facilities, enabling low-carbon design for our products, and achieving climate neutrality (CO_2e) across our own operations, we will ensure we stay on track to achieve our target of 15% emission reduction per product by 2025 (baseline 2017).

BREAKDOWN OF ANNUAL GHG EMISSIONS [1,2]

	2022	2021
Scope 1 emissions (in tons CO_2e)	**21,856**	**12,908**
Administrative offices	10,752	2,520
Distribution centers	5,128	4,807
Own retail stores	5,439	5,068
Showrooms	537	513
Scope 2 emissions, market-based (in tons CO_2e)	**142,293**	**125,502**
Administrative offices	13,354	8,087
Distribution centers	21,647	10,316
Own retail stores	104,480	105,482
Showrooms	2,812	1,617
Scope 3 emissions (in tons CO_2e)	**7,523,545**	**7,055,633**
Purchased goods and services	6,019,108	5,405,832
Upstream transportation and distribution	332,390	288,425
Business travel	36,158	7,723
Use of sold products	989,052	1,201,214
End-of-life treatment of sold products	146,838	152,439
Total emissions (in tons CO_2e)	**7,687,695**	**7,194,043**
GHG emissions per product, total emissions/production volume (kg CO_2e per product)	**6.4**	**6.5**

1 Values reported cover production seasons SS22 and FW22. 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 estimated calculated based on reported environmental quantities in the Health and Safety, Environment, and Energy (HSEE) own operations workplace governance data collection systems.
2 Intensity factor does not include emissions from 'Use of sold products' to ensure alignment with our GHG reduction target for 2030 as approved by the 'Science Based Targets initiative.'

Despite reducing our GHG emission intensity, as shown in the table, due to an increase in the number of products we created and shipped, and due to the return of employees to the offices after the pandemic, we see a slight increase in the total absolute GHG emission compared to the previous year.

Measuring our product footprint

In order to create new and elevated consumer experiences, we are developing and implementing tools that bring more transparency to our product creation process, enabling our development and innovation teams to identify materials as well as create products and concepts with lower carbon footprints. At the same time, this helps us provide consumers with greater transparency for more informed purchase decisions. Following the launch of our most climate-friendly shoe in collaboration with Allbirds, we continued to scale our capabilities to calculate and communicate our product footprints visible to consumers. During 2022, we introduced the Adizero Lightstrike with a carbon footprint of 3.5 kg CO_2e per pair, achieving a 42% reduction compared to the previous version, and the Supernova 2 with a footprint of 8.9 kg CO_2e per pair, an 11% reduction.

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. And since 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

We continued to work with our suppliers to ensure they are continuously optimizing their environmental footprint in energy use and carbon emissions. Strategic suppliers producing most of our products and materials are enrolled in our environmental program, which means we partner closely with them and provide suitable training to achieve their targets and progressively improve their footprint.

adidas aims to have the supply network with the lowest carbon footprint in the industry. At the start of 2022, we reached a major milestone on our path to meeting that goal, when we shared a set of clear expectations, the adidas Decarbonization Manifesto, with our strategic Tier 1 and Tier 2[17] suppliers. This Manifesto clearly presents how we expect our suppliers to support our decarbonization efforts. Our expectations include:

- **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 from the adidas low-carbon technology portfolio.

Becoming the industry's lowest-carbon-footprint supply network is a team sport. Meeting the conditions of our Manifesto will form the basis for continuing business operations with our suppliers beyond 2025. We have put measures in place to incentivize high-performing and committed supplier partners. These measures include:

- Product allocation priority,
- Opportunity for existing, high-performing supplier partners to gain market share,
- Entry opportunity for new, disruptive supplier partners,
- First-mover advantage and sustainability leadership position.

17 Tier 1 suppliers are responsible for product assembly, Tier 2 suppliers are our material manufacturers.

We encourage all our suppliers to enroll in the 'UNFCCC Climate Action Training' program. This, in addition to other upskilling initiatives conducted by our in-house team, helps suppliers develop their own decarbonization pathways, since they are best placed to understand their own circumstances and find the most appropriate measures for their future reduction in GHG emissions. Beyond that, we have driven various initiatives to help suppliers scale their use of renewable energy and increase their energy efficiency:

- **Phasing out coal-fired boilers:** With only one exception for administrative reasons, we have been successful in ensuring our suppliers refrained from installing new coal-fired boilers, heaters, or power generation systems from 2022 onwards, and remain committed to phasing out coal-fired boilers at all Tier 1 and Tier 2 direct supplier facilities by 2025. We asked these suppliers to conduct coal phase-out feasibility studies and provide us with a clear roadmap for replacing coal. During 2022, all relevant suppliers have confirmed their commitment to replace or modify their coal-fired boilers by 2025, and 18 boilers have already been converted to non-coal fuel or decommissioned this year.
- **Increasing adoption of on-site renewable energy for electricity generation:** Electricity is the other major source of emissions in our manufacturing process. We are therefore asking our suppliers to obtain their electricity from on-site and off-site renewable energy sources and have incorporated renewable energy ('RE') and decarbonization performance of our suppliers in our supplier assessment process. Rooftop solar projects are one of the major contributors to such on-site RE electricity. Total rooftop solar capacity across our key suppliers has doubled to 186 MWp in 2022, putting us ahead of our internal roadmap. We will continue to increase rooftop solar capacity over the next few years.
- **Preparing suppliers to purchase electricity from off-site renewable energy sources:** We are also encouraging our suppliers to source renewable energy through off-site options such as PPAs, green tariffs and Energy Attribute Certificates ('EACs') or Renewable Energy Certificates ('RECs'). We provided supplier training workshops in multiple countries to upskill suppliers on how to source off-site RE and to communicate our expectations on scaling up RE. In 2022, our suppliers in China secured a total of 25,000 MWh of renewable energy through recently launched green power contracts.
- **Advocating for policy to scale up renewable energy:** Many of the key operating countries in our supply chain do not have the policies required to support PPAs or to maximize rooftop solar potential. We engaged with the governments of Vietnam, Indonesia, and Cambodia, as well as their respective electricity utilities, to communicate our concerns and recommendations with a view to facilitating PPAs and removing the barriers to rooftop solar. We also actively collaborated with other stakeholders such as Euro-Cham, Am-Cham, USAID, and fashion industry associations on their policy advocacy work across multiple countries during 2022.
- **Continuing to increase energy efficiency:** We use a supplier self-governance model for energy efficiency. Our efforts in recent years to improve our suppliers' ability to measure, monitor, and conserve their energy use have enabled us to transfer full responsibility to our suppliers for their own efforts and achievements, while adidas continues to track and monitor their energy efficiency performance. In 2022, strategic suppliers enrolled in our environmental program successfully achieved an annual improvement in energy efficiency of almost 4% compared to the baseline of 2019, leading to an accumulated improvement of almost 12% over the last three years.

Own operations

Own operations refer to administrative offices, distribution centers, and our own retail stores. In 2022, this equaled a coverage of 3,730,035 m^2 of gross leased area. Our efforts are underpinned by the clear targets we have set. By 2025, we aim to achieve climate neutrality (CO_2e) across own operations. To achieve this target, we will steadily increase our overall environmental performance data coverage and continue to implement eco-efficiency standards through a holistic integrated management system (IMS) at key sites. All of these efforts will support us on our way to achieving a 30% reduction in GHG emissions across our entire value chain by 2030, measured against the baseline of 2017.

2025 Goal for Own Operations

Climate Neutrality (CO_2e)

We defined a clear roadmap to achieve our emission reduction targets for our own operations, including measures such as implementing on-site renewable energy production, improving energy use efficiency, and sourcing renewable energy through green tariffs in Europe. In 2022, we continued to invest in own operations and offered Green Funds to subsidize local energy efficiency and on-site renewable energy projects. These initiatives included the on-site solar renewable energy projects in Herzogenaurach, Bogota, Caspe, and Stockport. We also improved energy efficiency through LED retrofits, HVAC (heating, ventilation, and air conditioning) equipment upgrades, energy monitoring, sensors, and automatization. Additionally, in response to the natural gas crisis, we implemented significant energy-saving measures in Europe, e.g., reducing building temperatures to a minimum and planning shutdown sequences for district heat networks.

In 2021 we began collecting electricity consumption data for our own retail stores. During 2022, we managed to increase our primary data coverage for own retail by 15 percentage points to 36% globally compared to last year. Data coverage for administrative offices and distribution centers is at 100%, while data for showrooms and small offices was estimated. In 2022, our total energy consumption across own operations globally was 510,539 MWh (2021: 512,050 MWh), equivalent to a total of 164,149 tCO_2e (2021: 138,411 tCO_2e). While we continue our transition toward renewable electricity in Europe through green tariffs, in 2022 we decided to switch our focus from short-term initiatives, such as the purchasing of EACs for Europe and North America, to focus on more impactful measures, e.g., securing long-term contracts such as PPAs starting in 2023. We have also expanded our scope of GHG Scope 1 and 2 reporting through the first-time inclusion of company vehicles in 2022, and as a result see an absolute increase compared to the previous year.

- **Implementing sustainable processes:** Our Integrated Management System ('IMS') helps us to reduce potential negative impacts and secure all relevant ISO management 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 these support our efforts to achieve our energy, water, waste, and health and safety targets. As of 2022, 64 sites (2021: 64) were certified for ISO 14001, 112 sites (2021: 63) for ISO 45001, and 322 sites (2021: 327) for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500 m^2).

- **Continuing Green Building certification:** We continue to use 'Green Building' certifications in the interior design and construction of own retail stores – including 'LEED' ('Leadership in Energy and Environmental Design') and 'BREEAM' ('Building Research Establishment Environmental Assessment Method') certifications. As Green Building certification is used for strategically relevant projects, a set of internal eco-efficiency standards has been continuously implemented for all projects that mirror the priorities of the LEED certification. The ultimate goal is to achieve energy reduction through investment in high-energy-efficient equipment and energy monitoring. In 2022, our distribution center Suzhou X in China, one of the biggest highly automated distribution centers, was awarded LEED Platinum certification for Building Design and Construction, the highest level of sustainability recognition. The key Green Building features at Suzhou X include, but are not limited to, rooftop solar, LED lighting and control, top-vent air conditioning, HVLS ventilation fans, a building management and energy management system, rainwater collection, and a recycling system.

WATER EFFICIENCY

We continued to expand our water-reduction efforts by including additional, high-consuming Tier 2 suppliers in our environmental program. In 2022, Tier 1 suppliers achieved a 20% reduction in water intensity (liters/worker-hour of operation) and Tier 2 suppliers a 29% intensity reduction (m^3/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 in the form of environmental good practice guidelines with examples for water-saving initiatives.

At own operations globally, we also aim to continue to strengthen water efficiency and wastewater projects in the coming years. By the end of 2022, our water intensity at administrative offices and distribution centers totaled 0.145 m^3/m^2 (2021: 0.128 m^3/m^2). This year, we have again included new administrative offices into our reporting and, with that, continued to expand our data coverage. In combination with the gradual return of employees to the office after the pandemic, we see an increase of the absolute volume of water consumption compared to 2021. Overall, we achieved an accumulative reduction of 25% (2021: 34%) compared to the 2019 baseline (0.193 m^3/m^2), and with that exceeded the target we set ourselves for 2025.

CHEMICAL MANAGEMENT

It is necessary to use a range of chemicals to facilitate innovation and deliver high-performance products. For years, adidas has been implementing a holistic chemical management program in its supply chain, spanning the use of positive input chemistry, monitoring the chemical output of manufacturing and reporting supplier performance data publicly.

As a founding member and participating company, we continue to work closely with the Zero Discharge of Hazardous Chemicals ('ZDHC') Foundation and to promote the application of their guidelines and Manufacturing Restricted Substances Lists ('MRSL') across our suppliers. We are proud to have reached 'Progressive Level'[18] in the ZDHC 'Brands to Zero' program in 2022, which measures the level of suppliers' adoption and implementation of ZDHC guidelines and tools.

- **Ensuring robust input chemical management:** We are continuously working to promote sustainable chemistry in our product creation by accelerating the adoption of chemicals that meet the highest level of ZDHC MRSL conformance (Level 3). In 2022 we partnered with ZDHC and TESTEX, a certification organization, to hold workshops for some 160 suppliers in our major sourcing countries (China, Vietnam, and Indonesia). These events increased supplier awareness of ZDHC MRSL conformance and improved their competence in Level 3 certification and registration of chemical products on the ZDHC Gateway platform. Proactively involving key chemical formulators to these conversations underlines our ambition to motivate the entire industry to use more sustainable chemicals. We also launched the 'ZDHC Supplier to Zero' program in 2022 to assist suppliers in adopting safer chemistries. At the end of 2022, at least 50% of chemicals used at 46% of supplier facilities were ZDHC MRSL Level 3. At the manufacturing level, we continue to ban the intentional use of priority chemical groups classified as particularly hazardous under ZDHC standards and the EU REACH Candidate List of Substances of Very High Concern ('SVHC'). We are working to find suitable alternatives and phase out harmful chemicals from our supply chain. adidas has successfully achieved a 99% phase-out of polyfluorinated and per-fluorinated chemicals (PFCs) since 2017.
- **Monitoring output chemical management:** With regard to eliminating the discharge of hazardous chemicals, we believe it is critical that our suppliers adopt the 'ZDHC Wastewater Guidelines' in order to monitor the quality of directly discharged wastewater. In 2022, we successfully maintained our high standard of compliance, with 89% of these suppliers achieving ZDHC Wastewater 'Foundational Level'

18 'Progressive Level' is the second best of the three levels awarded in the ZDHC 'Brands to Zero' program.

through the implementation of our Effluent Treatment Plant evaluation tool. In 2023, this tool will be integrated into the ZDHC supplier platform to support a wider group of facilities and will be adopted by other ZDHC brands as well.

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 for non-hazardous waste. These guidelines specify that the non-recyclable waste materials should also not be directly landfilled. In 2019, in collaboration with co-processing partners in our major sourcing countries, we developed a waste diversion program to use non-recyclable manufacturing waste in energy production. 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 the 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 2022, exceeding our target of 95% for this year. With the promising result in 2022, we are currently working on setting a more ambitious target for future waste diversion.

At own operations, during 2022, we also focused 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 2022, 89% (2021: 74%) of our own operations by square meters are monitoring and tracking waste. By the end of 2022, a total of 32,246 tons (2021: 32,951 tons) of waste was generated, and we achieved an accumulated diversion rate of 88% (2021: 92%) 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 increased in 2022 as part of our efforts to counterbalance covid-related supply chain challenges to 2.0%, the vast majority of our transportation continued to take place via sea freight and truck, with 81.4% via sea freight and 16.6% via truck, almost unchanged compared to the previous year.

MATERIALS

We are moving to a comprehensive sustainable article offering at scale. 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. Additionally, innovative materials such as biobased synthetics and more sustainably grown natural materials are used on a small scale already and will become increasingly relevant in the future.

Share of more sustainable articles by 2025

90%

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%.[19] This standard has been applied for the year 2022 onward. By the end of 2022, we managed to have seven out of ten of our articles sustainable.

The table below shows materials that are among the most used ones for our products.

SELECTION OF MATERIAL TYPES USED FOR ADIDAS PRODUCTS 2022[1]

Material	Share of total materials used in %	Share of material group in %
Polyester	**35**	
Recycled polyester		96.0
Rubber	**17**	
Recycled rubber		1.1
Natural rubber		10.8
Cotton	**15**	
Third party certified cotton		96.2
Organic cotton		3.7
Recycled cotton		0.1
Ethylene-vinyl acetate (EVA)	**12**	
Biobased EVA		0.5
Recycled EVA		0.7
Leather	**2**	
Third party certified leather		99.9

1 The share of total materials used and share of material groups for rubber, EVA, and leather are based on the Fall/Winter 2022 and Spring/Summer 2022 seasons. The share of material groups for polyester and cotton are based on the Fall/Winter 2022 and Spring/Summer 2023 seasons.

- **Recycled polyester:** Polyester is the most widely used material in adidas products. In 2017, we set ourselves the ambitious target of replacing 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 2022, 96% (2021: 91%) of all the polyester we used was recycled. With that, we are on track to use only recycled polyester by the end of 2023 – one year ahead of schedule. 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.
- **Parley Ocean Plastic:** Since 2015, adidas has partnered with the environmental organization 'Parley for the Oceans' and uses 'Parley Ocean Plastic' as a replacement for virgin polyester. Parley Ocean Plastic is plastic waste collected from remote islands, beaches, coastal communities, and shorelines, preventing it from polluting the oceans. In 2021, we continued to roll out Parley Ocean Plastic in key categories, both in 'Performance' and 'Lifestyle' products across footwear, apparel, and accessories and gear. In 2022, we produced close to 27 million pairs of shoes containing Parley Ocean Plastic. (2021: close to 18 million).

19 This standard was 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. Without Reebok.

- **More sustainable cotton:** adidas has steadily increased the sourcing of more sustainable cotton throughout the last several years. Since the end of 2018, 100% of the cotton we use has come from more sustainable sources.
- **Responsibly sourced leather:** adidas uses leather on account of its unique performance properties in products where it is the optimum material for the purpose. Currently, more than 99% of our leather volume is audited in accordance with the Leather Working Group ('LWG') protocol, and most of our hides are sourced from tanneries with the highest LWG rating (LWG Gold). We believe the existing LWG audit protocol and chain of custody provide a strong foundation on which to create a robust and scalable traceability solution for leather hides. For this reason, adidas is working with the LWG to broaden the scope of the audit to include traceability to the slaughterhouse by 2030. This will allow higher transparency on important environmental impacts such as deforestation from the origin of the material.
- **Natural materials:** In 2022, adidas collaborated with innovative material startups such as Infinited Fiber Company, Spinnova, and Pond to develop materials from natural resources that we can use in our products. Together, we are striving to replace fossil-based plastics with plant-based raw materials, without compromising product performance. In the fall, we successfully launched a small apparel collection made with at least 60% fibers from recycled cotton waste and 40% organic cotton in partnership with Infinited Fiber Company and the EU-funded New Cotton project. This three-year project aims to collect, sort and regenerate textile waste into a new man-made cellulosic fiber that looks and feels like cotton, based on Infinited Fiber Company's textile fiber regeneration technology. Also in the fall, we launched our 'made with nature' Ultraboost, which features a knitted upper made with lyocell, a material made from cellulose fibers derived from sustainably grown wood.

Synthetic fibers are widely used in our industry due to their unique performance properties, such as elasticity, light weight, and high durability. We are aware that products made from synthetic fibers can have a negative environmental impact during both material production and product use. 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 fiber release and in future aims to advise the textile industry on mitigating the impact of fiber fragmentation. In 2022, TMC published position papers on microfiber degradability and wastewater management that are fully consistent with our internal guidelines and contribute to the industry's knowledge on this topic.

CIRCULAR SERVICES

In addition to using recycled content or other more sustainable material in our products, we are rethinking entire processes to design products that have a circular end-of-life solution and are 'made to be remade' (MTBR), meaning they can be completely recycled after use and the material can be reused. We successfully scaled this concept from prototype back in 2019 to a fully commercial MTBR footwear offer across multiple categories in 2022 (including Ultraboost, Stan Smith, Terrex Free Hiker, and NMD Hype) and have meanwhile expanded the concept to apparel. In 2022, we introduced the adidas by Stella McCartney tracksuit made of viscose that can be returned and recycled into new fibers.

Besides various product launches we also continued with our circular services in 2022, which have the objective of prolonging the life of the product. In our Munich Terrex store, we launched a repair service, and in several flagship stores such as Berlin, London, Dubai, or Shenzen we are offering sneaker cleaning services.

BIODIVERSITY

adidas is aware of the potential impacts and dependencies its business operations can have on ecosystem services and nature assets. As a consequence, biodiversity has been recognized as a material topic for external reporting in 2022. 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 2022, we began working on a systematic approach to address biodiversity challenges in our value chain. Using scientifically validated frameworks we identified actions to be taken across our entire value chain activities related to the five drivers of nature change as identified by the Science Based Targets Network ('SBTN')[20]. As a first step, we aim to work with our suppliers to develop a deforestation-free roadmap for nature-derived materials. We will further assess our strategic facilities for potential impacts on protected areas, key biodiversity areas and the International Union for Conservation of Nature ('IUCN') Red List of Threatened Species. Finally, for downstream impacts in our value chain, adidas will evaluate future contributions to biodiversity-enhancing projects.

In line with our ambition to source our nature-derived materials more responsibly, we launched our standards for animal-derived materials in 2022. They demonstrate our commitment to 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 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.

We have also started to explore how we can increase biodiversity in our own facilities. In an exploratory phase, the adidas headquarters has taken steps to map the current biodiversity status of the campus, the steps to reduce the impacts and to define measures to increase the number of species present on the campus.

PACKAGING

We are committed to using more sustainable packaging materials and reducing the impact of packaging by optimizing box sizes and number of shipments.

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 exception 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 the 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 the Corporate 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 are ensured through our Global Operations function. One of these policies is the Restricted Substances Policy ('A-01' Policy) that we pioneered in 1998. It covers the strictest applicable local

20 Land/water/sea use change, Resource exploitation, Climate change, Pollution, and Invasive Species & Other are identified as drivers of nature change by Science Based Targets Network.

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 it 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 2022.

Over the last several years, we have substantially contributed to the AFIRM 'Restricted Substances List,' 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 2022, such as a harmonized Test Request Form, the third-party Lab Evaluation Questionnaire, or the Supplier Online Training Videos. All these will be issued to the public and available to other companies from the textile and sporting goods industry and their suppliers. We also continued our participation 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.

SOCIAL IMPACTS

Through our economic activities we create value and make positive contributions to society. However, being a company of our scale and global presence, we also have a social impact on communities. 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, by safeguarding the rights of our own employees and those of the workers who manufacture our products through our Workplace Standards, and by applying our influence to effect change wherever human rights issues are linked to our business activities.

HUMAN RIGHTS

Since its inception in 1997, our human and labor rights program has been built on the back of intense stakeholder outreach and engagement, seeking to understand and define the most salient human rights issues to address as a company. As part of our broader risk management processes, we are taking steps to increase the scope and application of Human Rights and Environmental Due Diligence ('HREDD') efforts. We have defined those areas and assessment processes that need to be evaluated and strengthened in preparation for the implementation of the 'German Act on Corporate Due Diligence Obligations in Supply Chains,' which took effect in the beginning of 2023. As part of our HREDD efforts, in 2022, we focused on the following key areas, among others: creating and implementing our Human Rights Policy, addressing country-specific risks associated with our sponsorship of the FIFA World Cup Qatar 2022, and addressing modern slavery risks in our supply chain through continued programs to ensure responsible recruitment of migrant workers.

In 2022, we launched our Human Rights Policy, which embeds our commitment to respecting and promoting the fulfillment of human rights and establishes an ongoing due diligence process to identify, address, evaluate, and communicate the risks of involvement with adverse human rights impacts through our own operations, products, or services, or via our business relationships. We have engaged in extensive consultation in the development of this policy, involving a wide range of internal stakeholders, including key business functions and employee representatives, as well as external stakeholders, civil society, business and human rights experts. Stakeholder feedback has informed the content of our Human Rights Policy and the measures taken to support its implementation and has further enhanced our understanding of the most salient issues to address as a company.

We continue to support improvements in the ongoing and independent accreditation of our supply-chain-facing social compliance program by the Fair Labor Association ('FLA'). We have also maintained our commitment to the 'Sporting Chance Principles' and our seat on the Advisory Council of the Centre for Sport and Human Rights.

As a sponsor, we intensified our engagement with stakeholders over the hosting of the FIFA World Cup Qatar 2022, paying close attention to the advocacy community's concerns over migrant labor rights. This culminated in our publishing of a statement in August 2022, which called on FIFA, the Supreme Committee for Delivery and Legacy (responsible for organizing the World Cup), and the Qatar Ministry of Labor to come together to discuss a remedy fund for workers. We continued to support several global trade unions with their plans for a migrant workers information center in Qatar, which is now slated to be launched as a World Cup legacy project in 2023. We also followed through with planned due diligence and labor rights training for our wholesale partners in Doha and again made public our list of suppliers responsible for World Cup production.

Since the military coup in Myanmar in February 2021, adidas has closely monitored the situation in the country and expressed concern about reports of violence, severe human rights, and labor rights risks for workers, and the fragile state of social and economic stability in the country. Given the increased risk of adverse human rights impacts in the country, we have closely followed the call of the international advocacy community and international due diligence standards – including the UN Guiding Principles and the OECD – and have heightened our due diligence processes for the few suppliers we have in this country. We will continue to engage with international and local stakeholders and collaborate with industry peers and associations to monitor the evolving operating environment and local context. This includes monitoring the status of international sanctions and trade agreements.

To implement responsible recruitment practices in the supply chain, adidas has continued its partnership with the International Organization for Migration ('IOM') through its 'Corporate Responsibility in Eliminating Slavery and Trafficking' ('CREST') initiative. In early 2022, IOM CREST launched a new resource for businesses, the 'Migrant Worker Guidelines for Employers,' which provides guidance on how to recruit and employ migrant workers in their supply chains ethically and responsibly. adidas was consulted and provided input on the development of this resource.

Transparency and recognition

Through our annual Modern Slavery Statements, annual progress updates, and other public disclosures on our corporate website and relevant third-party channels, we have shared the actions we have taken to address forced labor in our global supply chain, documenting risks and remedies. In 2022, we completed a review of our Modern Slavery Risk Assessment to ensure we accurately identify the potential risks and to set priorities for further action and engagement in 2023.

In recent years, we have received external recognition for our approach to managing human rights. For example, we hold overall industry leadership position in the Corporate Human Rights Benchmark of the World Benchmarking Alliance (WBA), leadership position on the KnowTheChain forced labor benchmark as the highest-scoring European company, and rank in the top three in the first ever WBA Gender Benchmark. ▶ 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 FLA 'Workplace Code of Conduct' and 'Principles of Fair Labor and Responsible Sourcing.' The adidas Workplace 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 also seek to extend our reach by cascading responsibilities to our contractual partners in order 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 regularly monitoring our supply chain to ensure compliance with the adidas Workplace Standards, in 2022, we continued to focus on our own purchasing practices in accordance with our 'Responsible Sourcing Policy' to ensure that they do not negatively impact our manufacturing partners' ability to comply with our standards. As a subscriber to the Better Buying Institute, an independent organization that assesses sourcing practices of participating brands, we continued to collaborate with our Sourcing team, who took actions to further improve our purchasing practices based on the feedback we received in the Better Buying reports. In addition, in partnership with Better Buying, we developed an e-learning training about responsible purchasing practices, which was launched to adidas' Global Operations employees.

Managing the impact of covid-19

From the very outset, adidas has sought to mitigate the impact of the coronavirus pandemic on the workers in its global supply chain, providing guidance on infectious disease control, occupational safety, and improvement of workers' welfare. We continued to uphold our standard manufacturing terms, including worker rights protection, and assisted key manufacturing partners in securing bank financing to help them weather the covid-19 crisis. In 2022, we saw a stepwise relaxation of government restrictions in all countries except for China, which maintained its zero-covid policy. Suppliers in some parts of China were impacted by lockdowns and by restrictions on the movement of people and materials to and from the factories. During this time, we continued to ensure legal compliance with respect to pay and benefits for all workers affected by operational changes due to covid-19, and we closely monitored the working conditions at every manufacturing facility.

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 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 a 'FLA Fair Compensation Tool,' which has broad industry adoption 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 new social impact KPI ('S-KPI'). The S-KPI measures suppliers' social impact performance through a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, our initial target was to have 70% of strategic Tier 1 suppliers achieve a minimum of '4S,' and 100% of strategic Tier 1 suppliers achieve '3S' or better. As we have seen very positive progress in our suppliers' overall performance following the end of the pandemic, we have upgraded our 2025 target accordingly and now expect that 90% of our strategic Tier 1 suppliers will achieve a minimum of 4S or better by 2025. For a detailed description of this new KPI and the progress towards this target in 2022, and adjusted targets, please see later in this chapter.

Improving gender fairness and wages 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 for 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, across our strategic Tier 1 suppliers. We also want to achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers.

- **Fair compensation:** In 2022, we completed wage data collection[21] among our strategic suppliers in Cambodia, Indonesia, and Vietnam, representing 62% of all strategic suppliers. We compared this wage data against external benchmarks, such as the applicable legal minimum wage, the FLA Country Average[22], which represents the industry average, the Global Living Wage Coalition's ('GLWC') benchmark[23] if available, and the World Bank International Poverty Line. It is important to note that our collected data coincides with the first year of covid-19, a time period where wages were impacted by the disruptions caused by the pandemic, particularly in countries where suppliers experienced long periods of work suspensions and/or shorter hours of operations.

  The data collected shows that payment of wages in these factories did surpass all of the aforementioned benchmarks. In detail, the data collected for eight factories in Cambodia, the major sourcing country for apparel, shows that wages paid by adidas suppliers surpassed the legal gross minimum wage by 50% and the applicable net FLA Country Average[24] by 29%. The eleven factories in Vietnam, the major sourcing country for footwear, are located within three minimum wage zones. Therefore, their wage data analysis is grouped by their respective minimum wage requirements: In all three zones, wages paid at adidas factories all surpassed the applicable legal minimum wages by at least 65%, up to 78%. Where applicable, wages also surpassed the net GLWC Benchmark by 18%. Our eight surveyed factories in Indonesia are located within five different legal minimum wage groups. As such, their wage data analysis results are reported under their respective minimum wage requirements. Across all zones, wages paid surpassed the legal minimum wage by between 7% and 45%.

  In addition, we continued to support the evolution of the FLA's data collection tools by participating in the FLA's Fair Compensation Practitioners Working Group. In 2022, the primary focus of this work was improving the FLA's 'Fair Compensation Dashboard,' which is used to analyze, report, and visualize wage data. The year 2022 also saw the continued activation of the five levers that heavily influence wages as outlined in our 'Fair Compensation Strategy': legal obligations, responsible sourcing and purchasing practices, worker productivity, government involvement, and industrial relations. Specifically, we activated our gender pay parity efforts and continued to focus on closing benefit and wage-related gaps identified through our compliance activities. In 2023, we will continue to benchmark our strategic suppliers in the rest of the world, identify and prioritize factories that may require wage improvements and establish KPIs to help track and measure progress against our five levers.

- **Gender equality:** We aim to bring a gender lens to our strategic suppliers' operations ensuring that all workers enjoy the same opportunities, rights, and obligations. To support this aim, in 2022 we launched our 'Gender Strategy for Business Partners' to guide and help our strategic suppliers in this process. In addition, we introduced and shared guidelines alongside a self-assessment tool to help them develop and implement their own gender strategy. The tool is designed to help suppliers identify gender-related gaps in their operating practices and procedures and provide the building blocks they need to develop their own gender strategy. In 2023, suppliers will develop improvement plans aimed at closing potential identified gaps. These insights will help us to track their progress against their plans.

21 Wage data for 2020 was collected in 2021 and 2022 and is self-reported by suppliers. The data presented here was collected in 2021 and covers 62% of our strategic factories in the three countries. We are planning to report data collected in 2022 in the next reporting cycle.

22 An applicable FLA Country Average is currently only available by country, and not for each applicable minimum wage group and/or region for countries with multiple minimum wage requirements.

23 A 2020 GLWC benchmark is only available for Vietnam. The GLWC published its first reference value in 2021; it will be used in future benchmarking, and as more GLWC benchmarks become available, they will be incorporated into our analysis and reporting.

24 Average of all 2020 wage data collected in Cambodia through FLA Fair Compensation Dashboard as of July 2022.

Increasing transparency on human rights across our value chain

As part of our broader risk management processes, we will increase the scope and application of our HREDD efforts. By 2025, we aim to have a system in place to identify and manage high-risk human rights issues in 100% of our value chain. In conducting due diligence, we seek to identify, prevent, and mitigate potential adverse human rights or environmental impacts, with priority given to the most severe impacts. In 2022, we enhanced the mapping of subcontractors of our Tier 1 manufacturing partners. In addition, as part of our effort to cascade HREDD processes within our supply chain, we made our key Tier 1 manufacturing partners accountable for implementing their own due diligence efforts, and we tracked that implementation via our S-KPI tool. This also required our supplier partners to commission social compliance audits in their subcontractor facilities.

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 results of these assessments, the Sourcing and SEA teams jointly decide on the course of action, ranging from trainings 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.

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 2022, remains accredited based on FLA's annual evaluations. In addition to labor rights assurance, the FLA also provides external parties with an independently managed 'Third Party Complaint' mechanism. adidas was the subject of two FLA complaints over the course of 2022.

At the end of 2022, adidas worked with 424 independent supplier facilities[25] (2021: 509) that manufacture products for our company in 44 countries (2021: 46). The reduction in facilities reflects the completed divestiture of Reebok and associated impacts on sourcing operations. The core adidas supply chain has remained stable in line with our strategy to form long-term relationships with our manufacturing partners. 63% of our manufacturing partners' facilities (2021: 67%) are located in the Asia-Pacific region. The number of licensees we worked with was reduced significantly due to the divestiture of Reebok. In 2022, 39 licensees (2021: 60) manufactured products in 287 factories (2021: 418) across 34 countries (2021: 39).

Onboarding

Against the backdrop of the Reebok divestiture, our primary focus in 2022 was on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. Consequently, we saw a marked reduction in the number of initial assessments – the first approval stage for a new entry into our supply chain – in 58 prospective supplier factories (2021: 142). Of these, 20 factories (2021: 48) were either rejected directly after the initial assessment identified zero-tolerance issues or were 'rejected

25 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.

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 (71%) of all initial assessments were undertaken in Asia (2021: 86%), with China accounting for 26% (2021: 42%).

Overall, at the end of 2022, the first-time rejection rate of 34% of all new factories visited remained in line with the previous year (2021: 34%). Providing focused support to those factories that we have onboarded has aided us in maintaining a 'final rejection rate' of under 5% in 2022. The remediation of non-compliance issues prior to their onboarding is beneficial for workers as it raises the bar in terms of better workplace conditions. Manufacturing partners that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance.

SUPPLY CHAIN PERFORMANCE DATA

	2022	2021
Onboarding of new suppliers		
Total number of first-time rejections[1]	20	48
First-time rejection rate	34%	34%
Total number of final rejections	4	2
Final rejection rate[2]	5%	1%
Worker satisfaction		
Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners	100%	99%
Satisfaction rate from workers who raised a grievance through 'Workers Voice'	77%	71%
Trainings		
Number of training sessions (fundamental, performance, advanced)	187	149
Monitoring		
Total number of audits (initial assessment, performance audits, environmental assessments)[3]	1,222	1,176
Enforcement[4]		
Number of warning letters (first warning)	6	11
Number of warning letters (second warning)	0	2
Number of warning letters (third and final warning)	0	0
Number of business relationship terminations for compliance reasons	0	1

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). 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 satisfaction and grievance opportunities

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 2022, more than 440,000 workers employed in 134 manufacturing facilities across 17 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 48,000 human and labor rights complaints (2021: around 52,000) were filed through the Workers Voice platform in 2022, with 99% of these complaints being closed by the end of 2022. The top complaints received in 2022 were related to concerns over general facilities (more than 16,000), internal communication (more than 11,000), and benefits (more than 6,000).

Input received through the Workers Voice platform are 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 2022. The increase in satisfaction is partly related to a significant improvement in the response time that it took the factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than 17 hours in 2022 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 the overall culture in factories.

Complementing the various grievance channels, we expanded the 'Worker Pulse' project, a digitalized short survey launched in 2020 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 2022, we undertook these digital surveys in 133 manufacturing facilities (2021: 123) across 17 countries (2021: 16), with more than 85,000 workers participating (2021: 66,000) through a mobile-phone-based application. At its core were six statements for 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 level of comfort when raising a suggestion or complaint or when talking to supervisors. Results show a steady increase in the number of favorable respondents across all questions since 2020, from roughly 78% to 87% on average. The percentage figures 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 is also a factor in the increase in the average S-KPI score for our manufacturing partners' facilities in 2022. 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.

Alongside facility-led training, we have also offered tailored training under our 'Women Leadership Program,' first launched in 2016. Building on our team's learnings, we modified the training approach in 2022, adopting a hybrid model of in-person and online training to accommodate countries that were facing restrictions due to covid-19. In 2022, more than 1,100 supervisors at factories participated in the program (Cambodia, China, India, Indonesia, Myanmar, Philippines, Vietnam).

2022 also saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out at 123 manufacturing facilities in 18 countries in 2021. 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 82,000 workers took part in 2022 (2021: 62,000) and averaged a score higher than 91 out of 100 in the post-test questions, thereby demonstrating very high levels of awareness.

Manufacturing facility engagements and training sessions

In 2022, our ability to physically visit our manufacturing partners continued to be limited in some locations due to the pandemic, while it was restored in other areas. We used these opportunities to maximize the impact of our facility engagements and training sessions. Through a combination of on-site and remote or virtual interactions throughout the year, we completed 657 individual facility engagements in 2022 (2021: 373), and 187 training sessions for manufacturing partners, licensees, workers, and adidas employees (2021: 149). Training sessions covered 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. The amount of training delivered also reflected our focused efforts this year to educate our manufacturing partners on Worker Empowerment projects and the launch of our new S-KPI tool. Where virtual training sessions could be held, we continued to utilize this format to attract larger audiences, reaching a total of 4,535 people, slightly down from the 2021 figure of 5,321.

Wherever possible, we were also able to exchange multiple, shorter virtual interactions, with longer, and more comprehensive, on-site engagements. In addition to our continuous tracking of covid-19 impacts on our manufacturing partners' operations, we used these engagements to monitor remediation activities, KPI improvement plans, grievance investigations, and follow-up on worker satisfaction surveys.

We continued to work with our licensee partners in 2022 to ensure that they were implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. In addition, we provided our licensees with access to the FLA e-learning materials, which include training courses covering topics such as human rights, forced labor, responsible manufacturing, and worker engagement.

Audits

We audit our manufacturing partners regularly against the adidas Workplace Standards. In 2022, in addition to our own audits, we continued to use 'Social and Labor Convergence Program' (SLCP) assessments. In 2022, we have accepted 133 SLCP assessments in lieu of our own performance audits (2021: 142). The SLCP, as an industry assessment tool, will continue to evolve as it is adopted more widely across the sector, and its methodology is strengthened. With covid-19 continuing to place restrictions in some parts of the world on our ability to conduct our own on-site assessments in 2022, our monitoring approach had to remain agile to accommodate lockdowns and travel restrictions. Where possible, we continued to carry out our regular on-site assessments, while also continuing the use of remote desktop assessments first piloted in 2020.

NUMBER OF AUDITS BY REGION AND TYPE

Region	Initial assessment[1]		Performance audit[2]		Environmental assessment[3]		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Asia	60	145	426	387	606	511	1,092	1,043
Americas	12	15	34	33	18	15	64	63
EMEA	9	8	35	40	22	22	66	70
Total[4]	**81**	**168**	**495**	**460**	**646**	**548**	**1,222**	**1,176**

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).
3 Includes environmental assessments and wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'
4 Includes audits done in licensee factories.

A total of 709 social compliance audits (initial assessments, performance audits, and SLCPs) were conducted in 2022 (2021: 770), 15 of which were conducted remotely (2021: 67). Of the 481 on-site performance audits conducted, 78% 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 395 in 2021 to 295 in 2022, reflecting the reduction in the number of licensee partners connected to the Reebok divestiture.

To complement our broader sustainability efforts, as shown earlier in this chapter, we monitor our suppliers to ensure compliance with our environmental standards and guidelines and to validate their performance against annual environmental targets. In 2022, 259 facilities in 20 countries were assessed and evaluated for their environmental performance, which represented 251 of our key Tier 1 and Tier 2 manufacturing partners, and selected Tier 3 suppliers enrolled in our sourcing sustainability program.

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 109 in 2022 (2021: 233), with 860 assessments performed by third-party monitors (2021: 741).[26]

A total of 65% (2021: 54%) of all direct and licensee facilities were audited in 2022. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2022, with an audit coverage of 84% (2021: 70%). 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 continue to measure suppliers' ability and performance in conducting their own, internal compliance monitoring and due diligence processes, which is captured in our S-KPI tool. This replaces the previously used self-governance audits, which were only required for our best performing.

Audit results and S-KPI performance

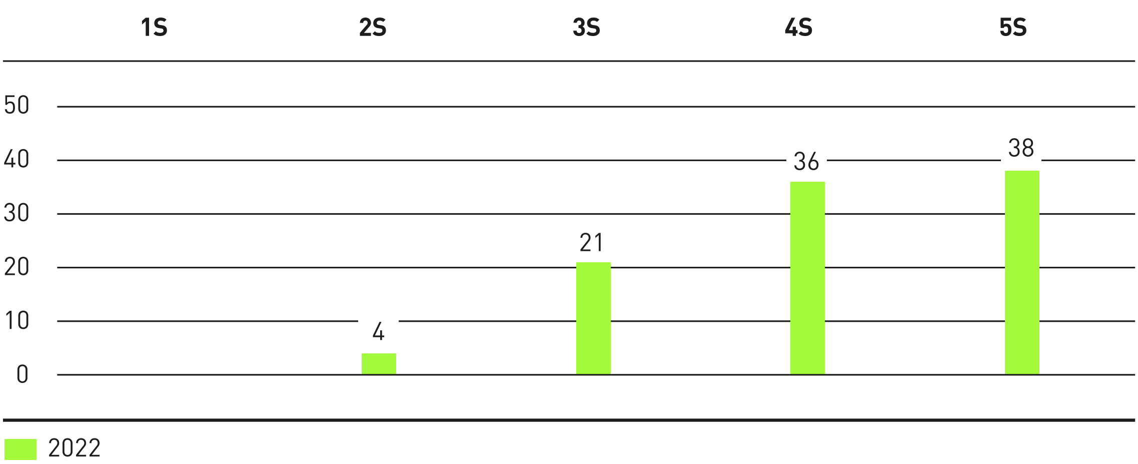
2022 marks the first year where we have measured supplier performance using the S-KPI tool. The S-KPI assesses a factory's performance in delivering a safe and fair workplace by measuring effective due-diligence processes, as well as the ability to deliver positive social impact. In total, the S-KPI 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

26 Including social and environmental assessments, excluding ZDHC wastewater assessments.

surveys, and the ratio of females in mid-managerial position. The S-KPI assesses a factory's performance in each of the UOMs, based on the information gathered and 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%.

In 2022, almost 75% of our key manufacturing facilities achieved a rating of '4S' or better, which significantly exceeded the original target that we set for 2025 (70% of suppliers rated 4S). This achievement shows the extraordinary efforts made by our supplier partners to master the requirements of the S-KPI, and the positive impact of the guidelines and training provided in the two-year lead-up to its launch. Given this outstanding achievement, we have upgraded our target for the upper band of performance for our suppliers, and now expect 90% of our strategic Tier 1 suppliers to achieve a minimum of 4S or better by 2025.

SOCIAL IMPACT PERFORMANCE RATING OF STRATEGIC SUPPLIER FACTORIES BY S-KPI IN %



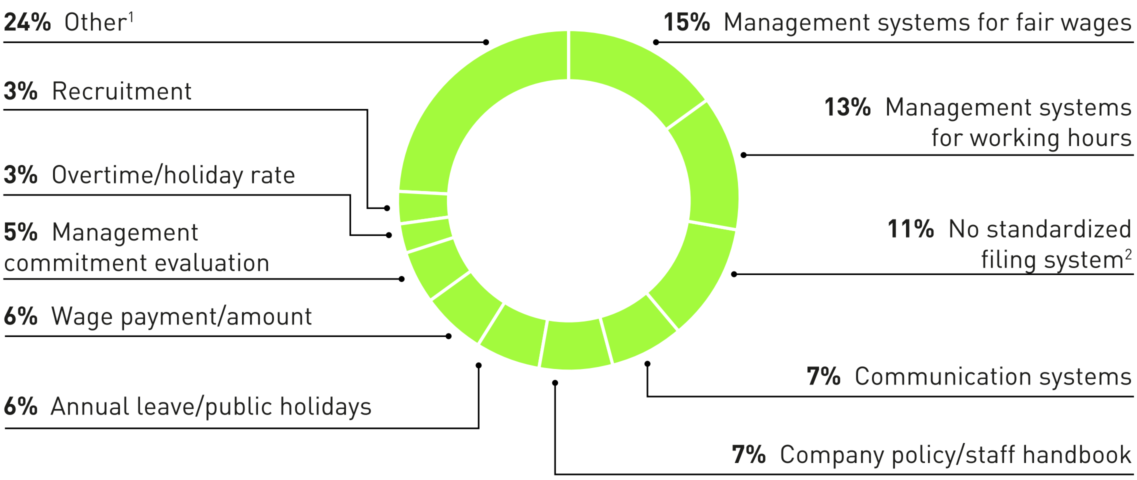
Of our key licensees, 100% achieved a Licensee Compliance Rating ('LCR') of at least 4S, and of these, 33% received a rating of 5S. This rating mechanism mirrors that of our S-KPI applied to manufacturing partners and reflects that these licensees have successfully demonstrated that they have embedded 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-compliances and require our manufacturing partners to remediate these findings within a specified timeframe. The identified issues in 2022 remained largely the same as those reported in 2021.

– **Labor:** Besides identifying non-compliances 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.

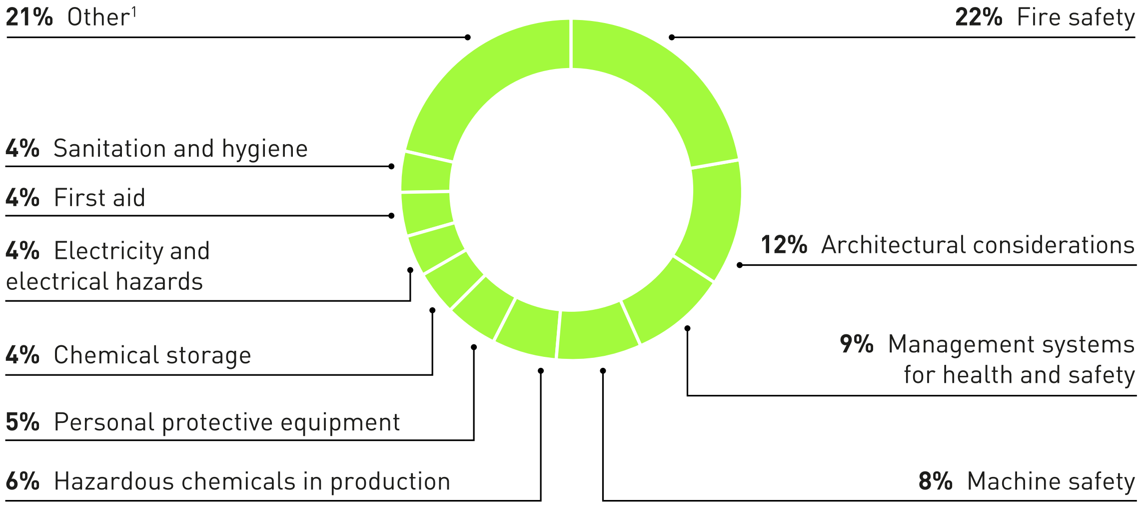
SHORTCOMINGS IN THE AREA OF LABOR IDENTIFIED DURING AUDITS IN 2022



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, and machine safety are critical areas for existing manufacturing facilities, and together they accounted for more than 30% of the non-compliances identified in 2022. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 10% 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 2022



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. For the period 2019 through June 2022, 93% of the threshold issues identified in our monitoring assessments were found to be fully remediated. A small percentage of issues identified over this period remain open, the majority of which were found during assessments conducted in 2021 and in the first half of 2022. 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.

Independent FLA audits

The FLA has assessed the supply chain of its member brands by utilizing a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual), despite the ongoing challenges posed by covid-19. This resulted in adidas receiving four 'Sustainable Compliance Initiative' ('SCI') Assessments from the FLA in 2022. 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-compliances, which cannot be resolved, we do terminate business relationships with facilities. When making such a decision, we always seek to balance the adverse impacts arising from the unresolved non-compliances 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 2022, our close engagement with our manufacturing partners' facilities has helped reduce the number of active warning letters to six (2021: 13) across five countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from eleven in 2021 to six in 2022; the total number of second warnings even decreased to zero in 2022 (2021: 2). Manufacturing facilities that receive second-warning letters 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 business terminations) were issued to our manufacturing partners in 2022 (2021: 0).

- **Terminations:** In 2022, there were no instances in which a supplier agreement was terminated for social compliance reasons (2021: 1).

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 of the Report, we provide an overview on our sustainability bond as well as on our approach to comply with the requirements of the EU Taxonomy that has the objective to channel investments in the right direction. 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 our created Sustainability Bond Framework. adidas has committed to providing annual updates on the allocation of proceeds and the impact KPIs driven by the 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

	2022	2021	2020
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[1]	96	91	71
Percentage of more sustainable cotton sourced	100	100	100
Number of pairs of shoes produced containing 'Parley Ocean Plastic'	> 26m	> 17m	> 15m
Eligible category: sustainable processes			
Impact of investment or expenditure into improving our operations by establishing more sustainable processes			
Absolute annual CO_2e Scope 1 and Scope 2 net emissions (in tons) in own operations[2]	164,149	138,411	–[3]
Number of buildings[4] of own operations holding certification for environmental management (ISO 14001)/health and safety management (ISO 45001)/energy management (ISO 50001)	64/112/322	64/63/327	42/39/53
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	31	34	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	276	–[5]	316
Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition	55	55	108

1 Percentage share of recycled polyester in 2021 and 2022 excluding Reebok.
2 Own operations include administrative offices, distribution centers, production sites, and retail stores. Excluding Reebok.
3 2020 data not comparable due to new and increased scope in 2021 (addition of retail stores). 2020 absolute annual CO_2e Scope 1 and Scope 2 net emissions in own operations (administrative offices, distribution centers, production sites): 26,756 tCO_2e, including Reebok. 2021 and 2022 data excluding Reebok.
4 At year-end.
5 Grants distribution for Black-owned small businesses as part of 'BeyGOOD,' which is managed by a third party, postponed 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' in order to direct investments towards sustainable economic activities. Thereby, the EU's climate and energy as well as 'European Green Deal' targets shall be supported.

The Taxonomy is a classification system for environmentally sustainable economic activities. An economic activity is considered Taxonomy-eligible if it is referenced by the Taxonomy and has the potential to help achieve 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')**: The activity fulfills further criteria, which are intended to prevent significant harm to one or more of the other environmental objectives.

- **Minimum safeguards**: The company performing the activity must have implemented minimum safeguards relating to human rights, including labor rights, corruption, taxation, and fair competition.

Reporting scope for fiscal year 2022

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. Throughout 2022, the Platform on Sustainable Finance, which serves as the advisory body to the European Commission on the development of the Taxonomy, published a detailed draft report on the technical screening criteria concerning environmental objectives 3–6. As per this draft report, the adidas core business activities – the manufacturing of textiles and footwear as well as wholesale and retail sale thereof – are referenced by environmental objective number 4, 'Transition to a circular economy.' In addition, a final recommendation concerning the minimum safeguards criteria was issued by the Platform on Sustainable Finance in October 2022. However, by the end of fiscal year 2022, the Taxonomy has not been enacted in its entirety. Thus, the timing of the full-scope Taxonomy reporting obligation, the content details, and the exact interpretation of various components within the Regulation remained unclear at the time this report was prepared.[27] Therefore, the reporting requirements for 2022 are limited to the first two environmental objectives – 'climate change mitigation' and 'climate change adaptation' – which do not reference the main economic activities of our industry. However, in contrast to the previous year, it is necessary to provide information on the degree to which Taxonomy-eligible economic activities are Taxonomy-aligned and to disclose the corresponding turnover (net sales), capital expenditure ('CapEx'), and operating expenses ('OpEx') KPIs, accordingly. Furthermore, in 2022, the EU

27 Due to the timing and resources required to prepare the adidas Annual Report 2022, we have only included Taxonomy-relevant publications issued before January 27, 2023.

enacted amendments (Delegated Regulation (EU) 2022/1214) to the Delegated Regulation, requiring companies to make specific disclosures on economic activities in connection with the fossil gas and nuclear energy sectors. Due to the operation of a district heating plant in Germany, we carried out related activities in 2022, however not to a material extent. Thus, the disclosure requirements as per Annex XII of the amendments to the Delegated Regulation are not applicable to adidas.

Description of adidas procedure toward compliant 2022 reporting

Building on the experience and learnings from the first-time reporting on Taxonomy-eligible activities from the previous year, a core team within the adidas Corporate Finance area had the responsibility for the 2022 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, correctness, and completeness,
– ensure that all new and updated Taxonomy-relevant publications that have become available throughout the course of the year were adequately reflected in this report.

Determination of Taxonomy-eligible activities

As a first step in the 2022 reporting process, the core team identified the Taxonomy-eligible activities at adidas as referenced in the Taxonomy Regulation. A detailed review of the defined environmental objectives 'climate change mitigation' and 'climate change adaptation' confirmed that 'climate change mitigation' is the environmental objective relevant for adidas. The main economic activities of our business model however are not covered by the environmental objective 'climate change mitigation,' and consequently we have no turnover-generating Taxonomy-eligible economic activities to report. Furthermore, due to the multitude of potential eligible economic activities, the principle of materiality was further refined compared to the previous year and applied consistently. Accordingly, an economic activity category is determined eligible if the corresponding KPI value is at least € 10 million. As a result, eligible economic activities associated with the environmental objective 'climate change mitigation' are reported for activity categories associated with construction and real estate activities as follows:

– 7.3. Installation, maintenance, and repair of energy efficient equipment
– 7.7. Acquisition and ownership of buildings (building leases)

The eligible activities identified relate almost entirely to building leases.

Assessment of Taxonomy alignment of Taxonomy-eligible activities

Annex I of the Delegated Regulation lays out the substantial contribution and DNSH criteria in connection with the eligible economic activities for the environmental objective 'climate change mitigation.' 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 third-party suppliers. Due to the expected time and resource investment necessary for assessing all eligible activities, we prioritized the assessment of those eligible activities that were most material in terms of volume and value and/or were more likely to be Taxonomy-aligned due to the availability of the necessary information. Accordingly, we concentrated our efforts on assessing the eligible building leases in connection with warehouses, own retail stores, and corporate offices. The applicable substantial contribution and DNSH criteria, which are mentioned in section 7.7 of Annex I of the Delegated Regulation, predominantly relate to the primary energy consumption as well as the climate-related risks and mitigation solutions, respectively, in connection with the leased buildings. The substantial contribution criteria evidence most relevant for adidas in this regard is the existence of an Energy Performance Certificate (EPC) class A. Many eligible building leases are outside of Europe, which requires the alignment of this EU-centric energy performance certification with standards and frameworks typically in use in non-EU countries (e.g., LEED certification). In line with the generally low share of available non-residential buildings adhering to these energy performance standards across our markets, only a few eligible leases in 2022 fulfil this criterion, particularly the eligible retail leases where adidas has very limited ability to influence the design and/or re-development of malls, where many of our stores are located. Also, 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 major warehouse investments in Suzhou (China) and Cheb (Czech Republic), as well as with a major corporate office investment in Amsterdam (Netherlands) which fulfil the substantial contribution criteria. This reflects our commitment to de-carbonize our own operations as well as our more pronounced ability to influence the design and development of major real estate investments in connection with our operational infrastructure. ► SEE OWN OPERATIONS

The only applicable DNSH criterion for building leases relates to the environmental objective '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. The objective of this criterion is, firstly, the assessment of the materiality of climate risks affecting the performance of the eligible activity, taking different climate projections into account depending on the expected lifespan of the activity. Secondly, the effectiveness of adaptation solutions to mitigate the physical climate risk for the activity needs to be assessed. We prioritized in the assessment the most relevant eligible activities regarding this DNSH criterion and used existing information on climate risks and corresponding mitigation solutions that was gathered as part of our regular business processes (e.g., for insurance purposes). As a result, not all information was available for a complete and conclusive assessment exactly as per the methodology and scope prescribed by the Regulation. We therefore assessed the building leases to be not Taxonomy aligned.

For the remaining eligible activities under category 7.3, a Taxonomy alignment assessment with the respective criteria laid out in Annex I of the Delegated Regulation was conducted in a structured manner to an extent considered prudent and meaningful. While the eligible activities fulfil the substantial contribution criteria, none is considered Taxonomy-aligned as a result of the DNSH assessment.

Determination and reporting of Taxonomy KPIs

- **Turnover KPI:** No Taxonomy-eligible turnover/net sales were identified.
- **CapEx KPI:** In comparison to the disclosed CapEx value of € 695 million in this report, the Taxonomy definition of 'CapEx' results in a total value of € 1,587 million (denominator of the 'CapEx KPI') at adidas (2021: € 1,188 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 re-measurements. For the calculation of 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 as well as reconciliations to avoid double-counting of additions. In total, the corresponding numerator of the eligible CapEx KPI amounts to € 867 million (2021: € 604 million), resulting in a CapEx KPI of 55% eligible and 45% non-eligible CapEx. Most of the eligible CapEx in 2022 (98%) relates to the leasing of buildings, which amount to € 853 million, with the remaining eligible CapEx relating to the installation of energy efficiency equipment. While a total of € 230 million of eligible CapEx complies with the substantial contribution criteria, € 0 million of eligible CapEx is reported as Taxonomy-aligned.

  In summary, the corresponding numerator of the aligned CapEx KPI amounts to € 0 million, resulting in a CapEx KPI of 0% aligned and 55% non-aligned CapEx.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

	CapEx	Proportion of total CapEx	Substantial contribution to climate change mitigation		Compliance with DNSH criteria	Compliance with minimum safeguards	Taxonomy-aligned CapEx	Taxonomy-aligned proportion of total CapEx
	€ in millions		€ in millions		y/n	y/n	€ in millions	
Economic activities								
A. Taxonomy-eligible activities								
A.1. Environmentally sustainable activities (taxonomy-aligned)	0	0%						
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)	867	55%	230	27%	n	y	0	0%
7.3. Installation, maintenance and repair of energy equipment	14	1%	14	100%	n	y	0	0%
7.7. Acquisition and ownership of buildings (building leases)	853	54%	216	25%	n	y	0	0%
B. Taxonomy non-eligible activities	**720**	**45%**						
Total (A + B)	**1,587**	**100%**						

– **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[28]. In 2022, this amounted to € 862 million (denominator of the OpEx KPI) at adidas (2021: € 692 million), which compares to € 22,511 million of net sales and € 10,260 million of OpEx disclosed in this report. In the context of our business model, which is the design, development, production, and marketing of a broad range of athletic and sports lifestyle products, we consider the Taxonomy 'OpEx KPI' denominator value to be insignificant. Consequently, and in line with the Regulation, we have decided not to publish the amount of eligible OpEx and hence the OpEx KPI numerator. The information has no significant value to the reader of this report as, for example, our expenditure for research and development would not be considered Taxonomy-eligible at this point. At the current stage, the numerator would only include minor OpEx related to information and communication activities. As a result of these considerations, we report the numerator value of our Taxonomy-eligible OpEx KPI as € 0 (2021: € 0). Consequently, no further information on the alignment of eligible OpEx can be provided in this report.

Full information on the Taxonomy KPIs according to Annex II of the Delegated Regulation can be found in this report. ► SEE EU TAXONOMY TABLES

Minimum safeguards

The minimum safeguards form part of the Taxonomy alignment criteria. Their purpose is to ensure that companies performing environmentally sustainable activities adhere to social norms and certain minimum governance standards. In its final report to the European Commission on minimum safeguards, the Platform on Sustainable Finance provided more details on the minimum safeguards criteria and outlined the specific conditions of non-compliance:

Human rights and labor rights:

– Lack of adequate human rights due diligence process (HRDD) as outlined in the UNGPs and OECD Guidelines for MNEs, 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 on corruption

Fair competition:

– Lack of promotion of employee awareness of the importance of compliance with all applicable competition laws and regulations, and/or
– cases of court conviction on violating competition laws

28 By 'other expenditure,' we mean expenditure for facility management services, i.e., expenditure relating to the day-to-day servicing of property, plant, and equipment.

Following the publication of the report on minimum safeguards by the Platform on Sustainable Finance, our subject-matter experts from the Social and Environmental Affairs, Tax, and Legal areas assessed the details of the respective criterion. The key objective of this assessment was to determine the extent to which the herein mentioned governance standards and policy frameworks are already embedded in the existing adidas policies (e.g., adidas Human Rights policy), standard operating procedures (e.g., adidas Fair Play Code of Conduct), and the adidas compliance management system. The assessment paid particular attention to the requirements regarding human rights and labor rights to determine whether the six steps of the HRDD outlined in the UNGPs and OECD Guidelines for MNEs were implemented effectively, both in our own operations and in our supply chain.

Based on this assessment, there is no evidence that Taxonomy-eligible activities in 2022 failed to comply with any of the above-mentioned conditions. More information on our compliance with the respective criteria can be found in this 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

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, particularly when our core business activities become applicable under the environmental objective 'transition to a circular economy,' and a common interpretation of all aspects relevant to adidas has been established. A precise timeframe for these developments was not yet available at the time of this report.

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 advisors. 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.

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 2022 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 §§ 315b, 315c HGB in combination with §§ 289b 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 entire combined Management Report with relevant parts being indicated accordingly. This content was subject to an either separate reasonable assurance engagement, marked with [ ], or limited assurance engagement, marked with ⌜ ⌝, of KPMG AG 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 LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

adidas applied the Global Reporting Initiative ('GRI') guidelines as an external reporting framework. 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

DESCRIPTION OF BUSINESS MODEL

▶ SEE GLOBAL SALES
▶ SEE GLOBAL OPERATIONS

ENVIRONMENTAL APPROACH

– More sustainable materials and circular services

▶ 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
▶ SEE INTERNAL MANAGEMENT SYSTEM
▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

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

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

NET SALES AND OPERATING PROFIT GROWTH

While in 2022 net income from continuing operations was one of our major financial KPIs, 2023 will be a transition year where we will be focusing on incremental net sales generation and absolute operating profit stabilization.

Net sales growth is the reflection of the attractiveness of our product offering driven by innovation and our ability to 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 planning pricing and clearance activities according to market realities, optimizing our product and channel 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 improving the efficiency of our marketing investments. This includes concentrating our communication efforts on key global brand initiatives and focusing our promotion spend on well-selected partnerships with top events, leagues, clubs, federations, athletes, and cultural marketing partners. We also aim to increase operational efficiency by tightly managing operating overhead expenses. In this respect, we regularly review our operational structure by harmonizing business processes, standardizing systems, eliminating redundancies, and leveraging the scale of our organization.

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, we strive to improve collection efforts in order to reduce the 'Days of Sales Outstanding' ('DSO') and minimize the aging of accounts receivable. Likewise, we strive to optimize payment terms with our suppliers to manage our accounts payable in the best possible way.

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 and that are also part of the strategic review we are currently conducting include, among others, the development of our member base, employee engagement, the share of female leadership, and our sustainable article offering.

MEMBERSHIP

We want to grow long-term relationships with our consumers. Our membership program offers personalized experiences and rewards our most valued consumers' engagement and purchasing activity. Therefore, our goal is to increase the member base over the years, and its growth serves as the metric to measure our success.

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 40% by 2025. ► 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, which utilizes 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 2022, adidas recorded lower-than-expected results against the backdrop of geopolitical tensions and heightened macroeconomic as well as company-specific challenges. Revenues increased 1% on a currency-neutral basis. The gross margin decreased 3.4 percentage points to 47.3%. Other operating expenses as a percentage of sales were up 3.7 percentage points to 45.6%. The company's operating margin decreased 6.4 percentage points to 3.0%. Net income from continuing operations decreased 83% to € 254 million. The decline was partly related to one-off costs in the amount of € 350 million. These one-off costs are related to our decision to wind down our business in Russia, a settled legal dispute, higher provisions for customs-related risks, cash-pooling in high inflationary countries as well as to restructuring costs as part of the company's business improvement program.

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMIC GROWTH DECELERATES IN 2022 [29]

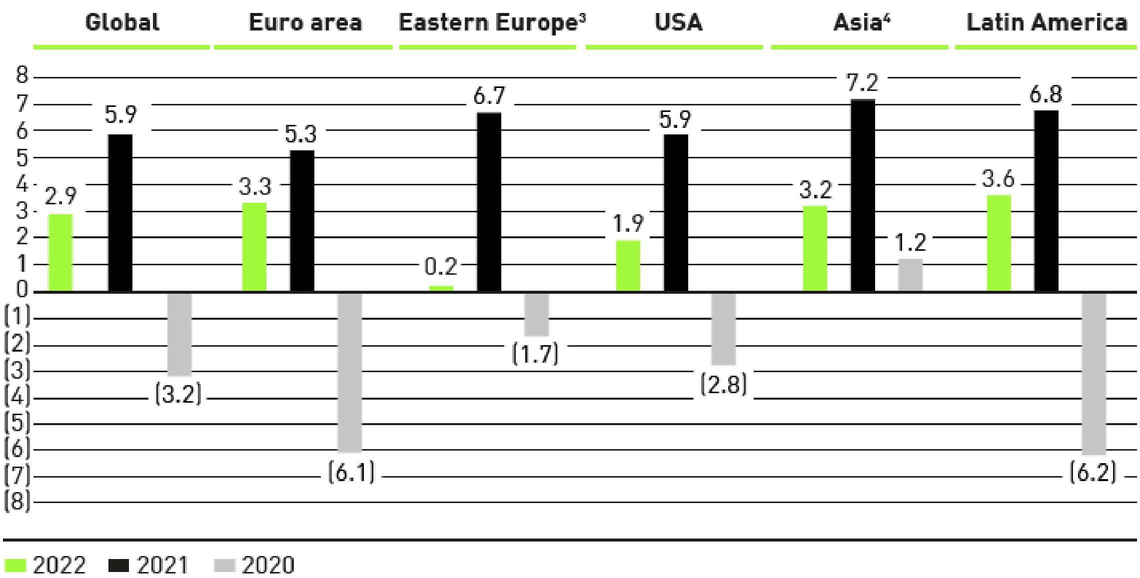
Global economic growth has slowed in 2022, with the global gross domestic product (GDP) increasing 2.9%. The war in Ukraine led to soaring energy and commodity prices, while increasing inflation lowered household purchasing power and dampened consumer confidence. Global central banks implemented swift and universal monetary policy tightening resulting in elevated interest rates. This substantially affected global economic activity as growth in advanced economies slowed to 2.5% in 2022. Coronavirus-related disruptions, especially in Greater China, continued to dampen growth in parts of the world. Due to negative spillover effects from advanced economies and weaker external demand, growth in developing economies nearly halved from 2021 levels to 3.4% in 2022. Overall, extremely high inflation, the monetary tightening cycle, but also disruptions to both global supply chains and the availability of key commodities left their mark on advanced and developing economies alike. Globally, risks of escalating geopolitical tensions and a further decrease of consumer confidence, potentially leading to recessions in developed economies, remain.

SPORTING GOODS INDUSTRY GROWS MODERATELY IN 2022

The global sporting goods industry expanded in 2022 while facing pressure on input costs and supply chains as well as suppressed demand due to lower discretionary spending amid multi-year high inflation rates. In addition, strict coronavirus-related lockdown measures continued to be implemented in parts of the world, particularly in Greater China. While global supply chains were still constrained in the first half of the year as a result of coronavirus-induced factory closures, industry-wide inventory levels increased severely in the second half, leading to heightened promotional activity. Despite these challenges, demand globally benefitted from large-scale sport events, such as the 2022 Beijing Winter Olympics, the UEFA Women's EURO 2022 in England, or the FIFA World Cup Qatar 2022. Furthermore, existing global trends, such as the increased penetration of sportswear ('athleisure') as well as rising awareness for health and wellness, accelerated further. Moreover, consumers are holding sporting goods brands accountable for their sustainability efforts more than ever. Ultimately, brands continued to benefit from an integration of physical retail and online channels amplified by scaling of digital platforms and membership programs. For the sporting goods industry, too, risks of lower consumer demand due to pressured discretionary spending power and a global economic downturn persist.

29 Source: World Bank Global Economic Prospects.

REGIONAL GDP DEVELOPMENT [1,2] IN %



1 Real change in percent versus prior year; 2021 and 2020 figures restated compared to prior year.
2 Source: World Bank as of January 10, 2023.
3 Includes Emerging Europe and Central Asia.
4 Includes East Asia and Pacific.

INCOME STATEMENT

REVENUE GROWTH IN WESTERN MARKETS IN 2022

In 2022, revenues increased 1% on a currency-neutral basis. In euro terms, revenues were up 6% to € 22,511 million from € 21,234 million in 2021. From a market perspective, currency-neutral sales increased in all segments except Greater China where sales declined double-digits. While revenues in both North America and Latin America grew at a double-digit rate, sales in EMEA were up in the high-single-digits. Currency-neutral sales in Asia-Pacific grew mid-single-digits. ▶ SEE BUSINESS PERFORMANCE BY SEGMENT

Net sales

+1% C.N.

€ 22,511 million

REVENUE DEVELOPMENT DRIVEN BY STRONG DOUBLE-DIGIT GROWTH IN PERFORMANCE

From a category perspective, currency-neutral revenues in Performance grew at a strong double-digit rate, mainly driven by an exceptional increase in Football as well as strong double-digit growth in Running and Outdoor. While currency-neutral net sales declined in Lifestyle overall, Basketball revenues grew at a strong double-digit rate.

NET SALES [1] € IN MILLIONS

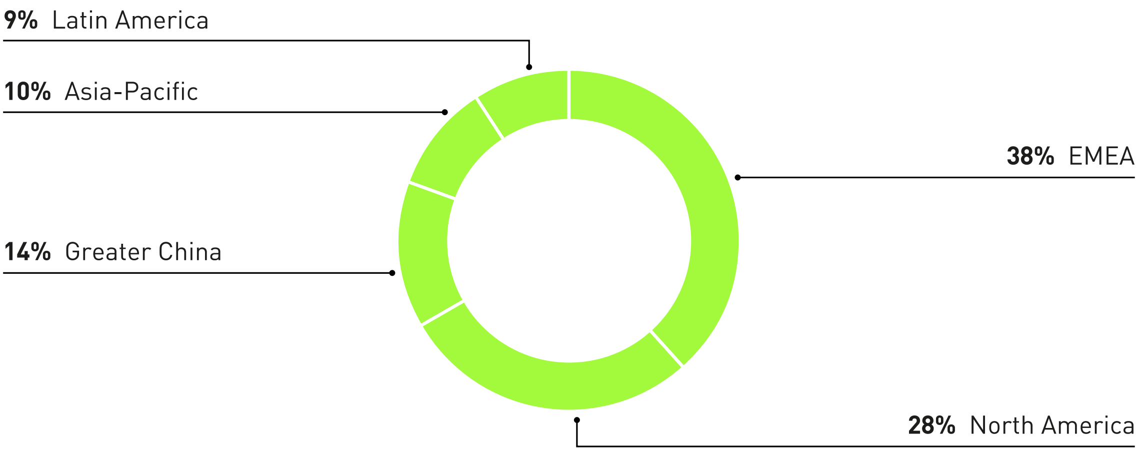
1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

NET SALES BY SEGMENT € IN MILLIONS[1]

	2022	2021	Change	Change (currency-neutral)
EMEA	8,550	7,760	10%	9%
North America	6,398	5,105	25%	12%
Greater China	3,179	4,597	(31%)	(36%)
Asia-Pacific	2,241	2,180	3%	4%
Latin America	2,110	1,446	46%	44%
Other Businesses	150	145	3%	3%
Total[2]	**22,511**	**21,234**	**6%**	**1%**

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Includes HQ/consolidation not directly attributable to one of the segments. See Note 37.

NET SALES BY SEGMENT IN %[1]



1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

FOOTWEAR DRIVES SALES GROWTH IN 2022

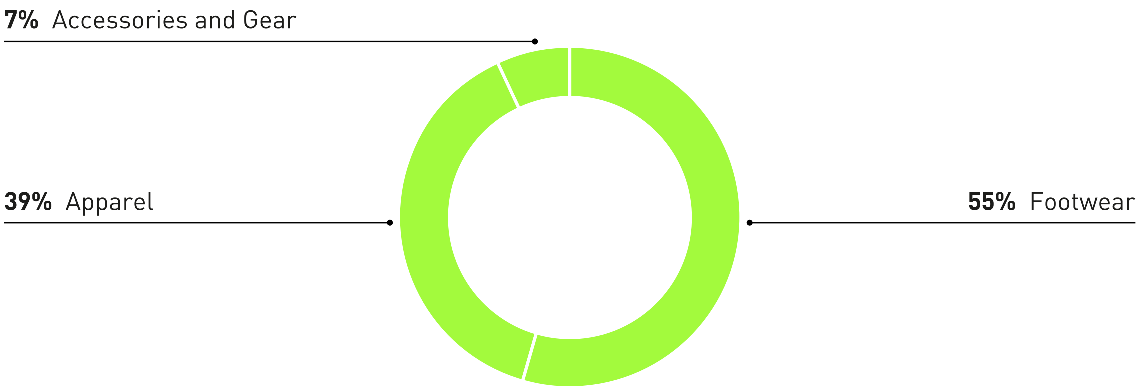
Currency-neutral footwear sales were up 3% in 2022 as a result of a double-digit increase in Performance. Apparel revenues were down 5% on a currency-neutral basis despite double-digit growth in Performance. Currency-neutral accessories and gear sales were up 19%, mainly reflecting increased demand in Football driven by the FIFA World Cup Qatar 2022.

NET SALES BY PRODUCT CATEGORY € IN MILLIONS[1]

	2022	2021	Change	Change (currency-neutral)
Footwear	12,402	11,336	8%	3%
Apparel	8,732	8,710	0%	(5%)
Accessories and Gear	1,493	1,187	26%	19%
Total[2]	**22,511**	**21,234**	**6%**	**1%**

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Includes HQ/consolidation not directly attributable to one of the product categories. See Note 37.

NET SALES BY PRODUCT CATEGORY IN %[1]



1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

COST OF SALES INCREASE DRIVEN BY HIGHER SUPPLY CHAIN COSTS

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 2022, cost of sales was € 11,867 million, representing an increase of 13 % compared to the prior year level of € 10,469 million. This development mainly reflects higher supply chain costs as well as an increased sourcing volume.

GROSS MARGIN AT 47.3%

In 2022, gross profit decreased 1% to € 10,644 million from € 10,765 million in 2021, representing a gross margin decrease of 3.4 percentage points to 47.3% (2021: 50.7%). Broad-based price increases were more than offset by the strong increase in supply chain costs, reflecting increased product costs and freight expenses, as well as by higher discounts, particularly in the second half of the year. In addition, a less favorable market, category and channel mix, negative currency developments as well as one-off costs in the amount of more than € 50 million, reflecting the company's decision to wind down its business in Russia as well as higher provisions for customs-related risks, weighed on the gross margin development in 2022.

GROSS MARGIN[1,2] IN %

1 Gross margin = (gross profit / net sales) × 100.
2 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

ROYALTY AND COMMISSION INCOME AND OTHER OPERATING INCOME INCREASE

In 2022, royalty and commission income increased 31% to € 112 million (2021: € 86 million) due to an increase in licensing income. Other operating income was up 529% to € 173 million from € 28 million in 2021, mainly reflecting income from post-closing agreements with Authentic Brands Group from the Reebok divestiture.

OTHER OPERATING EXPENSES AS A PERCENTAGE OF SALES UP 3.7 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 2022, other operating expenses were up 15% to € 10,260 million, also reflecting unfavorable currency developments (2021: € 8,892 million). As a percentage of sales, other operating expenses increased 3.7 percentage points to 45.6% from 41.9% in 2021. In 2022, marketing and point-of-sale expenses increased 8% to € 2,763 million (2021: € 2,547 million) as the company continued to invest into the launch of campaigns, especially around important sport events such as the 2022 Beijing Winter Olympics, the UEFA Women's Euro 2022, as well as the FIFA World Cup Qatar 2022. In addition, adidas invested into the launch of new products such as the Adizero Adios Pro 3, the adidas x Gucci collection, and the federation kits for the FIFA World Cup Qatar 2022, as well as into an enhanced consumer experience across both its digital and physical platforms. As a percentage of sales, marketing and point-of-sale expenses increased 0.3 percentage points to 12.3% (2021: 12.0%). Distribution and selling expenses increased 17% to 5,601 million in 2022 from € 4,782 million in the prior year, mainly reflecting higher personnel and logistic costs. As a percentage of sales, distribution and selling expenses increased 2.4 percentage points to 24.9% from 22.5% in 2021. General and administration expenses were up 11% to € 1,651 million (2021: € 1,481 million), mainly driven by higher professional fees and facility expenses. As a percentage of sales, general and administration expenses were up 0.4 percentage points to 7.3% (2021: 7.0%). In total, operating overhead expenses increased 18% to € 7,498 million (2021: € 6,345 million), driven by investments into DTC and infrastructure. Operating overhead expenses further include more than € 250 million one-off costs related to the company's decision to wind down its business in Russia, a settled legal dispute, as well as restructuring costs as part of the company's business improvement program. As a percentage of sales, operating overhead expenses increased 3.4 percentage points to 33.3% from 29.9% in 2021. SEE NOTE 31

OTHER OPERATING EXPENSES [1,2] IN % OF NET SALES

1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

MARKETING AND POINT-OF-SALE EXPENSES [1,2] IN % OF NET SALES

1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

EBITDA DECREASES 39%

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 39% to € 1,874 million in 2022 versus € 3,066 million in 2021. Total depreciation and amortization as well as impairment losses/reversal of impairment losses for tangible and intangible assets increased 23% to € 1,371 million in 2022 (2021: € 1,115 million).

EBITDA [1,2,3] € IN MILLIONS

1 EBITDA = income before taxes (IBT) + net interest expenses + depreciation and amortization + impairment losses - reversal of impairment losses.
2 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
3 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

OPERATING MARGIN DECREASES TO 3.0%

Operating profit decreased 66% to € 669 million in 2022 versus € 1,986 million in 2021. The operating margin decreased 6.4 percentage points to 3.0% compared to the prior year level of 9.4%. This development mainly reflects the gross margin decrease, the increase in other operating expenses as a percentage of sales, as well as one-off costs of more than € 300 million in 2022 related to the company's decision to wind down its business in Russia, a settled legal dispute, higher provisions for customs-related risks as well as restructuring costs as part of the company's business improvement program.

Operating margin

3.0%

-6.4 PP

OPERATING PROFIT [1,2] € IN MILLIONS

1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

OPERATING MARGIN [1,2,3] IN %

1 Operating margin = (operating profit / net sales) × 100.
2 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
3 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

NET FINANCIAL RESULT DECREASES

Financial income increased 102% to € 39 million in 2022 (2021: € 19 million), while financial expenses were up 110 % to € 320 million compared to € 153 million in 2021 mainly driven by increasing interest rates as well as currency effects. Net financial expenses were further impacted by one-off costs of more than € 50 million related to cash-pooling in high inflationary countries. As a result, the company recorded a net financial result of negative € 281 million, compared to negative € 133 million in 2021. ► SEE NOTE 33

TAX RATE INCREASES TO 34.5%

The company's tax rate increased 15.0 percentage points to 34.5% in 2022, mainly driven by non-deductible expenses in Russia as well as by the derecognition of deferred tax assets (2021: 19.4%).
► SEE NOTE 35

NET INCOME FROM CONTINUING OPERATIONS OF € 254 MILLION

Net income from continuing operations decreased 83% to € 254 million versus € 1,492 million in the prior year. This decline was partly related to one-off costs in the amount of € 350 million. These one-off costs reflect the company's decision to wind down its business in Russia, a settled legal dispute, higher provisions for customs-related risks, cash-pooling in high inflationary countries as well as restructuring costs as part of the company's business improvement program. Basic earnings per share (EPS) from continuing operations decreased 83% to € 1.25 from € 7.47 in 2021. Diluted EPS from continuing operations also decreased 83% to € 1.25 in 2022 (2021: € 7.47).

Net income from continuing operations

-83%

€ 254 million

NET INCOME FROM CONTINUING OPERATIONS [1,2] € IN MILLIONS

1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

BASIC EARNINGS PER SHARE [1,2] IN €

1 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

The total number of shares outstanding decreased by 13,057,657 shares to 178,537,198 at the end of 2022. This development was a result of shares repurchased as part of the company's share buyback activities as well as the cancellation of repurchased shares. Consequently, the average number of shares used in the calculation of basic earnings per share (EPS) was 183,263,629 (2021: 194,172,984).

GAINS FROM DISCONTINUED OPERATIONS AMOUNT TO € 384 MILLION

In 2022, adidas incurred gains from discontinued operations of € 384 million, net of tax, related to the Reebok divestiture (2021: gain of € 666 million). ▶ SEE NOTE 03

NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF € 612 MILLION

The company's net income attributable to shareholders, which in addition to net income from continuing operations includes the gains from discontinued operations, decreased 71% to € 612 million (2021: € 2,116 million). As a result, basic EPS from continuing and discontinued operations decreased 69% to € 3.34 versus € 10.90 in 2021. Diluted EPS from continuing and discontinued operations also decreased 69% to € 3.34 (2021: € 10.90).

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

ASSETS

At the end of December 2022, total assets were down 8% to € 20,296 million from € 22,137 million in the prior year, as the decrease of cash and cash equivalents as well as of assets classified as held for sale more than offset the increase of inventories, other current financial assets, and other current assets.

STRUCTURE OF STATEMENT OF FINANCIAL POSITION[1] IN % OF TOTAL ASSETS

	2022	2021
Assets (€ in millions)	**20,296**	**22,137**
Cash and cash equivalents	3.9%	17.3%
Accounts receivable	12.5%	9.8%
Inventories	29.4%	18.1%
Fixed assets[2]	34.2%	30.2%
Right-of-use assets (IFRS 16)[3]	38.4%	38.4%
Other assets	20.0%	24.5%

1 For absolute figures see adidas AG Consolidated Statement of Financial Position.
2 Fixed assets = property, plant, and equipment + right-of-use assets + goodwill + other intangible assets + long-term financial assets.
3 As a percentage of fixed assets.

Total current assets decreased 16% to € 11,732 million at the end of December 2022 compared to € 13,944 million in 2021. Cash and cash equivalents were down 79% to € 798 million at the end of December 2022 from € 3,828 million in the prior year. This reduction is mainly due to the negative cash flow from operating activities, the repurchase of adidas AG shares, as well as the dividend payment for the year 2021. This decline was only partly offset by the proceeds from the divestiture of the Reebok business and the issuance of two bonds. Currency effects had a negative impact on cash and cash equivalents in an amount of € 19 million. Inventories increased 49% to € 5,973 million at the end of December 2022 from € 4,009 million in 2021. The increase was mainly driven by higher product and freight costs, a different order pattern as a result of longer transportation lead times, the termination of the Yeezy partnership, as well as lower prior year comparables due to last year's impact from the factory lockdowns in Vietnam. On a currency-neutral basis, inventories also increased 49%. ► SEE NOTE 08

INVENTORIES € IN MILLIONS

Accounts receivable increased 16% to € 2,529 million at the end of December 2022 (2021: € 2,175 million), reflecting the company's strong growth in Western markets as well as lower prior year comparables due to last year's impact from the factory lockdowns in Vietnam. On a currency-neutral basis, receivables were also up 16%. Other current financial assets increased to € 1,014 million (2021: € 745 million), mainly related to deferred considerations of € 241 million with regards to the divestiture of the Reebok business. Other current assets were up 24% to € 1,316 million at the end of December 2022 (2021: € 1,062 million) due to the increase of tax receivables. Assets classified as held for sale decreased to € 0 million (2021: € 2,033 million) reflecting the divestiture of the Reebok business. ► SEE NOTE 06 ► SEE NOTE 07 ► SEE NOTE 09

ACCOUNTS RECEIVABLE € IN MILLIONS

Total non-current assets increased 5% to € 8,563 million at the end of December 2022 from € 8,193 million in 2021, mainly related to an increase in fixed assets and other non-current financial assets. Fixed assets were up 4% to € 6,935 million at the end of December 2022 versus € 6,696 million in 2021. Right-of-use assets increased 4% to € 2,665 million (2021: € 2,569 million) due to additions as well as positive currency effects. Goodwill was up 3% to € 1,260 million (2021: € 1,228 million) reflecting positive currency effects and other intangible assets increased 22% to € 429 million (2021: € 352 million) mainly due to additions in software including own created software and new patents. Other non-current financial assets increased 110% to € 336 million from € 160 million at the end of 2021, mainly related to the earn-out component with regard to the divestiture of the Reebok business. Deferred tax assets amounted to € 1,216 million compared to € 1,263 million in 2021. ► SEE NOTE 35

LIABILITIES AND EQUITY

Total current liabilities were up 3% to € 9,257 million at the end of December 2022 from € 8,965 million in 2021. Short-term borrowings increased to € 527 million at the end of December 2022 (2021: € 29 million), mainly reflecting the reclassification of the equity-neutral convertible bond of € 500 million due to its maturity in 2023. Accounts payable were up 27% to € 2,908 million at the end of December 2022 versus € 2,294 million in 2021, mainly reflecting higher sourcing volumes as well as higher product and freight costs. On a currency-neutral basis, accounts payable also increased 27%. Current lease liabilities increased to € 643 million at the end of December 2022 versus € 573 million in 2021 mainly due to lease modifications and remeasurements. Other current financial liabilities were up 17% to € 424 million from € 363 million in 2021, mainly related to higher customs liabilities. Other current provisions increased 9% to € 1,589 million at the end of December 2022 versus € 1,458 million in 2021, mainly due to increased provision for returns, partially offset by reduced provisions for personnel. Current accrued liabilities were down 10% to € 2,412 million at the end of December 2022 from € 2,684 million in 2021, due to lower accruals for personnel costs related to the company's annual bonus for its bonus-eligible employees. Other current liabilities were up 4% to € 452 million at the end of December 2022 from € 434 million in 2021. Liabilities classified as held for sale decreased to € 0 million at the end of December 2022 (2021: € 594 million), related to the divestiture of the Reebok business. ► SEE NOTE 21 ► SEE NOTE 22

STRUCTURE OF STATEMENT OF FINANCIAL POSITION[1] IN % OF TOTAL LIABILITIES AND EQUITY[2]

	2022	2021
Liabilities and equity (€ in millions)	**20,296**	**22,137**
Short-term borrowings	2.6%	0.1%
Accounts payable	14.3%	10.4%
Long-term borrowings	14.5%	11.1%
Other liabilities	42.2%	43.0%
Current and non-current lease liabilities (IFRS 16)[2]	34.9%	29.8%
Total equity	26.4%	35.4%

1 For absolute figures see adidas AG Consolidated Statement of Financial Position.
2 As a percentage of other liabilities.

ACCOUNTS PAYABLE € IN MILLIONS

Total non-current liabilities increased to € 5,688 million at the end of December 2022 compared to € 5,334 million in the prior year. Long-term borrowings were up 19% to € 2,946 million at the end of December 2022 compared with € 2,466 million in the prior year. This increase is mainly due to the placement of two new bonds with the overall amount of € 1,000 million in November 2022 and was partially offset by the reclassification of the equity-neutral convertible bond of € 500 million to short-term borrowings due to its maturity in 2023. Non-current lease liabilities increased 4% to € 2,343 million at the end of December 2022 from € 2,263 million in the prior year as early lease terminations related to the winding down of the adidas business in Russia were more than offset by increases of other lease contracts and currency effects. Other non-current financial liabilities were down 14% to € 44 million at the end of December 2022 from € 51 million in the prior year, related to embedded derivative financial instruments. Deferred tax liabilities increased 11% to € 135 million at the end of December 2022 from € 122 million in the prior year. Other non-current provisions decreased 41% to € 88 million at the end of December 2022 from € 149 million in the prior year, reflecting reduced provisions for personnel. ▶ SEE NOTE 23

Shareholders' equity decreased 34% to € 4,991 million at the end of December 2022 versus € 7,519 million in 2021, mainly driven by the repurchase of adidas AG shares for a total consideration of € 2,500 million, the dividend of € 610 million paid to shareholders for the full year 2021, the decrease of hedging reserves of € 63 million, and a negative currency effect of € 70 million. This development could only be partially offset by the net income generated in 2022 as well as by the positive effect of the remeasurement of defined benefit obligations. ▶ SEE NOTE 26

EQUITY RATIO [1, 2] IN %

1 Application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.
2 Equity ratio = shareholders' equity / total liabilities and equity.

OPERATING WORKING CAPITAL

Operating working capital increased 44% to € 5,594 million at the end of December 2022 compared to € 3,890 million in 2021. On a currency-neutral basis, operating working capital was up 44%. Average operating working capital as a percentage of sales increased 4.0 percentage points to 24.0% (2021: 20.0%), reflecting the strong inventory increase as well as the rise in accounts receivable.

AVERAGE OPERATING WORKING CAPITAL [1, 2] IN % OF NET SALES [3]

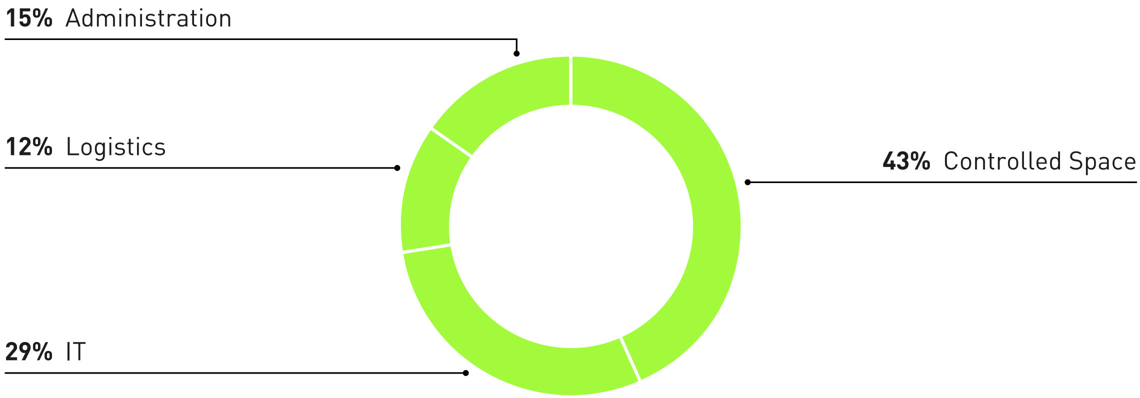
1 Average operating working capital = sum of operating working capital at quarter-ends/4. Operating working capital = accounts receivable + inventories – accounts payable.
2 2021 figure reflects the reclassification of the Reebok business to assets or liabilities held for sale. Calculation logic used for internal reporting as well.
3 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations. Calculation logic used for internal reporting as well.

INVESTMENT ANALYSIS

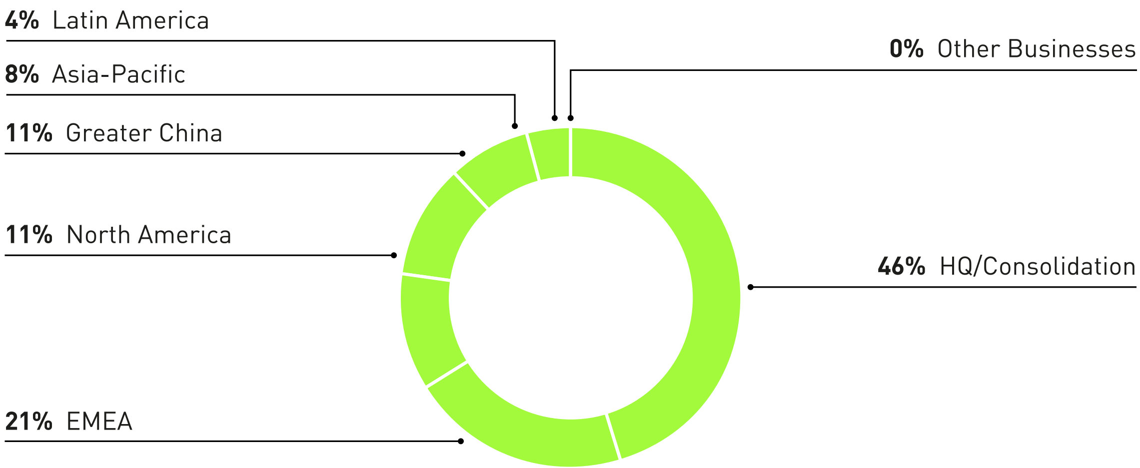
Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions and right-of-use assets according to IFRS 16). Capital expenditure increased 4 % to € 695 million (2021: € 667 million). Capital expenditure for property, plant, and equipment was up 2% to € 504 million compared to € 494 million in the prior year. The company invested € 191 million in intangible assets (2021: € 173 million). Depreciation and amortization, excluding impairment losses and reversal of impairment losses of tangible and intangible assets, increased 3% to € 530 million in 2022 (2021: € 516 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 43% of total capital expenditure (2021: 44%). Expenditure for IT and logistics represented 29% and 12%, respectively (2021: 27% and 19%, respectively). In addition, expenditure for administration accounted for 15% (2021: 10%). From a segmental perspective, the majority of the capital expenditure was recorded centrally at headquarter level, which accounted for 46% (2021: 49%). From a regional perspective, capital expenditure in EMEA accounted for 21% (2021: 19%) of the total capital expenditure, Greater China for 11% (2021: 19%), on par with North America with 11% (2021: 4%), followed by Asia-Pacific with 8% (2021: 5%), and Latin America with 4% (2021: 3%).

CAPITAL EXPENDITURE BY TYPE IN%



CAPITAL EXPENDITURE BY SEGMENTS IN %



LIQUIDITY ANALYSIS

Net cash used in operating activities amounted to € 543 million in 2022 (2021: € 3,192 million net cash generated). Net cash used in continuing operating activities was € 458 million (2021: € 2,873 million net cash generated). This development was mainly due to lower operating profit and higher level of inventory and accounts receivable in 2022 compared to the prior year.

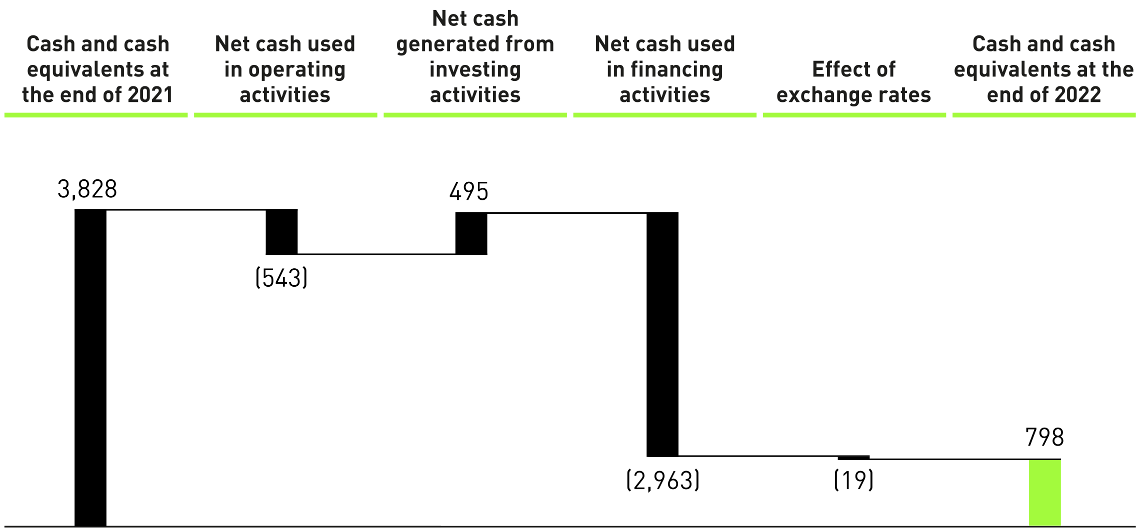
In 2022, net cash generated from investing activities reached a level of € 495 million (2021: € 424 million net cash used) and net cash generated from continuing investing activities amounted to € 495 million (2021: € 415 million net cashed used). This development was mainly due to the proceeds related to the divestiture of the Reebok business in 2022.

Net cash used in financing activities amounted to € 2,963 million (2021: € 2,991 million) and net cash used from continuing financing activities amounted to € 2,957 million (2021: € 2,952 million). This is a result of the proceeds from the issuance of two bonds, repayments of lease liabilities, the repurchase of adidas AG shares, as well as the dividend payment for the year 2021.

Exchange rate effects negatively impacted the company's cash position by € 19 million (2021: positive impact of € 57 million).

As a result of all these developments, cash and cash equivalents decreased by € 3,031 million to € 798 million at the end of December 2022 compared to € 3,828 million at the end of December 2021.

CHANGE IN CASH AND CASH EQUIVALENTS € IN MILLIONS



Adjusted net borrowings at December 31, 2022, amounted to € 6,047 million, compared to € 2,082 million in 2021. The company's ratio of adjusted net borrowings over EBITDA amounted to 3.2 at the end of December 2022 (2021: 0.7).

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 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 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.
3 2022, 2021, and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

OFF-BALANCE-SHEET ITEMS

The company's most significant off-balance-sheet items are commitments for promotion and advertising as well as other contracts. At the end of December 2022, financial commitments for promotion and advertising decreased 13 % to € 4,942 million in 2022 (2021: € 5,712 million). Minimum future payments for other contracts were € 356 million at December 31, 2022, compared to € 396 million at the end of December 2021, representing a decrease of 10 %. ► SEE NOTE 38 ► SEE NOTE 39

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, 2022, 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. 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 last in November 2022. The amended and restated credit facility with eleven partner banks has a size of € 2,000 million and runs until November 2027.

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 plans 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 December 31, 2022, the total amount allocated to eligible sustainable projects was € 432.7 million.

SUSTAINABILITY BOND: AMOUNT OF NET PROCEEDS ALLOCATED[1] € IN MILLIONS

	2022	Q4 2018 – 2021	Total
Eligible sustainable projects per category			
Sustainable materials	183	187	369
Sustainable processes	12	14	26
Community engagement	13	25	37
Cumulated eligible sustainable project expenditure	**207**	**225**	**433**
Unallocated proceeds			67

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

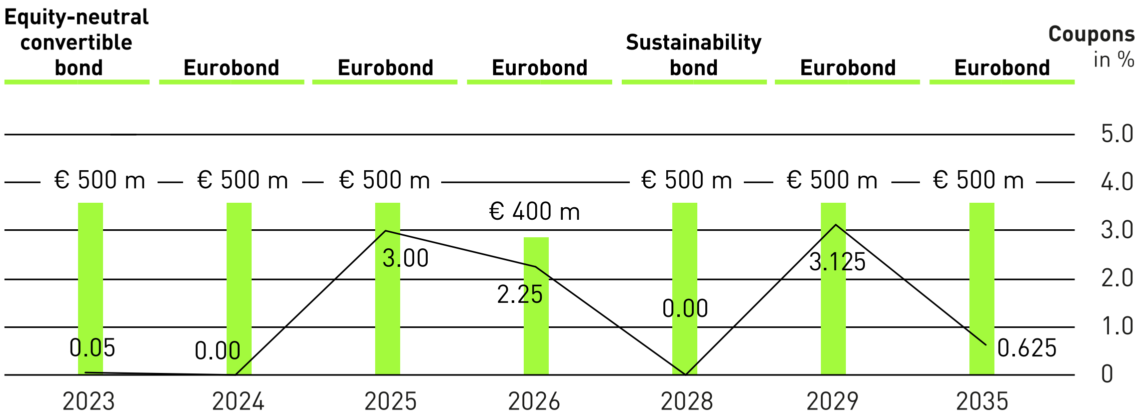
NEW BONDS

adidas successfully issued two bonds amounting to € 1,000 million in total in November 2022. The three-year bond of € 500 million matures in November 2025 and has a coupon of 3.00%, while the seven-year bond of € 500 million 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.

OUTSTANDING BONDS

On top of the above-mentioned placements, the company has further outstanding bonds: a bond of € 400 million issued in 2014, and one outstanding equity-neutral convertible bond, which was issued in 2018. The bond of € 400 million matures in October 2026 and has a coupon of 2.25%. The equity-neutral convertible bond of € 500 million was issued in September 2018, with a coupon of 0.05%, and is due in September 2023. Additionally, 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 OUR SHARE
▶ SEE NOTE 17

MATURITY PROFILE OF BORROWINGS INCLUDING COUPONS[1]



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 2022, committed and uncommitted credit lines, including the syndicated loan facility, amounted to € 4,090 million (2021: € 4,169 million), of which € 3,998 million was unutilized (2021: € 4,058 million). Committed and uncommitted credit lines represent approximately 51% and 49% of total credit lines, respectively (2021: 38% and 62%, respectively). In addition, we have an unused multi-currency commercial paper program in the amount of € 2,000 million available (2021: € 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 INCREASE

The company's gross borrowings, the vast majority of which are denominated in euro, are composed of bank borrowings as well as the outstanding bonds and the equity-neutral convertible bond. Gross borrowings increased 39% to € 3,473 million at the end of 2022 from € 2,495 million in the prior year. The total amount of bonds outstanding at the end of 2022 was € 3,381 million (2021: € 2,384 million). Bank borrowings amounted to € 93 million at the end of 2022 compared to € 111 million in the prior year.

FINANCING STRUCTURE € IN MILLIONS

	2022	2021
Cash and cash equivalents	**798**	**3,828**
Bank borrowings	93	111
Eurobonds	2,883	1,890
Equity-neutral convertible bond	498	494
Gross total borrowings	**3,473**	**2,495**
Net (borrowings)/cash	**(2,676)**	**1,334**

As of December 31, 2022, cash and cash equivalents include € 155 million (2021: € 214 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 2023, assuming unchanged maturities, debt instruments of € 527 million will mature. This compares to € 29 million that matured in the course of 2022.

REMAINING TIME TO MATURITY OF GROSS BORROWINGS € IN MILLIONS

	2022	2021
< 1 year	**527**	29
1 to 3 years	**1,035**	1,032
3 to 5 years	**424**	436
> 5 years	**1,487**	998
Total	**3,473**	2,495

2022 ■ 2021

ADJUSTED NET BORROWINGS OF € 6,047 MILLION

Adjusted net borrowings on December 31, 2022, amounted to € 6,047 million, compared with € 2,082 million on December 31, 2021. This development was mainly due to significantly lower cash and cash equivalents resulting from a negative cash flow from operating activities in 2022.

(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 figures reflect 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 26

COMPOSITION OF ADJUSTED NET BORROWINGS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Short-term borrowings	527	29
Long-term borrowings	2,946	2,466
Current and non-current lease liabilities	2,986	2,836
Pensions and similar obligations	118	267
Factoring	112	99
Subtotal	**6,689**	**5,697**
Cash and cash equivalents	798	3,828
Less trapped cash	155	214
Less accessible cash and cash equivalents	**643**	**3,614**
Adjusted net borrowings	**6,047**	**2,082**

INTEREST RATE INCREASES SLIGHTLY

The weighted average interest rate on the company's gross borrowings slightly increased to 0.8% in 2022 (2021: 0.7%). 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 100% of total gross borrowings at the end of 2022 (2021: 100%). There were no variable-rate borrowings at the end of 2022 (2021: 0%).

INTEREST RATE DEVELOPMENT [1] IN %

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 2022, our Treasury department managed a net deficit of around US $ 7,500 million related to business activities (2021: US $ 7,300 million). Thereof, around US $ 6,100 million was against the euro (2021: US $ 6,000 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 covered our anticipated hedging needs for 2023 as of the end of 2022. At the same time, we have already started hedging our exposure for 2024. The use or combination of different hedging instruments, such as foreign exchange contracts, currency options, and swaps, protects us against unfavorable currency movements. ▶ SEE GLOBAL OPERATIONS ▶ SEE RISK AND OPPORTUNITY REPORT ▶ SEE NOTE 29

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 company as a whole. 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 company as a whole. ► 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 company. For example, 42% of total assets as of December 31, 2022, related to financial assets (2021: 43%), which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 42% of total assets (2021: 17%) and 28% of total equity and liabilities as of December 31, 2022 (2021: 32%).

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, 2022, 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

	2022	2021
Net sales	4,814	4,475
Change in inventory	2	–
Total output	**4,816**	**4,475**
Other operating income	1,226	649
Cost of materials	(1,878)	(1,744)
Personnel expenses	(726)	(769)
Depreciation and amortization	(140)	(117)
Other operating expenses	(3,415)	(2,462)
Operating profit	**(117)**	**32**
Financial result	2,237	1,916
Taxes	(63)	(98)
Net income	**2,057**	**1,850**
Retained earnings brought forward	724	580
Allocation to other revenue reserves	(500)	(925)
Allocation to capital reserves	(12)	(8)
Utilization for the repurchase/issuance of adidas AG shares	(1,546)	(163)
Retained earnings	**723**	**1,334**

ADIDAS AG NET SALES € IN MILLIONS

	2022	2021
Royalty and commission income	2,394	2,237
adidas Germany	1,511	1,436
Foreign subsidiaries	80	39
Central distribution	118	120
Other revenues	711	643
Total	**4,814**	**4,475**

NET SALES INCREASE 8%

Sales of adidas AG comprise external revenues generated by adidas Germany with products of the adidas and Reebok (until February 2022) brands 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 onwards the commission income for the Reebok sales is shown in other revenues. In 2022, adidas AG net sales increased 8% to € 4,814 million compared to € 4,475 million in the prior year.

OTHER OPERATING INCOME UP 89%

In 2022, other operating income of adidas AG increased 89% to € 1,226 million (2021: € 649 million). This development was primarily due to higher positive currency effects.

OTHER OPERATING EXPENSES INCREASE 39%

In 2022, other operating expenses for adidas AG increased 39% to € 3,415 million (2021: € 2,462 million). This was largely attributable to higher currency losses.

DEPRECIATION AND AMORTIZATION UP 20%

Depreciation and amortization for adidas AG relating to intangible and tangible fixed assets increased 20% to € 140 million in 2022 (2021: € 117 million).

OPERATING RESULT SIGNIFICANTLY BELOW PRIOR YEAR LEVEL

In 2022, adidas AG generated an operating loss of € 117 million. This was significantly below the prior year level of plus € 32 million and mainly due to higher expenses.

INCREASE OF THE FINANCIAL RESULT

The financial result of adidas AG increased 17% to € 2,237 million in 2022 (2021: € 1,916 million). The increase was attributable to higher income from dividends partially offset by lower profit transfers from affiliated companies under profit and loss transfer agreements.

NET INCOME ABOVE PRIOR YEAR LEVEL

Net income, after taxes of € 63 million (2021: € 98 million), amounted to € 2,057 million in 2022 and was thus 11% above the prior year level (2021: € 1,850 million).

BALANCE SHEET

BALANCE SHEET IN ACCORDANCE WITH HGB (CONDENSED) € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Assets		
Intangible assets	329	236
Property, plant, and equipment	684	691
Financial assets	4,408	4,801
Fixed assets	**5,421**	**5,728**
Inventories	52	38
Receivables and other assets	4,719	2,155
Cash and cash equivalents, securities	195	3,024
Current assets	**4,966**	**5,217**
Prepaid expenses	88	116
Total assets	**10,475**	**11,061**
Equity and liabilities		
Shareholders' equity	2,767	3,801
Provisions	833	797
Liabilities and other items	6,875	6,463
Total equity and liabilities	**10,475**	**11,061**

TOTAL ASSETS BELOW PRIOR YEAR

At the end of December 2022, total assets decreased 5% to € 10,475 million compared to € 11,061 million in the prior year. This development was mainly a result of the decrease in cash and cash equivalents as well as securities that was only partially offset by the increase in receivables and other assets.

SHAREHOLDERS' EQUITY DOWN 27%

Shareholders' equity decreased 27% to € 2,767 million at the end of 2022 (2021: € 3,801 million). The equity ratio decreased to 26.4% (2021: 34.4%), mainly due to the repurchase of adidas AG shares in the amount of € 2,500 million.

PROVISIONS INCREASE 5%

Provisions were up 5% to € 833 million at the end of 2022 (2021: € 797 million). The increase primarily resulted from higher provisions for pending risks concerning valuation units.

LIABILITIES AND OTHER ITEMS UP 6%

At the end of December 2022, liabilities and other items increased 6% to € 6,875 million (2021: € 6,463 million). This is mainly due to the issuance of bonds in 2022.

CASH OUTFLOW FROM INVESTING ACTIVITIES REFLECTS CHANGE IN CASH AND CASH EQUIVALENTS

adidas AG has a syndicated credit facility of € 2,000 million and additional bilateral credit lines of € 900 million. In addition, the company has a multi-currency commercial paper program in an amount of € 2,000 million. ► SEE TREASURY

In 2022, operating activities of adidas AG resulted in a cash outflow of € 1,699 million (2021: cash inflow of € 811 million). The change versus the prior year was mainly a result of higher receivables. Net cash inflow from investment activities was € 2,518 million (2021: € 1,785 million). This was primarily attributable to higher dividend income. Financing activities resulted in a net cash outflow of € 2,223 million (2021: € 2,252 million). The net cash outflow from financing activities mainly relates to the repurchase of adidas AG shares, the dividend payment, and the issuance of bonds. As a result of these developments, cash and cash equivalents of adidas AG decreased to € 195 million at the end of December 2022 compared to € 1,600 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, 2022) 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. In the 2022 financial year, the nominal capital and the number of shares were reduced due to the cancelation of € 12,100,000 treasury shares and the capital reduction with effect from November 28, 2022. 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 applicable at a stock exchange where 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, 2022, adidas AG held in total 1,462,802 treasury shares, which do not confer any rights to the company in accordance with § 71b AktG. ► SEE NOTE 26

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. 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), however, 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 four 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 while excluding subscription rights 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, 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 26

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, subscription 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 12, 2021.

Until May 11, 2026, 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 12 of the Agenda for the Annual General Meeting held on May 12, 2021. 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 nominal capital. The prorated amount of the nominal capital attributable to new shares issued between May 12, 2021, and the sale of the shares based on an authorized capital with the exclusion of shareholders' subscription rights pursuant to § 203 section 1 in conjunction with § 186 section 3 sentence 4 AktG shall be 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 12, 2021, 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 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 12, 2021, 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 by the option holders (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 options may not exceed 18 months and must furthermore be chosen in such a way that the shares are purchased upon the exercise of the options no later than

May 11, 2026. 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 paid per share.

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 2022 financial year, the Executive Board utilized the authorization to purchase adidas AG shares in the context of the first tranche of the Share Buyback Program 2022-2025 and the share buyback program for returning the cash proceeds from the Reebok divestiture to the shareholders ('Additional Share Buyback Program 2022'). In the first tranche of the Share Buyback Program 2022–2025, adidas AG purchased 4,156,558 adidas AG shares. Under the Additional Share Buyback Program 2022, a further 8,978,138 adidas AG shares were purchased. In the year under review, adidas AG thus purchased 13,134,696 adidas AG shares in total. ► SEE NOTE 26

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 2022, sales in EMEA increased 9% on a currency-neutral basis and 10% in euro terms to € 8,550 million from € 7,760 million in 2021. The currency-neutral increase was driven by a strong double-digit growth in Performance reflecting excellent growth in Football and Running, as well as a strong double-digit increase in Outdoor, and mid-single-digit growth in Training. At the same time, Lifestyle revenues grew at a mid-single-digit rate.

Net sales in EMEA

+9% C.N.

€ 8,550 million

EMEA AT A GLANCE € IN MILLIONS [1]

	2022	2021	Change	Change (currency-neutral)
Net sales	8,550	7,760	10%	9%
Gross margin	50.5%	50.8%	(0.3pp)	–
Segmental operating profit	1,679	1,658	1%	–
Segmental operating margin	19.6%	21.4%	(1.7pp)	–

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in EMEA decreased 0.3 percentage points to 50.5% from 50.8% in 2021. The positive pricing effect and favorable currency fluctuations were more than offset by the significant increase in supply chain costs, higher discounting, and a less favorable market and channel mix. Operating expenses were up 17% to € 2,683 million versus € 2,294 million in 2021, mainly driven by a double-digit increase in operating overheads. As a percentage of sales, operating expenses were up 1.8 percentage points to 31.4% (2021: 29.6%). Operating profit in EMEA improved 1% to € 1,679 million versus € 1,658 million in the prior year. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin was down 1.7 percentage points to 19.6% (2021: 21.4%).

NORTH AMERICA

Revenues in North America increased 12% on a currency-neutral basis and 25% in euro terms to € 6,398 million from € 5,105 million in 2021. The currency-neutral improvement was driven by strong double-digit growth in Performance, reflecting exceptional growth in Football, excellent growth in Running, and strong double-digit increases in Outdoor. In addition, currency-neutral sales in Lifestyle grew at a high-single-digit rate.

Net sales in North America

+12% C.N.

€ 6,398 million

NORTH AMERICA AT A GLANCE € IN MILLIONS [1]

	2022	2021	Change	Change (currency-neutral)
Net sales	6,398	5,105	25%	12%
Gross margin	42.9%	46.2%	(3.3pp)	–
Segmental operating profit	989	960	3%	–
Segmental operating margin	15.5%	18.8%	(3.4pp)	–

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in North America decreased 3.3 percentage points to 42.9% (2021: 46.2%). The negative impact from increased promotional activity, a less favorable channel mix as well as higher supply chain costs could only be partly offset by the benefits from better pricing, an improved category mix as well as favorable currency fluctuations. Operating expenses were up 27% to € 1,826 million versus € 1,433 million in 2021, reflecting an increase in both operating overhead and marketing expenditures. Operating expenses as a percentage of sales increased 0.5 percentage points to 28.5% (2021: 28.1%). Operating profit in North America increased 3% to € 989 million from € 960 million in 2021. As a result of the lower gross margin and higher operating expenses as a percentage of sales, operating margin decreased 3.4 percentage points to 15.5% from 18.8% in 2021.

GREATER CHINA

Sales in Greater China decreased 36% on a currency-neutral basis. In euro terms, sales in Greater China decreased 31% to € 3,179 million from € 4,597 million in 2021. The currency-neutral decrease was driven by double-digit decreases in all major Performance categories, except for Football with high-single-digit growth and Golf, which grew strong double-digits. Currency-neutral revenues also decreased at a double-digit rate in Lifestyle.

Net sales in Greater China

-36% C.N.

€ 3,179 million

GREATER CHINA AT A GLANCE € IN MILLIONS [1]

	2022	2021	Change	Change (currency-neutral)
Net sales	3,179	4,597	(31%)	(36%)
Gross margin	46.7%	51.8%	(5.1pp)	–
Segmental operating profit	322	1,194	(73%)	–
Segmental operating margin	10.1%	26.0%	(15.8pp)	–

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Greater China decreased by 5.1 percentage points to 46.7% from 51.8% in 2021. The negative impact from inventory write-offs, significantly higher discounting and higher supply chain costs could not be offset by positive currency and pricing effects. Operating expenses were down 2% to € 1,169 million (2021: € 1,188 million), reflecting a double-digit decrease in marketing expenditure, while operating overhead expenses grew in the single-digits. Operating expenses as a percentage of sales increased 10.9 percentage points to 36.8% versus 25.8% in the prior year. Operating profit in Greater China decreased 73% to € 322 million versus € 1,194 million in 2021. Operating margin decreased 15.8 percentage points to 10.1% from 26.0% in 2021.

ASIA-PACIFIC

Sales in Asia-Pacific improved 4% on a currency-neutral basis. In euro terms, sales in Asia-Pacific were up 3% to € 2,241 million from € 2,180 million in 2021. On a currency-neutral basis, this development was driven by strong double-digit growth in Performance due to exceptional growth in Outdoor and excellent increases in Football and Running. Revenues in Lifestyle declined at a low-single-digit rate in 2022.

Net sales in Asia-Pacific

+4% C.N.

€ 2,241 million

ASIA-PACIFIC AT A GLANCE € IN MILLIONS [1]

	2022	2021	Change	Change (currency-neutral)
Net sales	2,241	2,180	3%	4%
Gross margin	52.9%	51.3%	1.6pp	–
Segmental operating profit	486	457	6%	–
Segmental operating margin	21.7%	20.9%	0.7pp	–

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Asia-Pacific increased 1.6 percentage points to 52.9% (2021: 51.3%), mainly driven by less promotional activity, a favorable currency development, and positive pricing effects. At the same time, a less favorable category mix weighed on the gross margin development. Operating expenses were up 7% to € 721 million versus € 677 million in 2021, reflecting similar increases in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales were up 1.1 percentage points to 32.2% (2021: 31.1%). Operating profit in Asia-Pacific increased 6% to € 486 million from € 457 million in 2021. Operating margin was up 0.7 percentage points to 21.7% versus 20.9% in 2021.

LATIN AMERICA

Revenues in Latin America increased 44% on a currency-neutral basis. In euro terms, sales in Latin America improved 46% to € 2,110 million from € 1,446 million in 2021. On a currency-neutral basis, this improvement was driven by strong double-digit growth in both Performance and Lifestyle. Within Performance, all categories grew at strong double-digit rates.

Net sales in Latin America

+44% C.N.

€ 2,110 million

LATIN AMERICA AT A GLANCE € IN MILLIONS[1]

	2022	2021	Change	Change (currency-neutral)
Net sales	2,110	1,446	46%	44%
Gross margin	47.5%	48.2%	(0.7pp)	–
Segmental operating profit	473	265	79%	–
Segmental operating margin	22.4%	18.3%	4.1pp	–

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

Gross margin in Latin America decreased 0.7 percentage points to 47.5% (2021: 48.2%). While better pricing had a significant positive impact on the margin development, negative currency developments and higher supply chain costs weighed on the gross margin in the region. Operating expenses were up 24% to € 539 million from € 434 million in 2021, reflecting double-digit increases both in marketing expenditure and operating overhead costs. However, operating expenses as a percentage of sales decreased 4.5 percentage points to 25.5% (2021: 30.0%). Operating profit in Latin America increased 79% to € 473 million versus € 265 million in 2021. As a result of the increased sales and lower operating expenses as a percentage of sales, operating margin improved 4.1 percentage points to 22.4% from 18.3% in 2021.

OUTLOOK

In 2023, we expect macroeconomic challenges and geopolitical tensions to continue dampening consumer sentiment. Elevated recession risks in Europe and North America as well as uncertainty around the speed and extent of the recovery in Greater China will also affect the sporting goods industry. In addition, company-specific challenges such as high inventory levels and the termination of the Yeezy partnership are forecast to weigh on the company's operational and financial performance. While we continue to review future options for the utilization of our Yeezy inventory, our FY 2023 guidance already accounts for the significant adverse impact from not selling the existing stock. Compared to the prior year this would lower revenues by around € 1,200 million and operating profit by around € 500 million in 2023. Should we irrevocably decide not to repurpose any of the existing Yeezy product, this would result in the write-off of the existing Yeezy inventory and would lower the operating profit by an additional around € 500 million this year. In addition, we expect one-off costs of up to € 200 million in 2023 which are part of a strategic review the company is currently conducting. Against this background, we project currency-neutral sales to decline at a high-single-digit rate and expect to report an operating loss of € 700 million in 2023.

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 DECELERATE SHARPLY IN 2023[30]

Global gross domestic product (GDP) is projected to grow only 1.7% in 2023 in light of a further tightening of monetary policy as global central banks aim to keep soaring inflation under control. Additionally, the war in Ukraine is expected to continue to impact energy and commodity prices around the globe. The combination of these factors increases recession risk particularly in Europe and North America, while economic activity in Greater China remains vulnerable due to risks around longer-than-expected coronavirus pandemic-related disruptions and weaker external demand. In addition, all regions continue to face downside risks from potential additional geopolitical conflicts, supply chain disruptions, and resurgences of covid-19. Overall, the subdued outlook is accompanied by consumer sentiment falling to multi-year lows. Hence, advanced economies are forecast to see growth of only 0.5%. Growth in developing economies is projected at 3.4% in 2023 as tightening financial conditions in advanced economies paired with debt distress are supressing economic activity.

SPORTING GOODS INDUSTRY TO FACE SEVERAL CHALLENGES IN 2023

The global sporting goods industry will face several challenges in 2023. Climbing energy and raw material prices have been increasing input costs, while multi-year high inflation is negatively affecting household savings and discretionary spending alike. On the contrary, the gradual wind down of strict lockdown measures in Greater China are expected to bolster sports participation and increase store traffic in the region. However, the speed and extent of recovery – particularly for Western brands – remain unclear. At

30 Source: Worldbank Global Economic Prospects.

the same time, the cadence of major sports events, such as the FIFA Women's World Cup Australia & New Zealand 2023, has fully normalized from coronavirus pandemic-induced disruptions and is expected to support industry growth. Moreover, the sporting goods industry is expected to remain fundamentally attractive in the long-term, as existing global trends such as 'athleisure,' increasing sports participation rates and rising health and fitness awareness are continuing to accelerate. In addition, consumers are increasingly basing their purchasing decisions on sustainability factors, urging companies to drive meaningful change. The risks of a global economic downturn, rising geopolitical tensions and the resulting adverse effects on consumer spending also continue to exist for the sporting goods industry.

2023 OUTLOOK

	2022[1]	2023 Outlook
Net sales (€ in millions)	22,511	to decline at a high-single-digit rate[2]
Operating margin/ operating profit/loss	3.0%	operating loss of € 700 million
Average operating working capital in % of sales	24.0%	to reach a level of between 25% and 26%
Capital expenditure (€ in millions)[3]	695	to reach a level of around € 600 million

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 Currency-neutral.
3 Excluding acquisitions and leases.

CURRENCY-NEUTRAL SALES TO DECLINE HIGH-SINGLE-DIGITS IN 2023

In 2023, we expect our currency-neutral revenue development to be impacted by ongoing macroeconomic challenges and geopolitical tensions. In addition, elevated recession risks in Europe and North America as well as uncertainty around the speed and extent of the recovery in Greater China persist. Our revenue development will also be impacted by our initiatives to significantly reduce elevated inventory levels, particularly in Greater China, North America, and Europe. In addition, while continuing to review future options for the utilization of our Yeezy inventory, our guidance already accounts for the revenue loss of around € 1,200 million from not selling the existing stock. As a result, we expect currency-neutral revenues to decline at a high-single-digit rate in 2023.

CURRENCY-NEUTRAL REVENUES TO DECREASE IN KEY MARKET SEGMENTS

While currency-neutral revenues in EMEA and North America are expected to decline significantly in 2023, sales in Greater China are expected to be around the prior year level. Revenues in Asia-Pacific and Latin America are expected to increase versus the prior year level on a currency-neutral basis.

EXPECTED OPERATING LOSS OF € 700 MILLION

2023 will be a transition year where we will be focusing on incremental net sales generation and absolute operating profit stabilization. The development of the gross margin is highly volatile given the uncertainties around the shape and speed of the recovery in Greater China, the extent and length of potential recessions in North America and Europe, the promotional activity in the industry as well as the development of currencies and freight rates. We will manage these uncertainties by being flexible and adjusting our operating expenses accordingly. Given the macroeconomic and geopolitical uncertainties as well as company-specific challenges, we expect an operating loss of € 700 million in 2023. This projection includes the negative impact of around € 1,000 million from the discontinuation of the Yeezy partnership consisting of the operating loss of around € 500 million related to the lost revenues as well as the write-off of the existing Yeezy inventory as of February 2023 in the amount of around € 500 million. The expected operating loss also accounts for one-off costs of up to € 200 million which are part of a strategic review we are currently conducting aimed at reigniting profitable growth as of 2024.

AVERAGE OPERATING WORKING CAPITAL AS A PERCENTAGE OF SALES TO INCREASE

During 2022, average operating working capital as a percentage of sales increased reflecting elevated inventory levels driven by longer lead times, a higher sourcing volume as well as increased product and freight costs. Our focus in 2023 will be on strongly reducing our inventory levels. As this improvement will take time and against the background of the expected top-line decline, we still forecast average operating working capital as a percentage of sales to increase to a level of between 25% and 26% in 2023.

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 2023.

MANAGEMENT PROPOSES DIVIDEND PAYMENT OF € 0.70 PER SHARE

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 0.70 per dividend-entitled share to shareholders at the Annual General Meeting on May 11, 2023 (2022: € 3.30). The total payout of € 125 million (2022: € 610 million) reflects a payout ratio of 49.2% (2022: 40.9%) of net income from continuing operations. This is at the upper end of the target range of between 30% and 50% of net income from continuing operations as defined in our dividend policy. ► 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 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 material risks and opportunities. The 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 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. In 2021, we evolved our risk and opportunity management system by introducing 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 Risk Management department conducts a survey with all members of the 'Core Leadership Group' ('CLG'), 'Extended Leadership Group' ('ELG'), and selected middle management to ensure an effective bottom-up identification of risks and opportunities. 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, as part of our identification process and following the 'Task Force on Climate-related Financial Disclosures' ('TCFD') framework, we monitor physical risks related to climate change as well as risks and opportunities resulting from the transition to a low-carbon economy. 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 Risk Management department supported by subject matter experts as well as internal and external data. The Risk Management department also conducts assessments with the Executive Board members and senior leaders to validate the evaluation of 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

	Marginal	Low	Medium	High	Significant
Financial equivalent[1]	€ 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 the most relevant 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 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 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 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 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 material 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 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:

- Risk Management identifies risks and opportunities (with a potential effect on net income and cash flow higher than € 1 million) by conducting a survey of 'CLG,' 'ELG,' and selected middle management as well as utilizing available information concerning the internal and external environment of the company. Risk Management evaluates, consolidates, and aggregates the identified risks and opportunities ('bottom-up assessment').

- Risk Management discusses the assessment of substantial risks and opportunities with the members of the Executive Board and leaders directly reporting to them. The Executive Board members and their direct reports validate the assessment of risks and opportunities in their respective area of responsibility ('top-down assessment').

- 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, Risk Management creates the final risk and opportunity report that is also shared with the 'CLG.'

- The Executive Board presents in collaboration with 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 material risks and opportunities as well as any issues identified that, due to their material nature, require immediate reporting 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. In addition, the central Compliance team regularly conducts compliance reviews within selected entities.

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. In 2020, we revised the Code of Conduct to ensure it remains up to date and reflects our business environment.

▶ ADIDAS-GROUP.COM/S/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 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 2022.

- **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 2022, we recorded 521 potential compliance violations (2021: 485). 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 addition, in 2022, the Compliance team strengthened its relationship with the Employee Relations (ER) organization, a key partner in many compliance matters, especially those related to harassment and discrimination.

POTENTIAL COMPLIANCE VIOLATIONS

	2022	2021
Financial, including theft	48	51
Malfeasance, including conflicts of interest and corruption	19	21
Competition	1	0
Behavioral	326	294
Other[1]	127	119

1 Includes payroll issues, intellectual property, and leaks of confidential information, amongst others.

REPORTING OF POTENTIAL COMPLIANCE VIOLATIONS IN %

	2022	2021
Anonymous contact to hotline	55	47
Named contact to hotline	26	30
Compliance Officer and other	18	23

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 2022, 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 Group Policies and Internal Controls department and the Internal Audit department regularly review 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 SEM-BCS. 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 SEM-BCS. 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 Group Policies and Internal Controls department and the Internal Audit department. The reporting of internal control 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 appropriateness 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.[31]

31 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.

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 2023 and beyond. According to our risk assessment methodology, macroeconomic, socio-political, regulatory, and currency risks; risks related to the competitive and retail environment; risks related to tax and customs regulations; risks related to consumer demand and product offering; risks related to the coronavirus pandemic; personnel risks; risks related to media and stakeholder activities; and IT and cyber security risks are classified as material. The corporate risks overview table illustrates the assessment of all risks described below.

CORPORATE RISKS OVERVIEW

Risk categories	Potential impact	Change (2021 rating)	Likelihood	Change (2021 rating)
Macroeconomic, sociopolitical, regulatory, and currency risks	Significant		30% – 50%	
Risks related to the competitive and retail environment	Significant		30% – 50%	↑ (< 15%)
Risks related to tax and customs regulations	Significant		30% – 50%	↑ (15% – 30%)
Risks related to consumer demand and product offering	Significant		15% – 30%	↓ (30% – 50%)
Risks related to the coronavirus pandemic	Significant		15% – 30%	↓ (30% – 50%)
Personnel risks	Significant		15% – 30%	
Risks related to media and stakeholder activities	Medium		50% – 85%	↑ (30% – 50%)
IT and cyber security risks	High		15% – 30%	
Business partner risks	Significant		< 15%	↓ (15% - 30%)
Compliance risks	Significant		< 15%	
Hazard risks	Significant	↑ (Medium)	< 15%	↓ (30% – 50%)
Litigation risks	High	↓ (Significant)	< 15%	↓ (15% - 30%)
Project risks	High	↑ (Medium)	< 15%	↓ (30% – 50%)

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), changes of government, civil unrest, pandemics, nationalization, expropriation, or nationalism, in particular in regions where adidas is strongly represented, could therefore negatively impact the company's business activities 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, environmental, and climate protection regulations could lead to potential sales shortfalls or cost increases. ► SEE NOTE 29

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 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 current elevated inventory levels (in particular in the US and China), 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 have a considerable impact on income tax expense 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 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 CORONAVIRUS PANDEMIC

The negative effects of the coronavirus pandemic have eased in most countries during 2022. However, there could still be a substantial negative impact to the company's success if high infection rates are causing a persistent workforce shortage due to increased sick leave, or, if new coronavirus variants would again require widespread lockdown and containment measures in our most important sourcing countries or key markets, such as China. Risks related to the coronavirus pandemic include but are not limited to:

- Traffic declines in our own and our retail partners' stores or even store closures.
- Closures of distribution centers would negatively impact the company's ability to fulfill orders by consumers or retail partners and lead to sales and profit shortfalls, order cancellations, or excess inventory.
- Supply chain disruptions, such as the closure of factories of our manufacturing partners or the closure of ports in critical sourcing countries, could cause production or delivery delays and negatively impact our ability to fulfill consumer demand.
- Wholesale customers may cancel purchase orders or return product to adidas, which could result in excess inventory and higher inventory allowances.
- Lower-than-expected sales and profits in our own retail stores may result in higher impairment charges or inventory allowances and negatively affect the company's bottom line.
- Third-party business partners may partially or completely fail to meet their contractual financial obligations, which could result in higher loss allowances and increased write-offs for accounts receivable.
- Volatile global financial markets might negatively affect the company's access to capital in the future.

To mitigate the effects of a potential aggravation of the coronavirus crisis, adidas could take numerous measures, for example by further shifting our focus to digital channels with prioritized supply chain management. With flexible shifts in our product purchasing in close alignment with our manufacturing partners, a disciplined sell-in, and the conscious use of our factory outlets, we could be able to reduce negative margin effects and manage our inventory. By securing alternative freight capacities and adjusting planning processes for early shipments, we could mitigate the effect of container scarcity and port congestions. Strict cash flow and cost management help us to ensure the financial stability of our company. Furthermore, adidas is continuously safeguarding the health of its employees and other stakeholders through strict measures.

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.

RISKS RELATED TO MEDIA AND STAKEHOLDER ACTIVITIES

Adverse or inaccurate media coverage on our products or business practices 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.

IT AND CYBER SECURITY 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 cyber security 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 IT organization proactively engages in system preventive maintenance, service continuity planning, adherence to IT policies and maintenance of a comprehensive information security program. Information security governance, data security, security architecture design, continuity management, and employee awareness programs help us to protect the company adequately. We have also secured limited insurance coverage for damage resulting from cyber security incidents.

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 2022. 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, or terrorist attacks. All of the above could damage our offices, stores, or distribution centers or disrupt our operational processes 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 might be involved in legal disputes and proceedings in different jurisdictions. Legal action taken against adidas due to the company's use of technologies or other intellectual property that are owned by a third party may result in the loss of rights to use those technologies or rights, imposed royalty payments, withdrawal of products from the market, legal costs, or reputational damage.

Our Legal Intellectual Property and Trademark team is actively defending adidas' intellectual property and associated rights and regularly exchanging with internal business partners to ensure that designs and innovations are cleared for use and protected. Furthermore, we engage with qualified external consultants and lawyers in case legal actions are 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 cancelation 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 2023 and beyond. According to our assessment methodology, opportunities related to tax and customs regulations; opportunities related to order and supply management; opportunities related to product engineering and manufacturing processes; opportunities related to the distribution strategy; opportunities related to consumer demand and product offering; opportunities related to existing Yeezy inventory; macroeconomic, sociopolitical, regulatory and currency opportunities; and opportunities related to data analytics are considered material. The assessment is illustrated in the corporate opportunities overview table.

CORPORATE OPPORTUNITIES OVERVIEW

Opportunity categories	Potential impact	Change (2021 rating)	Likelihood	Change (2021 rating)
Opportunities related to tax and customs regulations	Significant		50% – 85%	↑ (15% – 30%)
Opportunities related to order and supply management	Significant	(no opportunity in 2021)	30% – 50%	(no opportunity in 2021)
Opportunities related to product engineering and manufacturing processes	Significant	(no opportunity in 2021)	30% – 50%	(no opportunity in 2021)
Opportunities related to the distribution strategy	Significant		30% – 50%	↑ (15% – 30%)
Opportunities related to consumer demand and product offering	Significant		15% – 30%	
Opportunities related to existing Yeezy inventory	Significant	(no opportunity in 2021)	15% – 30%	(no opportunity in 2021)
Macroeconomic, sociopolitical, regulatory, and currency opportunities	High	↓ (Significant)	15% – 30%	
Opportunities related to data analytics	High		15% – 30%	
Personnel opportunities	Medium		15% – 30%	

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 considerable 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.

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. 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 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.

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 and Asia-Pacific, as well as market expansion in Emerging Markets could provide further upside potential in terms of sales and profit.

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 could provide further upside potential both in terms of sales and profit. In that respect, we see untapped potential particularly for our Originals key franchises as well as our basketball and running business.

OPPORTUNITIES RELATED TO EXISTING YEEZY INVENTORY

adidas continues to review future options for the utilization of its existing Yeezy inventory. The full year 2023 guidance as outlined in this report already accounts for the significant adverse impact of not selling as well as completely writing off the existing stock. Should the company, however, decide to sell the existing Yeezy inventory – in full or in part –, this would have a positive impact on the company's top- and bottom-line development.

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.

OPPORTUNITIES RELATED TO DATA ANALYTICS

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. The continuous enhancement of our existing capabilities to build and scale insights-driven use cases and the use of the latest technology could bring value to our business operations across the entire company. As a result, we see the opportunity to become faster and more efficient in our operations. We may increase visibility and understanding of consumer preferences, apply these insights in our product creation and, as a result, increase sales and reduce cost of sales. Leveraging data may also help us, for instance, optimize order book management, inventory management, and purchasing. All this could result in improved financial performance.

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.

ILLUSTRATION OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

In 2022, the Risk Management department coordinated the identification and prioritization of climate-related risks and opportunities taking the 'Taskforce on Climate-related Financial Disclosure' ('TCFD') framework into consideration. The following section summarizes the main risks and opportunities that are relevant for adidas. Given the different time horizon and complexity of climate-related risks and opportunities, the overview is presented separately from the illustration of risks and opportunities in the risk and opportunity report. We do not expect this to result in any additional material risks and opportunities for the forecast for fiscal year 2023 compared to the explanations given in this Risk and Opportunity report.

CLIMATE-RELATED RISKS

Based on the TCFD framework, climate-related risks are categorized as physical and transitional risks.

PHYSICAL RISKS

Physical risks resulting from climate change can be event driven (acute) or longer-term shifts in climate patterns (chronic).

- **Acute risks**, such as storms, wildfires, and floods, could damage our own or our business partners' properties and lead to business disruptions.

- **Chronic risks** such as changing weather patterns could affect crop yields (e.g., cotton), rising sea levels could threaten coastal locations and lead to asset write-downs, and increases in average temperatures and heat waves could lead to lower participation in sports and reduced productivity of our own and our suppliers' workforce.

TRANSITIONAL RISKS

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.

- **Policy risks**, such as increases in pricing of greenhouse gas emissions, mandates on existing or new products and exposure to litigation for non-compliance with emerging regulations.

- **Market risks**, such as changes in consumer behavior and a decrease in global economic growth, which could lead to a reduced consumer demand, increased commodity and energy prices, increased insurance costs, and reduced capital availability and market valuation due to stakeholder concerns about resilience to climate change impacts.

- **Reputation risks**, such as the stigmatization of the fashion and sportswear industry leading to a decrease in employer attractiveness and negative stakeholder feedback.

- **Technology risks**, such as the costs to transitioning to lower emission technologies in the supply chain.

CLIMATE-RELATED OPPORTUNITIES

- **Products and services**, such as the development of more sustainable (low-emission) products and services that could meet consumer preferences and lead to a competitive advantage and increased consumer demand.

- **Resource efficiency and energy source**, such as using more efficient production and distribution processes (including our suppliers).

- **Markets**, such as increased capital availability (green financing) and market valuation due to climate change resilience and increased employer attractiveness due to strong environmental performance.

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 2022, financial results were impacted by the war in Ukraine as well as heightened macroeconomic challenges such as supply chain constraints, increasing inflation, tightened monetary policy as well as declining consumer sentiment. Additionally, economic activity as well as our business in Greater China were still severely impacted by the coronavirus pandemic. Growth in all other markets could only partly mitigate these challenges. The decision to terminate the Yeezy partnership also significantly weighed on the company's top- and bottom-line development in 2022. Given all of these macroeconomic as well as company-specific challenges, we had to adjust our guidance three times in 2022. As a result, we delivered top- and bottom-line results significantly below the initial guidance provided at the beginning of the year, but in line with the adjusted guidance provided in November 2022.

► SEE ECONOMIC AND SECTOR DEVELOPMENT

COMPANY TARGETS VERSUS ACTUAL KEY METRICS

	2021 Results[1]	2022 Initial Targets[1,2]	2022 Updated Targets[1,3]	2022 Results (vs. prior year)[1]	2023 Outlook
Currency-neutral sales development	16%	to increase at a rate between 11% and 13%	to increase at a low-single-digit rate	1%	to decline at a high-single-digit rate
Gross margin	50.7%	to increase to a level of between 51.5% and 52.0%	to reach a level of around 47.0%	47.3% (3.4pp)	
Operating margin/ operating profit/loss	9.4%	to increase to a level of between 10.5% and 11.0%	to reach a level of around 2.5%	3.0% (6.4pp)	operating loss of € 700 million
Net income from continuing operations (€ in millions)	1,492	to increase to a level of between € 1,800 million and € 1,900 million	to reach a level of around € 250 million	254 (83%)	
Average operating working capital in % of net sales[4]	20.0%	to decrease to a level below 20%	to increase to a level of above 20%	24.0% 4.0pp	to reach a level of between 25% and 26%
Capital expenditure (€ in millions)[4,5]	667	to increase to a level of up to € 900 million	to increase to a level of up to € 700 million	695	to reach a level of around € 600 million

1 Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
2 As published on March 9, 2022.
3 As published on November 9, 2022. For average working capital and capital expenditure as of August 4, 2022.
4 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.
5 Excluding acquisitions and leases.

In 2022, revenues increased 1% on a currency-neutral basis. The development reflects increases in all market segments except Greater China where sales declined strong double-digits. While sales in EMEA and Asia-Pacific grew in line with the guidance provided in November 2022, the revenue development in North America fell slightly short of our projections. At the same time, revenues in Latin America exceeded our expectations. Gross margin ended the year at 47.3%, reflecting a decrease of 3.4 percentage points versus the prior year level, but in line with the guidance provided in November 2022. Broad-based price increases were more than offset by the strong increase in supply chain costs, reflecting increased product costs and freight expenses, as well as higher discounts, especially in the second half of the year. Moreover, a less favorable market and channel mix as well as unfavorable currency developments weighed on the gross margin development in 2022. Our operating margin decreased 6.4 percentage points to 3.0%, somewhat ahead of our guidance provided in November. This operating margin decline mainly reflects the gross margin decrease, increasing operating overhead and marketing and point-of-sale expenses as well as unfavorable currency developments. In addition, the decision to terminate the Yeezy partnership at the end of October 2022 also had a significant adverse impact on our profitability. Net income from continuing operations decreased 83% to € 254 million and came in in-line with the November guidance. This development was impacted by several one-offs that occurred in the second half of 2022 in the amount of € 350 million. These one-off costs are related to our decision to wind down our business in Russia, a settled legal dispute, higher provisions for customs-related risks, cash-pooling in high inflationary countries as well as to restructuring costs as part of the company's business improvement program. ▶ SEE INCOME STATEMENT

Average operating working capital as a percentage of sales ended the year 2022 at a level of 24.0%. While this is directionally in line with the guided level of above 20.0%, the increase was significantly higher than initially expected. The year-over-year increase was 4.0 percentage points. This increase mainly reflects the slower recovery in Greater China, the significant inventory increase, which is mainly the result of higher product and freight costs, an increased sourcing volume, a different ordering pattern given longer transportation lead times, the termination of the Yeezy partnership as well as lower prior year comparables due to the prior year's impact from the factory lockdowns in Vietnam. Capital expenditure increased 4% to € 695 million in 2022 in line with our latest guidance. More than 70% of these investments were spent on controlled space initiatives as well as on Digital and IT activities. Controlled space initiatives comprise investments in new or remodeled own retail or franchise stores as well as in 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 the number of members in our membership program, the share of our sustainable article offering as well as the share of women in management positions in our organization. ▶ SEE INTERNAL MANAGEMENT SYSTEM

OVERVIEW OF CURRENT STATUS AND OBJECTIVES FOR SELECTED OTHER KPIS

	2022	Objective 2025
Member base in membership program	303 million members	to increase to around 500 million members
Sustainable article offering[1]	70%	9 out of 10 articles to be sustainable
Share of women in management positions	39%	to increase to more than 40%

1 Meaning that they are – to a significant degree – made with environmentally preferred materials.

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 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 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

Since the creation and launch of our 'Own the Game' strategy, the economic and political environment we operate in has significantly changed. Macroeconomic challenges as well as geopolitical tensions have had an adverse impact on our business, our consumers, and business partners. Paving the way for a restart, Bjørn Gulden joined adidas as new CEO in January 2023. In this context, we are currently conducting a thorough strategic review, which also includes the financial ambition for 2025. We will provide an update on the outcome of this review in the course of the second half of 2023 and, in the meantime, continue to diligently execute our functional priorities.

In 2023, we expect our revenue development to be impacted by macroeconomic challenges and geopolitical tensions which continue to dampen consumer sentiment, elevated recession risks in Europe and North America as well as uncertainty around the speed and extent of the recovery in Greater China. In addition, company-specific challenges such as the high inventory levels and the termination of the Yeezy partnership are forecast to weigh on the company's operational and financial performance. While we continue to review future options for the utilization of our Yeezy inventory, our FY 2023 guidance already accounts for the significant adverse impact from not selling the existing stock. Compared to the prior year, this would lower revenues by around € 1,200 million and operating profit by around € 500 million in 2023. Should we irrevocably decide not to repurpose any of the existing Yeezy product, this would result in the write-off of the existing Yeezy inventory as of February 2023 and would lower the operating profit by an additional around € 500 million this year. In addition, we expect one-off costs of up to € 200 million in 2023 which are part of the strategic review the company is currently conducting aimed at reigniting profitable growth as of 2024. Against this background, we project currency-neutral sales to decline at a high-single-digit rate and expect to report an operating loss of € 700 million in 2023. ► SEE OUTLOOK

We believe our outlook for 2023 realistically describes the underlying development of the company. However, the outlook for 2023 as outlined in this report is subject to change depending on further developments related to the coronavirus pandemic. In addition, ongoing uncertainties regarding macroeconomic challenges, the impact from geopolitical conflicts and consumer sentiment in both advanced and developing economies as well as re-escalating trade tensions represent risks to the achievement of our stated financial goals and aspirations. No other material event between the end of 2022 and the publication of this report has altered our view. ► SEE OUTLOOK

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Note	Dec. 31, 2022	Dec. 31, 2021	Change in %
Assets				
Cash and cash equivalents	05	798	3,828	(79)
Accounts receivable	06	2,529	2,175	16
Other current financial assets	07	1,014	745	36
Inventories	08	5,973	4,009	49
Income tax receivables	35	102	91	12
Other current assets	09	1,316	1,062	24
Assets classified as held for sale	03	–	2,033	n.a.
Total current assets		**11,732**	**13,944**	**(16)**
Property, plant, and equipment	10	2,279	2,256	1
Right-of-use assets	11	2,665	2,569	4
Goodwill	12	1,260	1,228	3
Other intangible assets	13	429	352	22
Long-term financial assets	14	301	290	4
Other non-current financial assets	15	336	160	110
Deferred tax assets	35	1,216	1,263	(4)
Other non-current assets	16	76	74	4
Total non-current assets		**8,563**	**8,193**	**5**
Total assets		**20,296**	**22,137**	**(8)**

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

	Note	Dec. 31, 2022	Dec. 31, 2021	Change in %
Liabilities and equity				
Short-term borrowings	17	527	29	1,722
Accounts payable		2,908	2,294	27
Current lease liabilities	20	643	573	12
Other current financial liabilities	18	424	363	17
Income taxes	35	302	536	(44)
Other current provisions	19	1,589	1,458	9
Current accrued liabilities	21	2,412	2,684	(10)
Other current liabilities	22	452	434	4
Liabilities classified as held for sale	03	–	594	n.a.
Total current liabilities		**9,257**	**8,965**	**3**
Long-term borrowings	17	2,946	2,466	19
Non-current lease liabilities	20	2,343	2,263	4
Other non-current financial liabilities	23	44	51	(14)
Pensions and similar obligations	24	118	267	(56)
Deferred tax liabilities	35	135	122	11
Other non-current provisions	19	88	149	(41)
Non-current accrued liabilities	21	7	8	(10)
Other non-current liabilities	25	6	9	(29)
Total non-current liabilities		**5,688**	**5,334**	**7**
Share capital		179	192	(7)
Reserves		466	468	(0)
Retained earnings		4,347	6,860	(37)
Shareholders' equity	**26**	**4,991**	**7,519**	**(34)**
Non-controlling interests	28	360	318	13
Total equity		**5,351**	**7,837**	**(32)**
Total liabilities and equity		**20,296**	**22,137**	**(8)**

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, 2022	Year ending Dec. 31, 2021	Change
Net sales	37	22,511	21,234	6.0%
Cost of sales		11,867	10,469	13.4%
Gross profit		**10,644**	**10,765**	**(1.1%)**
(% of net sales)		47.3%	50.7%	(3.4pp)
Royalty and commission income		112	86	30.6%
Other operating income	30	173	28	529.5%
Other operating expenses	10, 13, 31, 32	10,260	8,892	15.4%
(% of net sales)		45.6%	41.9%	3.7pp
Marketing and point-of-sale expenses		2,763	2,547	8.5%
(% of net sales)		12.3%	12.0%	0.3pp
Distribution and selling expenses		5,601	4,782	17.1%
(% of net sales)		24.9%	22.5%	2.4pp
General and administration expenses		1,651	1,481	11.4%
(% of net sales)		7.3%	7.0%	0.4pp
Sundry expenses		182	76	139.5%
(% of net sales)		0.8%	0.4%	0.5pp
Impairment losses (net) on accounts receivable and contract assets		63	6	1,027.4%
Operating profit		**669**	**1,986**	**(66.3%)**
(% of net sales)		3.0%	9.4%	(6.4pp)
Financial income	33	39	19	101.7%
Financial expenses	33	320	153	109.7%
Income before taxes		**388**	**1,852**	**(79.1%)**
(% of net sales)		1.7%	8.7%	(7.0pp)
Income taxes	35	134	360	(62.8%)
(% of income before taxes)		34.5%	19.4%	15.0pp
Net income from continuing operations		**254**	**1,492**	**(83.0%)**
(% of net sales)		1.1%	7.0%	(5.9pp)
Gain from discontinued operations, net of tax	03	384	666	(42.4%)
Net income		**638**	**2,158**	**(70.4%)**
(% of net sales)		2.8%	10.2%	(7.3pp)
Net income attributable to shareholders		**612**	**2,116**	**(71.1%)**
(% of net sales)		2.7%	10.0%	(7.2pp)

ADIDAS AG CONSOLIDATED INCOME STATEMENT (IFRS) € IN MILLIONS

	Note	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021	Change
Net income attributable to non-controlling interests		**26**	**42**	**(37.9%)**
Basic earnings per share from continuing operations (in €)	36	**1.25**	**7.47**	**(83.3%)**
Diluted earnings per share from continuing operations (in €)	36	**1.25**	**7.47**	**(83.3%)**
Basic earnings per share from continuing and discontinued operations (in €)	36	**3.34**	**10.90**	**(69.4%)**
Diluted earnings per share from continuing and discontinued operations (in €)	36	**3.34**	**10.90**	**(69.4%)**

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, 2022	Year ending Dec. 31, 2021
Net income after taxes		**638**	**2,158**
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]	24	131	50
Net gain on other equity investments (IFRS 9), net of tax	29	0	1
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss		**131**	**52**
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met			
Net (loss)/gain on cash flow hedges and net foreign investment hedges, net of tax	29	(25)	186
Net loss on cost of hedging reserve – options, net of tax	29	(1)	(6)
Net (loss)/gain on cost of hedging reserve – forward contracts, net of tax	29	(36)	11
Reclassification of foreign currency translation differences due to disposal of foreign operations	04	(228)	–
Currency translation differences		177	330
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		**(113)**	**521**
Other comprehensive income		**18**	**573**
Total comprehensive income		**656**	**2,731**
Attributable to shareholders of adidas AG		610	2,650
Attributable to non-controlling interests		47	81

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, 2020		**195**	**887**	**(850)**	**(250)**	**(3)**	**(23)**	**(235)**	**6,733**	**6,454**	**237**	**6,691**
Reclassification[1]	26	–	399	–	–	–	–	–	(399)	–	–	–
Balance at January 1, 2021		**195**	**1,286**	**(850)**	**(250)**	**(3)**	**(23)**	**(235)**	**6,334**	**6,454**	**237**	**6,691**
Other comprehensive income		–	–	308	186	(6)	11	35	–	534	39	573
Net income		–	–	–	–	–	–	–	2,116	2,116	42	2,158
Total comprehensive income		**–**	**–**	**308**	**186**	**(6)**	**11**	**35**	**2,116**	**2,650**	**81**	**2,731**
Repurchase of adidas AG shares	26	(3)	–	–	–	–	–	–	(1,001)	(1,004)	–	(1,004)
Repurchase of adidas AG shares due to equity-settled share-based payment	26	(0)	–	–	–	–	–	–	(32)	(32)	–	(32)
Reissuance of treasury shares due to equity-settled share-based payment	26	0	–	–	–	–	–	–	35	35	–	35
Dividend payment		–	–	–	–	–	–	–	(585)	(585)	–	(585)
Equity-settled share-based payment	27	–	–	–	–	–	–	–	1	1	–	1
Cancellation of treasury shares		–	8	–	–	–	–	–	(8)	–	–	–
Balance at December 31, 2021/ January 1, 2022		**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	26	(13)	–	–	–	–	–	–	(2,487)	(2,500)	–	(2,500)
Repurchase of adidas AG shares due to equity-settled share-based payment	26	(0)	–	–	–	–	–	–	(22)	(22)	–	(22)
Reissuance of treasury shares due to equity-settled share-based payment	26	0	–	–	–	–	–	–	41	41	–	41
Dividend payment		–	–	–	–	–	–	–	(610)	(610)	(22)	(632)

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
Equity-settled share-based payment	27	–	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	26	–	12	–	–	–	–	–	(12)	–	–	–
Balance at December 31, 2022		**179**	**1,338**	**(608)**	**(90)**	**(9)**	**(48)**	**(116)**	**4,347**	**4,991**	**360**	**5,351**

1 Disclosure adjustment from previous years.
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 MILLIONS

	Note	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Operating activities:			
Income before taxes from continuing operations		388	1,852
Adjustments for:			
Depreciation, amortization and impairment losses	12, 13, 30, 33	1,375	1,149
Reversals of impairment losses	30	(4)	(34)
Interest income	33	(23)	(13)
Interest expense	33	138	111
Unrealized foreign exchange losses, net		85	51
Losses on sale of property, plant, and equipment and intangible assets, net		16	13
Other non-cash effects from operating activities	30, 31	(8)	6
Operating profit before working capital changes		**1,966**	**3,135**
Increase in receivables and other assets		(820)	(170)
(Increase)/decrease in inventories		(1,901)	125
Increase in accounts payable and other liabilities		721	226
Net cash (used in)/generated from operations before taxes		**(34)**	**3,316**
Income taxes paid		(424)	(444)
Net cash (used in)/generated from operating activities – continuing operations		**(458)**	**2,873**
Net cash (used in)/generated from operating activities – discontinued operations		(85)	320
Net cash (used in)/generated from operating activities		**(543)**	**3,192**
Investing activities:			
Purchase of trademarks and other intangible assets		(191)	(173)
Proceeds from sale of trademarks and other intangible assets		1	1
Purchase of property, plant, and equipment		(504)	(494)
Proceeds from sale of property, plant, and equipment		1	1
Proceeds from sale of a disposal group		12	12
Proceeds from disposal of discontinued operations		1,165	177
(Purchase of)/proceeds from investments and other long-term assets		(13)	49
Interest received		23	13
Net cash generated from/(used in) investing activities – continuing operations		**495**	**(415)**
Net cash used in investing activities – discontinued operations		–	(9)
Net cash generated from/(used in) investing activities		**495**	**(424)**

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

	Note	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Financing activities:			
Repayment of eurobond	17	–	(600)
Proceeds from issuance of bonds	17	994	–
Interest paid		(140)	(111)
Repayments of lease liabilities		(631)	(572)
Dividend paid to shareholders of adidas AG	26	(610)	(585)
Dividend paid to non-controlling interest shareholders		(22)	–
Acquisition of non-controlling interests		(27)	–
Repurchase of treasury shares	26	(2,500)	(1,000)
Repurchase of treasury shares due to share-based payments		(30)	(32)
Proceeds from reissuance of treasury shares due to share-based payments		25	27
Repayments of short-term borrowings	17	(18)	(79)
Net cash used in financing activities – continuing operations		**(2,957)**	**(2,952)**
Net cash used in financing activities – discontinued operations		(6)	(39)
Net cash used in financing activities		**(2,963)**	**(2,991)**
Effect of exchange rates on cash		**(19)**	**57**
Decrease in cash and cash equivalents		(3,031)	(165)
Cash and cash equivalents at beginning of year	05	3,828	3,994
Cash and cash equivalents at end of period	**05**	**798**	**3,828**

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, 2022, 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, 2022, 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, 2022, and have been applied for the first time to these consolidated financial statements:

- **Amendments to IAS 16: Property, Plant, and Equipment: Proceeds before Intended Use (effective date: January 1, 2022):** The amendment prohibits entities from deducting from the cost of an item of property, plant, and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity should recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, adidas applies the amendments retrospectively only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no material impact on the consolidated financial statements of adidas.

- **Annual Improvements to IFRS standards 2018 – 2020:**

  - **IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective date: January 1, 2022):** The amendment permits a subsidiary that has measured its assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported in the parent's consolidated financial statements. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. These amendments had no impact on the consolidated financial statements, as adidas is not a first-time adopter.

  - **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (effective date: January 1, 2022):** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. In accordance with the transitional provisions, adidas applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no material impact on the consolidated financial statements of adidas.

  - **IAS 41 Agriculture – Taxation in fair value measurements (effective date: January 1, 2022):** The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendme-nts had no impact on the consolidated financial statements of adidas as it did not have assets in scope of IAS 41 as at the reporting date.

- **Amendments to IFRS 3 – Reference to the Conceptual Framework (effective date: January 1, 2022):** The amendments replace a reference to a previous version of the International Accounting Standards Board's (IASB) Conceptual Framework (1989) with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 'Business Combinations' to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' or IFRIC 21 'Levies,' if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. In accordance with the transitional provisions, the Group applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). These amendments had no material impact on the consolidated financial statements of adidas as there were no contingent assets, liabilities, or contingent liabilities within the scope of these amendments that arose during the period.

- **Amendments to – IAS 37 Onerous Contracts: Cost of Fulfilling a Contract (effective date: January 1, 2022):** An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that adidas cannot avoid because it has signed the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment had no material impact on the consolidated financial statements of adidas.

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, 2022, have not been applied in preparing 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 once effective, will replace IFRS 4 Insurance Contracts. No material impact is expected 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. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a 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 with earlier application permitted. 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. Subject to the ongoing assessment, it is expected that the amendments will result in a reduction in adidas' accounting policy disclosures.

- **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 are not expected to have a material impact on adidas, in particular since adidas did not apply the initial recognition exemption in the context of leases under IFRS 16.

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 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. Beside others, 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. 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 consolidated financial statements have in principle been prepared on the historical cost basis with the exception of 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.

On February 11, 2021, adidas decided to begin a formal process aimed at divesting Reebok. Due to the initiation of that selling process, which led to a binding agreement with Authentic Brands Group LLC (ABG), on August 12, 2021, the Reebok operating business was reported as discontinued operations and classified as a disposal group held for sale since the resolution has been passed. As of February 28, 2022, the company has formally completed the divestiture of Reebok to ABG. The assets and liabilities, which were reported as assets/liabilities held for sale since February 2021, were consequently derecognized from the consolidated statement of financial position as of February 28, 2022.

Business operations in 2022 were impacted by the effects of the continued coronavirus pandemic and covid-19-related lockdowns in Greater China as well as by the challenging economic and market environment globally. Estimates and assumptions relevant to the consolidated financial statements were made to the best of our knowledge, based on current events and actions. Due to the ongoing uncertainties, it is still difficult to predict the impact on assets and liabilities as well as income and expenses.

On February 24, 2022 Russia launched an invasion of Ukraine. The still ongoing conflict continue to affect economic and global financial markets and increase the current economic challenges. As a result of the ongoing conflict, adidas took the decision in October 2022 to permanently wind down its business operations in Russia, after having initially introduced a temporary suspension of the business in March 2022. The impairment of Property, plant, and equipment and Right-of-use-assets recognized in this context as well as the recognition of related provisions has had a negative impact of € 120 million on net income from continuing operations. ► SEE NOTE 10 ► SEE NOTE 11 ► SEE NOTE 19

In October 2022, adidas terminated the Yeezy partnership with immediate effect, discontinued the distribution of Yeezy brand products, and stopped all payments to Ye and his companies. adidas is the sole owner of all design rights to existing products as well as previous and new colorways under the partnership. As of December 31, 2022, adidas intends to make use of these rights as early as 2023 and to leverage the existing inventories. As of December 31, 2022, at adidas' discretion, there was no lower net realizable value and therefore no impairment loss was recognized on the existing inventories. Furthermore, adidas believes that there is no other present obligation related to the termination of the agreement and therefore no provision had to be recognized as of December 31, 2022. ► SEE NOTE 08

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 SIGNIFICANT 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 2022 and 2021, respectively:

NUMBER OF CONSOLIDATED SUBSIDIARIES

	2022	2021
January 1	**120**	**121**
First-time consolidated subsidiaries	1	2
Thereof: newly founded	1	2
Deconsolidated/divested subsidiaries	(8)	(2)
Intercompany mergers	(2)	(1)
December 31	**111**	**120**

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 electronic platform of the German Federal Gazette. ▶ SEE SHAREHOLDINGS

Within the scope of the first-time consolidation, all acquired assets and liabilities are recognized in the statement of financial position at fair value at the acquisition date. A debit difference between the acquisition cost and the proportionate fair value of assets, liabilities and contingent liabilities is recognized as goodwill. A credit difference is recorded in the consolidated income statement after a reassessment of the fair value of the assets, liabilities and contingent liabilities has been performed. In cases where not all of the shares in the investment in a subsidiary are acquired, a non-controlling interest measured initially as a proportionate share of net assets is recognized at the date of the first-time consolidation.

Acquisitions of additional investments in subsidiaries that are already controlled are recorded as equity transactions. Therefore, neither fair value adjustments of assets and liabilities nor gains or losses are recognized. Any difference between the cost for such an additional investment and the carrying amount of the net assets at the acquisition date is recorded directly in shareholders' equity.

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
Assets and liabilities classified as held for sale	Lower of carrying amount of the disposal group and fair value less costs to sell
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
Contract liabilities	Expected settlement amount
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

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. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

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,	
	2022	2021	2022	2021
USD	1.0539	1.1836	1.0666	1.1326
GBP	0.8525	0.8601	0.8869	0.8403
JPY	138.0550	129.8295	140.6600	130.3800
CNY	7.0891	7.6362	7.4095	7.2266
MXN	21.2037	23.9943	20.7683	23.1812

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 34

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 stock price options, as well as forward stock transactions and currency swaps, to hedge its exposure to foreign-exchange and stock-price 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 hedges to specific firm commitments and forecast transactions. adidas also assesses the effectiveness and possible ineffectiveness of its hedged derivatives by using generally accepted methods of effectiveness testing, such as the 'hypothetical derivative method' or the 'dollar offset method.' The economic relationship between the hedging instrument and hedged item is qualitatively and quantitatively ascertainable, and adidas judges the effectiveness of the hedging relationship with the hypothetical derivative 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, forward exchange contracts, and forward stock transactions 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 '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 – either at fair value through profit or loss or at fair value through other comprehensive income (debt). 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 14

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 cost of direct materials and labor and the components of the manufacturing overheads which 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 08

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

ASSETS/LIABILITIES AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Assets/liabilities and disposal groups classified as held for sale are non-current assets and liabilities expected to be realized principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. It being unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn is also a prerequisite for the classification.

The sale must be expected to be completed within one year from the date of the classification. Assets and liabilities classified as held for sale are hence presented separately as current items in the consolidated statement of financial position.

These are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Assets classified as held for sale are not depreciated on a straight-line basis.

Impairment losses on initial classification as held-for-sale or held for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Reversals of impairment losses due to a subsequent increase in fair value are recognized up to a maximum of the amount of impairment losses that, unless attributable to goodwill, were recognized prior to classification of the asset or disposal group in accordance with IFRS 5 and IAS 36, or were recognized at or after the date of classification in accordance with IFRS 5.

Additional disclosures are provided in these Notes. ▶ 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, except where the 'declining-balance method' is more appropriate in light of the actual utilization pattern. 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 10

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. Non-financial items measured at the recoverable amount primarily relate to impaired property, plant, and equipment being measured based on value in use or on fair value taking unobservable inputs (e.g., profit or cash flow planning) into account. 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, 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.

The impairment test for trademarks with indefinite useful lives is performed on the relevant level of cash-generating units.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life 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 affecting 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 upon 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,' while impairment losses on all other financial assets are shown in the line item 'Financial expenses' in the consolidated income statement.

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). The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term. Real estate and automobile leases are excluded from the classification as 'low-value assets.'

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 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, adjusted to reflect the country-specific risk, the contract currency-specific risk, and the lease term.
► SEE NOTE 11 ► SEE NOTE 20

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, even if they are a result of the coronavirus pandemic. 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.

In rare cases, adidas acts as a lessor when the company signs sub-leasing contracts for real estate properties with third parties. These contracts are not material to the company's consolidated financial statements.

adidas does not own any investment property.

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 12

Goodwill is carried in the functional currency of the acquired foreign entity.

INTANGIBLE ASSETS (EXCEPT GOODWILL)

Intangible assets with indefinite useful lives (in particular trademarks) are recognized at purchase cost and are subject to an impairment test at least on an annual basis (impairment-only approach).

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 13

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 it is available for use.

Estimated useful lives are as follows:

ESTIMATED USEFUL LIVES OF INTANGIBLE ASSETS

	Years
Trademarks	indefinite
Software	3 – 7
Patents, trademarks 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 using the 'effective interest method,' net of transaction costs incurred. In subsequent periods, long-term 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 where a present obligation (legal or constructive) to third parties has been incurred as a result of a past event that can be estimated reliably and is likely to lead to an outflow of resources, and where the timing or amount is uncertain. The expense relating to a provision is presented in the consolidated income statement. Non-current provisions are discounted if the effect of discounting is material, with the interest expense being reported as financial expenses. ► SEE NOTE 19

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. Here, however, the timing and amount of an outflow of resources is not uncertain. ► SEE NOTE 21

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 24

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 39

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 re-issued, 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.

CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets and liabilities are recognized in connection with revenues arising from the licensing-out of the right to use the brands to third parties. Contract assets represent the company's conditional right to consideration in exchange for rights that adidas has transferred to a third party, and contract liabilities represent the company's obligation to transfer rights to a third party for which adidas has already received consideration from the third party. Contract assets are subject to impairment assessment. Refer to accounting policies on Impairment Losses on financial assets. Contract liabilities are recognized as income when the control of the related goods or services is transferred to the customer.

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 former 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.

Customer incentives and options as well as any obligation for adidas to pay for the delivery of goods to the customer do not create separate performance obligations under IFRS 15 and are separated from revenue. Customer incentives that were not contractually agreed upon as well as promises that were implied by adidas' customary business practice and did not bear the characteristics of a discount are accounted for as marketing and point-of-sale expenses.

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 35

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 27

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 because 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 2022, assumptions and estimates continued to be significantly impacted by the coronavirus pandemic as well as increased macroeconomic challenges, and due to the ongoing situation, future assumptions and estimates will be impacted by this.

The decision to permanently discontinue the business activities in Russia leads in particular to an increased level of judgment and estimation uncertainties with regard to provisions recognized in this context. ► SEE NOTE 19

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 and other risks related to the termination of the partnership. ▶ SEE NOTE 08 ▶ SEE NOTE 19

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. In addition, in the previous year this also related to assets classified as held for sale and gain/loss from discontinued operations. ▶ SEE NOTE 03 ▶ SEE NOTE 06 ▶ SEE NOTE 08 ▶ SEE NOTE 11 ▶ SEE NOTE 12 ▶ SEE NOTE 19 ▶ SEE NOTE 24 ▶ SEE NOTE 29 ▶ SEE NOTE 35 ▶ SEE NOTE 39

Judgments have also been used in determining the lease term for lease contracts. ▶ SEE NOTE 11 ▶ SEE NOTE 20

03 DISCONTINUED OPERATIONS

DESCRIPTION

On February 11, 2021, the company decided to initiate a formal process aimed at divesting Reebok, which was completed with signing of a sales agreement with Authentic Brands Group LLC on August 12, 2021. Due to the concrete plans to divest Reebok and the approval by the relevant committees, the Reebok operating business has been reported as discontinued operations and classified as a disposal group held for sale since the resolution.

The Reebok business was sold on 28 February 2022 with effect from 1 March 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 and the Monte Carlo method, respectively.

INFORMATION ON THE FINANCIAL PERFORMANCE

DISCONTINUED OPERATION REEBOK

€ in millions	Full year 2022	Full year 2021
Net sales	353	1,767
Expenses	(366)	(918)
(Loss)/gain from operating activities before taxes	**(14)**	**849**
Income taxes	248	(171)
Gain from operating activities, net of tax	**235**	**678**
Gain from the sale of discontinued operations	522	–
Other loss from revaluation of contingent consideration receivable	(20)	–
Transaction costs	(51)	(30)
Income taxes	(308)	6
Gain/(loss) from the sale of discontinued operations, net of tax	**143**	**(24)**
Gain from discontinued operations, net of tax	**378**	**654**

The profit from discontinued operations for 2022 in the amount of € 384 million (2021: profit of € 666 million) is fully attributable to the shareholders of adidas AG. In addition to Reebok, the 2022 result from discontinued operations also includes a gain of € 6 million (2021: € 12 million) related to divestments from prior years.

The total tax benefit related to discontinued operations is € 248 million (2021: tax expense of € 168 million). The amount of € 248 million breaks down as follows: a gain from the release of a deferred tax liability of € 308 million is included in the gain from the sale of discontinued operations of € 522 million. The taxable profit from the sale of discontinued operations leads to a tax expense of € 308 million. The tax benefit of € 248 million includes a tax benefit resulting from restructuring measures related to discontinued operations.

As part of the divestiture of the Reebok brand, agreements were concluded for a limited period of time for the purchase and distribution of Reebok products in certain markets. In this context, adidas is acting as an agent in accordance with IFRS 15.

ASSETS AND LIABILITIES HELD FOR SALE

The following assets and liabilities have been classified as a disposal group held for sale as at December 31, 2021:

GROUP OF ASSETS AND LIABILITIES

Assets classified as held for sale € in millions	Dec. 31, 2021
Accounts receivable	82
Inventories	300
Other current financial assets	14
Other current assets	15
Total current assets	**411**
Long-term financial assets	11
Property, plant, and equipment	84
Right-of-use assets	102
Goodwill	28
Trademark Reebok	1,368
Deferred tax assets	26
Other non-current financial assets	3
Total non-current assets	**1,622**
Total assets	**2,033**

Liabilities classified as held for sale € in millions	Dec. 31, 2021
Accounts payable	35
Current lease liabilities	33
Other current provisions	33
Current accrued liabilities	55
Other current financial liabilities	7
Other current liabilities	6
Total current liabilities	**169**
Non-current lease liabilities	114
Pensions and similar obligations	2
Deferred tax liabilities	304
Other non-current provisions	4
Non-current accrued liabilities	0
Other non-current financial liabilities	0
Other non-current liabilities	1
Total non-current liabilities	**425**
Total liabilities	**594**

04 SALE OF THE REEBOK BUSINESS

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

DETAILS OF THE SALE OF THE REEBOK BUSINESS

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

An additional payment of up to € 500 million will be due in case the Reebok business meet certain performance criteria during the period from March 1, 2022 to December 31, 2031. At the time of the sale, the fair value of the consideration was determined to be € 247 million. It has been recognized as a financial asset at fair value through profit or loss.

At the end of the fiscal year 2022, the fair value was re-estimated to be € 227 million. The loss of € 20 million is presented in discontinued operations net of related income tax.

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

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

DISPOSED ASSETS AND LIABILITIES OF THE REEBOK BUSINESS

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

05 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.

Cash and cash equivalents includes € 155 million and € 214 million as of December 31, 2022 and 2021, 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 29

06 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			
	Not credit-impaired	Not credit-impaired	Not credit-impaired	Credit-impaired	Credit-impaired	
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**
Dec. 31, 2021						
Accounts receivable, gross	1,900	277	15	40	150	2,383
Weighted average loss rate	0.9%	5.1%	42.5%	65.4%	96.1%	8.7%
Loss allowance	(17)	(14)	(6)	(26)	(145)	(208)
Accounts receivable, net	**1,884**	**263**	**8**	**14**	**6**	**2,175**

MOVEMENT IN LOSS ALLOWANCES FOR ACCOUNTS RECEIVABLE € IN MILLIONS

	2022	2021
Loss allowances at January 1	**208**	**267**
Net remeasurement of loss allowances	33	(61)
Write-offs charged against the loss allowance accounts	(12)	(3)
Currency translation differences	0	7
Other changes	1	(1)
Loss allowances at December 31	**230**	**208**

As at December 31, 2022, the loss allowance for not credit-impaired accounts receivable in the amount of € 204 million and credit-impaired accounts receivable in the amount of € 1 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.

As of December 31, 2022, accounts receivable amounting to € 112 million (2021: € 99 million) were derecognized in connection with factoring agreements.

Further information about credit risks is contained in these Notes. ▶ SEE NOTE 29

07 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets consist of the following:

OTHER CURRENT FINANCIAL ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Currency options	10	21
Forward exchange contracts	222	236
Suppliers with debit balances	47	41
Revaluation of total return swap	–	16
Security deposits	46	48
Receivables from credit cards and similar receivables	201	172
Promissory notes	–	12
Receivables from retail business	79	91
Other investments	78	71
Deferred consideration of Reebok sale	241	–
Sundry	114	46
Other current financial assets, gross	**1,038**	**754**
Less: accumulated allowances	(24)	(8)
Other current financial assets, net	**1,014**	**745**

Further information about currency options, forward exchange contracts and the deferred consideration of the Reebok sale is contained in these Notes. ▶ SEE NOTE 04 ▶ SEE NOTE 29

08 INVENTORIES

Inventories by major classification are as follows:

INVENTORIES € IN MILLIONS

	Dec. 31, 2022			Dec. 31, 2021		
	Gross value	Allowance for obsolescence	Net value	Gross value	Allowance for obsolescence	Net value
Merchandise and finished goods on hand	4,522	(225)	4,297	2,596	(149)	2,446
Goods in transit	1,667	–	1,667	1,556	–	1,556
Raw materials	9	–	9	7	–	7
Work in progress	–	–	–	0	–	0
Inventories	**6,198**	**(225)**	**5,973**	**4,159**	**(149)**	**4,009**

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 € 137 million in 2022 (2021: € 32 million).

As of December 31, 2022, inventories include Yeezy products in the amount of approximately € 0.4 billion. Based on management's assessment, the net realizable value of these products is above the recognized cost, so that these costs are assessed to be recoverable as of the balance sheet date.

09 OTHER CURRENT ASSETS

Other current assets consist of the following:

OTHER CURRENT ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	250	270
Return assets	338	294
Tax receivables other than income taxes	632	430
Contract assets	15	15
Sundry	90	58
Other current assets, gross	**1,323**	**1,066**
Less: accumulated allowances	(8)	(4)
Other current assets, net	**1,316**	**1,062**

Prepaid expenses mainly relate to promotion and service contracts. The increase in the line item 'Tax receivables other than income taxes' relates mainly to value-added tax.

10 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, 2021	**1,852**	**416**	**1,800**	**258**	**4,326**
Additions	94	19	197	183	494
Disposals	(47)	(7)	(231)	(1)	(285)
Transfers	180	32	30	(243)	(1)
Transfers to assets held for sale	(67)	(8)	(79)	(2)	(157)
Currency translation differences	80	21	76	17	195
December 31, 2021/ 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	**2,290**	**480**	**1,906**	**230**	**4,907**
Accumulated depreciation and impairment					
January 1, 2021	**620**	**230**	**1,319**	**–**	**2,169**
Depreciation	127	44	250	–	421
Impairment losses	1	–	3	0	4
Reversals of impairment losses	(1)	(0)	(8)	–	(9)
Disposals	(38)	(6)	(219)	0	(263)
Transfers	1	–	(1)	–	(0)
Transfers to assets held for sale	(37)	(7)	(69)	(0)	(113)
Currency translation differences	32	14	61	0	107
December 31, 2021/ 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)

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
Currency translation differences	9	8	5	(0)	21
December 31, 2022	**849**	**324**	**1,455**	**0**	**2,628**
Net carrying amount					
January 1, 2021	1,231	185	482	258	2,157
December 31, 2021/ January 1, 2022	1,389	197	458	212	2,256
December 31, 2022	**1,442**	**156**	**450**	**230**	**2,279**

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 are tested annually for impairment, whereby the recoverable amount, as part of determining the profitability of adidas' own retail stores, is calculated using the 'discounted cash flow method.'

Impairment losses recognized in 2022 mainly relate to the company's own retail activities and property, plant, and equipment of Russia and Ukraine, for which, contrary to initial expectations, no sufficient future economic benefit is expected. This Notes provide further information on the impairment losses. ► SEE NOTE 11

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ► SEE NOTE 32

11 RIGHT-OF-USE ASSETS

The company recognized right-of-use assets in an amount of € 2.7 billion (2021: € 2.6 billion). 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, 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
Other	3	–	–	3
December 31, 2022	**2,600**	**31**	**34**	**2,665**

RIGHT-OF-USE ASSETS € IN MILLIONS

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Right-of-use assets
January 1, 2021	**2,317**	**88**	**25**	**2,430**
Additions	500	2	19	521
Disposals	–	–	–	–
Transfer to assets held for sale	(94)	–	(1)	(94)
Depreciation	(563)	(42)	(20)	(625)
Impairment losses	(3)	–	–	(3)
Reversal of impairment losses	25	–	–	25
Currency translation differences	89	0	0	89
Net change due to remeasurements	222	4	(0)	226
December 31, 2021	**2,493**	**52**	**24**	**2,569**

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, as part of determining the profitability of the adidas' own retail stores, is calculated using the 'discounted cash flow method.'

Impairment losses for right-of-use assets recognized in 2022 mainly relate to the company's own retail activities and right-of-use assets in Russia and Ukraine, for which, contrary to expectations based in 2021, there will be a lower future economic benefit.

In 2022, impairment losses of € 126 million were recognized for non-current assets (property, plant, and equipment, right-of-use assets). Thereof € 20 million are related to the company's own retail activities and are mainly attributable to EMEA with € 13 million; Asia-Pacific with € 5 million; and Greater China with € 3 million. Discount rates between 8.6% and 15.2% were used to calculate the impairment for the value in use. The recoverable amounts of adidas´own retail stores break down into Asia-Pacific at € 176 million, EMEA at € 80 million, North America at € 30 million, Greater China at € 28 million, other businesses at € 5 million and Latin America at € 1 million. Due to the conflict between Russia and Ukraine and the decision to permanently wind down the business activities in Russia in 2022, impairment losses of € 94 million were recognized for both countries mentioned. These mainly include the impairment of the warehouse in Russia, which was impaired by € 31 million to its fair value of € 29 million based on an external appraisal. The impairment losses were recognized in the other operating expenses.

The income from sub-leasing of right-of-use assets recognized in the consolidated income statement in 2022 amounts to € 3 million (2021: € 3 million).

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ► SEE NOTE 32

12 GOODWILL

The following table presents a reconciliation of the carrying amount of goodwill:

GOODWILL € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Goodwill, gross	1,680	1,630
Less: accumulated impairment losses	(420)	(402)
Goodwill, net	**1,260**	**1,228**

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 also 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 mid-single 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 2026, 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 of 1.7% (2021: 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 are after-tax rates and 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 2022 and 2021, respectively.

The goodwill impairment tests revealed no need for goodwill impairment for the years ending December 31, 2022 and 2021.

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 (after taxes)	
	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
EMEA	720	700	12.0%	8.2%
North America	77	77	9.8%	7.3%
Greater China	299	290	10.7%	7.9%
Asia-Pacific	164	161	10.8%	7.9%
Total	**1,260**	**1,228**		

A change in the discount rate by up to approximately 0.5 percentage points or a reduction of planned free cash inflows by up to approximately 6.5% 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 6 percentage points, nor a reduction of planned free cash inflows by up to approximately 40% 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, 2021	**700**	**77**	**290**	**161**	**1,228**
Currency translation differences	20	(0)	9	3	32
December 31, 2022	**720**	**77**	**299**	**164**	**1,260**

13 OTHER INTANGIBLE ASSETS

Other intangible assets consist of the following:

OTHER INTANGIBLE ASSETS € IN MILLIONS

	Other intangible assets
Acquisition cost	
January 1, 2021	**2,403**
Additions	173
Disposals	(73)
Transfers	1
Transfers to assets held for sale	(1,376)
Currency translation differences	128
December 31, 2021/January 1, 2022	**1,256**
Additions	191
Disposals	(15)
Transfers	15
Decrease in companies consolidated	(35)
Currency translation differences	13
December 31, 2022	**1,425**
Accumulated amortization and impairment	
January 1, 2021	**1,401**
Amortization	96
Disposals	(73)
Transfers to assets held for sale	(544)
Currency translation differences	23
December 31, 2021/January 1, 2022	**903**
Amortization	102
Impairment losses	28
Disposals	(14)
Transfers	3
Decrease in companies consolidated	(35)
Currency translation differences	10
December 31, 2022	**996**
Net carrying amount	
January 1, 2021	1,001
December 31, 2021/January 1, 2022	352
December 31, 2022	**429**

Trademark impairment losses of € 16 million were recognized in 2022 (2021: € 0 million). The impairment loss is due to the integration of the runtastic trademark into adidas, and the net carrying amount of the trademark runtastic was fully impaired at December 31, 2022, accordingly. All other intangible assets have definite useful lives.

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ▶ SEE NOTE 32

14 LONG-TERM FINANCIAL ASSETS

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2021: 8.33%) of € 87 million (2021: € 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, 2022 and 2021.

Other equity investments include minority shareholdings. There is currently no intention to sell these shares. Other minority shareholdings include an increase of the fair value in an amount of € 1 million in 2022 (2021: € 1 million).

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 an increase of the fair value in an amount of € 1 million in 2022 (2021: € 0 million).

LONG-TERM FINANCIAL ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Investment in FC Bayern München AG	87	87
Other equity investments	88	83
Other investments	125	121
Loans	0	0
Long-term financial assets	**301**	**290**

15 OTHER NON-CURRENT FINANCIAL ASSETS

Other non-current financial assets consist of the following:

OTHER NON-CURRENT FINANCIAL ASSETS € IN MILLIONS

	Dec. 31. 2022	Dec. 31. 2021
Currency options	–	12
Forward exchange contracts	3	10
Options	–	31
Security deposits	80	91
Earn-out components	227	–
Sundry	26	17
Other non-current financial assets	**336**	**160**

Options are related to the hedging of the equity-neutral convertible bond that was issued on September 5, 2018.

Further information about currency options and forward exchange contracts is contained in these Notes. ▶ SEE NOTE 29

Further information about earn-out components is provided in these Notes. ▶ SEE NOTE 04 ▶ SEE NOTE 29

16 OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

OTHER NON-CURRENT ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Prepaid expenses	75	74
Sundry	2	0
Other non-current assets	**76**	**74**

Prepaid expenses mainly relate to long-term promotion contracts. ▶ SEE NOTE 39

17 BORROWINGS AND CREDIT LINES

Borrowings are denominated in a variety of currencies in which adidas conducts its business. Whereas the largest portion of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2022, are mainly denominated in euros (2022: 100%; 2021: 100%).

The weighted average interest rate on the Group's gross borrowings increased to 0.8% in 2022 (2021: 0.7%).

As at December 31, 2022, adidas had cash credit lines and other long-term financing arrangements totaling € 7.5 billion (2021: € 6.6 billion); thereof unused credit lines accounted for € 4.0 billion (2021: € 4.1 billion). In addition, as at December 31, 2022, adidas had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.5 billion (2021: € 0.6 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 in October 2021 and in November 2022. The amended and restated credit facility with eleven partner banks has a size of € 2.0 billion and will run until November 2027. It 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, 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	–	92
Eurobond	–	998	398	1,487	2,883
Equity-neutral convertible bond	498	–	–	–	498
Total	**527**	**1,035**	**424**	**1,487**	**3,473**

GROSS BORROWINGS AS AT DECEMBER 31, 2021 € 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	38	37	7	111
Eurobond	–	500	399	991	1,890
Equity-neutral convertible bond	–	494	–	–	494
Total	**29**	**1,032**	**436**	**998**	**2,495**

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 will be 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 as well as various initiatives aimed at creating lasting change in underrepresented communities.

adidas AG issued in November 2022 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. Proceeds from the offering will be used for general corporate purposes including the refinancing of upcoming maturities.

In September 2018, adidas AG issued a € 500 million equity-neutral convertible bond with a coupon of 0.05% due in September 2023. The issue price was fixed at 104% of the notional amount, corresponding to an annual yield to maturity of negative 0.73%. The initial conversion price was determined to be € 291.84 a conversion premium of 40% over the reference share price of € 208.46. The economic risk exposure of share price movements was hedged by purchased call options on ordinary adidas AG shares.

Further details on future cash outflows are provided in these Notes. ▶ SEE NOTE 29

18 OTHER CURRENT FINANCIAL LIABILITIES

Other current financial liabilities consist of the following:

OTHER CURRENT FINANCIAL LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Forward exchange contracts	146	183
Customer with credit balances	68	70
Revaluation of total return swap	46	–
Embedded derivatives	0	–
Sundry	164	110
Other current financial liabilities	**424**	**363**

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 29

19 OTHER PROVISIONS

Other provisions consist of the following:

OTHER PROVISIONS € IN MILLIONS

	Jan. 1, 2022	Additions	Usage	Reversals	Decrease in companies consolidated	Currency translation differences	Dec. 31, 2022	Thereof: non-current
Marketing	22	25	(15)	(4)	(2)	1	26	–
Personnel	284	142	(169)	(19)	(20)	4	222	32
Returns and warranty	709	772	(607)	(44)	(6)	(10)	815	–
Taxes, other than income taxes	54	28	(7)	(2)	(2)	0	71	–
Customs	193	91	(10)	(2)	–	(4)	267	–
Sundry	345	91	(117)	(43)	(2)	2	275	56
Other provisions	**1,607**	**1,148**	**(926)**	**(114)**	**(32)**	**(6)**	**1,677**	**88**

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.

Due to the armed conflict between Russia and Ukraine and the decision to permanently wind down business activities in Russia in 2022, provisions of € 30 million have been recognized for personnel, taxes, other than income taxes and sundry provisions.

20 LEASE LIABILITIES

The company recognized lease liabilities in an amount of € 3.0 billion (2021: € 2.8 billion).

LEASE LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Land and buildings	2,918	2,756
Technical equipment and machinery	33	56
Other equipment, furniture and fixtures	35	25
Lease liabilities	**2,986**	**2,836**

The contractual payments for lease liabilities held by adidas as at December 31, 2022, in an amount of € 3.4 billion (2021: € 3.1 billion), mature as follows:

CONTRACTUAL PAYMENTS FOR LEASE LIABILITIES

	Dec. 31, 2022	Dec. 31, 2021
Within 1 year	715	635
Between 1 and 5 years	1,760	1,580
After 5 years	901	842
Total	**3,376**	**3,057**

Interest recognized on lease liabilities in 2022 amounted to € 83 million (2021: € 66 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 32

In 2022, the total cash outflows for leases, including the above-mentioned leases not included in the calculation of the lease liability, amounted to € 846 million (2021: € 789 million).

21 ACCRUED LIABILITIES

Accrued liabilities consist of the following:

ACCRUED LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Thereof: non-current	Dec. 31, 2021	Thereof: non-current
Goods and services not yet invoiced	994	4	1,002	2
Marketing and sales	1,124	3	1,205	4
Personnel	258	0	453	0
Sundry	42	–	32	1
Accrued liabilities	**2,419**	**7**	**2,692**	**8**

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.

22 OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

OTHER CURRENT LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Tax liabilities other than income taxes	248	243
Liabilities due to personnel	52	55
Liabilities due to social security	33	26
Deferred income	77	83
Contract liabilities	3	3
Sundry	39	25
Other current liabilities	**452**	**434**

23 OTHER NON-CURRENT FINANCIAL LIABILITIES

Other non-current financial liabilities consist of the following:

OTHER NON-CURRENT FINANCIAL LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Forward exchange contracts	6	6
Currency options	1	–
Revaluation of total return swap	37	15
Embedded derivatives	–	31
Other non-current financial liabilities	**44**	**51**

Further information about forward exchange contracts is provided in these Notes. ▶ SEE NOTE 29

24 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, 2022	Dec. 31, 2021
Liability arising from defined benefit pension plans	114	266
Similar obligations	1	1
Pensions and similar obligations	**115**	**267**

The liability arising from defined benefit pension plans consist on the one hand of assets from defined benefit pension plans in an amount of € 4 million (2021: € 1 million) and provisions for pensions and similar obligations in an amount of € 118 million (2021: € 267 million).

DEFINED CONTRIBUTION PENSION PLANS

The total expense for defined contribution pension plans amounted to € 91 million in 2022 (2021: € 73 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 subsidiaries in the UK and South Korea. 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 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.

In South Korea, adidas grants a final salary defined pension plan to certain employees. The benefits are paid out in the form of a lump sum. The pension plan operates under the Employee Retirement Benefit Security Act (ERSA). This regulation requires a minimum funding amounting to 100% of the present value of the vested benefit obligation. The annual contribution includes at least the minimum amount in order to meet the funding requirements.

BREAKDOWN OF THE PRESENT VALUE OF THE OBLIGATION ARISING FROM DEFINED BENEFIT PENSION PLANS IN THE MAJOR COUNTRIES € IN MILLIONS

	Dec. 31, 2022			Dec. 31, 2021		
	Germany	**UK**	**South Korea**	**Germany**	**UK**	**South Korea**
Active members	200	–	15	303	–	16
Former employees with vested rights	131	31	–	184	63	–
Pensioners	91	6	–	107	8	–
Total	**422**	**37**	**15**	**594**	**71**	**16**

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, 2022	Dec. 31, 2021
Present value of funded obligation from defined benefit pension plans	507	711
Fair value of plan assets	(453)	(502)
Funded status	**54**	**209**
Present value of unfunded obligation from defined benefit pension plans	55	57
Effect of asset ceiling in accordance with IAS 19.64	4	–
Net defined benefit liability	**114**	**266**
Thereof: liability	118	267
Thereof: adidas AG	55	201
Thereof: asset	(4)	(1)
Thereof: adidas AG	–	–

The determination of assets and liabilities for defined benefit plans is based upon 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, 2022	Dec. 31, 2021
Discount rate	4.4	1.6
Expected rate of salary increases	4.0	3.6
Expected pension increases	2.1	1.8

BREAKDOWN OF THE ACTURIAL ASSUMPTIONS IN THE MAJOR COUNTRIES IN %

	Dec. 31, 2022			Dec. 31, 2021		
	Germany	UK	South Korea	Germany	UK	South Korea
Discount rate	4.2	5.0	5.6	1.4	1.8	2.4
Expected rate of salary increases	–	–	3.6	–	–	3.6
Expected pension increases	2.2	2.2	–	1.8	2.4	–

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 tables with modified improvement of the life expectancy mortality tables. In South Korea, the KIDI 2019 tables from the Korea Insurance Development Institute are used.

As in the previous year, the calculation of the pension liabilities in Germany is based on a discount rate 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, 2022	Year ending Dec. 31, 2021
Current service cost	41	43
Net interest expense	4	4
Thereof: interest cost	12	9
Thereof: interest income	(8)	(6)
Past service (credit)/cost	(1)	1
Loss on plan settlements	0	0
Expenses for defined benefit pension plans (recognized in the consolidated income statement)	**44**	**47**
Actuarial gains	(243)	(16)
Thereof: due to changes in financial assumptions	(260)	(22)
Thereof: due to changes in demographic assumptions	0	5
Thereof: due to experience adjustments	17	1
Loss/(return) on plan assets (not included in net interest income)	64	(38)
Change in asset ceiling (excluding interest cost)	4	–
Remeasurements for defined benefit pension plans (recognized as increase in other reserves in the consolidated statement of comprehensive income)	**(175)**	**(54)**
Total	**(131)**	**(7)**

Of the total pension expenses recorded in the consolidated income statement, an amount of € 29 million (2021: € 34 million) relates to employees of adidas AG and € 3 million (2021: € 3 million) relates to employees in South Korea. 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

	2022	2021
Present value of the obligation from defined benefit pension plans as at January 1	**768**	**735**
Currency translation differences	4	9
Current service cost	41	43
Interest cost	12	9
Contribution by plan participants	1	1
Pensions paid	(17)	(20)
Payments for plan settlements	(1)	(0)
Actuarial gains	(243)	(16)
Thereof: due to changes in financial assumptions	(260)	(22)
Thereof: due to changes in demographic assumptions	–	5
Thereof: due to experience adjustments	17	1
Past service (credit)/cost	(1)	1
Loss on plan settlements	–	0
Business combinations/transfers/divestitures	(2)	7
Present value of the obligation from defined benefit pension plans as at December 31	**562**	**768**

Of the total actuarial gains recognized in equity, an amount of € 164 million (2021: € 56 million) relates to pension schemes at adidas AG, € 2 million as a loss (2021: gain of € 4 million) to the UK and € 1 million (2021: loss of € 1 million) to South Korea.

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 South Korea. In addition, the average duration of the obligation is shown.

SENSITIVITY ANALYSIS OF THE OBLIGATION FROM DEFINED BENEFIT PENSION PLANS € IN MILLIONS

	Dec. 31, 2022			Dec. 31, 2021		
	Germany	UK	South Korea	Germany	UK	South Korea
Present value of the obligation from defined benefit pension plans	422	37	15	594	71	16
Increase in the discount rate by 0.5%	396	34	15	546	63	15
Reduction in the discount rate by 0.5%	450	40	16	648	80	16
Average duration of the obligations (in years)	13	17	4	17	23	4

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

	2022	2021
Fair value of plan assets as at January 1	**503**	**458**
Currency translation differences	(2)	5
Pensions paid	(4)	(8)
Contributions by the employer	11	2
Contributions paid by plan participants	1	1
Interest income from plan assets	8	6
(Loss)/return on plan assets (not included in net interest income)	(64)	38
Business combinations / transfers / divestitures	–	2
Fair value of plan assets as at December 31	**453**	**503**

Approximately 94% (2021: 95%) of the total plan assets are allocated to plan assets in the three major countries: Germany (2022: 82%, 2021: 78%), UK (2022: 8%, 2021: 14%), and South Korea (2022: 4%, 2021: 3%).

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 2022, 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 2023 financial year amounts to € 29 million. Thereof, € 23 million relate to benefits directly paid to pensioners by the subsidiaries and € 6 million to employer contributions paid into the plan assets. In 2022, the actual loss on plan assets (including interest income) was € 56 million (2021: return on plan assets of € 43 million).

COMPOSITION OF PLAN ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Cash and cash equivalents	26	27
Equity instruments	110	124
Bonds	129	126
Real estate	94	90
Pension plan reinsurance	46	57
Investment funds	35	71
Other assets	14	7
Fair value of plan assets	**453**	**503**

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.

25 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities consist of the following:

OTHER NON-CURRENT LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Deferred income	6	7
Liabilities due to personnel	–	2
Sundry	0	0
Other non-current liabilities	**6**	**9**

26 SHAREHOLDERS' EQUITY

As at December 31, 2021, the nominal capital of adidas AG amounted to € 192,100,000 divided into 192,100,000 registered no-par-value shares and was fully paid in.

With legal effect as of November 28, 2022, the nominal capital was reduced from € 192,100,000 to € 180,000,000 by cancelation of 12,100,000 treasury shares. The change in the nominal capital due to the cancelation of shares and the capital reduction was registered for declaratory entry in the commercial register. The entry was made on February 16, 2023.

There were no other changes to the nominal capital. Thus, as at the balance sheet date, the nominal capital of adidas AG amounted to € 180,000,000 divided into 180,000,000 registered no-par-value shares and is 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 1,462,802 treasury shares, corresponding to a notional amount of € 1,462,802 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 2022 financial year.

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 12, 2021, granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 11, 2026. The authorization may be used by adidas AG but also by its subordinated Group companies or by third parties on account of adidas AG or its subordinated Group companies or third parties assigned by adidas AG or one of its subordinated Group companies.

Based on the above-mentioned authorization, the Executive Board of adidas AG commenced share buyback programs on January 10, 2022, and March 14, 2022, respectively. adidas AG repurchased 4,156,558 shares between January 10, 2022, and February 22, 2022, including, in the first tranche of a multi-year share buyback program ('Share Buyback Program 2022–2025/I') and 8,978,138 shares between March 14, 2022 and October 10, 2022, including ('Additional Share Buyback Program 2022'). In the year under review, adidas AG repurchased a total of 13,134,696 adidas AG shares for a total price of € 2,499,999,677.77 (excluding incidental purchasing costs) and at an average price of € 190.34 per share. This corresponded to an amount of € 13,134,696 in the nominal capital and consequently to an approximate notional amount of 7.30% of the nominal capital. Further information on the adidas AG shares repurchased in the 2022 financial year can be taken from the table 'Repurchase of adidas AG shares in the 2022 financial year.'

REPURCHASE OF ADIDAS AG SHARES IN THE 2022 FINANCIAL YEAR

Month	Number of shares	Total price in € (excluding incidental purchasing costs)	Average purchase price per share in €	Amount in the nominal capital in €	Amount in the nominal capital in %
January	2,205,504	542,638,920.85	246.04	2,205,504	1.23
February	1,951,054	457,360,944.65	234.42	1,951,054	1.08
March	1,174,111	247,959,569.74	211.19	1,174,111	0.65
April	1,545,759	315,334,832.60	204.00	1,545,759	0.86
May	667,619	118,151,634.37	176.97	667,619	0.37
June	1,573,502	271,623,667.15	172.62	1,573,502	0.87
July	626,573	103,634,201.78	165.40	626,573	0.35
August	–	–	–	–	–
September	2,655,335	355,239,483.56	133.78	2,655,335	1.48
October	735,239	88,056,423.07	119.77	735,239	0.41
November	–	–	–	–	–
December	–	–	–	–	–
2022 financial year total	**13,134,696**	**2,499,999,677.77**	**190.34**	**13,134,696**	**7.30**

The company may use the repurchased shares for all purposes admissible under the authorization granted on May 12, 2021. adidas AG, however, plans to cancel the majority of the repurchased shares. Consequently, in the 2022 financial year, 12,100,000 treasury shares were canceled as part of a simplified capital reduction pursuant to § 237 section 3 no. 2 AktG.

In the 2022 financial year, a total of 41,763 treasury shares were used as consideration for, inter alia, the transfer or licensing of industrial property rights and intangible property rights due to contractual obligations. Using treasury shares while excluding subscription rights enabled adidas AG to acquire industrial property rights and intangible property rights (or licenses) from the respective owners at attractive conditions while preserving the company's liquidity. Based on the share price at the time, the 41,763 treasury shares transferred had a value of altogether approx. € 11 million, corresponding to a notional amount of € 41,763 in the nominal capital and consequently to approx. 0.02% of the nominal capital.

Moreover, adidas AG used 35,276 treasury shares in the context of the employee stock purchase plan while excluding subscription rights. Based on the share price at the time, the 35,276 treasury shares transferred had a value of altogether € 7,943,033, corresponding to a notional amount of € 35,276 in the nominal capital and consequently to approx. 0.02% of the nominal capital.

Therefore, taking into account the 505,145 shares held by adidas AG as at December 31, 2021, the shares purchased within the share buyback programs and the shares used and canceled during the financial year, this results in 1,462,802 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

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 %)
BlackRock, Inc., Wilmington, DE, USA[1]	December 29, 2022	5%	§§ 34, 38 par. 1 no. 1, 38 par. 1 no. 2	5.25	0.78	6.03
The Goldman Sachs Group, Inc., Wilmington, DE, USA[1]	December 16, 2022	5%	§§ 34, 38 par. 1 no. 1, 38 par. 1 no. 2	0.12	5.87	5.99
The Capital Group Companies, Inc., Los Angeles, USA	December 14, 2022	3%	§ 34	3.03	–	3.03
Elian 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
Ségolène Gallienne[1]	April 20, 2021	5%	§ 34	6.84	–	6.84
Gérald Frère[1]	April 20, 2021	5%	§ 34	6.84	–	6.84
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. Overall, adidas' investment grade credit ratings continue to ensure an efficient access to capital markets.

Financial leverage amounts to 121.2% (2021: 39.4%) and is defined as the ratio between adjusted net borrowings in an amount of € 6.047 billion (2021: € 2.082 billion) and shareholders' equity in an amount of € 4.991 billion (2021: € 7.519 billion). EBITDA amounted to € 1.874 billion for the financial year ending December 31, 2022 (2021: € 3.066 billion). The ratio between adjusted net borrowings and EBITDA amounted to 3.2 for the 2022 financial year (2021: 0.7).

COMPOSITION OF EBITDA € IN MILLIONS

	2022	2021
Income before taxes	**388**	**1,852**
Adjustments for:		
Depreciation, amortization and impairment losses	1,375	1,149
Reversals of impairment losses	(4)	(34)
Interest income	(23)	(13)
Interest expense	138	111
EBITDA as at December 31	**1,874**	**3,066**

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 main change is the elimination of the income tax adjustment from net borrowings.

The composition of the adjusted net borrowings is presented below:

COMPOSITION OF ADJUSTED NET BORROWINGS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Short-term borrowings	527	29
Long-term borrowings	2,946	2,466
Current and non-current lease liabilities	2,986	2,836
Pensions and similar obligations	118	267
Factoring	112	99
Subtotal	**6,689**	**5,697**
Cash and cash equivalents	798	3,828
Less trapped cash	155	214
Less accessible cash and cash equivalents	**643**	**3,614**
Adjusted net borrowings	**6,047**	**2,082**

RESERVES

Reserves within shareholders' equity are as follows:

- **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as the equity component of the issued convertible bond.

- **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 (2021: € 4 million). Furthermore, other reserves include additional restricted capital in an amount of € 98 million (2021: € 115 million). The reclassification as of January 1, 2021 presented in the consolidated statement of changes in equity was made in order to consistently present the effects from the repurchase of treasury shares in previous years.

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 2022 Annual General Meeting, the dividend for 2021 was € 3.30 per share (total amount: approx. € 610 million).

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 723 million as reported in the 2022 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 21, 2023, 178,537,198 dividend-entitled shares exist. This would result in a dividend payment of € 125 million.

27 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, 2021	As at December 31, 2022				
	17th investment quarter	17th investment quarter	18th investment quarter	19th investment quarter	20th investment quarter	21st investment quarter
Grant date	Oct. 1, 2021	Oct. 1, 2021	Jan. 3, 2022	Apr. 1, 2022	Jul. 1, 2022	Oct. 3, 2022
Share price at grant date (in €)	270.25	270.75	259.10	210.10	167.64	119.00
Share price at December 31 (in €)	253.20					127.46
Number of granted investment shares based on the share price as at December 31	28,614					48,555
Number of actually purchased investment shares[1, 2]	–	28,872	33,915	38,075	59,469	–
Outstanding granted matching shares based on the share price as at December 31 or actually purchased investment shares	4,769	–	5,652	6,346	9,911	7,465
Average remaining vesting period in months as at December 31 (in months)	12	–	3	6	9	12

1 17th investment quarter: Thereof 14,131 own treasury shares used for investment shares.
2 18th investment quarter: Thereof 17,867 own treasury shares used for investment shares.

The matching shares in the amount of € 3.0 million are exercised within the fourth investment quarter 2021 to the first investment quarter 2023 (thereof 3,278 own treasury shares are used for matching shares).

The number of forfeited matching shares during the period amounted to 3,557 (2021: 3,681).

As at December 31, 2022, the total expenses recognized relating to investment shares amounted to € 4.3 million (2021: € 3.7 million).

Expenses recognized relating to vesting of matching shares amounted to € 3.3 million in 2022 (2021: € 3.0 million).

As at December 31, 2022, a total amount of € 5 million (2021: € 6 million) was invested by the participants in the stock purchase plan and was not yet transferred into shares by the end of December 2022. Therefore, this amount has been included in 'Other current financial liabilities.' ▶ SEE NOTE 18

Further information about the purchase of shares for the employee stock purchase plan is provided in these Notes. ▶ SEE NOTE 26

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH THIRD PARTIES

In 2016, adidas entered into a promotion and advertising contract that includes a share-based payment transaction with third parties. The contract has a general duration of five years until 2021 with an automated renewal option of one year if no termination has taken place. In 2022 the contract has been terminated. The first part of the agreement grants a transfer of basic shares, which correspond to a value of US $ 5 million each year. In 2022 a transfer of bonus shares took place. ▶ SEE NOTE 26

As at January 1, 2022 (grant date), an amount of US $ 5 million was recognized as expenses for basic shares over the vesting period of twelve months.

The second part of the agreement grants bonus shares of US $ 5 million if certain conditions are fulfilled. This option can be granted twice. In 2022, the second option of bonus shares was granted, so that 26,868 shares were transferred. The shares from the tenth tranche of the share buyback program with an average share price of € 273.50 were used for compensation. Due to this utilization, the provision for the second option was used in the fiscal year (2021: € 4 million).

EQUITY-SETTLED SHARE-BASED PAYMENT FOR EXECUTIVE BOARD MEMBERS

In 2018, adidas established a Long-Term Incentive Plan (LTIP) for Executive Board members. In the reporting year, a change in accounting policy was made for this item so that the LTIP is now accounted for as equity-settled share-based payment. In the previous year, the LTIP was recorded as cash-settled share-based payment as an accrual.

In implementation of the 'Own the Game' strategy applicable from the 2021 financial year, 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, 2022, the total number of adidas AG shares acquired since 2018 as part of the variable performance-based compensation and subject to a holding period amounts to 78,698 no-par-value shares (2021: 43,243 no-par-value shares). The number of adidas AG shares acquired by the members of the Executive Board is shown individually below:

LTI BONUS: ACQUISITION OF SHARES IN THE CONTEXT OF THE LONG-TERM VARIABLE COMPENSATION IN €

LTIP tranche	**2021**	**2020**	**2019**	**2018**
Grant amount	14,182,500	1,482,105	9,244,573	9,015,692
Payout amount	7,449,357	778,475	4,825,271	4,702,793
Purchase price	210.10	270.75	255.00	219.20
Number of purchased shares	**35,455**	**2,872**	**18,920**	**21,451**
End of lock-up period	Dec. 31, 2025	Dec. 31, 2024	Dec. 31, 2023	Dec. 31, 2022

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, 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 2022, the option to issue two new 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

	As at December 31, 2022									
Plan year	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	–

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTIONS WITH EMPLOYEES

	As at December 31, 2021							
Plan year	2018		2019		2020		2021	
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
Share price as at December 31 (in €)	253.20	–	249.69	253.20	245.86	249.69	241.79	245.86
Number of granted RSUs based on the share price as at December 31 (in €)	174,199	–	144,646	195,116	31,826	131,444	284,570	47,922
Average risk-free interest rate based on the share price as at December 31	0.86%	–	0.80%	0.86%	0.77%	0.80%	0.75%	0.77%
Average remaining vesting period as at December 31 (in months)	–	–	12	–	24	12	36	24

The fair value is based on the closing price of the adidas AG share on December 31, 2022, adjusted for future dividend payments.

In 2022, this resulted in an expense of € 36 million (2021: € 53 million). The corresponding provision amounted to € 57 million (2021: € 162 million).

28 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 as at December 31, 2022, and to three subsidiaries as at December 31, 2021. ► SEE SHAREHOLDINGS

The remaining non-controlling interest of 6.85% of Reebok India Company, acquired as part of the acquisition of Reebok in 2006, was acquired in January 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, 2022	Dec. 31, 2021
Agron, Inc.	USA	100%	100%
adidas Israel Ltd.	Israel	15%	15%
Reebok India Company	India	–	6.85%

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, 2022		Dec. 31, 2021	
	Total	Thereof: Agron, Inc.	Total	Thereof: Agron, Inc.
Net sales	751	556	651	424
Net income	**32**	**25**	**56**	**40**
Net income attributable to non-controlling interests	**26**	**25**	**42**	**40**
Other comprehensive income	24	20	30	39
Total comprehensive income	**56**	**45**	**85**	**79**
Total comprehensive income attributable to non-controlling interests	**47**	**45**	**81**	**79**
Current assets	398	307	433	290
Non-current assets	165	124	156	111
Current liabilities	(139)	(78)	(162)	(72)
Non-current liabilities	(24)	–	(23)	–
Net assets	**399**	**353**	**403**	**328**
Net assets attributable to non-controlling interests according to the consolidated statement of financial position	**360**	**353**	**318**	**328**
Net cash generated from/(used in) operating activities	15	(11)	117	66
Net cash used in investing activities	(30)	(20)	(1)	(0)
Net cash used in financing activities	(41)	(21)	(37)	0
Net (decrease)/increase of cash and cash equivalents	**(56)**	**(52)**	**79**	**66**
Dividends paid to non-controlling interests during the year[1]	**22**	**22**	**–**	**–**

1 Included in net cash used in financing activities.

29 FINANCIAL INSTRUMENTS

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

	Category	December 31, 2022					December 31, 2021				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	Amortized cost	726		–	–	–	2,449		–	–	–
Cash equivalents	Fair value through profit or loss	72	72	–	72	–	1,379	1,379	–	1,379	–
Accounts receivable	Amortized cost	2,529		–	–	–	2,175		–	–	–
Other current financial assets											
Derivatives used in hedge accounting	n.a.	168	168	–	168	–	237	237	–	237	–
Derivatives not used in hedge accounting	Fair value through profit or loss	65	65	–	65	–	36	36	–	36	–
Promissory notes	Fair value through profit or loss	–	–	–	–	–	12	12	–	–	12
Other investments	Amortized cost	78		–	–	–	71		–	–	–
Other financial assets	Amortized cost	703		–	–	–	389		–	–	–
Long-term financial assets											
Other equity investments	Fair value through profit or loss	89	89	–	–	89	89	89	–	–	89
Other equity investments	Fair value through other comprehensive income	86	86	2	–	84	80	80	–	–	80
Other investments	Fair value through profit or loss	42	42	–	42	–	30	30	–	30	–
Other investments	Amortized cost	83		–	–	–	91		–	–	–
Loans	Amortized cost	0		–	–	–	0		–	–	–
Other non-current financial assets											
Derivatives used in hedge accounting	n.a.	1	1	–	1	–	11	11	–	11	–
Derivatives not used in hedge accounting	Fair value through profit or loss	–	–	–	–	–	42	42	–	42	–
Earn-out components	Fair value through profit or loss	227	227	–	–	227	–	–	–	–	–
Other financial assets	Amortized cost	108		–	–	–	108		–	–	–
Financial assets per level				**2**	**347**	**400**			**–**	**1,735**	**181**
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	29		–	–	–	29		–	–	–
Convertible bond	Amortized cost	498	490	490	–	–	–	–	–	–	–
Accounts payable	Amortized cost	2,908		–	–	–	2,294		–	–	–
Current accrued liabilities	Amortized cost	997		–	–	–	1,006		–	–	–
Current accrued liabilities for customer discounts	Amortized cost	808		–	–	–	878		–	–	–
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	127	127	–	127	–	129	129	–	129	–
Derivatives not used in hedge accounting	Fair value through profit or loss	64	64	–	64	–	54	54	–	54	–
Other financial liabilities	Amortized cost	232		–	–	–	180		–	–	–
Lease liabilities	n.a.	643		–	–	–	573		–	–	–
Long-term borrowings											

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

	Category	December 31, 2022					December 31, 2021				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bank borrowings	Amortized cost	63		–	–	–	82		–	–	–
Eurobond	Amortized cost	2,883	2,604	2,604	–	–	1,890	1,929	1,929	–	–
Convertible bond	Amortized cost	–	–	–	–	–	494	572	572	–	–
Non-current accrued liabilities	Amortized cost	4		–	–	–	2		–	–	–
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	44	44	–	44	–	20	20	–	20	–
Derivatives not used in hedge accounting	Fair value through profit or loss	–	–	–	–	–	31	31	–	31	–
Lease liabilities	n.a.	2,343		–	–	–	2,263		–	–	–
Financial liabilities per level				**3,095**	**235**	**–**			**2,501**	**234**	**–**
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		495					1,588				
Thereof: held for trading (FAHfT)		87					87				
Financial assets at fair value through other comprehensive income (FVOCI)		86					80				
Thereof: equity investments (without recycling to profit and loss)		86					80				
Financial assets at amortized cost (AC)		4,288					5,283				
Financial liabilities at fair value through profit or loss (FVTPL)		124					85				
Financial liabilities at amortized cost (AC)		8,423					6,855				

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

RECONCILIATION OF FAIR VALUE HIERARCHY LEVEL 3 IN 2022 € IN MILLIONS

				Realized		Unrealized				
	Fair value Jan. 1, 2022	Additions	Dis-posals	Gains	Losses	Gains	Losses	Transfers	Currency translation	Fair value Dec. 31, 2022
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

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

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

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.

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.

In 2022, a reclassification has been made in other equity investments from level 3 to level 2 and level 1.

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 as at December 31, 2022.	Not applicable	Amortized cost
Eurobond	The fair value is based on the market price of the eurobond as at December 31, 2022.	Not applicable	Amortized cost
Other equity investments	The fair value is based on the market price of the investment as at December 31, 2022.	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 as at December 31, 2022.	Not applicable	Fair value through profit or loss
Forward exchange contracts	In 2022, 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 as at December 31, 2022, 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 as at December 31, 2022. These dividends are recognized in other financial income.	See column 'Valuation method'		Fair value through profit or loss
Earn-out components (assets)	The valuation follows an option price model based on the Monte Carlo method 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 (11.2% – 11.4%), gross royalty income	The estimated fair value would increase (decrease) if gross royalty income were higher (lower) or the risk-adjusted discount rate was lower (higher).	Fair value through profit or loss
Promissory notes	The discounted cash flow method is applied, which considers the present value of expected payments discounted using a risk-adjusted discount rate. Fair value adjustments regarding the Mitchell & Ness promissory note are recognized in financial result.	Risk-adjusted maturity-specific discount rate (2.7%)	The estimated fair value would increase (decrease) if the risk-adjusted discount rate was lower (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, 2022	Year ending Dec. 31, 2021
Financial assets classified at amortized cost (AC)	(79)	(6)
Financial assets at fair value through profit or loss (FVTPL)	(4)	(1)
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	0	–
Equity instruments at fair value through profit or loss (FVTPL)	–	–
Equity instruments at fair value through other comprehensive income (FVOCI)	–	–
Financial liabilities at amortized cost (AC)	24	8
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 2022, 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, 2022	Dec. 31, 2021
Forward exchange contracts	11,917	11,282
Currency options	461	391
Total	**12,377**	**11,673**

FAIR VALUES € IN MILLIONS

	Dec. 31, 2022		Dec. 31, 2021	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	225	(152)	246	(189)
Currency options	7	(1)	19	(0)
Total	**233**	**(153)**	**265**	**(189)**

NOTIONAL AMOUNTS OF OUTSTANDING US DOLLAR HEDGING INSTRUMENTS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Forward exchange contracts	5,669	5,017
Currency options	450	318
Total	**6,119**	**5,334**

FINANCIAL RISKS

CURRENCY RISKS

Currency risks for adidas 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, 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**
As at December 31, 2021				
Exposure from firm commitments and forecast transactions	(6,127)	1,345	602	1,092
Balance sheet exposure including intercompany exposure	(158)	11	(36)	208
Total gross exposure	**(6,285)**	**1,356**	**566**	**1,300**
Hedged with currency options	318	(33)	(40)	–
Hedged with forward contracts	4,439	(1,198)	(372)	(1,130)
Net exposure	**(1,528)**	**125**	**154**	**170**

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. The analysis was performed on the same basis for both 2022 and 2021.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2022, would have led to a € 13 million increase in net income.

SENSITIVITY ANALYSIS OF FOREIGN EXCHANGE RATE CHANGES € IN MILLIONS

	USD	GBP	JPY	CNY
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
As at December 31, 2021				
	EUR +10%	**EUR +10%**	**EUR +10%**	**EUR +10%**
Equity	(351)	110	37	81
Net income	6	(1)	3	1
	EUR -10%	**EUR -10%**	**EUR -10%**	**EUR -10%**
Equity	440	(135)	(45)	(99)
Net income	(5)	1	(4)	(1)

The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 264 million. A 10% weaker euro at December 31, 2022, would have led to a € 15 million decrease in net income. Shareholders' equity would have increased by € 335 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 € 7.5 billion at year-end 2022, 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 2022, 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 06

At the end of 2022, 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. ▶ SEE TREASURY

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, 2022, four banks accounted between 10% and maximum 20% 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 € 119 million in the event of default of any single bank.

In addition, in 2022, adidas held derivatives of foreign exchange with a positive fair market value in the amount of € 233 million. The maximum exposure to any single bank resulting from these assets amounted to € 67 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

	2022	2021
Assets		
Gross amounts of recognized financial assets	233	326
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	**233**	**326**
Set-off possible due to master agreements	(132)	(176)
Total net amount of financial assets	**101**	**150**
Liabilities		
Gross amounts of recognized financial liabilities	(235)	(234)
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	**(235)**	**(234)**
Set-off possible due to master agreements	132	176
Total net amount of financial liabilities	**(103)**	**(58)**

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. ▶ SEE TREASURY

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, and the equity-neutral convertible bond with cash settlement. In order to mitigate share price risks, it is company strategy to use swaps and options to hedge against share price fluctuations. Swaps are used to hedge the Long-Term Incentive Plan and are classified as cash flow hedges. The embedded cash option in the convertible bond is fully offset with a call option to mitigate the cash settlement.

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, 2022, would have led to a € 5 million increase in net income and a € 3 million increase in shareholders' equity, whereas a 10% decrease in the adidas AG share price versus the closing share price at December 31, 2022, would have led to a € 5 million decrease in net income and would have decreased shareholders' equity by € 3 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, 2022, cash and cash equivalents together with marketable securities amounted to € 0.798 billion (2021: € 3.828 billion). Moreover, the company maintains € 4.090 billion (2021: € 4.169 billion) in bilateral credit lines, which are designed to ensure sufficient liquidity at all times. Thereof, since November 15, 2022, there has been a € 2.0 billion syndicated credit facility in place with our core partner banks. ► SEE TREASURY

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, 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**
As at December 31, 2021							
Bank borrowings	29	19	19	18	19	7	111
Eurobond[1]	12	12	512	12	412	1,029	1,989
Equity-neutral convertible bond	–	494	–	–	–	–	494
Accounts payable	2,294	–	–	–	–	–	2,294
Other financial liabilities	180	–	–	–	–	–	180
Accrued liabilities[2]	1,006	2	–	–	–	–	1,008
Derivative financial liabilities	4,175	390	5	4	4	13	4,590
Total	**7,696**	**917**	**536**	**34**	**435**	**1,049**	**10,666**

1 Including interest payments.
2 Accrued interest excluded.

adidas ended the year 2022 with an adjusted net borrowings of € 6.047 billion (2021: € 2.082 billion). Further information in the methodology for calculating adjusted net borrowings is provided in these notes.

► SEE NOTE 26

FINANCIAL INSTRUMENTS FOR THE HEDGING OF FOREIGN EXCHANGE RISK

As at December 31, 2022, adidas held the following instruments to hedge exposure to changes in foreign currency:

AVERAGE HEDGE RATES

	Maturity	
As at December 31, 2022	**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

AVERAGE HEDGE RATES

	Maturity	
As at December 31, 2021	**short-term**	**long-term**
Foreign currency risk		
Net exposure (€ in millions)	**1,206**	**233**
Forward exchange contracts		
Average EUR/USD forward rate	1.197	1.170
Average EUR/GBP forward rate	0.868	0.856
Average EUR/JPY forward rate	129.346	128.729
Average EUR/CNY forward rate	8.033	7.765
Option exchange contracts		
Average EUR/USD forward rate	1.212	1.150
Average EUR/GBP forward rate	0.894	–
Average EUR/JPY forward rate	132.372	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	**71**	**91**
Total return swap		
Average hedge rate	206.392	301.402

The amounts at the reporting date relating to items designated as hedged items were as follows:

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)	–	–

DESIGNATED HEDGED ITEMS AS AT DECEMBER 31, 2021 € 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	(138)	(83)	(19)	–
Inventory purchases	(119)	191	7	–
Net foreign investment risk	**52**	**(215)**	**–**	**–**
Equity risk				
Long-Term Incentive Plans	32	(5)	–	–

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 2022 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

	2022								During the period 2022				
		Carrying amount											
	Nominal amount	Assets	Liabilities	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	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
Foreign ex change contracts – sales	3,081	102	2	Other financial assets/ liabilities	205	(134)	–	Net Sales	–	–	(182)	64	Net Sales
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

DESIGNATED HEDGE INSTRUMENTS € IN MILLIONS

	2021								During the period 2021				
		Carrying amount											
	Nominal amount	Assets	Liabilities	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	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
Foreign exchange contracts – sales	4,028	24	(107)	Other financial assets/ liabilities	138	(134)	–	Cost of sales	–	–	(122)	72	Cost of sales
Foreign exchange contracts – inventory purchases	4,685	195	(4)	Other financial assets/ liabilities	119	(30)	–	Cost of sales	(145)	60	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	112	–	–	Other financial assets/ liabilities	(52)	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	162	16	(15)	Other financial assets/ liabilities	(32)	–	–	Financial result	–	–	17	–	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 2022, a loss of € 6 million was reclassified into the net sales and a gain of € 81 million was reclassified into the cost of sales, which includes a loss of € 13 million related to the business in Russia. Since 2022, foreign exchange contracts for sales have been recognized in net sales in order to better reflect the hedging structure in the income statement.

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

For overhedges related to the Long-Term Incentive Plan from 2020 a loss of € 5 million was reclassified to the financial result.

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, 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 of 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)**

CHANGES OF RESERVES BY RISK CATEGORY € IN MILLIONS

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2021	**(317)**	**(31)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	(304)	99
Foreign currency risk – inventory purchases	290	28
Foreign currency risk – net foreign investment	(52)	–
Amount reclassified to profit or loss:		
Foreign currency risk	267	(132)
Contracts during the year	22	15
Amount no longer recognized in OCI:		
Foreign currency risk – inventory purchases	–	–
Tax on movements on reserves during the year	**45**	**–**
Equity hedges		
Changes in fair value:	(32)	–
Amount reclassified to profit or loss	17	–
Balance at December 31, 2021	**(64)**	**(21)**

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

30 OTHER OPERATING INCOME

Other operating income consists of the following:

OTHER OPERATING INCOME € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Income from transitional service agreements	156	–
Income from release of accrued liabilities and other provisions	7	14
Gains from disposal of fixed assets	3	5
Sundry income	7	10
Other operating income	**173**	**28**

Income from transition services agreements relates to contracts with the buyer of the Reebok business. In this context, adidas provides services for a limited period of time to ensure a smooth transition of the business. The corresponding costs are included in other operating expenses.

31 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 € 153 million in 2022 (2021: € 130 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 € 36 million in 2022 (2021: € 84 million).

32 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, 2022	Year ending Dec. 31, 2021
Cost of materials	**11,798**	**10,421**
Depreciation and amortization	**1,220**	**1,141**
Thereof: included within the cost of sales	51	79
Thereof: included within personnel expenses	10	11
Impairment losses	**154**	**8**
Reversals of impairment losses	**(4)**	**(34)**
Wages and salaries[1]	2,444	2,294
Social security contributions[1]	276	238
Pension expenses[1]	136	127
Personnel expenses[1]	**2,856**	**2,659**
Expense relating to short-term leases	**14**	**11**
Expense relating to leases of low-value assets	**0**	**0**
Expense relating to variable lease payments	**118**	**140**

1 Prior year adjusted to reflect adequate allocation of expenses.

Further information on expenses by function is provided in these Notes. SEE NOTE 31

33 FINANCIAL INCOME/FINANCIAL EXPENSES

Financial result consists of the following:

FINANCIAL INCOME € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Interest income from financial instruments measured at amortized cost	23	12
Interest income from non-financial assets	0	0
Other	16	7
Financial income	**39**	**19**

FINANCIAL EXPENSES € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Interest expense on financial instruments measured at amortized cost	125	109
Thereof: interest expense on lease liabilities	83	66
Interest expense on other provisions and non-financial liabilities	12	2
Net foreign exchange losses	166	37
Other	17	4
Financial expenses	**320**	**153**

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 14 ▶ SEE NOTE 17 ▶ SEE NOTE 29

34 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 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, 2021. 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, 2022, was 15,047.61 (2021: 7,714.09). The price index in Turkey at December 31, 2022, was 1,128.45 (2021: 686.95).

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, 2022. The net assets in the subsidiary's local financial statements were adjusted for changes in the price level.

35 INCOME TAXES

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2022 and 2021, 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.

As a result they are presented in the consolidated statement of financial position as follows:

DEFERRED TAX ASSETS/LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Deferred tax assets	1,216	1,263
Deferred tax liabilities	(135)	(122)
Deferred tax assets, net	**1,082**	**1,141**

The movement of deferred taxes net is as follows:

MOVEMENT OF DEFERRED TAXES € IN MILLIONS

	2022	2021
Deferred tax assets, net as at January 1	**1,141**	**992**
Deferred tax income	(76)	(112)
Change in consolidated companies	23	–
Reclassification to assets/liabilities classified as held for sale	–	278
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income[1]	(44)	(13)
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]	21	(26)
Currency translation differences	17	22
Deferred tax assets, net as at December 31	**1,082**	**1,141**

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, 2022	Dec. 31, 2021
Non-current assets	462	460
Current assets	245	235
Liabilities and provisions	852	953
Accumulated tax loss carry-forwards	126	178
Deferred tax assets	**1,685**	**1,826**
Non-current assets	421	527
Current assets	71	114
Liabilities and provisions	111	44
Deferred tax liabilities	**603**	**685**
Deferred tax assets, net	**1,082**	**1,141**

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 increased from € 222 million to € 406 million for the year ending December 31, 2022. These amounts mainly relate to tax losses carried forward and unused tax credits of the US tax group, which begin to expire in 2029. 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, 2022	Year ending Dec. 31, 2021
Current tax expenses	156	377
Deferred tax income	(23)	(17)
Income tax expenses	**134**	**360**

The deferred tax income includes tax expense of € 6 million in total (2021: tax income of € 5 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, 2022		Year ending Dec. 31, 2021	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	106	27.4	507	27.4
Tax rate differentials	(59)	(15.1)	(155)	(8.4)
Non-deductible expenses	(160)	(41.2)	(7)	(0.4)
Losses for which benefits were not recognizable and changes in valuation allowances	251	64.6	(38)	(2.0)
Changes in tax rates	(7)	(1.7)	2	0.1
Other, net	(3)	(0.6)	(4)	(0.2)
Withholding tax expenses	5	1.2	55	3.0
Income tax expenses	**134**	**34.5**	**360**	**19.4**

In 2022, the effective tax rate was 34.5%. The effective tax rate in 2021 was 19.4%.

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 2022, the tax benefit relating to prior periods is € 118 million (2021: tax income of € 57 million).

For 2022, the line item 'Losses for which benefits were not recognizable and changes in valuation allowances' mainly relates to valuation allowances in respect of the US, Russia and Argentina (€ 278 million) and a release to the valuation allowance in Brazil (€ 31 million). For 2021, this line item mainly related to changes in valuation allowances for the US, Argentina, Brazil and Hong Kong.

For 2022, 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 € 5 million, mainly relating to the US (2021: € 15 million).

For 2022, the line item 'Changes in tax rates' mainly reflects a tax rate increase in Switzerland. For 2021, this line item mainly reflected tax rate reduction in Argentina, France and Switzerland.

36 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.

EARNINGS PER SHARE

	Continuing operations		Discontinued operations		Total	
	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Net income from continuing operations (€ in millions)	254	1,492	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	26	42	–	–	–	–
Net income attributable to shareholders (€ in millions)	**228**	**1,450**	**384**	**666**	**612**	**2,116**
Weighted average number of shares	183,263,629	194,172,984	183,263,629	194,172,984	183,263,629	194,172,984
Basic earnings per share (€)	**1.25**	**7.47**	**2.09**	**3.43**	**3.34**	**10.90**
Net income attributable to shareholders (€ in millions)	228	1,450	384	666	612	2,116
Interest expense on convertible bond, net of taxes (€ in millions)	–	–	–	–	–	–
Net income used to determine diluted earnings per share (€ in millions)	**228**	**1,450**	**384**	**666**	**612**	**2,116**
Weighted average number of shares	183,263,629	194,172,984	183,263,629	194,172,984	183,263,629	194,172,984
Weighted assumed conversion of the convertible bond	–	–	–	–	–	–
Dilutive effect of share-based payments	4,458	5,097	4,458	5,097	4,458	5,097
Weighted average number of shares for diluted earnings per share	**183,268,087**	**194,178,081**	**183,268,087**	**194,178,081**	**183,268,087**	**194,178,081**
Diluted earnings per share (€)	**1.25**	**7.47**	**2.09**	**3.43**	**3.34**	**10.90**

ADDITIONAL INFORMATION

37 SEGMENTAL INFORMATION

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

As at December 31, 2022, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' five operating segments were identified: EMEA, North America, Asia-Pacific, Greater China, and Latin America.

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

Other Businesses includes the business activities of the Y-3 label and other subordinated businesses 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 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 I € IN MILLIONS

	Net sales (third parties)[1]		Segmental operating profit[1]		Segmental assets[2]		Segmental liabilities[2]	
	2022	2021	2022	2021	2022	2021	2022	2021
EMEA	8,550	7,760	1,678	1,658	2,960	2,100	294	226
North America	6,398	5,105	989	960	2,588	1,521	139	109
Greater China	3,179	4,597	322	1,194	1,361	1,535	218	214
Asia-Pacific	2,241	2,180	486	457	712	521	78	65
Latin America	2,110	1,446	474	265	812	481	128	86
Reportable segments	**22,478**	**21,088**	**3,949**	**4,533**	**8,434**	**6,158**	**856**	**700**
Other Businesses	150	145	27	28	49	43	4	5
Total	**22,628**	**21,234**	**3,976**	**4,561**	**8,483**	**6,201**	**861**	**705**

1 Year ending December 31.
2 At December 31.

SEGMENTAL INFORMATION II € IN MILLIONS

	Capital expenditure[1]		Depreciation and amortization[1]		Impairment losses and reversals of impairment losses[1]	
	2022	2021	2022	2021	2022	2021
EMEA	146	129	335	289	116	(24)
North America	73	33	156	138	(1)	(1)
Greater China	78	127	256	218	6	(1)
Asia-Pacific	52	36	134	77	5	1
Latin America	29	22	56	127	–	–
Reportable segments	**378**	**346**	**937**	**850**	**126**	**(26)**
Other Businesses	1	2	2	4	1	–
Total	**379**	**349**	**940**	**855**	**126**	**(26)**

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Footwear	4,529	4,038	3,637	2,843	1,709	2,408	1,177	1,091
Apparel	3,464	3,273	2,239	1,905	1,379	2,057	917	947
Gear	556	449	522	357	91	133	148	143
Total	**8,550**	**7,760**	**6,398**	**5,105**	**3,179**	**4,597**	**2,241**	**2,180**

	Latin America		Reportable segments		Other Businesses		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Footwear	1,291	895	12,344	11,275	59	61	12,402	11,336
Apparel	671	468	8,670	8,650	62	61	8,732	8,710
Gear	148	83	1,464	1,164	29	23	1,493	1,187
Total	**2,110**	**1,446**	**22,478**	**21,088**	**150**	**145**	**22,628**	**21,234**

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, 2022	Year ending Dec. 31, 2021
Reportable segments	22,478	21,088
Other Businesses	150	145
Segmental net sales	**22,628**	**21,234**
HQ / Consolidation	(117)	–
Total net sales	**22,511**	**21,234**

OPERATING PROFIT € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Operating profit for reportable segments	3,949	4,533
Operating profit for Other Businesses	27	28
Segmental operating profit	**3,976**	**4,561**
HQ	(2,169)	(1,716)
Central expenditure for marketing	(934)	(814)
Consolidation	(203)	(45)
Operating profit	**669**	**1,986**
Financial income	39	19
Financial expenses	(320)	(153)
Income before taxes	**388**	**1,852**

CAPITAL EXPENDITURE € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Reportable segments	379	346
Other Businesses	1	2
HQ	316	318
Total	**696**	**667**

DEPRECIATION AND AMORTIZATION € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Reportable segments	937	856
Other Businesses	2	2
HQ	280	283
Total	**1,220**	**1,141**

IMPAIRMENT LOSSES AND REVERSALS OF IMPAIRMENT LOSSES € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Reportable segments	126	(26)
Other Businesses	1	0
HQ	23	(1)
Total	**150**	**(27)**

ASSETS € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Accounts receivable and inventories of reportable segments	8,434	6,158
Accounts receivable and inventories of Other Businesses	49	43
Segmental assets	**8,483**	**6,201**
Non-segmental accounts receivable and inventories	20	(17)
Current financial assets	1,811	4,574
Other current assets	1,418	1,153
Non-current assets	8,563	8,193
Assets classified as held for sale	–	2,033
Total	**20,296**	**22,137**

LIABILITIES € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Accounts payable of reportable segments	856	700
Accounts payable of Other Businesses	4	5
Segmental liabilities	**860**	**705**
Non-segmental accounts payable	2,048	1,589
Current financial liabilities	1,594	966
Other current liabilities	4,755	5,112
Non-current liabilities	5,688	5,334
Liabilities classified as held for sale	–	594
Total	**14,945**	**14,300**

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, 2022	Year ending Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
EMEA	8,567	7,887	3,238	3,222
North America	6,398	5,110	1,367	1,254
Greater China	3,195	4,597	1,136	1,126
Asia-Pacific	2,241	2,193	809	762
Latin America	2,109	1,446	160	115
Total	**22,511**	**21,234**	**6,710**	**6,479**

GEOGRAPHICAL INFORMATION BY COUNTRY € IN MILLIONS

	Net sales (third parties) – continuing operations		Non-current assets	
	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021	Dec. 31, 2022	Dec. 31, 2021
Germany, Europe	1,558	1,360	1,367	1,313
USA, North America	5,959	4,803	1,269	1,169

38 ADDITIONAL CASH FLOW INFORMATION

In 2022, net cash used in operating activities compared to the prior year results was primarily due to an decrease in income before taxes and an increase in operating working capital requirements.

The net cash generated from investing activities in 2022 is mainly due to the sale of the Reebok business. This is offset by payments for other intangible assets and property, plant, and equipment as well as the change from purchase of/proceeds from investments and other long-term assets.

Net cash used in financing activities mainly related to dividend paid to shareholders of adidas AG, repurchase of treasury shares and the repayments of lease liabilities. This is offset by two newly issued bonds which were issued in the financial year.

NET CASH (USED IN)/GENERATED FROM DISCONTINUED OPERATIONS € IN MILLIONS

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Net cash (used in)/generated from operating activities	(85)	320
Net cash used in investing activities	–	(9)
Net cash used in financing activities	(6)	(39)
Net cash (used in)/generated from discontinued operations	**(91)**	**272**

In 2022, 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

			Non-cash effects					
	Jan. 1, 2022	Net (payments) / proceeds in the period	IFRS 16 lease obligations	Fair value adjustments	Transfer within financial liabilities	Other	Effect of exchange rates	Dec. 31, 2022
Short-term borrowings	29	(19)	–	–	513	4	–	527
Long-term borrowings	2,466	994	–	–	(513)	(1)	–	2,946
Lease liabilities	2,836	(719)	887	–	–	(9)	(9)	2,986
Total	**5,331**	**256**	**887**	**–**	**0**	**(6)**	**(9)**	**6,459**

IMPACT OF CHANGE IN FINANCIAL LIABILITIES ON NET CASH USED IN FINANCING ACTIVITIES € IN MILLIONS

			Non-cash effects					
	Jan. 1, 2021	Net (payments) / proceeds in the period	IFRS 16 lease obligations	Fair value adjustments	Transfer to liabilities held for sale	Other	Effect of exchange rates	Dec. 31, 2021
Short-term borrowings	686	(679)	–	–	–	21	0	29
Long-term borrowings	2,482	–	–	–	–	(16)	–	2,466
Lease liabilities	2,722	(645)	780	–	(147)	25	101	2,836
Total	**5,890**	**(1,324)**	**780**	**–**	**(147)**	**30**	**101**	**5,331**

39 OTHER FINANCIAL COMMITMENTS AND CONTINGENCIES

OTHER FINANCIAL COMMITMENTS

adidas has other financial commitments for promotion and advertising contracts, which mature as follows:

FINANCIAL COMMITMENTS FOR PROMOTION AND ADVERTISING € IN MILLIONS

	Dec. 31, 2022	Dec. 31, 2021
Within 1 year	1,251	1,345
Between 1 and 5 years	2,974	3,352
After 5 years	717	1,015
Total	**4,942**	**5,712**

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to 22 years from December 31, 2022.

Compared to December 31, 2021, no new major signings or prolongations for promotion and advertising contracts occurred, hence the decrease for the commitments mainly reflects the yearly amortization.

adidas has other financial commitments for leasing and other rental obligations which mature as follows:

FINANCIAL COMMITMENTS FOR OTHER CONTRACTS € IN MILLIONS

	Dec. 31,2022	Dec. 31,2021
Within 1 year	80	84
Between 1 and 5 years	197	238
After 5 years	79	74
Total	**356**	**396**

The contracts regarding these leases with expiration dates of between one and 10 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, 2022	Dec. 31, 2021
Within 1 year	397	276
Between 1 and 5 years	481	361
After 5 years	3	29
Total	**881**	**666**

CONTINGENT LIABILITIES

As of December 31, 2022, contingent liabilities exists in connection with guarantees from leases in the amount of € 73 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 agreements as well as intellectual property rights and partnership agreements. The risks regarding these lawsuits are covered by provisions to the extent a reliable estimate of the 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 Group. ▶ SEE NOTE 19

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 in an amount of ZAR 1,871 million (€ 103 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 will appeal against the decision to 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 outflow in settlement is remote and therefore the effects will not have any material negative influence on the assets, liabilities, financial position and profit of the company.

In October 2018, a former employee of the company's US subsidiary was convicted of wire fraud in connection with unauthorized payments to certain college basketball players or their families during the former employee's time at the US subsidiary. The company's US subsidiary, with the full support of the company, has cooperated with the prosecutors, including by conducting an internal investigation with the assistance of outside counsel. Management believes that the actions of its former employee will not have any material influence on the assets, liabilities, financial position and profit or loss of the company.

In 2012, both adidas and Nike launched knitted upper footwear products. Nike's products were labeled 'Flyknit,' adidas' shoes 'Primeknit.' Since 2012, both companies have initiated various legal proceedings in Europe and the US relating to the other company's patents in the knitted upper space.

In December 2021, Nike filed a complaint with the US International Trade Commission (ITC) alleging that certain adidas footwear products infringe six US patents covering Nike's Flyknit technology. Nike requested in particular that the ITC (i) ban the import of adidas footwear products infringing Nike's six US Flyknit patents into the US and (ii) issue a permanent cease-and-desist order directing adidas to refrain from importing, distributing, marketing, offering or selling knitted footwear products in the US that infringe Nike's six US Flyknit patents.

In parallel, Nike also filed a complaint for patent infringement against adidas AG, adidas North America, Inc., and adidas America, Inc. with the US District Court in Portland/Oregon. Nike argues that certain adidas footwear products using knitted uppers infringe nine of Nike's US Flyknit technology patents. Nike seeks (i) an injunction from the court preventing adidas from infringing Nike's patents and (ii) monetary damages from adidas for past sales of Primeknit products in the US. The District Court proceeding was stayed until the ITC has rendered a decision.

The dispute between adidas and Nike was settled in August 2022 and, upon request of both parties, the ITC and the US District Court in Portland dismissed the pending cases.

In connection with the termination of the Yeezy partnership, adidas has initiated arbitration proceedings against Ye 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.

40 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 41

In addition, a brand ambassador agreement existed during the financial year between adidas International, Inc. and the Supervisory Board member Jackie Joyner-Kersee. For her services under this agreement, Jackie Joyner-Kersee in 2022 received a fixed compensation of US $ 0.1 million (2021: US $ 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 2022 Annual General Meeting, was paid out per share held to these persons in 2022. 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 26

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 this note. ► 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, 2022, adidas Pension Trust e. V. held plan assets of € 331.7 million (2021: € 355.1 million) in trust for adidas AG. In 2022, adidas AG made lease payments of € 6.3 million (2021: € 6.0 million) to adidas Pension Trust e.V. As of December 31, 2022, there were no outstanding liabilities to adidas Pension Trust e.V. (2021: € 0.1 million). There were outstanding receivables from adidas Pension Trust e.V. in the amount of € 0.1 million (2021: € 0). ► SEE NOTE 24

41 OTHER INFORMATION

EMPLOYEES

The average numbers of employees are as follows:

EMPLOYEES

	Year ending Dec. 31, 2022	Year ending Dec. 31, 2021
Own retail	31,698	32,678
Sales	3,204	3,359
Logistics	8,530	8,558
Marketing	4,742	4,481
Central administration	5,287	4,917
Production	520	479
Research and development	1,051	954
Information technology	4,810	3,535
Total	**59,842**	**58,959**

ACCOUNTANT SERVICE FEES FOR THE AUDITOR OF THE FINANCIAL STATEMENTS

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach, as well as all German subsidiaries of adidas AG. In 2022, the expenses for the professional audit service fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft amounted to € 2.0 million (2021: € 1.6 million) thereof related to the prior year € 0.2 million (2021: € 0.3 million).

Expenses for tax consultancy services provided by the auditor, for other confirmation services provided by the auditor, and for other services provided by the auditor amounted to € 0 million (2021: € 0.1 million), € 0.3 million (2021: € 0.3 million) and € 0.2 million (2021: € 0.3 million), respectively.

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

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

Other services relate in particular to status checks for non-financial key performance indicators.

REMUNERATION 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 (2021: € 2.2 million).

Members of the Supervisory Board were not granted any loans or advance payments in 2022.

The consolidated financial statements contain additional information on an existing brand ambassador agreement between adidas International, Inc. and the supervisory board member Jackie Joyner-Kersee.
► SEE NOTE 40

Executive Board

In 2022, the overall compensation of the members of the Executive Board totaled € 22.0 million (2021: € 30.8 million), € 6.5 million thereof relates to short-term benefits (2021: € 13.1 million). No share-based payment was granted in 2022 (2021: € 14.2 million). Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totaled € 3.5 million in 2022 (2021: € 3.5 million). The present value of the pension commitments for members of the Executive Board amounted to € 15.3 million in 2022 (2021: € 15.3 million).

As of December 31, 2022, there were no provisions for short-term and long-term variable remuneration components for members of the Executive Board (2021: € 13.4 million).

In agreement with the Supervisory Board, Kasper Rorsted resigned from his position as CEO effective November 11, 2022. For the remaining term of his service contract from November 12 to December 31, 2022, the contractual basic salary totaling € 0.3 million was also granted. In addition, a one-time severance payment of € 12.0 million gross was agreed as compensation for the early termination of his service contract, which was reported as a liability as of December 31, 2022 and is included in the total remuneration as termination benefits. The termination agreement also provides for the payment of compensation for a 18-month non-compete clause in the employment contract in the gross amount of € 0.2 million per month.

Current members of the Executive Board were not granted any loans or advance payments in 2022.

Overall compensation of the members of the Executive Board and Board of Directors §314 (1) i.V.m. §315e HGB
The overall compensation of the members of the Executive Board in the 2022 financial year amounted to € 6.5 million (2021: € 13.1 million). The Executive Board was not granted an LTIP bonus for the 2022 financial year (2021: € 14.2 million). A granted LTIP bonus 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 in 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. The lower total remuneration in comparison to the previous year is mainly attributable to the fact that the Executive Board members were not granted a performance bonus in 2022.

The total annual remuneration 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 (prior year: € 2.2 million).

Former members of the Executive Board and their surviving dependents received a total of € 16.7 million in benefits in the 2022 financial year (prior year: € 4.3 million). This amount includes the one-time severance payment of € 12.0 million gross as compensation for the early termination of Kasper Rorsted's employment contract, which was reported as a liability as of December 31, 2022.

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 € 28.6 million in total as at December 31, 2022 before offsetting with the assets of the "adidas Pension Trust e.V." (prior year: € 43.0 million). There are pension commitments towards six former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 35.0 million (prior year: € 47.0 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 € 3.1 million (2021: 3.9 million).

COMPANIES OPTING FOR EXEMPTION UNDER § 264 (3) HGB

The subsidiary adidas CDC Immobilieninvest GmbH, Herzogenaurach, is opting for exemption under § 264 (3) HGB.

42 INFORMATION RELATING TO THE GERMAN CORPORATE GOVERNANCE CODE

INFORMATION PURSUANT TO § 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

In December 2022, 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.

43 EVENTS AFTER THE BALANCE SHEET DATE

As part of the publication of the financial guidance on February 9, 2023, it was announced that the company continues to review future options for the utilisation of its Yeezy inventory. Should the company irrevocably decide not to repurpose any of the existing Yeezy products going forward, this would result in the write-off of the existing Yeezy inventory and would lower the company's operating profit in fiscal year 2023 by € 0.5 billion. This effect is, just like the negative revenue impact of around € 1.2 billion and the corresponding adverse operating profit effect of around € 0.5 billion, included in the financial guidance for the fiscal year 2023. As of December 31, 2022, the company assumed that the inventories will be utilized and therefore they are classified as recoverable. If a decision would have been made before the reporting date that the inventories would not be utilized, this would have resulted in an write-off on inventories of € 0.4 billion and a provision for onerous contracts of € 0.1 billion in 2022. It would not have had any other significant impact on the assets, liabilities, financial position, and profit or loss of the company (e.g. measurement of goodwill).

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 21, 2023. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval.

Herzogenaurach, February 21, 2023

The Executive Board of adidas AG

BJØRN GULDEN
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES, PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

SHAREHOLDINGS

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, AS AT DECEMBER 31, 2022

	Company and domicile		Share in capital held by[1]	in %
	Germany			
1	adidas Insurance & Risk Consultants GmbH[2]	Herzogenaurach (Germany)	directly	100
2	adidas Beteiligungsgesellschaft mbH[2]	Herzogenaurach (Germany)	directly	100
3	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	12	100
4	Reebok Marketing GmbH	Herzogenaurach (Germany)	directly	100
	Europe (incl. Middle East and Africa)			
5	adidas International Trading AG	Lucerne (Switzerland)	10	100
6	adidas sport gmbh	Lucerne (Switzerland)	directly	100
7	adidas Austria GmbH	Klagenfurt (Austria)	directly	100
8	runtastic GmbH	Pasching (Austria)	10	100
9	adidas France S.a.r.l.	Strasbourg (France)	directly	100
10	adidas International B.V.	Amsterdam (Netherlands)	directly	93.97
			9	6.03
11	adidas International Marketing B.V.	Amsterdam (Netherlands)	10	100
12	adidas International Property Holding B.V.	Amsterdam (Netherlands)	68	100
13	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	10	100
14	adidas Benelux B.V.	Amsterdam (Netherlands)	directly	100
15	adidas Ventures B.V.	Amsterdam (Netherlands)	10	100
16	adidas (UK) Limited	Stockport (Great Britain)	10	100
17	Trafford Park DC Limited	Stockport (Great Britain)	13	100
18	adidas Pensions Management Limited (formerly: Reebok Pensions Management Limited)	Stockport (Great Britain)	16	100
19	adidas (Ireland) Limited	Kildare (Ireland)	10	100
20	adidas International Re DAC	Dublin (Ireland)	10	100
21	adidas España S.A.U.	Zaragoza (Spain)	2	100
22	adidas Italy S.p.A.	Monza (Italy)	10	100
23	adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	10	100
24	adidas Business Services, Lda.	Morea da Maia (Portugal)	10	98
			directly	2
25	adidas Norge AS	Oslo (Norway)	directly	100
26	adidas Sverige Aktiebolag	Solna (Sweden)	directly	100
27	adidas Suomi Oy	Vantaa (Finland)	10	100
28	adidas Danmark A/S	Copenhagen (Denmark)	10	100
29	adidas CR s.r.o.	Prague (Czech Republic)	directly	100
30	adidas Budapest Kft.	Budapest (Hungary)	directly	100
31	adidas Bulgaria EAD	Sofia (Bulgaria)	directly	100
32	LLC 'adidas, Ltd.'	Moscow (Russia)	directly	100
33	adidas Poland Sp. z o.o.	Warsaw (Poland)	directly	100
34	adidas Romania S.R.L.	Bucharest (Romania)	10	100
35	adidas Baltics SIA	Riga (Latvia)	10	100
36	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	directly	100
37	adidas Trgovina d.o.o.	Ljubljana (Slovenia)	directly	100
38	SC 'adidas-Ukraine'	Kiev (Ukraine)	directly	100
39	adidas LLP	Almaty (Republic of Kazakhstan)	directly	100
40	adidas Serbia DOO Beograd	Belgrade (Serbia)	10	100
41	adidas Croatia d.o.o.	Zagreb (Croatia)	10	100
42	adidas Hellas S.A.	Athens (Greece)	directly	100
43	adidas (Cyprus) Limited	Limassol (Cyprus)	directly	100

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, AS AT DECEMBER 31, 2022

	Company and domicile		Share in capital held by[1]	in %
44	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	10	100
45	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	indirectly	51
			9	49
46	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	10	100
47	adidas Levant Limited	Dubai (United Arab Emirates)	46	100
48	adidas Levant Limited - Jordan	Amman (Jordan)	47	100
49	adidas Imports & Exports Ltd.	Cairo (Egypt)	50	99.98
			10	0.02
50	adidas Sporting Goods Ltd.	Cairo (Egypt)	10	90
			directly	10
51	adidas Israel Ltd.	Holon (Israel)	10	85
52	adidas Morocco LLC	Casablanca (Morocco)	directly	100
53	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	directly	100
	North America			
54	adidas North America, Inc.	Wilmington, Delaware (USA)	10	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)	10	100
63	adidas Canada Limited	Woodbridge, Ontario (Canada)	10	100
	Asia-Pacific			
64	adidas Sourcing Limited	Hong Kong (China)	5	100
65	adidas Hong Kong Limited	Hong Kong (China)	2	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)	2	100
68	adidas Sports (China) Co., Ltd.	Shanghai (China)	2	100
69	adidas (China) Ltd.	Shanghai (China)	10	100
70	adidas Sports Goods (Shanghai) Co., Ltd	Shanghai (China)	69	100
71	Runtastic Software Technology (Shanghai) Co., Ltd.	Shanghai (China)	10	100
72	Zhuhai adidas Technical Services Limited	Zhuhai (China)	64	100
73	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	13	100
74	adidas Business Services (Dalian) Limited	Dalian (China)	10	100
75	adidas Japan K.K.	Tokyo (Japan)	10	100
76	adidas Korea LLC.	Seoul (Korea)	directly	100
77	adidas Korea Technical Services Limited	Busan (Korea)	64	100
78	adidas India Private Limited	New Delhi (India)	directly	10.67
			10	89.33
79	adidas India Marketing Private Limited	New Delhi (India)	78	98.62
			10	1.00
			directly	0.37
80	adidas Technical Services Private Limited	New Delhi (India)	64	100
81	Reebok India Company	New Delhi (India)	58	99.03
			91	0.91
			55	0.07
82	PT adidas Indonesia	Jakarta (Indonesia)	10	99.67
			directly	0.33

SHAREHOLDINGS OF ADIDAS AG, HERZOGENAURACH, AS AT DECEMBER 31, 2022

	Company and domicile		Share in capital held by[1]	in %
83	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	directly	60
			10	40
84	ADIDAS PHILIPPINES, INC.	Taguig City (Philippines)	directly	100
85	adidas Singapore Pte Ltd	Singapore (Singapore)	directly	100
86	adidas Taiwan Limited	Taipei (Taiwan)	10	100
87	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	directly	100
88	adidas Australia Pty Limited	Mulgrave (Australia)	10	100
89	adidas New Zealand Limited	Auckland (New Zealand)	directly	100
90	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	10	100
91	adidas (Mauritius) Limited (formerly: Reebok (Mauritius) Company Limited)	Port Louis (Mauritius)	58	100
	Latin America			
92	adidas Argentina S.A.	Buenos Aires (Argentina)	10	76.96
			2	23.04
93	Refop de Argentina S.A. (formerly: Reebok Argentina S.A.)	Buenos Aires (Argentina)	directly	96.25
			10	3.75
94	adidas do Brasil Ltda.	São Paulo (Brazil)	2	100
95	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	94	99.99
			directly	0.01
96	REFOP Produtos Esportivos Brasil Ltda. (formerly: Reebok Produtos Esportivos Brasil Ltda.)	São Paulo (Brazil)	10	100
97	adidas Chile Limitada	Santiago de Chile (Chile)	directly	99
			1	1
98	adidas Colombia Ltda.	Bogotá (Colombia)	directly	100
99	adidas Perú S.A.C.	Lima (Peru)	directly	99.21
			97	0.79
100	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
101	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	directly	100
102	Refop de Mexico, S.A. de C.V. (formerly: Reebok de Mexico, S.A. de C.V.)	Mexico City (Mexico)	directly	100
103	adidas Latin America, S.A.	Panama City (Panama)	directly	100
104	Concept Sport, S.A.	Panama City (Panama)	10	100
105	3 Stripes S.A.	Montevideo (Uruguay)	directly	100
106	Tafibal S.A.	Montevideo (Uruguay)	directly	100
107	Raelit S.A.	Montevideo (Uruguay)	directly	100
108	adidas Sourcing Honduras, S.A.	San Pedro Sula (Honduras)	54	100
109	adisport Corporation	San Juan (Puerto Rico)	10	100
110	adidas Sourcing El Salvador, S.A. de C.V.	Antiguo Cuscatlán (El Salvador)	10	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 21, 2023

BJØRN GULDEN
CHIEF EXECUTIVE OFFICER

ROLAND AUSCHEL
GLOBAL SALES

BRIAN GREVY
GLOBAL BRANDS

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

AMANDA RAJKUMAR
GLOBAL HUMAN RESOURCES, PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

Based on the results of our audit, we have issued the following unqualified auditor's report:

INDEPENDENT AUDITOR'S REPORT

To adidas AG, Herzogenaurach

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

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 of December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of the Company and the Group (combined management report) of adidas AG for the financial year from January 1 to December 31, 2022.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the Appendix to the Independent Auditor's Report.

The combined management report contains cross-references that are not provided for by law. In accordance with German legal requirements, we have not audited the content of the cross-references specified in the Appendix to the Independent Auditor's Report or the information to which the cross-references refer.

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 Section 315e (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 of December 31, 2022, and of its financial performance for the financial year from January1 to December 31, 2022, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined 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 opinion on the combined management report does not cover the content of those components of the combined management report specified in the Appendix to the Independent Auditor's Report. The combined management report contains cross-references that are not provided for by law. Our opinion does not extend to the cross-references specified in the Appendix to the Independent Auditor's Report or the information to which the cross-references refer.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as 'EU Audit Regulation') and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined 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)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined 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 January 1 to December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

RECOVERABILITY OF INVENTORIES

Please refer to Note 02 in the notes to the consolidated financial statements for information on the accounting policies applied. In addition, we refer to Note 08 for information on write-downs on inventories.

THE FINANCIAL STATEMENT RISK

Inventories totaling EUR 5,973 million were reported in the consolidated statement of financial position as of December 31, 2022; this includes write-downs of EUR 225 million.

Inventories initially measured at cost (taking into account incidental acquisition costs and reductions in the cost of acquisition) must be reduced in value if the inventories are damaged, fully or partially obsolete or if their net realizable values no longer cover cost. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The purpose for which the inventories are held is also considered when assessing the estimate of net realizable value.

The determination of the net realizable values is subject to judgment. Net realizable value requires in part forward-looking estimates with regard to the amounts that are expected to be realized when selling the inventories. Furthermore, the age of the inventories and the purpose for which they are held also play a significant role.

There is a risk for the financial statements that, as a result of volatile consumer behavior attributable to the crisis and the resulting increase in inventories, the write-downs recognized do not correspond to the loss of value actually incurred. In addition, due to the termination of the agreement with Kanye West (Yeezy) in October 2022, there is the risk that the Yeezy inventories could be impaired.

OUR AUDIT APPROACH

Based on our understanding of the process, we assessed the design and establishment of the identified internal controls, in particular relating to the appropriateness of the write-downs recognized in the past.

Next, we verified which items with a negative margin were in stock as of the reporting date and whether the write-downs recognized for these items were appropriate.

In addition, on the basis of the Company's past experience, we assessed whether the write-downs recognized were appropriate. We assessed this past experience using the Company's evaluations of the price reductions made over the course of the last four years.

We verified management's assessment of the purpose for which the inventories are held.

OUR OBSERVATIONS

The assumptions underlying the net realizable value as well as judgments exercised by management are appropriate.

OTHER INFORMATION

The Executive Board and/or the Supervisory Board are responsible for the other information. The other information comprises:

- the components of the combined management report not audited for content specified in the Appendix to the Independent Auditor's Report.

The other information also includes the remaining parts of the annual report. The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The Executive Board is responsible for the preparation of 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 Section 315e (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 Board is 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 Board is 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 Board is responsible for the preparation of the combined 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 Board is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined 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 combined management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED 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 combined 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 opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined 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 combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement 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 combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.

- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 Section 315e (1) HGB

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the combined 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 Board in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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 Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the 'ESEF documents') contained in the electronic file 'adidasag-2022-12-31-de.zip' (SHA256 hash value: 587FB133A19783931A261F4FB884ADE9E799F2EB5207E0480DA70026E100534D) made available and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ('ESEF format'). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 to December 31, 2022, contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined 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 file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (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 Section 317 (3a) HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for such internal control that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

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

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 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 file made available containing the ESEF documents meets the requirements of the Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, 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 the audited combined 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 Commission Delegated Regulation (EU) 2019/815, as amended as of the reporting date, 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 at the Annual General Meeting on May 12, 2022. We were engaged by the Supervisory Board on August 2, 2022. We have been the group auditor of adidas AG without interruption since financial year 1995.

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

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 combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be entered in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Johannes Hanshen.

Munich, February 24, 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

[Signature] Huber-Straßer
Wirtschaftsprüferin
[German Public Auditor]

[Signature] Hanshen
Wirtschaftsprüfer
[German Public Auditor]

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE COMBINED NON-FINANCIAL STATEMENT[32]

To the Supervisory Board of adidas AG, Herzogenaurach

We have performed an independent limited assurance engagement on the non-financial statement of adidas AG, Herzogenaurach (further “Company” or “adidas”), that is combined with the non-financial statement of the parent company (further “combined non-financial statement”), for the period from January 1 to December 31, 2022. The parts of the combined non-financial statement are integrated in the company’s annual report and marked accordingly with ⌜ ⌝.

Furthermore, we have performed a reasonable assurance engagement on the quantitative and qualitative disclosures related to the KPI “Sustainable article offering” in the section “Environmental impacts – Materials” in the chapter “Sustainability” of the combined non-financial statement. These are marked accordingly with [ ] in the combined non-financial statement.

As described in the section “Social Impacts – Supply Chain – Working Conditions” in the combined non-financial statement, 1,222 social compliance and environmental audits at suppliers were performed by inhouse technical staff as well as external third-party monitors commissioned by adidas business entities and licensees. The reasonableness and accuracy of the conclusions from the performed audit work were not part of our assurance engagement.

MANAGEMENT’S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB (Handelsgesetzbuch, German Commercial Code) and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further “EU Taxonomy Regulation”) and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section “Sustainable Finance – EU Taxonomy” of the combined non-financial statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined non-financial statement free from material misstatement, whether due to fraud (manipulation of the combined non-financial statement) or error.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section “Sustainable Finance – EU Taxonomy” of the combined non-financial statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

32 Our engagement applied to the German version of the combined non-financial statement 2022. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

INDEPENDENCE AND QUALITY ASSURANCE OF THE ASSURANCE PRACTITIONER'S FIRM

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

PRACTITIONER'S RESPONSIBILITY

It is our responsibility to express a conclusion with limited assurance on the combined non-financial statement and with reasonable assurance on the quantitative and qualitative disclosures related to the KPI "Sustainable article offering" in the section "Environmental impacts – Materials" in the chapter "Sustainability" of the combined non-financial statement based on our work performed.

ENGAGEMENT TO OBTAIN LIMITED ASSURANCE

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "Sustainable Finance – EU Taxonomy" of the combined non-financial statement. We do not, however, issue a separate conclusion for each disclosure.

As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgment.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for adidas
- Inquiries of personnel who are responsible on group-level to obtain an understanding of the procedures used to identify relevant economic activities according to the EU Taxonomy
- A risk analysis, including media research, to identify relevant information on the company's sustainability performance in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditure and operating expenditure for the taxonomy-eligible and taxonomy-aligned economic activities
- Inspection of selected internal and external documents

- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
- Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Herzogenaurach, Germany and Spartanburg, United States
- Performing evidence-based assurance procedures, in particular testing of internal and external evidence
- Evaluation of the process for the identification of taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the combined non-financial statement
- Assessment of the overall presentation of the disclosures

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

ENGAGEMENT TO OBTAIN REASONABLE ASSURANCE

For the selected non-financial information on the KPI "Sustainable article offering", we conducted our assurance engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) as reasonable assurance engagement. This standard requires that we have to comply with our professional duties and that we plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance. The selection of the assurance procedures is subject to the own professional judgment of the assurance practitioner.

In addition to the assurance procedures mentioned above, we performed the following assurance procedures:

- Evaluation of the design and implementation of systems and processes for identifying, processing and monitoring the underlying data, including the consolidation of data for the selected non-financial information on the KPI "Sustainable article offering"
- Performance of control-based assurance procedures to assess the design and effectiveness of controls over the identification, processing and monitoring of the underlying data for the selected non-financial information for the KPI "Sustainable article offering"
- Performance of evidence-based assurance procedures on the selected non-financial information on the KPI "Sustainable article offering", in particular testing internal and external evidence and performing procedures on a sample basis in relation to the underlying data.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of adidas AG for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section "Sustainable Finance – EU Taxonomy" of the combined non-financial statement.

In our opinion, the selected non-financial quantitative and qualitative disclosures related to the KPI "Sustainable article offering" of adidas AG for the period from January 1 to December 31, 2022 have been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

We do not express an assurance opinion on the mentioned audits performed by inhouse technical staff as well as external third-party monitors commissioned by adidas business entities and licensees.

RESTRICTION OF USE/GENERAL ENGAGEMENT TERMS

This assurance report is issued for purposes of the Supervisory Board of adidas AG, Herzogenaurach, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of adidas AG, Herzogenaurach, and professional liability as descriped above was governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of the provisions contained therein including the limitation of our liability as stipulated in No. 9 and accepts the validity of the General Engagement Terms with respect to us.

Munich, February 24, 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

[Original German verson signed by:]

Gnändiger	Edelmann
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

5

ADDITIONAL INFORMATION

TEN-YEAR OVERVIEW

TEN-YEAR OVERVIEW

	2022	2021	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013
Income Statement Data (€ in millions)										
Net sales[3,4,5]	22,511	21,234	18,435	23,640	21,915	21,218	18,483	16,915	14,534	14,203
Gross profit[3,4,5]	10,644	10,765	9,222	12,293	11,363	10,703	9,100	8,168	6,924	7,001
Royalty and commission income[3,4,5]	112	86	61	154	129	115	105	119	102	103
Other operating income[3,4,5,6]	173	28	42	56	48	17	119	8	37	12
Other operating expenses[3,4,5,6]	10,260	8,892	8,580	9,843	9,172	8,766	7,741	7,201	6,102	5,883
EBITDA[3,4,5]	1,874	3,066	1,967	3,845	2,882	2,511	1,953	1,475	1,283	1,496
Operating profit[3,4,5,7,8,9,10]	669	1,986	746	2,660	2,368	2,070	1,582	1,094	961	1,233
Net financial result[3,4,5]	(281)	(133)	(167)	(102)	10	(47)	(46)	(21)	(48)	(68)
Income before taxes[3,4,5,7,8,9,10]	388	1,852	578	2,558	2,378	2,023	1,536	1,073	913	1,165
Income taxes[3,4,5,11]	134	360	117	640	669	668	454	353	271	340
Net income attributable to shareholders[7,8,9,10,11,12]	612	2,116	432	1,976	1,702	1,173	1,017	668	568	839
Income Statement Ratios										
Gross margin[3,4,5]	47.3%	50.7%	50.0%	52.0%	51.8%	50.4%	49.2%	48.3%	47.6%	49.3%
Operating margin[3,4,5,7,8,9,10]	3.0%	9.4%	4.0%	11.3%	10.8%	9.8%	8.6%	6.5%	6.6%	8.7%
Effective tax rate[3,4,5,7,8,9,10,11]	34.5%	19.4%	20.2%	25.0%	28.1%	29.3%	29.6%	32.9%	29.7%	29.2%
Net income attributable to shareholders in % of net sales[5,7,8,9,10,11,12]	2.7%	10.0%	2.3%	8.4%	7.8%	5.5%	5.5%	4.0%	3.9%	5.9%
Net Sales by Product Category (€ in millions)										
Footwear[3,4,5]	12,402	11,336	10,129	13,521	12,783	12,427	10,132	8,360	6,658	6,587
Apparel[3,4,5]	8,732	8,710	7,315	8,963	8,223	7,747	7,352	6,970	6,279	5,811
Accessories and gear[3,4,5]	1,493	1,187	991	1,156	910	1,044	999	1,585	1,597	1,806
Balance Sheet Data (€ in millions)										
Total assets	20,296	22,137	21,053	20,680	15,612	14,019	15,176	13,343	12,417	11,599
Inventories	5,973	4,009	4,397	4,085	3,445	3,692	3,763	3,113	2,526	2,634
Receivables and other current assets	4,961	4,072	3,763	4,338	3,734	3,277	3,607	3,003	2,861	2,583
Working capital	2,475	4,978	3,328	2,179	2,979	2,354	2,121	2,133	2,970	2,125
(Adjusted net borrowings)/ adjusted net cash[13]	(6,047)	(2,082)	(2,424)	(2,676)	959	484	(103)	(460)	(185)	295
Shareholders' equity	4,991	7,519	6,454	6,796	6,377	6,032	6,472	5,666	5,624	5,489
Balance Sheet Ratios										
Adjusted net borrowings/ EBITDA[3,4,5,13]	3.2	0.7	1.2	0.7	(0.3)	(0.2)	0.1	0.3	0.1	(0.2)
Average operating working capital in % of net sales[3,4,5,14]	24.0%	20.0%	25.3%	18.1%	19.0%	20.4%	21.1%	20.5%	22.4%	21.3%
Financial leverage[13,15]	121.2%	27.7%	37.6%	39.4%	(15.0%)	(8.0%)	1.6%	8.1%	3.3%	(5.4%)
Equity ratio[15]	24.6%	34.0%	30.7%	32.9%	40.8%	43.0%	42.6%	42.5%	45.3%	47.3%
Return on equity[12,15]	12.3%	28.1%	6.7%	29.1%	26.7%	18.2%	15.7%	11.2%	8.7%	14.3%
Return on capital employed[5,12]	5.3%	21.2%	8.0%	27.9%	45.1%	41.2%	24.2%	16.5%	13.8%	23.6%
Data per Share										
Share price at year-end (in €)	127.46	253.20	297.90	289.80	182.40	167.15	150.15	89.91	57.62	92.64
Basic earnings (in €)[3,4,5,7,8,9,10,11]	1.25	7.47	2.31	9.70	8.46	7.05	5.39	3.54	3.05	3.93

TEN-YEAR OVERVIEW

	2022	2021	2020	2019	2018[1]	2017[2]	2016	2015	2014	2013
Diluted earnings (in €)[3,4,5,7,8,9,10,11]	1.25	7.47	2.31	9.70	8.45	7.00	5.29	3.54	3.05	3.93
Price/earnings ratio at year-end[3,4,5,7,8,9,10,11]	102.4	33.9	128.9	29.9	21.6	23.7	27.8	25.4	18.9	23.6
Market capitalization at year-end (€ in millions)	22,756	48,512	58,110	56,792	36,329	34,075	30,254	18,000	11,773	19,382
Net cash (used in)/generated from operating activities (in €)[5,16]	(2.50)	14.79	7.00	14.26	13.31	8.14	6.73	5.41	3.36	3.03
Dividend (in €)	0.70[17]	3.30	3.00	0.00	3.35	2.60	2.00	1.60	1.50	1.50
Number of shares outstanding at year-end (in thousands)	178,537	191,595	195,066	195,969	199,171	203,861	201,489	200,197	204,327	209,216
Employees										
Number of employees at year-end[3,4,18]	59,258	61,401	62,285	65,194	57,016	56,888	58,902	55,555	53,731	49,808
Personnel expenses (€ in millions)[3,4,5]	2,856	2,659	2,325	2,720	2,481	2,549	2,373	2,184	1,842	1,833

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 2015, 2014 and 2013 figures reflect continuing operations as a result of the divestiture of the Rockport business.
5 2022, 2021 and 2020 figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.
6 Figures reflect the adjusted consolidated income statement structure introduced in 2018.
7 2015 excluding goodwill impairment of € 34 million.
8 2014 excluding goodwill impairment of € 78 million.
9 2013 excluding goodwill impairment of € 52 million.
10 2012 excluding goodwill impairment of € 265 million.
11 2017 excluding negative one-time tax impact of € 76 million.
12 Includes continuing and discontinued operations.
13 First-time application of adjusted net borrowings as of 2020. Figures since 2019 were restated to reflect methodology revision in 2022.
14 2021 figures reflect the reclassification of the Reebok business to assets or liabilities held for sale.
15 Based on shareholders' equity.
16 Since 2018 figures reflect presentation of interest paid within cash flows from financing activities. Prior year figures are not restated.
17 Subject to Annual General Meeting approval.
18 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 2022

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities (1)	**Code (s) (2)**	**Absolute turnover (3) € in millions**	**Proportion of turnover (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marineresources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11) y/n**	**Climate change adaptation (12) y/n**	**Water and marine resources (13) y/n**	**Circular economy (14) y/n**	**Pollution (15) y/n**	**Biodiversity and ecosystems (16) y/n**	**Minimum safeguards (17) y/n**	**Taxonomy-aligned proportion of turnover, year 2022 (18)**	**Taxonomy-aligned proportion of turnover, year 2021 (19)**	**Category (enabling activity) (20) E**	**Category '(transitional activity)' (21) T**
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1.)																				
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)																				
Total (A.1. + A.2)		**0**	**0%**																	
B. Taxonomy non-eligible activities																				
Turnover[1] of taxonomy non-eligible activities (B)		22,511	100%																	
Total (A + B)		**22,511**	**100%**																	

1 Net sales as reported in the Consolidated Income Statement for the fiscal year 2022.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities (1)	Code (s) (2)	Absolute CapEx (3) € in millions	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11) y/n	Climate change adaptation (12) y/n	Water and marine resources (13) y/n	Circular economy (14) y/n	Pollution (15) y/n	Biodiversity and ecosystems (16) y/n	Minimum safeguards (17) y/n	Taxonomy-aligned proportion of CapEx, year 2022 (18)	Taxonomy-aligned proportion of CapEx, year 2021 (19)	Category (enabling activity) (20) E	Category '(transitional activity)' (21) T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)																				
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
7.3. Installation, maintenance, and repair of energy equipment	F42, F43, M71	14	1%	100%	0%	0%	0%	0%	0%		n	n.a.	n.a.	n	n.a.	y	0%	n.a.	E	
7.7. Acquisition and ownership of buildings (building leases)	L68	853	54%	25%	0%	0%	0%	0%	0%		n	n.a.	n.a.	n.a.	n.a.	y	0%	n.a.	E	
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)	F42, F43, M71, L68	867	55%																	
Total (A.1. + A.2)		**867**	**55%**														**0%**	**n.a.**	**55**	
B. Taxonomy non-eligible activities																				
CapEx of taxonomy non-eligible activities (B)		720	45%																	
Total[1] (A + B)		**1,587**	**100%**																	

1 The denominator of the CapEx KPI 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 re-measurements.

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

				Substantial contribution criteria						DNSH criteria ('Does not significantly harm')										
Economic activities (1)	**Code (s) (2)**	**Absolute OpEx (3) € in millions**	**Proportion of OpEx (4)**	**Climate change mitigation (5)**	**Climate change adaptation (6)**	**Water and marine resources (7)**	**Circular economy (8)**	**Pollution (9)**	**Biodiversity and ecosystems (10)**	**Climate change mitigation (11) y/n**	**Climate change adaptation (12) y/n**	**Water and marine resources (13) y/n**	**Circular economy (14) y/n**	**Pollution (15) y/n**	**Biodiversity and ecosystems (16) y/n**	**Minimum safeguards (17) y/n**	**Taxonomy-aligned proportion of OpEx, year 2022 (18)**	**Taxonomy-aligned proportion of OpEx, year 2021 (19)**	**Category (enabling activity) (20) E**	**Category 'transitional activity' (21) T**
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1.)																				
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)																				
Total (A.1. + A.2)		**0**	**0%**																	
B. Taxonomy non-eligible activities																				
OpEx of taxonomy non-eligible activities (B)		862	100%																	
Total (A + B)		**862**	**100%**																	

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.

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 COSTS

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 FOR THE OCEANS

'Parley for the Oceans' is an environmental organization and global collaboration network. Founded in 2012, the initiative aims to raise awareness for the beauty and fragility of the oceans, and to inspire and empower diverse groups such as pacesetting companies, brands, organizations, governments, artists, designers, scientists, innovators, and environmentalists in the exploration of new ways of creating, thinking and living on our finite blue planet.

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.

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.

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.

/ 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.

/ W

WET PROCESSES

Wet processes are defined as water-intense 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 25, 2022, 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, Nicosia, 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 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., Morea 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, Copenhagen, 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 A.E., 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, Taiwan

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

LLC 'adidas, Ltd.,' Moscow, Russia

PT adidas Indonesia, Jakarta, Indonesia

Reebok India Company, New Delhi, India

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

MAY 5, 2023

First quarter results

MAY 11, 2023

Annual General Meeting

AUGUST 3, 2023

First half results

NOVEMBER 8, 2023

Nine months results

CONTACT

ADI-DASSLER-STR. 1
91074 HERZOGENAURACH
GERMANY

Tel + 49 (0) 91 32 84 – 0
► ADIDAS-GROUP.COM

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INVESTOR RELATIONS
investor.relations@adidas.com
► ADIDAS-GROUP.COM/S/INVESTORS

CONCEPT
nexxar, Vienna

DESIGN AND REALIZATION
nexxar, Vienna