Notes

adidas AG is a listed German stock corporation and parent of the adidas Group located at Adi-Dassler-Str. 1, 91074 Herzogenaurach, Germany, and is entered into the commercial register at the Local Court of Fürth (HRB 3868). adidas AG and its subsidiaries (collectively 'adidas,' 'the Group' or 'the company') design, develop, produce, and market a broad range of athletic and sports lifestyle products.

01 General

The consolidated financial statements of adidas AG as at December 31, 2023, comprise adidas AG and its subsidiaries and are prepared in compliance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) as at December 31, 2023, and the additional requirements pursuant to § 315e section 1 German Commercial Code (Handelsgesetzbuch – HGB).

The following amendments to existing standards and interpretations are effective for financial years beginning on January 1, 2023, and have been applied for the first time to these consolidated financial statements:

- **IFRS 17 'Insurance Contracts' and Amendments to IFRS 17 (effective date: January 1, 2023):** The new standard covers the recognition and measurement, presentation and disclosure related to all types of insurance contracts. IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, and replaces IFRS 4 'Insurance Contracts'. IFRS 17 had no material impact on the consolidated financial statements.

- **Amendments to IAS 8 'Definition of Accounting Estimates' (effective date: January 1, 2023):** In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. The amendments had no material impact on adidas' consolidated financial statements.

- **Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' (effective date: January 1, 2023)** In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 'Making Materiality Judgements', in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of 'material' to accounting policy information, an effective date for these amendments is not necessary. The amendments have led to a selective reduction in the disclosures on accounting policies.

- **Amendments to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective date: January 1, 2023)** In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exemption under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments had no material impact on adidas, in particular since adidas did not apply the initial recognition exemption in the context of leases under IFRS 16.

- **Amendments to IAS 12 'International Tax Reform — Pillar Two Model Rules' (effective date: January 1, 2023):** In May 2023, the IASB issued 'International Tax Reform—Pillar Two Model Rules' – amendments to IAS 12 to clarify the application of IAS 12 'Income Taxes' to income taxes arising from tax law enacted or substantively enacted to implement the OECD Pillar Two Model Rules. The amendments include a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules and additional disclosure requirements for affected entities, with the aim to help users of the financial statements better understand an entity's exposure to the Pillar Two Model Rules. The required disclosures are provided in the Note of Income Taxes. ► **SEE NOTE 34**

New standards and interpretations as well as amendments to existing standards and interpretations are usually not applied by adidas before the EU effective date.

The following new standards and interpretations and amendments to existing standards and interpretations issued by the IASB, endorsed by the EU, and which are effective for financial years beginning after January 1, 2023, have not been applied in preparing these consolidated financial statements:

- **Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback' (effective date: January 1, 2024)**: In September 2022, the IASB has issued amendments to IFRS 16 to clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments to IFRS 16 are applicable for annual periods beginning on or after January 1, 2024, and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted when the fact is disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.

- **Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' (effective date: January 1, 2024):** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that such a right to defer must exist at the end of the reporting period, and that the classification is unaffected by the likelihood that an entity will exercise its deferral right. In October 2022, the IASB issued further amendments to IAS 1, in which it clarifies that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, and must be applied retrospectively. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.

The following new standards and interpretations as well as amendments to existing standards and interpretations were issued by the IASB. These are not yet endorsed by the EU and hence have not been applied in preparing these consolidated financial statements:

- **Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures' – 'Supplier Finance Arrangements' (effective date: January 1, 2024):** In May 2023, the IASB issued the clarification 'Supplier Finance Arrangements', which amended IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures'. The amendments clarify the characteristics of supplier finance arrangements and introduce additional disclosure requirements for such arrangements. The objective of the amendments is to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the consolidated financial statements of adidas.

- **Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' – 'Lack of Exchangeability' (effective date: January 1, 2025):** In August 2023, the IASB issued 'Lack of Exchangeability' that amends IAS 21. IAS 21 sets out the requirements for determining the exchange rate to be used for recording a foreign currency transaction into the functional currency and translating a foreign operation into a different currency. The amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The effects of the amendments need to be further analyzed and evaluated but are currently not expected to have a material impact on the consolidated financial statements of adidas.

The consolidated financial statements have in principle been prepared on the historical cost basis except for certain items in the statement of financial position, such as certain originated financial instruments, derivative financial instruments, and plan assets, which are measured at fair value.

In October 2022, adidas terminated the Yeezy partnership with immediate effect, discontinued the distribution of adidas Yeezy products, and stopped all payments to Kanye West and his companies. Being the sole owner of all design rights to existing products as well as previous and new colorways under the partnership, adidas announced in May 2023 that it would begin to sell the remaining inventory of adidas Yeezy products, with an initial release in May 2023. A second product drop took place in the third quarter. In total, these two drops generated revenues of around € 750 million in 2023. As of December 31, 2023, adidas still holds inventories with a total value of around € 250 million.

In connection with the sale of these remaining inventories, adidas has committed to donating a significant amount to selected organizations working to combat discrimination and hate, including racism and antisemitism. ► SEE NOTE 39

The consolidated financial statements are presented in euros (€), and unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not exactly sum up to totals provided. This can also lead to individual amounts rounded to zero.

02 Summary of material accounting policies

The consolidated financial statements are prepared in accordance with the consolidation, accounting, and valuation principles described below.

Principles of consolidation

The consolidated financial statements include the financial statements of adidas AG and all its direct and indirect subsidiaries, which are prepared in accordance with uniform accounting principles. An entity is considered a subsidiary if it is controlled by adidas AG. Control exists when adidas is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Effective as of December 2019, an amendment to the contractual arrangements existing between Agron, Inc., Los Angeles, California (USA), and adidas entered into force granting adidas the power to approve key financial and operational targets as well as the organizational structure of Agron, Inc. adidas has the right to, and is exposed to, the returns from its contractual business relations with Agron, Inc., which are dependent on the level of its net sales and overall profitability. As a result of the extended power, adidas has the ability to directly influence the amount of these variable returns and consequently obtained control over Agron, Inc. As adidas holds no equity interests of Agron, Inc., both net assets as well as income and expenses are attributable entirely to the non-controlling interest. adidas has not transferred any consideration to the owners of Agron, Inc. in relation to the amendment of the contractual arrangements.

The number of consolidated subsidiaries developed as follows in 2023 and 2022, respectively:

Number of consolidated subsidiaries

	2023	2022
January 1	**111**	**120**
First-time consolidated subsidiaries	1	1
Thereof: newly founded	1	1
Deconsolidated/divested subsidiaries	(3)	(8)
Intercompany mergers	–	(2)
December 31	**109**	**111**

The subsidiaries are held either directly by adidas AG or indirectly via the two holding companies adidas Beteiligungsgesellschaft mbH in Germany or adidas International B.V. in the Netherlands.

A schedule of the shareholdings of adidas AG is shown in Attachment I to the consolidated financial statements. This schedule comprises information about the name and domicile of all consolidated subsidiaries, as well as the respective share held in the capital of these subsidiaries. Furthermore, a schedule of the shareholdings of adidas AG is published on the German Company Register. ▶ SEE SHAREHOLDINGS

The financial effects of intercompany transactions as well as any unrealized gains and losses arising from intercompany business relations are eliminated in preparing the consolidated financial statements.

Principles of measurement

The following table includes an overview of selected subsequent measurement principles used in the preparation of the consolidated financial statements.

Overview of selected subsequent measurement principles

	Subsequent measurement principle
Assets	
Cash and cash equivalents	Amortized cost
Cash and cash equivalents (investments in certain money market funds)	Fair value through profit or loss
Accounts receivable	Amortized cost
Inventories	Lower of cost and net realizable value
Property, plant, and equipment	Amortized cost
Right-of-use assets	Amortized cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortized cost
With indefinite useful life	Impairment-only approach
Financial assets	See separate table
Liabilities	
Borrowings	Amortized cost
Accounts payable	Amortized cost
Liabilities/provisions for cash-settled share-based payment arrangements	Fair value through profit or loss
Derivatives not used in hedge accounting	Fair value through profit or loss
Derivatives used in hedge accounting	Fair value through other comprehensive income
Other financial liabilities	Amortized cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortized cost
Lease liabilities	Amortized cost

Financial assets are classified and measured according to IFRS 9. All purchases and sales of financial assets, with the exception of trade receivables, are recognized on the trade date and initially measured at fair value. At initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. Subsequently, a financial asset is measured at amortized cost, fair value through other comprehensive income (debt instrument), fair value through other comprehensive income (equity instrument), or fair value through profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at fair value through profit or loss: the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows (business model 'Hold to collect'); and the financial asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated at fair value through profit or loss: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (business model 'Hold to collect and sell'); and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In principle, all investments in equity instruments are measured at fair value through profit or loss. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor a contingent consideration acquired by a purchaser in a business combination. This election is made on an investment-by-investment basis.

All financial assets, which are not classified as measured at amortized cost or at fair value through other comprehensive income as described above, are measured at fair value through profit or loss.

Financial assets are only reclassified when the business model for managing financial assets is changed, in which case all affected financial assets are reclassified.

The subsequent measurement of financial assets is as follows:

Overview of financial asset subsequent measurement principles according to IFRS 9

IFRS 9 category	Subsequent measurement principle	Subsequent measurement
Fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.	Fair value through profit or loss
Amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.	Amortized cost
Fair value through other comprehensive income (debt instrument)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, accumulated gains and losses are reclassified to profit or loss.	Fair value through other comprehensive income
Fair value through other comprehensive income (equity instrument)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.	Fair value through other comprehensive income

Financial liabilities are recognized when adidas becomes a party to the contractual provisions that gives rise to the financial liability. All financial liabilities are initially recognized at fair value.

For subsequent measurement, financial liabilities are classified either as financial liabilities measured at fair value through profit or loss, or as financial liabilities measured at amortized cost. Financial liabilities at fair value through profit or loss include, in particular, derivative financial instruments not designated as hedging instruments in hedging relationships in accordance with IFRS 9.

Transaction costs that are directly attributable to the issue of financial liabilities that are not measured at fair value through profit or loss reduce the fair value of the financial liability on initial recognition.

Currency translation

The consolidated financial statements are presented in euros (€), which is also the parent company's functional currency. For each entity, the Group determines the functional currency.

Transactions in foreign currencies are initially recorded in the respective functional currency by applying the spot exchange rate valid at the transaction date to the foreign currency amount.

In the individual financial statements of subsidiaries, monetary items denominated in non-functional currencies of the subsidiaries are generally translated into the functional currency at closing exchange rates at the balance sheet date. The resulting currency gains and losses are recognized directly in profit or loss.

This excludes monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized in other comprehensive income (OCI) until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Taxes resulting from these exchange differences are also recognized directly in other comprehensive income in accordance with IAS 12.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Assets and liabilities of the company's non-euro functional currency subsidiaries that are included in the consolidated financial statements are translated using closing exchange rates at the balance sheet date into the presentation currency, the euro. For practical reasons, revenues and expenses are translated at average rates for the period, which approximate the exchange rates on the transaction dates. The resulting exchange differences arising on consolidation are recognized in OCI.

A summary of exchange rates to the euro for major currencies in which the Group operates is as follows:

Exchange rates

€ 1 equals	Average rates for the year ending Dec. 31,		Spot rates at Dec. 31,	
	2023	2022	2023	2022
USD	1.0817	1.0539	1.1050	1.0666
GBP	0.8698	0.8525	0.8691	0.8869
JPY	151.9970	138.0550	156.3300	140.6600
CNY	7.6680	7.0891	7.8725	7.4095
MXN	19.1847	21.2037	18.6955	20.7683

Hyperinflation

To reflect changes in purchasing power at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, shareholders' equity, and comprehensive income of subsidiaries in hyperinflationary economies are restated in terms of a measuring unit current at the balance sheet date. These are indexed using a general price index in accordance with IAS 29 'Financial Reporting in Hyperinflationary Economies.' In contrast, no restatement is required for monetary assets and liabilities carried at amounts current at the end of the balance sheet date because they represent money held, to be received, or to be paid. ► SEE NOTE 33

Gains and losses on the net monetary position are included in the financial result.

Non-monetary assets that have been restated following the guidance in IAS 29 are still subject to impairment assessment in accordance with the guidance in the relevant IFRS.

Derivative financial instruments

adidas uses derivative financial instruments, such as currency options, forward exchange contracts and currency swaps, to hedge its exposure to foreign-exchange risks. In accordance with its Treasury Policy, the company does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognized in the statement of financial position at fair value and are subsequently also measured at their fair value. The method of recognizing the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, adidas designates derivatives as either a hedge of a forecast transaction (cash flow hedge) or a hedge of a net investment in a foreign operation. In applying cash flow hedge accounting, adidas designates the spot element of forward exchange contracts and the intrinsic value of currency options to hedge its currency risk and applies a hedge ratio of 1:1 (spot-to-spot designation). The forward element of forward exchange contracts and the time value component of currency options are excluded from the designation of the hedging instrument.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges or net investments that are effective as defined in IFRS 9 are recognized in equity.

adidas applies the 'cost of hedging' approach for dedicated cash flow hedges. Changes in the fair value of the time value component of currency options, as well as the forward element in forward exchange contracts, are separately accounted for as a cost of hedging and are recognized separately in equity as a cost of hedging reserve. When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognized in the consolidated income statement. Accumulated gains and losses in equity are transferred to the consolidated income statement in the same periods, during which the hedged forecast transaction affects the consolidated income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. The effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing are recognized in equity with the exception of the cross-currency basis spread.

Certain derivative transactions, while providing effective economic hedges under the company's risk-management policies, do not qualify for hedge accounting under the specific rules of IFRS 9.

adidas documents the relationship between hedging instruments and hedge objects as well as the risk management objectives and strategies for undertaking various hedge transactions at transaction inception. This process includes linking all derivatives designated as hedge to specific firm commitments and forecast transactions. The economic relationship between the hedging instrument and hedged item is qualitatively and quantitatively ascertainable, and adidas judges the effectiveness of the hedging relationship by using generally accepted methods such as the hypothetical derivative method or the 'Dollar Offset Method'. The main sources of expected ineffectiveness are due to changes in the credit risk and in the timing of the hedged transactions.

The fair values of currency options and forward exchange contracts are determined on the basis of market conditions on the reporting date. The fair value of a currency option is determined using generally accepted models. The fair value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. The company determines fair values taking the counterparty risk into consideration.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand, and short-term deposits with maturities of three months or less from the date of acquisition, such as commercial papers and investments in money market funds.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents can partly include investments in money market funds. Classification and measurement under IFRS 9 are performed based on the company's business model for managing these financial assets and the contractual cash flow characteristics. Investments in money market funds contain cash flows other than those of principal and interest on principal. As a result, those investments are measured at fair value through profit or loss.

Accounts receivable

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., if only the passage of time is required before payment of that consideration is due). Accounts receivable that do not contain a significant financing component are recognized at the transaction price, which represents the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Subsequently, these are measured at amortized cost.

Other financial assets

Other financial assets are classified and measured under IFRS 9, based on the company's business model for managing these assets and the contractual cash flow characteristics. Those other financial assets that give rise to cash flows consisting only of payments of principal and interest and that are assigned to the business model 'Hold to collect' are measured at amortized cost. adidas mainly has security deposits and receivables from credit card companies and electronic marketplaces that fall under this category.

Other financial assets that give rise to cash flows consisting only of payments of principal and interest and that are assigned to the business model 'Hold to collect and sell' are measured at fair value through OCI. This category mainly includes other investments and securities to hedge long-term variable compensation components.

Other financial assets, which are neither within the business model 'Hold to collect' nor within 'Hold to collect and sell,' are measured at fair value through profit or loss. This category mainly includes secured promissory notes and earn-out components.

Long-term financial assets

Long-term financial assets are distinguished between debt and equity instruments and classified according to IFRS 9 as follows:

Debt instruments are measured depending on the company's business model for managing financial assets and the contractual cash flows. Only financial assets that are held within the business model 'Hold to collect' with the objective to collect the contractual cash flows, which represent solely payments of principal and interest on the principal amount outstanding on a specific date, are measured at amortized cost. adidas classifies certain loans within this category. All other financial assets which do not fulfill one of these criteria are measured at fair value through profit or loss. adidas has no long-term financial assets in the category fair value through comprehensive income (debt instrument) and shows loans which do not fulfill the contractual cash flow characteristics in the category fair value through profit or loss. ▶ SEE NOTE 13

Generally, all investments in equity instruments are measured at fair value through profit or loss, unless these investments represent investments that the company intends to hold for long-term strategic purposes, which are then designated as equity securities at fair value through other comprehensive income (equity).

The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic management decision.

Inventories

Finished goods and merchandise are valued at the lower of cost or net realizable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Costs are determined using a standard valuation method, the 'average cost method.' Costs of finished goods include the cost of direct materials and labor and the components of the manufacturing overheads that can be reasonably attributed to finished goods. The allocation of overheads is based on the planned average utilization. The net realizable value allowances are computed consistently throughout the company based on the age and expected future sales of the items on hand. ▶ SEE NOTE 07

Discontinued operations

A part of the adidas Group, whose operations and cash flows can be clearly distinguished operationally and for financial reporting purposes from the other operating businesses, is classified as a discontinued operation if the component has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographic area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the net income/loss from continuing operations and are presented as a single amount as gain/loss from discontinued operations, net of tax in the consolidated income statement. When an operation is classified as a discontinued operation, the comparative consolidated income statement and consolidated statement of cash flows are restated and presented as if the operation had been classified as such from the start of the comparative year. ▶ SEE NOTE 03

Property, plant, and equipment

Property, plant, and equipment are measured at amortized cost. This comprises all costs directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management less any accumulated depreciation and accumulated impairment losses. Depreciation is recognized for those assets, with the exception of land and construction in progress, over the estimated useful life utilizing the 'straight-line method' and taking into account any potential residual value. Parts of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item are depreciated separately. ► SEE NOTE 09

Estimated useful lives are as follows:

Estimated useful lives of property, plant, and equipment

	Years
Land	indefinite
Buildings and leasehold improvements	20 – 50
Furniture and fixtures	3 – 5
Technical equipment and machinery as well as other equipment	2 – 10

Expenditure for repairs and maintenance is expensed as incurred. Renewals and improvements are capitalized and depreciated separately, if the recognition criteria are met.

Impairment losses on non-financial assets

If facts and circumstances indicate that non-current assets (e.g., property, plant, and equipment as well as intangible assets including goodwill and contract assets) might be impaired, the recoverable amount is determined. This is measured at the higher of fair value less costs of disposal (net disposal price) and value in use. Recoverable amount is determined on an individual asset level, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. The fair value is measured at Level 3 according to IFRS 13 'Fair Value Measurement.'

An impairment loss is recognized in other operating expenses or reported in goodwill impairment losses if the carrying amount exceeds the recoverable amount.

The impairment test for goodwill is performed based on groups of cash-generating units, which represent the lowest level within the company at which goodwill is monitored for internal management purposes. If there is an impairment loss for a group of cash-generating units, then, first, the carrying amount of any goodwill allocated to the group of cash-generating units is reduced. Subsequently, provided that the recoverable amount is lower than the carrying amount, the other non-current assets of the group of cash-generating units are reduced pro rata on the basis of the carrying amount of each asset in the group of cash-generating units. In allocating an impairment loss, the carrying amount of an individual asset is not reduced below its fair value. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the cash-generating unit and groups of cash-generating units.

Irrespective of whether there is an impairment indication, intangible assets with an indefinite useful life, intangible assets not yet available for use and goodwill acquired in business combinations are tested annually on December 31 for impairment. In the case that indicators for impairment are present at any point in time other than on December 31, these assets are also tested for impairment at this point in time.

An impairment loss recognized in goodwill is not reversible. With respect to all other impaired assets, an impairment loss recognized in prior periods is only reversed such as it affects the consolidated income statement if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized.

Impairment losses on financial assets

Impairment losses for financial assets measured at amortized cost or at fair value through other comprehensive income (debt instrument) are recognized in accordance with IFRS 9 'Financial Instruments.' The standard requires that not only historical data, but also future expectations and projections are taken into consideration when accounting for impairment losses ('expected credit loss' model).

adidas consistently applies the simplified approach and recognizes lifetime expected credit losses for all accounts receivable. In order to calculate a collective loss allowance, all accounts receivable sharing similar credit risk characteristics are allocated into several portfolios based on geographical regions and macroeconomic indicators. Historical payment and aging patterns for accounts receivable are analyzed individually for each of the portfolios to determine the probability of default, which is further adjusted by forward-looking factors derived primarily from the Credit Default Swap (CDS) spreads of the countries where adidas runs its operations. The adjusted probability of default is then applied in combination with a loss given default and exposure at default as a percentage rate to calculate the expected credit loss for each portfolio and aging bucket. The percentage rates are reviewed on a regular basis to ensure that they reflect the latest data on credit risk. In case objective evidence of credit impairment is observed for accounts receivable from a specific customer, a detailed analysis of the credit risk is performed, and an appropriate individual loss allowance is recognized for this customer. Accounts receivables are considered to be in default when it is expected that the debtor will not fulfill its credit obligations toward adidas.

Cash and cash equivalents measured at amortized cost are subject to a general impairment approach under IFRS 9. adidas applies the low credit risk exemption for the majority of such instruments due to the low credit risk for these investments, which is based on the investment grade of their counterparties (defined by the company as equivalent of BBB+ or higher). A significant increase of credit risk is assumed for cash and cash equivalents when the instruments are more than 30 days past due. adidas monitors the credit risk associated with cash and cash equivalents taking into consideration the economic environment, external credit ratings, and/or CDS spreads of counterparty financial institutions, and using established exposure limits. Expected credit loss of cash and cash equivalents is calculated based on the probability of default and recovery rates derived from CDS spreads or external credit ratings of the counterparties. Cash and cash equivalents are considered to be in default when they are more than 90 days past due.

Other financial assets within the scope of IFRS 9 impairment analysis include mainly security deposits as well as accounts receivable from credit card companies and electronic marketplaces. The credit risk associated with such financial assets is determined based on the economic environment, external credit ratings, and/or CDS spreads of counterparty financial institutions. Other financial assets are considered to be in default when they are more than 90 days past due.

Objective evidence that credit impairment of financial assets has occurred includes, for instance, significant financial difficulty of the debtor/issuer, indications of their potential bankruptcy, the deterioration of the market for their products, and general macroeconomic problems. The gross carrying amount of financial assets is written off when adidas, based on a case-by-case assessment, assumes that their recovery is no longer possible.

Impairment losses on accounts receivable are presented in the line item 'Impairment losses (net) on accounts receivable and contract assets'.

Leases

adidas assesses whether a contract is or contains a lease according to IFRS 16 'Leases' at the inception of the contract. IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if the lessee has the right to obtain substantially all the economic benefits from the use of the identified asset (e.g., by having the exclusive right to use the asset throughout that period) and the right to direct the use of the identified asset throughout the period of use.

In its role as a lessee, adidas leases various types of assets, particularly buildings (retail stores, offices, warehouses, etc.), land, technical equipment and machinery (warehouse equipment, production machines, etc.), motor vehicles, and computer hardware, as well as furniture and fixtures. Lease contracts are typically negotiated for fixed periods of up to 99 years but may include extension or termination options. Lease terms are negotiated individually and may contain a wide range of different terms and conditions.

adidas makes use of the recognition exemption in IFRS 16 to not recognize right-of-use assets and lease liabilities for leases of low-value assets (i.e., value of the underlying asset, when new, is € 5,000 or less) and short-term leases (shorter than twelve months and the agreement does not include a purchase option). Lease payments for low-value leases are recognized as expenses as they are incurred over the lease term.

Furthermore, adidas exercises the option for lessees to combine lease payments with payments for non-lease components in the calculation of the lease liability and right-of-use asset for all lease asset classes except for corporate real estate.

adidas recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date. At the commencement date, adidas initially measures the lease liability at the present value of the lease payments that are not paid at that date. This includes fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments based on an index or a rate, amounts expected to be payable by adidas under residual value guarantees, the exercise price of a purchase option if adidas is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. Other variable lease payments are excluded from the measurement of the lease liability. The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, adidas uses its incremental borrowing rate. Generally, adidas uses the incremental borrowing rate as the discount rate. It is adjusted to reflect the country-specific risk, the credit risk of adidas, collateral from the change in value of the leased asset, the contract currency-specific risk, and the lease term. ▶ SEE NOTE 10 ▶ SEE NOTE 19

After the commencement date, lease payments are split into redemption payments and interest payments. The lease liability is subsequently measured by increasing the carrying amount to reflect interest cost on the lease liability using the effective interest rate and reducing the carrying amount to reflect the lease payments made. The carrying amount of the lease liability is remeasured provided any reassessments/lease modifications occur (including changes in the assessment of whether an extension or termination option is reasonably certain to be exercised).

At the commencement date, the right-of-use asset is initially measured at cost, which is comprised of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by adidas in dismantling and removing the underlying asset, restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. In principle, the right-of-use asset is depreciated on a straight-line basis over the lease term or the useful life of the leased asset, whichever is shorter.

adidas applies judgment in determining the lease term for lease contracts including extension or termination options. The assessment of whether the options are reasonably certain to be exercised has an impact on the lease term and therefore may significantly affect the measurement of lease liabilities and right-of-use assets, respectively.

Lease contract renegotiations that result in changes to the original contractual conditions, e.g., changes in scope, consideration (including discounts and concessions), or lease term are treated as lease modifications. Depending on the circumstances of the renegotiation, either lease modifications are accounted for as a new separate contract, or they trigger a remeasurement of the lease liability using the discounted future lease payments. In the latter case, a corresponding adjustment is made to the right-of-use asset with, in some instances, a difference recognized in profit or loss.

Lease reassessments are the result of changes in assumptions or judgments, such as changes in lease term due to amended estimates surrounding existing extension and termination options. It is necessary to remeasure the lease liability using the discounted or existing future lease payments and make a corresponding adjustment to the right-of-use asset.

Goodwill

Goodwill is an asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognized. This results when the purchase cost exceeds the fair value of acquired identifiable assets, liabilities, and contingent liabilities. Goodwill arising from the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets received, liabilities, and contingent liabilities are treated as assets, liabilities, and contingent liabilities of the respective reporting entity, and are translated at exchange rates prevailing at the date of the initial consolidation.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses (impairment-only approach). ► SEE NOTE 11

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

Intangible assets (except goodwill)

Intangible assets with definite useful lives are valued at amortized cost. Amortization is calculated on a straight-line basis over the estimated useful life, taking into account any potential residual value.
► SEE NOTE 12

Expenditure during the development phase of internally generated intangible assets is capitalized as incurred if it fulfills the recognition criteria under IAS 38 'Intangible Assets.' Development costs for internally generated intangible assets are capitalized from the date on which the recognition criteria set out in IAS 38 'Intangible Assets' are first met. The capitalized development costs are amortized on a systematic basis from the day the intangible assets are available for use.

Estimated useful lives are as follows:

Estimated useful lives of intangible assets

	Years
Software	3 – 7
Patents and licenses	5 – 15
Websites	2

Research and development

Research costs are expensed in full as incurred. Development costs for internally generated intangible assets are also expensed as incurred if they do not meet the recognition criteria of IAS 38 'Intangible Assets.'

Borrowings and other liabilities

Borrowings (e.g., Eurobonds) and other liabilities are recognized at fair value net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the 'effective interest method.' Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the term of the borrowing.

Compound financial instruments (e.g., convertible bonds) are divided into a liability component shown under borrowings and into an equity component resulting from conversion rights. The equity component is included in the capital reserve. The fair value of the liability component is determined by discounting the interest and principal payments of a comparable liability without conversion rights, applying risk-adjusted interest rates. The liability component is subsequently measured at amortized cost using the 'effective interest method.' The equity component is determined as the difference between the fair value of the total compound financial instrument and the fair value of the liability component and is reported within equity. There is no subsequent measurement of the equity component. At initial recognition, directly attributable transaction costs are assigned to the equity and liability component pro rata on the basis of the respective carrying amounts.

Provisions and accrued liabilities

Provisions are recognized when there is a present obligation (legal or constructive) to third parties that has been incurred as a result of a past event, when the amount of the obligation can be estimated reliably and when it is probable that there will be an outflow of resources. In general, all provisions are uncertain as to their maturity or amount. The expense relating to a provision is presented in the consolidated income statement. Non-current provisions are discounted if the effect of the time value of money is material, with the interest expense being reported as financial expenses. ▶ SEE NOTE 18

Accrued liabilities are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced, or formally agreed with the supplier, including amounts due to employees. The uncertainty regarding amount or timing of accrued liabilities is generally much less than for provisions.
▶ SEE NOTE 20

Pensions and similar obligations

Provisions and expenses for pensions and similar obligations relate to the company's obligations for defined benefit and defined contribution plans. The obligations under defined benefit plans are determined separately for each plan by valuing the employee benefits accrued in return for their service during the current and prior periods. These benefit accruals are discounted to calculate their present value, and the fair value of any plan assets is deducted in order to determine the net liability. The discount rate is set on the basis of yields of high-quality fixed-rate corporate bonds at the balance sheet date provided there is a deep market for such corporate bonds in a given currency. Otherwise, government bond yields are used as a reference. Calculations are performed by qualified actuaries using the 'projected unit credit method' in accordance with IAS 19 Employee Benefits. Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated income statement as incurred. ▶ SEE NOTE 23

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of adidas. Additionally, contingent liabilities may be present obligations that arise from past events, but which are not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed and explained in the Notes. ▶ SEE NOTE 38

Treasury shares

When adidas AG shares are repurchased and recognized as treasury shares, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. The nominal value of € 1 per treasury share is debited to share capital. Any premium or discount to the nominal value is shown as an adjustment to the retained earnings. If treasury shares are sold or reissued, the nominal value of the shares will be credited to share capital and the amount exceeding the nominal value will be added to the retained earnings.

Revenue

Revenue derived from the sale of goods is recognized when adidas has satisfied the respective performance obligation by transferring the promised goods to the customer. The goods are transferred at the point in time when the customer obtains control of the respective goods. The timing of the transfer of control depends on the individual terms of the sales agreement (terms of delivery).

The amount of revenue to be recognized is determined based on the consideration adidas expects to be entitled to in exchange for transferring the promised goods or services to the customer, taking into account returns, discounts, and rebates.

Under certain conditions and in accordance with contractual agreements, the company's customers have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are accrued based on past experience of average return rates and average actual return periods by means of a refund liability. The return assets are measured at the carrying amount of the inventories/products, less any handling costs and any potential impairment.

Provided that the customers meet certain predefined conditions, adidas grants its customers different types of globally aligned performance-based rebates. Examples include rebates for customers' increasing adidas product sales, for customer loyalty, and for sell-out support, e.g., through retail space/franchise store management. As soon as it is assumed that the customer fulfills the requirements for being granted the rebate, this amount is recognized as a sales deduction via an accrued liability for marketing and sales.

In addition, adidas generates revenue from the licensing-out of the right to use the brands to third parties. The resulting sales-based royalty and commission income is recognized based on the contract terms on an accrual basis, i.e., revenue is already realized even though the payment takes place at a later point in time. Contracts with guaranteed minimum income result in contract assets and contract liabilities depending on the timing of yearly payments received from customers. The performance obligation related to these contract assets and liabilities is satisfied over the life of the contract, i.e., the guaranteed minimum income per year is evenly distributed over twelve months, whereby payments are recorded as arranged in the contract with the customer.

Advertising and promotional expenditure

Advance payments for media campaigns are included in prepaid expenses within other current and non-current assets until the services are received, and upon receipt are expensed in full. Significant costs for media campaigns are expensed on a straight-line basis over the intended duration of the media campaign.

Promotional expenses including one-time up-front payments for promotion contracts are principally expensed on a straight-line basis over the term of the agreement.

Interest

Interest is recognized as income or expense as incurred using the 'effective interest method' with the exception of interest that is directly attributable to the acquisition, construction, or production of a qualifying asset. This interest is capitalized as part of the cost of the qualifying asset.

Interest paid is presented within the net cash used in financing activities.

Government grants

adidas receives government grants in the form of subsidies, subventions, or premiums from local, national, or international government authorities such as those of the Free State of Bavaria, the Federal Republic of Germany, and the European Union.

Government grants are recognized if there is adequate certainty that the grants will be received and that the company satisfies the conditions attached.

Government grants are reported in the consolidated income statement as a deduction from the related expenses.

Income taxes

Current income taxes are computed in accordance with the applicable taxation rules established in the countries in which adidas operates.

adidas computes deferred taxes for all temporary differences between the carrying amount and the tax base of its assets and liabilities as well as for tax loss carry-forwards. As it is not permitted to recognize a deferred tax liability for the initial recognition of goodwill, adidas does not compute any deferred taxes thereon.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets arising from deductible temporary differences and tax loss carry-forwards that exceed taxable temporary differences are only recognized to the extent that it is probable that the entity concerned will generate sufficient taxable income to realize the associated benefit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Income tax is recognized in the consolidated income statement unless it relates to items recognized directly in equity, in which case it is recognized in equity. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

When there is uncertainty over income tax treatments, adidas recognizes and measures current or deferred tax assets or liabilities applying the requirements of IAS 12 and IFRIC 23. On a case-by-case basis, adidas determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, depending on which approach better predicts the resolution of the uncertainty.

Where it is not considered probable that the tax authority will accept an uncertain tax treatment, adidas reflects the effects of the uncertainty by using one of the following methods, depending on which method better predicts the resolution of the uncertainty:

- the single most likely amount or
- the expected value based on the sum of the probability-weighted amounts.

In assessing whether and how an uncertain tax treatment affects the determination of taxable profits (tax losses), tax bases, unused tax losses, unused tax credits, and tax rates, adidas assumes that a taxation authority will examine amounts it has a right to examine and will have full knowledge of all relevant information when making those examinations. ► SEE NOTE 34

Share-based payment

The cost of equity-settled share-based payment transactions with employees is determined by the fair value at the grant date using an appropriate valuation model. That cost is recognized in personnel expenses, together with a corresponding increase in equity (retained earnings), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. ► SEE NOTE 26

Service-independent and non-market performance conditions are not taken into account when determining the fair value of awards at the grant date, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. If the estimate is changed, even a credit in the consolidated income statement for the period can be possible as it reflects the movement in cumulative expenses from the beginning to the end of that period.

No expense is recognized for awards that do not ultimately vest if non-market performance and/or service conditions have not been met.

Equity-settled share-based payment transactions with parties other than employees are generally measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payment transactions, the goods or services acquired, and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is remeasured at the end of each reporting period and at the date of settlement, with all changes in fair value recognized in profit or loss for the period.

Estimation uncertainties and judgments

The preparation of financial statements in conformity with IFRS requires the use of assumptions and estimates that affect reported amounts and related disclosures. Although such estimates are based on the best of our knowledge of current events and actions, actual results may ultimately differ from these estimates. In 2023, assumptions and estimates continued to be significantly impacted especially by the increased macroeconomic and geopolitical challenges.

As a result of the termination of the Yeezy partnership, judgments were made in the preparation of the consolidated financial statements, in particular with regard to the valuation of existing inventories, as well as in the assessment of the litigation risks in the context of the ongoing arbitration proceedings, including the counterclaim filed by the defendants. ▶ SEE NOTE 07 ▶ SEE NOTE 38

The key assumptions concerning further future and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined in the respective Notes, which include in particular accounts receivable, inventories, right-of-use-assets, goodwill, other provisions, pensions, derivatives, and income taxes, as well as other financial commitments and contingencies. ▶ SEE NOTE 05 ▶ SEE NOTE 07 ▶ SEE NOTE 10 ▶ SEE NOTE 11 ▶ SEE NOTE 18 ▶ SEE NOTE 23 ▶ SEE NOTE 28 ▶ SEE NOTE 34 ▶ SEE NOTE 38

Judgments have also been used in determining the lease term for lease contracts. ▶ SEE NOTE 10 ▶ SEE NOTE 19

03 Discontinued operations

The position of discontinued operations mainly includes the Reebok business, which was sold on February 28, 2022 with effect from March 1, 2022. The majority of the purchase price was paid at closing, with the remainder comprising deferred and contingent consideration. The fair value of earn-out components was determined using the discounted cash flow method, considering Monte Carlo Simulations.

The profit from discontinued operations for 2023 in the amount of € 44 million (2022: € 384 million) is fully attributable to the shareholders of adidas AG.

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

At year-end 2023, the fair value was reestimated to be € 301 million (2022: € 227 million). The gain of € 74 million compared with the fair value at year-end 2022 is presented in discontinued operations net of related income tax.

Additionally, as contemplated in the sale agreement relating to the Reebok business, the sale was subject to deferred considerations for inventory and contractually specified items, which were settled by the end of the first half year 2023 (2022: € 274 million).

Notes to the Consolidated Statement of Financial Position

04 Cash and cash equivalents

Cash and cash equivalents consist of cash held by banks, cash on hand, and short-term deposits.

Short-term deposits are only shown as cash and cash equivalents if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The credit risk of cash and cash equivalents measured at amortized cost is insignificant due to their short-term maturity, counterparties' investment grade credit ratings, and established exposure limits. Therefore, adidas does not recognize any credit impairment losses for these financial assets.

As of December 31, 2023 cash and cash equivalents includes cash in banks and cash on hand amounting to € 596 million (2022: € 726 million) and money market funds amounting to € 835 million (2022: € 72 million). In addition, cash and cash equivalents includes € 211 million and € 155 million as of December 31, 2023 and 2022, respectively, held by subsidiaries that were subject to foreign exchange control (e.g. Russia, Argentina) or other legal restriction and hence were not at anytime available for general use by adidas AG or other subsidiaries.

Further information about cash and cash equivalents is presented in these Notes. ▸ SEE NOTE 28

05 Accounts receivable

Accounts receivable consist mainly of the currencies US dollar, euro, and Chinese renminbi and are as follows:

Accounts receivable € in millions

	Collective loss allowance				Individual loss allowance	Total
	Not yet due	Past due 31 – 90 days	Past due > 90 days			
	Not credit-impaired	Not credit-impaired	Not credit-impaired	Credit-impaired	Credit-impaired	
Dec. 31, 2023						
Accounts receivable, gross	1,678	239	49	43	127	2,135
Weighted average loss rate	1.6%	8.6%	29.3%	97.0%	99.1%	10.7%
Loss allowance	(28)	(21)	(14)	(41)	(126)	(229)
Accounts receivable, net	**1,650**	**219**	**34**	**1**	**1**	**1,906**
Dec. 31, 2022						
Accounts receivable, gross	2,073	428	60	63	135	2,759
Weighted average loss rate	1.5%	6.2%	22.0%	42.8%	98.2%	8.3%
Loss allowance	(31)	(26)	(13)	(27)	(133)	(230)
Accounts receivable, net	**2,042**	**402**	**47**	**36**	**2**	**2,529**

Movement in loss allowances for accounts receivable € in millions

	2023	2022
Loss allowances at January 1	**230**	**208**
Net remeasurement of loss allowances	6	33
Write-offs charged against the loss allowance accounts	(8)	(12)
Currency translation differences	(2)	0
Other changes	3	1
Loss allowances at December 31	**229**	**230**

As at December 31, 2023, the loss allowance for not-credit-impaired accounts receivable in the amount of € 244 million and credit-impaired accounts receivable in the amount of € 6 million was not recognized as adidas holds credit enhancement instruments, mainly in the form of credit insurance and bank guarantees, which mitigate the credit risk of those financial assets.

There are no material balances of accounts receivable written off but subject to enforcement activity.

Accounts receivable are derecognized when substantially all the risks and rewards incidental to the financial asset are transferred to a third party under factoring arrangements. As of December 31, 2023, accounts receivable amounting to € 70 million (2022: € 112 million) were derecognized in connection with factoring agreements in Japan. The purchase price corresponds to the nominal amount of the respective receivable, less any deductions relating to the receivable (e.g. discounts) granted by adidas to the debtor and less the factoring fee and interest. The factoring fee amounts to 0.08% of the nominal amount of the purchased receivables. Interest on the disbursed purchase price is based on an interest rate composed of the 'Tokyo Interbank Offered Rate' (reference interest rate) plus a margin of 0.19% to 1.33% p.a. and is paid for the period from the disbursement of the purchase price portion to the settlement of the receivable by the debtor.

Further information about credit risks is contained in these Notes. ▶ SEE NOTE 28

06 Other current financial assets

Other current financial assets consist of the following:

Other current financial assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Currency options	8	10
Forward exchange contracts	80	222
Suppliers with debit balances	37	47
Security deposits	50	46
Receivables from credit cards and similar receivables	269	201
Customs	140	46
Receivables from retail business	71	79
Other investments	14	78
Deferred consideration of Reebok sale	–	241
Sundry	104	68
Other current financial assets, gross	**773**	**1,038**
Less: accumulated allowances	(18)	(24)
Other current financial assets, net	**755**	**1,014**

Further information about currency options and forward exchange contracts is contained in these Notes.
▶ SEE NOTE 28

07 Inventories

Inventories by major classification are as follows:

Inventories € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Gross value	Allowance for obsoles-cence	Net value	Gross value	Allowance for obsoles-cence	Net value
Merchandise and finished goods on hand	3,611	(317)	3,294	4,522	(225)	4,297
Goods in transit	1,222	–	1,222	1,667	–	1,667
Raw materials	8	–	8	9	–	9
Work in progress	0	–	0	–	–	–
Inventories	**4,841**	**(317)**	**4,525**	**6,198**	**(225)**	**5,973**

Goods in transit mainly relate to shipments of finished goods and merchandise from suppliers in Asia to subsidiaries in Europe, North America, Asia, and Latin America.

Expenses from write-down on inventories amounted to € 145 million in 2023 (2022: € 137 million).

As of December 31, 2023, inventories include Yeezy products in the amount of approximately € 250 million. This includes impairment losses of € 12 million in 2023, which were recognized based on management estimates.

08 Other current assets

Other current assets consist of the following:

Other current assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	295	250
Return assets	275	338
Tax receivables other than income taxes	373	632
Contract assets	10	15
Sundry	54	90
Other current assets, gross	**1,007**	**1,323**
Less: accumulated allowances	(4)	(8)
Other current assets, net	**1,003**	**1,316**

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

09 Property, plant, and equipment

The following table presents a reconciliation of the carrying amount of property, plant, and equipment:

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Construction in progress	Property, plant, and equipment
Acquisition cost					
January 1, 2022	**2,093**	**473**	**1,794**	**212**	**4,571**
Additions	125	17	232	131	504
Disposals	(42)	(13)	(161)	(4)	(218)
Transfers	72	(9)	33	(108)	(12)
Decrease in companies consolidated	(3)	(1)	(2)	1	(4)
Currency translation differences	45	13	9	(1)	66
December 31, 2022/ January 1, 2023	**2,290**	**480**	**1,906**	**230**	**4,907**
Additions	86	18	166	93	363
Disposals	(35)	(18)	(150)	(5)	(207)
Transfers	25	65	20	(155)	(46)
Decrease in companies consolidated	–	–	(0)	–	(0)
Currency translation differences	(66)	(15)	(63)	(7)	(152)
December 31, 2023	**2,300**	**530**	**1,878**	**156**	**4,864**
Accumulated depreciation and impairment					
January 1, 2022	**704**	**276**	**1,336**	**0**	**2,316**
Depreciation	139	47	242	–	429
Impairment losses	33	6	27	–	66
Reversals of impairment losses	(1)	(0)	(2)	–	(3)
Disposals	(32)	(12)	(150)	(0)	(194)
Transfers	(0)	(0)	0	–	(0)
Decrease in companies consolidated	(3)	(1)	(2)	0	(6)
Currency translation differences	9	8	5	(0)	21
December 31, 2022/ January 1, 2023	**849**	**324**	**1,455**	**0**	**2,628**

Property, plant, and equipment € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Construction in progress	Property, plant, and equipment
Depreciation	144	49	201	–	394
Impairment losses	16	0	4	0	21
Reversals of impairment losses	(2)	(2)	(8)	–	(12)
Disposals	(26)	(15)	(140)	–	(182)
Transfers	(21)	(4)	(15)	(0)	(40)
Decrease in companies consolidated	–	–	(0)	–	(0)
Currency translation differences	(37)	(12)	(52)	(0)	(101)
December 31, 2023	**922**	**340**	**1,445**	**0**	**2,707**
Net carrying amount					
January 1, 2022	1,389	197	458	212	2,256
December 31, 2022/ January 1, 2023	1,442	156	450	230	2,279
December 31, 2023	**1,378**	**190**	**434**	**156**	**2,157**

As a general principle, it is regularly assessed whether there are any indications that property, plant and equipment might be impaired.

Irrespective of the existence of such indications, furniture and fixtures in adidas' own retail stores as part of the cash-generating unit are tested annually for impairment, whereby the recoverable amount (value in use) of the cash-generating unit, as part of determining the profitability of adidas' own retail stores, is calculated using the 'discounted cash flow method.'

Impairment losses recognized in 2023 mainly relate to the company's own retail activities, for which, contrary to initial expectations, no sufficient future economic benefit is expected.

In 2023, impairment losses of € 21 million were recognized for property, plant and equipment. They are mainly attributable to China with € 10 million, North America with € 6 million and EMEA with € 3 million. The reversals of impairment losses of € 12 million are mainly attributable to EMEA with € 7 million and China with € 5 million. Both were recognized in the other operating expenses. These Notes provide further information on the methodology on impairment losses for adidas' own-retail stores. ▶ SEE NOTE 10

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ▶ SEE NOTE 31

10 Right-of-use assets

The following table presents a reconciliation of the carrying amount of right-of-use assets:

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Right-of-use assets
January 1, 2023	**2,600**	**31**	**34**	**2,665**
Additions	307	7	21	335
Disposals	(79)	(7)	(0)	(87)
Depreciation	(556)	(14)	(19)	(590)
Impairment losses	(86)	–	–	(86)
Reversal of impairment losses	29	–	–	29
Currency translation differences	(71)	(0)	(1)	(72)
Other	51	–	1	52
December 31, 2023	**2,195**	**17**	**36**	**2,247**

Right-of-use assets € in millions

	Land and buildings	Technical equipment and machinery	Other equipment, furniture, and fixtures	Right-of-use assets
January 1, 2022	**2,493**	**52**	**24**	**2,569**
Additions	853	10	28	892
Disposals	(68)	–	–	(67)
Depreciation	(639)	(32)	(19)	(690)
Impairment losses	(60)	–	–	(60)
Reversal of impairment losses	1	–	–	1
Currency translation differences	18	0	–	19
Net change due to remeasurements	3	–	–	3
December 31, 2022	**2,600**	**31**	**34**	**2,665**

As a general principle, it is regularly assessed whether there are any indications that right-of-use assets might be impaired. Irrespective of the existence of such indications, right-of-use assets in adidas' own retail stores are tested annually for impairment, whereby the recoverable amount (value in use) of the cash generating unit, as part of determining the profitability of adidas' own retail stores, is calculated using the 'discounted cash flow method.'

In 2023, impairment losses of € 86 million were recognized. Of those, € 65 million are related to the company's own retail activities, for which, in contrast to expectations in the previous year, lower future economic benefits are expected, and € 23 million to a warehouse in EMEA, which was written down due to an early termination of the contract.

Impairment losses relating to retail stores are mainly attributable to EMEA with € 24 million, North America with € 20 million, Asia-Pacific with € 16 million and Greater China with € 7 million. Discount rates between 2.0% and 34.0% were used to calculate the impairment for the value in use. The recoverable amounts of adidas´own retail stores break down into North America at € 253 million, Greater China at € 105 million, Asia-Pacific at € 83 million, EMEA at € 81 million, and Latin America at € 15 million.

In 2023, reversals of impairment losses of € 29 million were incurred. They mainly result from EMEA. The impairment losses and reversals of impairment losses were recognized in the other operating expenses.

The income from subleasing of right-of-use assets recognized in the consolidated income statement in 2023 amounts to € 2 million (2022: € 3 million).

Further information on total depreciation and amortization expenses, impairment losses and reversals of impairment losses is provided in these Notes. ▶ SEE NOTE 31

11 Goodwill

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

Goodwill € in millions

	Dec. 31, 2023	Dec. 31, 2022
Goodwill, gross	1,647	1,680
Less: accumulated impairment losses	(409)	(420)
Goodwill, net	**1,238**	**1,260**

adidas determines whether goodwill impairment is necessary at least on an annual basis. The impairment test for goodwill is performed based on groups of cash-generating units that represent the lowest level within the company at which goodwill is monitored for internal management purposes. This requires an estimation of the recoverable amount of the groups of cash-generating units to which the goodwill is allocated. The recoverable amount of a group of cash-generating units is determined based on its value in use. Estimating the value in use requires adidas to make an estimate of the expected future cash flows from the groups of cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows.

This calculation uses cash flow projections based on the financial planning covering a four-year period in total. The planning is based on long-term expectations of the company and reflects an average annual high-single-digit sales increase with varying forecast growth prospects for the different groups of cash-generating units. Furthermore, adidas expects the operating margin to improve to a level of low double-digit profitability for the company by 2027, primarily driven by an improvement in gross margin, as well as lower operating expenses as a percentage of sales. The planning for capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual groups of cash-generating units. Cash flows beyond this four-year period are extrapolated using steady growth rates between 1.5% and 2.2% (2022: 1.7%). According to the company's expectations, these growth rates do not exceed the long-term average growth rate of the business sector in which the respective group of cash-generating units operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing major competitors for the respective group of cash-generating units. The discount rates used reflect the specific equity and country risk of the respective group of cash-generating units.

The groups of cash-generating units are defined as the regional markets that are responsible for the distribution of the adidas brands. The regional markets are Europe, Middle East and Africa (EMEA), North America, Greater China, Asia-Pacific, and Latin America. The number of groups of cash-generating units amounted to a total of five at the end of 2023 and 2022, respectively.

The goodwill impairment tests revealed no need for goodwill impairment for the years ending December 31, 2023 and 2022.

The carrying amounts of acquired goodwill allocated to the respective groups of cash-generating units and the respective discount rates applied to the cash flow projections are as follows:

Allocation of goodwill

	Goodwill (€ in millions)		Discount rate (pre-tax)	
	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
EMEA	706	720	16.2%	14.5%
North America	77	77	12.9%	12.4%
Greater China	293	299	14.2%	13.4%
Asia-Pacific	162	164	14.5%	14.1%
Total	**1,238**	**1,260**		

A change in the discount rate by up to approximately 1.6 percentage points or a reduction of planned free cash inflows by up to approximately 15.2% would not result in any impairment requirement of the cash generating unit North America.

Among the remaining cash generating units, neither a change in the discount rate by up to approximately 5.8 percentage points, nor a reduction of planned free cash inflows by up to approximately 36.9% would result in any impairment requirement.

Future changes in expected cash flows and discount rates may lead to impairments of the reported goodwill in the future.

The majority of goodwill is denominated in US dollars. The effect of currency translation is as follows:

Reconciliation of goodwill, net € in millions

	EMEA	North America	Greater China	Asia-Pacific	Total
December 31, 2022	**720**	**77**	**299**	**164**	**1,260**
Currency translation differences	(14)	0	(6)	(2)	(23)
December 31, 2023	**706**	**77**	**293**	**162**	**1,238**

12 Other intangible assets

Other intangible assets consist of the following:

Other intangible assets € in millions

	Internally developed intangible assets	Other intangible assets
Acquisition cost		
January 1, 2022	**23**	**1,233**
Additions	24	168
Disposals	–	(15)
Transfers	–	15
Decrease in companies consolidated	–	(35)
Currency translation differences	–	13
December 31, 2022/January 1, 2023	**46**	**1,379**
Additions	32	109
Disposals	(1)	(20)
Transfers	–	(105)
Decrease in companies consolidated	–	(0)
Currency translation differences	–	(12)
December 31, 2023	**78**	**1,351**
Accumulated amortization and impairment		
January 1, 2022	**20**	**883**
Amortization	1	100
Impairment losses	–	28
Disposals	–	(14)
Transfers	–	3
Decrease in companies consolidated	–	(35)
Currency translation differences	–	10
December 31, 2022/January 1, 2023	**22**	**974**
Amortization	6	106
Impairment losses	–	10
Reversals of impairment losses	–	(0)
Disposals	(0)	(12)
Transfers	–	(110)
Decrease in companies consolidated	–	(0)
Currency translation differences	–	(8)
December 31, 2023	**27**	**959**
Net carrying amount		
January 1, 2022	2	350
December 31, 2022/January 1, 2023	25	405
December 31, 2023	**50**	**392**

Further information on total depreciation and amortization expenses, impairment losses, and reversals of impairment losses is provided in these Notes. ▶ SEE NOTE 31

13 Long-term financial assets

Long-term financial assets primarily include an 8.33% investment in FC Bayern München AG (2022: 8.33%) of € 89 million (2022: € 87 million). This investment is classified as fair value through profit or loss and is recorded at fair value. This equity security does not have a quoted market price in an active market. Therefore, existing contractual arrangements are used in order to calculate the fair value as at December 31, 2023 and 2022.

Other equity investments include minority shareholdings. There is currently no intention to sell these shares. Other minority shareholdings include a decrease of the fair value in an amount of € 5 million in 2023 (2022: € 1 million increase).

The line item 'Other investments' comprises investments that are mainly invested in insurance products, which are measured at fair value, and securities for long-term variable compensation components. Other investments include a decrease of the fair value in an amount of € 6 million in 2023 (2022: € 1 million increase).

Long-term financial assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Investment in FC Bayern München AG	89	87
Other equity investments	85	88
Other investments	127	125
Loans	–	0
Long-term financial assets	**301**	**301**

14 Other non-current financial assets

Other non-current financial assets consist of the following:

Other non-current financial assets € in millions

	Dec. 31. 2023	Dec. 31. 2022
Forward exchange contracts	2	3
Security deposits	78	80
Earn-out components	301	227
Sundry	37	26
Other non-current financial assets	**418**	**336**

Further information about forward exchange contracts is contained in these Notes. ▶ SEE NOTE 28

Further information about earn-out components is provided in these Notes. ▶ SEE NOTE 03 ▶ SEE NOTE 28

15 Other non-current assets

Other non-current assets consist of the following:

Other non-current assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Prepaid expenses	47	75
Sundry	2	2
Other non-current assets	**49**	**76**

Prepaid expenses mainly relate to long-term promotion contracts. ▶ SEE NOTE 38

16 Borrowings and credit lines

Borrowings are denominated in a variety of currencies in which adidas conducts its business. The largest portion of effective gross borrowings (before liquidity swaps for cash management purposes) as at December 31, 2023, is denominated in euros (2023: 99%; 2022: 100%).

The weighted average interest rate on the Group's gross borrowings increased to 1.6% in 2023 (2022: 0.8%).

As at December 31, 2023, adidas had cash credit lines and other long-term financing arrangements totaling € 6.5 billion (2022: € 7.5 billion); thereof unused credit lines accounted for € 3.6 billion (2022: € 4.0 billion). In addition, as at December 31, 2023, adidas had separate lines for the issuance of letters of credit and guarantees in an amount of approximately € 0.4 billion (2022: € 0.5 billion).

In November 2020, adidas entered into a new syndicated credit facility agreement with twelve banks totaling € 1.5 billion. The credit facility agreement was subsequently amended and restated in October 2021 and in November 2022 increasing the size to € 2.0 billion, covered by eleven partner banks, and extending the maturity until November 2027. In December 2023, adidas reduced the syndicated credit facility size to € 1.864 billion and the number of lending banks to ten partner banks. The syndicated credit facility can be drawn in euros and US dollars. The interest bearing is based on a defined margin on a reference rate (‚€STR' or ‚EURIBOR' for euros).

The amounts reported as gross borrowings represent outstanding borrowings under the following arrangements with aggregated expiration dates as follows:

Gross borrowings as at December 31, 2023 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	49	37	7	–	93
Eurobond	500	898	497	991	2,886
Equity-neutral convertible bond	–	–	–	–	–
Total	**549**	**935**	**504**	**991**	**2,979**

Gross borrowings as at December 31, 2022 € in millions

	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Bank borrowings incl. commercial paper	29	37	26	–	93
Eurobond	–	998	398	1,487	2,883
Equity-neutral convertible bond	498	–	–	–	498
Total	**527**	**1,035**	**424**	**1,487**	**3,473**

The eurobond issued in October 2014 with a term of twelve years and a volume of € 400 million has a coupon of 2.25% and matures in October 2026. The eurobond was issued with a denomination of € 1,000. The bond was issued with a spread of 100 basis points over the corresponding average euro swap rate, with the issue price being 99.357%.

In 2020, adidas issued three rated eurobonds with a size of € 500 million and denominations of € 100,000 each. The four-year eurobond maturing in September 2024, with a coupon of 0.00% and the 15-year eurobond maturing in September 2035, with a coupon of 0.625% were issued in September 2020. These bonds were priced with a spread of 33 basis points and 63 basis points, respectively, above the corresponding euro mid-swap rate. The issue price was fixed at 100.321% and 99.360%, respectively. In adidas' inaugural sustainability bond placement in September 2020, an eight-year eurobond was issued with a coupon of 0.00% maturing in October 2028. The sustainability bond was priced with a spread of 40 basis points above the corresponding euro mid-swap rate. The issue price was fixed at 99.410%. Proceeds from the issuance were used in accordance with adidas' sustainability bond framework. Eligible sustainable projects include investments into sustainable materials and processes, as well as projects with a positive impact on the community. More specifically, this includes the sourcing of recycled materials for sustainably manufactured products, investments into renewable energy production and energy-efficient buildings,and various initiatives aimed at creating lasting change in underrepresented communities.

In November 2022 adidas AG issued two eurobonds with a size of € 500 million each. The three-year eurobond maturing in November 2025 bears a coupon of 3.00% and was issued at 99.901% issue price. The seven-year eurobond maturing in November 2029 bears a coupon of 3.125% and was issued at 99.272% issue price. These bonds were priced with a spread of 20 and 45 basis points, respectively, above the corresponding euro mid-swap rate.

In September 2018, adidas AG issued a € 500 million equity-neutral convertible bond with a coupon of 0.05% which was redeemed on September 12, 2023.

Further details on future cash outflows are provided in these Notes. ▶ SEE NOTE 28

17 Other current financial liabilities

Other current financial liabilities consist of the following:

Other current financial liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	103	146
Customer with credit balances	94	68
Revaluation of total return swap[1]	–	46
Embedded derivatives	1	0
Sundry	67	164
Other current financial liabilities	**266**	**424**

1 Since the financial year 2023, the change in the fair value of the total return swap is presented together with the original investment as one unit of account within other current financial assets respectively long-term financial assets. The change in the fair value of the total return swap is shown in the Note 'Financial instruments'.

The line item 'Sundry' mainly relates to payables due to customs authorities.

Further information about forward exchange contracts is contained in these Notes. ▶ SEE NOTE 28

18 Other provisions

Other provisions consist of the following:

Other provisions € in millions

	Jan. 1, 2023	Additions	Change in discounted amount	Usage	Reversals	Currency translation differences	Dec. 31, 2023	Thereof non-current
Marketing	26	9	–	(14)	(1)	10	29	0
Personnel	222	133	(6)	(105)	(20)	(11)	214	73
Returns and warranty	815	563	2	(656)	(29)	(49)	646	–
Taxes, other than income taxes	71	18	(3)	(20)	(10)	(4)	53	–
Customs	267	57	(10)	(31)	(26)	(5)	253	70
Sundry	275	136	–	(73)	(15)	(7)	317	44
Other provisions	**1,677**	**916**	**(16)**	**(899)**	**(101)**	**(67)**	**1,511**	**188**

Marketing provisions mainly consist of provisions for promotion contracts, which are comprised of obligations to clubs and athletes.

Provisions for personnel mainly consist of provisions for short- and long-term variable compensation components as well as of provisions for social plans relating to restructuring measures.

Provisions for returns and warranty primarily arise due to the obligation of fulfilling customer claims with regard to the return of products sold by adidas. The amount of the provision follows the historical development of returns and warranty as well as current agreements.

Provisions for taxes other than income taxes mainly relate to value added tax, real estate tax, and motor vehicle tax.

Sundry provisions mainly include provisions for onerous contracts as well as for dismantling and restoration costs.

Non-current provisions mainly consist of provisions for long-term variable compensation components with a time frame of three to four years, discounted with country-specific interest rates.

Management follows past experience from similar transactions when assessing the recognition and the measurement of provisions; in particular, external legal opinions are considered for provisions for customs risks and for litigation and other legal risks. All evidence from events until the preparation of the consolidated financial statements is taken into account.

19 Lease liabilities

Lease liabilities consist of the following:

Lease liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Land and buildings	2,528	2,918
Technical equipment and machinery	17	33
Other equipment, furniture and fixtures	38	35
Lease liabilities	**2,584**	**2,986**

The contractual payments for lease liabilities held by adidas as at December 31, 2023, in an amount of € 3.0 billion (2022: € 3.4 billion), mature as follows:

Contractual payments for lease liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	652	715
Between 1 and 5 years	1,571	1,760
After 5 years	765	901
Total	**2,988**	**3,376**

Interest recognized on lease liabilities in 2023 amounted to € 86 million (2022: € 83 million).

Expenses from leases classified as short-term, low-value, or variable are excluded from the measurement of the lease liability. Further information on total expenses relating to short-term, low-value, and variable leases is provided in these Notes. ▸ SEE NOTE 31

In 2023, the total cash outflows for leases, including the above-mentioned leases not included in the calculation of the lease liability, amounted to € 831 million (2022: € 846 million).

20 Accrued liabilities

Accrued liabilities consist of the following:

Accrued liabilities € in millions

	Dec. 31, 2023	Thereof: non-current	Dec. 31, 2022	Thereof: non-current
Goods and services not yet invoiced	835	–	994	4
Marketing and sales	969	–	1,124	3
Personnel	439	–	258	0
Sundry	30	–	42	–
Accrued liabilities	**2,273**	**–**	**2,419**	**7**

Accrued liabilities for marketing and sales mainly consist of accruals for distribution, such as discounts, rebates, and sales commissions.

Accrued liabilities for personnel mainly consist of accruals for outstanding salary payments, such as bonuses and overtime, as well as outstanding vacation.

Sundry accrued liabilities include accruals for interest.

21 Other current liabilities

Other current liabilities consist of the following:

Other current liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Tax liabilities other than income taxes	247	248
Liabilities due to personnel	37	52
Liabilities due to social security	28	33
Deferred income	108	77
Contract liabilities	1	3
Donation pledge	20	–
Sundry	47	39
Other current liabilities	**488**	**452**

In 2023, the line item 'Sundry' mainly relates to marketing expenses.

22 Other non-current financial liabilities

Other non-current financial liabilities consist of the following:

Other non-current financial liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	6	6
Currency options	–	1
Revaluation of total return swap[1]	–	37
Other non-current financial liabilities	**6**	**44**

1 Since the financial year 2023, the change in the fair value of the total return swap is presented together with the original investment as one unit of account within other current financial assets respectively long-term financial assets. The change in the fair value of the total return swap is shown in the Note 'Financial instruments'.

Further information about forward exchange contracts is provided in these Notes. ▶ SEE NOTE 28

23 Pensions and similar obligations

adidas has recognized post-employment benefit obligations arising from defined benefit plans. The benefits are provided pursuant to the legal, fiscal, and economic conditions in each respective country and mainly depend on the employees' years of service and remuneration.

Pensions and similar obligations € in millions

	Dec. 31, 2023	Dec. 31, 2022
Liability arising from defined benefit pension plans	136	114
Similar obligations	0	1
Pensions and similar obligations	**136**	**115**

The liability arising from defined benefit pension plans consists on the one hand of assets from defined benefit pension plans in an amount of € 3 million (2022: € 4 million), and on the other hand of provisions for pensions and similar obligations in an amount of € 139 million (2022: € 118 million).

Defined contribution pension plans

The total expense for defined contribution pension plans amounted to € 82 million in 2023 (2022: € 91 million).

Defined benefit pension plans

Given the company's diverse subsidiary structure, different defined benefit pension plans exist, comprising a variety of post-employment benefit arrangements. The company's major defined benefit pension plans relate to adidas AG and its subsidiary in the UK. The defined benefit pension plans generally provide payments in case of death, disability, or retirement to former employees and their survivors. The obligations arising from defined benefit pension plans are partly covered by plan assets. In addition, there are significant obligations from a plan to cover the medical costs of pensioners in the USA.

In Germany, adidas AG grants its employees contribution-based and final-salary-defined benefit pension schemes, which provide employees with entitlements in the event of retirement, disability, and death. German pension plans operate under the legal framework of the German Company Pensions Act

('Betriebsrentengesetz') and under general German labor legislation. Active existing employees and new entrants are entitled to benefits in accordance with the general company agreement 'Core Benefits: adidas company pension plan.' This is a pension plan with a basic employer contribution, possible salary sacrifices, and additional matching contribution. Thus, the contributions to this pension plan are partly paid by the employee and partly paid by the employer. The contributions are transferred into benefit components. The benefits are paid out in the form of a pension, a lump sum, or installments. The pension plans in Germany are financed using book reserves, a contractual trust arrangement (CTA) and, for certain former members of the Executive Board of adidas AG, a pension fund ('Pensionsfonds') in combination with a reinsured provident fund ('Unterstützungskasse').

The final salary defined benefit pension scheme in the UK is closed to new entrants and to future accrual. The benefits are mainly paid out in the form of pensions. The scheme operates under UK trust law as well as under the jurisdiction of the UK Pensions Regulator and therefore is subject to a minimum funding requirement. The Trustee Board is responsible for setting the scheme's funding objective, agreeing the contributions with the company, and determining the investment strategy of the scheme.

The legal framework for employer-provided benefits to cover healthcare costs for retirees in the United States is primarily governed by the Employee Retirement Income Security Act (ERISA) and the Internal Revenue Code (IRC). These laws establish the rules and regulations that employers must follow when providing these benefits to their employees. The fully unfunded medical plan is open to new participants who have, at the end of their employment, completed at least 10 years of service, are at least 55 years of age, and are entitled to subsidized medical care. The plan provides medical, pharmaceutical, dental and ophthalmologic services from retirement until maximum the age of 65 (or without age limit until death for a closed group of retirees). At age 65 they are expected to receive state medical benefits from US Medicare.

Breakdown of the present value of the significant obligations arising from defined benefit pension € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Active members	217	–	21	200	–	21
Former employees with vested rights	163	32	–	131	31	–
Pensioners	99	5	10	91	6	10
Total	**478**	**37**	**31**	**422**	**37**	**31**

The Group's pension plans are subject to risks from changes in actuarial assumptions, such as the discount rate, salary, and pension increase rates, and risks from changes in mortality. A lower discount rate results in a higher defined benefit obligation and/or in higher contributions to the pension funds. Lower than expected performance of the plan assets could lead to an increase in required contributions or to a decline of the funded status.

The following tables analyze the defined benefit plans, plan assets, present values of the defined benefit pension plans, expenses recognized in the consolidated income statement, actuarial assumptions, and further information.

Amounts for defined benefit pension plans recognized in the consolidated statement of financial position € in millions

	Dec. 31, 2023	Dec. 31, 2022
Present value of funded obligation from defined benefit pension plans	568	507
Fair value of plan assets	(492)	(453)
Funded status	**76**	**54**
Present value of unfunded obligation from defined benefit pension plans	57	55
Effect of asset ceiling in accordance with IAS 19.64	3	4
Net defined benefit liability	**136**	**114**
Thereof: liability	139	118
Thereof: adidas AG	72	55
Thereof: asset	(3)	(4)
Thereof: adidas AG	–	–

The determination of assets and liabilities for defined benefit plans is based on actuarial valuations. In particular, the present value of the defined benefit obligation is driven by financial variables (such as the discount rates or future increases in salaries) and demographic variables (such as mortality and employee turnover). The actuarial assumptions may differ significantly from the actual circumstances and could lead to different cash flows.

Weighted average actuarial assumptions in %

	Dec. 31, 2023	Dec. 31, 2022
Discount rate	3.9	4.4
Expected rate of salary increases	4.2	4.0
Expected pension increases	2.1	2.1

Breakdown of the acturial assumptions in %

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Discount rate	3.6	4.8	4.9	4.2	5.0	5.1
Expected rate of salary increases	–	–	–	–	–	–
Expected pension increases	2.2	2.2	–	2.2	2.2	–

The weighted average actuarial assumptions as at the balance sheet date are used to determine the defined benefit liability at that date and the pension expense for the upcoming financial year.

The actuarial assumptions for withdrawal and mortality rates are based on statistical information available in the various countries. In Germany, the Heubeck 2018 G mortality tables are used. In the UK, assumptions are based on the S3 base table, and in the US they are based on the Pri-2012 base table. The mortality tables in the UK and in the US were modified to account for future changes in life expectancy.

As in the previous year, the calculation of the pension liabilities in Germany, the UK, and the US is based on discount rates determined using the 'Mercer Yield Curve (MYC)' approach.

Remeasurements, such as gains or losses arising from changes in the actuarial assumptions for defined benefit pension plans or a return on the plan assets exceeding the interest income, are immediately recognized outside the income statement as a change in other reserves in the consolidated statement of comprehensive income.

Pension expenses for defined benefit pension plans € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Current service cost	34	41
Net interest expense	5	4
Thereof: interest cost	24	12
Thereof: interest income	(19)	(8)
Past service (credit)	(2)	(1)
Loss on plan settlements	–	0
Expenses for defined benefit pension plans (recognized in the consolidated income statement)	**37**	**44**
Actuarial losses/(gains) on liability	29	(243)
Thereof: due to changes in financial assumptions	37	(260)
Thereof: due to changes in demographic assumptions	(1)	0
Thereof: due to experience adjustments	(7)	17
(Return)/loss on plan assets (not included in net interest income)	(20)	64
Change in asset ceiling (excluding interest cost)	(2)	4
Remeasurements for defined benefit pension plans (recognized as decrease/(increase) in other reserves in the consolidated statement of comprehensive income)	**7**	**(175)**
Total	**45**	**(131)**

Of the total pension expenses recorded in the consolidated income statement, an amount of € 21 million (2022: € 29 million) relates to employees of adidas AG and € 4 million (2022: € 5 million) relates to employees in the US. The pension expense is mainly recorded within other operating expenses. The production-related part of the pension expenses is recognized within cost of sales.

Present value of the defined benefit obligation € in millions

	2023	2022
Present value of the obligation from defined benefit pension plans as at January 1	**562**	**768**
Currency translation differences	(0)	4
Current service cost	34	41
Interest cost	24	12
Contribution by plan participants	2	1
Pensions paid	(23)	(17)
Payments for plan settlements	–	(1)
Actuarial losses/(gains)	29	(243)
Thereof: due to changes in financial assumptions	37	(260)
Thereof: due to changes in demographic assumptions	(1)	–
Thereof: due to experience adjustments	(7)	17
Past service (credit)	(2)	(1)
Business combinations/transfers/divestitures	–	(2)
Present value of the obligation from defined benefit pension plans as at December 31	**625**	**562**

Of the total actuarial losses recognized in equity, an amount of € 6 million (2022: gain of € 164 million) relates to pension schemes at adidas AG, less than € 1 million as a gain (2022: loss of € 2 million) to the UK and a gain of € 1 million (2022: € 7 million) to the US.

In the following table, the effects of reasonably conceivable changes in the actuarial assumptions on the present value of the obligation from defined benefit pension plans are analyzed for Germany, the UK, and the US. In addition, the average duration of the obligation is shown.

Sensitivity analysis of the obligation from defined benefit pension plans € in millions

	Dec. 31, 2023			Dec. 31, 2022		
	Germany	UK	USA	Germany	UK	USA
Present value of the obligation from defined benefit pension plans	478	37	31	422	37	31
Increase in the discount rate by 0.5%	448	34	30	396	34	30
Reduction in the discount rate by 0.5%	512	41	32	450	40	32
Average duration of the obligations (in years)	14	18	8	13	17	7

Since many pension plans are closed to future accrual, the salary trend plays a minor role in determining pension obligations. Due to the fact that with the introduction of the Core Benefits arrangement, German pension plans are mainly paid as lump sums, the pension increase rate and the mortality assumption have significantly less impact than the discount rate when calculating the pension obligations.

Fair value of plan assets € in millions

	2023	2022
Fair value of plan assets as at January 1	**453**	**503**
Currency translation differences	1	(2)
Pensions paid	(9)	(4)
Contributions by the employer	8	11
Contributions paid by plan participants	2	1
Interest income from plan assets	19	8
Return/(loss) on plan assets (not included in net interest income)	20	(64)
Fair value of plan assets as at December 31	**492**	**453**

The majority of plan assets are attributable to Germany (2023: 83%, 2022: 82%) and the UK (2023: 7%, 2022: 8%).

Part of the plan assets in Germany is held by a trustee under a Contractual Trust Arrangement (CTA) for the purpose of funding the pension obligations of adidas AG and insolvency insurance with regard to part of the pension obligations of adidas AG. The trustee is the registered association adidas Pension Trust e.V. The investment committee of the adidas Pension Trust determines the investment strategy with the goal to match the pension liabilities as far as possible and to generate a sustainable return. In 2023, no additional employer funding contribution was transferred to the trustee. The plan assets in the registered association are mainly invested in fixed income funds, equity funds and real estate. Another substantial part of the plan assets in Germany is invested in insurance contracts via a pension fund and a provident fund. For this portion, an insurance entity is responsible for the determination and the implementation of the investment strategy.

In the UK, the plan assets are held in an external trust. In principle the investment strategy is aligned with the structure of the pension obligations in these countries. In the rest of the world, the plan assets consist predominantly of insurance contracts.

The expected total employer contributions for the 2024 financial year amount to € 31 million. Thereof, € 25 million relates to benefits directly paid to pensioners by the subsidiaries and € 6 million to employer contributions paid into the plan assets. In 2023, the actual return on plan assets (including interest income) was € 39 million (2022: loss of € 56 million).

Composition of plan assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Cash and cash equivalents	31	26
Equity instruments	128	110
Bonds	136	129
Real estate	99	94
Pension plan reinsurance	46	46
Investment funds	35	35
Other assets	18	14
Fair value of plan assets	**492**	**453**

All equities and bonds are traded freely and have a quoted market price in an active market.

At each balance sheet date, the company analyzes the over- or underfunding and, where appropriate, adjusts the composition of plan assets.

As of December 31, 2023, the plan assets eligible for offsetting are required to be reduced by € 3 million (2022: € 4 million) due to the application of IAS 19.64. The reduction of € 1 million will be recognized mainly as an increase in other reserves in the consolidated statement of comprehensive income.

24 Other non-current liabilities

Other non-current liabilities consist of the following:

Other non-current liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Deferred income	4	6
Liabilities due to personnel	0	–
Donation pledge	95	–
Sundry	4	0
Other non-current liabilities	**103**	**6**

25 Shareholders' equity

As at December 31, 2023, the nominal capital of adidas AG amounted to € 180,000,000 divided into 180,000,000 registered no-par-value shares and was fully paid in.

Each share grants one vote and is entitled to dividends starting from the commencement of the year in which it was issued. Treasury shares held directly or indirectly are not entitled to dividend payment in accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG). As at the balance sheet date, adidas AG held 1,450,916 treasury shares, corresponding to a notional amount of € 1,450,916 in the nominal capital and consequently to 0.81% of the nominal capital.

Authorized capital 2021/I and 2021/II

The Executive Board of adidas AG did not utilize the existing amount of authorized capital of up to € 70 million in the reporting period.

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

Based on the authorization granted by resolution of the Annual General Meeting of May 12, 2021, until August 6, 2026,

- by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights (Authorized Capital 2021/I);

Based on the authorization granted by resolution of the Annual General Meeting of May 12, 2021, until August 6, 2026,

- by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II), and, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights, to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind and to exclude shareholders' subscription rights when issuing shares against contributions in cash if the new shares against contributions in cash are issued at a price not significantly below the stock market price of the company's shares already quoted on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange.

  The authorization to exclude subscription rights under this authorization, however, may only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares that have been issued by the company since May 12, 2021, subject to the exclusion of subscription rights, on the basis of an authorized capital or following a repurchase or for which subscription or conversion rights or subscription or conversion obligations have been granted through the issuance of convertible bonds and/or bonds with warrants while excluding subscription rights, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the commercial register or – if this amount is lower – on the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of affiliated companies.

Contingent capital 2022

The following overview of the contingent capital is based on § 4 section 4 of the Articles of Association of adidas AG as well as on the underlying resolution of the Annual General Meeting held on May 12, 2022.

The nominal capital is conditionally increased by up to € 12.5 million divided into not more than 12,500,000 no-par-value shares (Contingent Capital 2022). The contingent capital increase serves the issuance of no-par-value shares when exercising option or conversion rights or fulfilling the respective option and/or conversion obligations or when exercising the company's right to choose to partially or in total deliver registered no-par-value shares of the company instead of paying the due amount to the holders or creditors of bonds issued by the company or a subordinated group company up to May 11, 2027, on the basis of the authorization resolution adopted by the Annual General Meeting on May 12, 2022. The new shares will be issued at the respective option or conversion price to be established in accordance with the aforementioned authorization resolution. The contingent capital increase will be implemented only if bonds are issued in accordance with the authorization resolution adopted by the Annual General Meeting on May 12, 2022, (Agenda Item 7) and only to the extent that option or conversion rights are exercised or the holders or creditors of bonds obligated to exercise the option or conversion obligation fulfill their obligations to exercise the warrant or convert the bond, or to the extent that the company exercises its rights to choose to deliver no-par-value shares in the company for the total amount or a partial amount instead of payment of the amount due and insofar as no cash settlement, treasury shares or shares of another public-listed company are used to service these rights. The new shares carry dividend rights from the commencement of the financial year in which the shares are issued. In the event that, at the time of issuance of the new shares, no resolution on the appropriation of retained earnings for the financial year directly preceding the year in which the shares are issued has been passed, the Executive Board is authorized, to the extent legally permissible, to determine that the new shares will carry dividend rights from the commencement of the financial year directly preceding the year in which the shares are issued. Furthermore, the Executive Board is authorized to stipulate additional details concerning the implementation of the contingent capital increase.

The Executive Board is authorized, subject to Supervisory Board approval, to exclude shareholders' subscription rights to the bonds insofar as this is necessary for residual amounts and also insofar as and to the extent that this is necessary for granting subscription rights to holders or creditors of bonds already issued before, which they would be entitled to as shareholders upon exercising their option or conversion rights or upon fulfilling their option and/or conversion obligations or upon exercising a right to delivery of shares referring to shares of the company. Finally, the Executive Board is authorized, subject to Supervisory Board approval, to also exclude shareholders' subscription rights insofar as the bonds are issued against contributions in cash and after the Executive Board has concluded, following an examination in accordance with its legal duties, that the issue price of the bonds is not significantly below the hypothetical market value computed using recognized, in particular, financial calculation methods and the number of shares issued does not exceed 10% of the nominal capital, neither at the point of becoming effective nor – in case this amount is lower – at the point of exercising the aforementioned authorization. Shares which are issued or sold in accordance with § 186 section 3 sentence 4 AktG during the term of this authorization until its utilization shall be attributed to the aforementioned limit of 10%. Furthermore, shares that are to be issued or granted during the term of this authorization on the basis of a bond issued with the exclusion of subscription rights in accordance with this provision utilizing another authorization shall be attributed to the aforementioned limit of 10%. The total number of shares that are issued under bonds based on this authorization with the exclusion of subscription rights and shares that are issued from an authorized capital with the exclusion of subscription rights during the term of the authorization may not exceed 10% of the nominal capital on the date of the entry of this authorization with the Commercial Register.

In the period up until the balance sheet date, the Executive Board of adidas AG did not issue any bonds based on the authorization granted on May 12, 2022, and consequently did not issue any shares from the Contingent Capital 2022.

Repurchase and use of treasury shares

The Annual General Meeting on May 11, 2023, granted the Executive Board an authorization to repurchase adidas AG shares up to an amount totaling 10% of the nominal capital until May 10, 2028. The authorization may be used by adidas AG but also by its subordinated Group companies or by third parties on account of adidas AG or its subordinated Group companies or third parties assigned by adidas AG or one of its subordinated Group companies. The Executive Board of adidas AG did not make use of this authorization in the reporting period.

In the 2023 financial year, adidas AG transferred 11,886 treasury shares to the Chief Executive Officer Bjørn Gulden as reimbursement for the variable compensation forfeited at his former employer. Based on the share price at the time, the 11,886 treasury shares transferred had a value of € 2,040,826 corresponding to a notional amount of € 11,886 in the nominal capital and consequently to approx. 0.01% of the nominal capital.

Therefore, taking into account the 1,462,802 shares held by adidas AG as at December 31, 2022, and the 11,886 shares transferred to the Chief Executive Officer, this results in 1,450,916 treasury shares held as at the balance sheet date. ► SEE DISCLOSURES PURSUANT TO § 315A AND § 289A OF THE GERMAN COMMERCIAL CODE AND EXPLANATORY REPORT

Changes in the percentage of voting rights

Pursuant to § 160 section 1 no. 8 AktG, information must be provided on the existence of shareholdings that have been notified to adidas AG in accordance with § 33 section 1 or section 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

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

▶ ADIDAS-GROUP.COM/VOTING_RIGHTS_NOTIFICATIONS

Notified reportable shareholdings

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Notification obligations and attributions in accordance with WpHG	Voting rights attached to shares (in %)	Instruments (in %)	Total of voting rights attached to shares and instruments (in %)
The Goldman Sachs Group, Inc., Wilmington, DE, USA	December 12, 2023	5%	§§ 34, 38 par. 1 no. 1, 2	0.18	4.77	4.95
BlackRock, Inc., New York, New York, USA[1]	October 11, 2023	5%	§§ 34, 38 par. 1 no. 1, 2	5.33	0.29	5.62
Ministry of Finance on behalf of the State of Norway, Oslo, Norway	October 10, 2023	3%	§§ 34, 38 par. 1 no. 1, 2	3.02	0.21	3.23
Ségolène Gallienne-Frère[1]	August 9, 2023	5%	§ 34	7.62	–	7.62
Gérald Frère[1]	March 15, 2023	5%	§§ 34, 38 par. 1 no. 1	7.62	0.24	7.86
The Capital Group Companies, Inc., Los Angeles, USA	March 2, 2023	5%	§ 34	5.03	–	5.03
Flossbach von Storch AG, Cologne, Germany	February 10, 2023	3%	§§ 34, 38 par. 1 no. 2	3.57	0.05	3.61
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
The Desmarais Family Residuary Trust, Montreal, Canada[1]	November 30, 2020	5%	§ 34	6.89	–	6.89

1 Voluntary group notification due to threshold crossing on the subsidiary level.

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

Capital management

The company's policy is to maintain a strong capital base so as to uphold investor, creditor, and market confidence and to sustain future development of the business.

adidas seeks to maintain a balance between a higher return on equity that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The company further aims to maintain adjusted net borrowings below two times EBITDA (Earnings before interests, taxes, depreciation and amortization and impairment losses and reversals) over the long term. adidas received strong first-time investment-grade ratings by both Standard & Poor's and Moody's in August 2020. Standard & Poor's gave adidas an 'A+' rating, and Moody's granted the company an 'A2' rating. The initial outlook for both ratings was 'stable' as both rating agencies recognized the company's strong credit metrics, robust liquidity profile, and conservative financial policies. In November 2022, both Standard & Poor's and Moody's revised their outlook for adidas to 'negative' due to a deterioration in credit metrics amid pressure on the company's operating performance from economic as well as company specific challenges. In February 2023, Standard & Poor's lowered its rating on adidas to 'A-', while Moody's downgraded the company to 'A3', both with a 'negative' outlook. These downgrades reflected a further downward revision of credit metrics following the release of the company's financial guidance for 2023. In December 2023 and January 2024 Standard & Poor's and Moody's issued reports affirming 'A-' rating with 'negative' outlook and 'A3' rating with 'negative' outlook respectively. Overall, adidas' investment grade credit ratings continue to ensure an efficient access to capital markets.

Financial leverage amounts to 98.6% (2022: 121.2%) and is defined as the ratio between adjusted net borrowings in an amount of € 4.518 billion (2022: € 6.047 billion) and shareholders' equity in an amount of € 4.580 billion (2022: € 4.991 billion). EBITDA amounted to € 1.358 billion for the financial year ending December 31, 2023 (2022: € 1.874 billion). The ratio between adjusted net borrowings and EBITDA amounted to 3.3 for the 2023 financial year (2022: 3.2).

Composition of EBITDA € in millions

	2023	2022
Income before taxes	**65**	**388**
Adjustments for:		
Depreciation, amortization, and impairment losses	1,212	1,375
Reversals of impairment losses	(42)	(4)
Interest income	(39)	(23)
Interest expense	162	138
EBITDA as at December 31	**1,358**	**1,874**

In 2020, the definition of the net borrowings was adjusted to the criteria of the company's internal financial guidelines and is therefore reported as adjusted net borrowings. It mainly complements the net borrowings reported up to that point by the present value of future payment obligations from leasing and pension commitments. The method of calculating adjusted net borrowings was revised in 2022 to align it with general market practice and the approach of the rating agencies.

The composition of the adjusted net borrowings is presented below:

Composition of adjusted net borrowings € in millions

	Dec. 31, 2023	Dec. 31, 2022
Short-term borrowings	549	527
Long-term borrowings	2,430	2,946
Current lease liability	545	643
Non-current lease liability	2,039	2,343
Pensions and similar obligations	139	118
Factoring	70	112
Subtotal	**5,772**	**6,689**
Cash and cash equivalents	1,431	798
Short-term financial assets	34	–
Less trapped cash	211	155
Less accessible cash and cash equivalents	**1,254**	**643**
Adjusted net borrowings	**4,518**	**6,047**

Reserves

Reserves within shareholders' equity are as follows:

- **Capital reserve:** primarily comprises the paid premium for the issuance of share capital as well as expenses recognized for share-based payment for Executive Board members and third parties.
- **Cumulative currency translation differences:** comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- **Hedging reserve:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges (intrinsic value for options and spot component for forward contracts) related to hedged transactions that have not yet occurred, hedges of net investments in foreign subsidiaries, and the effective portion of the cumulative net change in the fair value of the total return swap.
- **Cost of hedging reserve – options:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of options (time value and premium).
- **Cost of hedging reserve – forward contracts:** comprises the effective portion of the cumulative net change in the fair value of cash flow hedges reflecting cost of hedging of forward contracts (forward component).
- **Other reserves:** comprises the remeasurements of defined benefit plans consisting of the cumulative net change of actuarial gains or losses relating to the defined benefit obligations, the return on plan assets (excluding interest income) and the asset ceiling effect, the remeasurement of the fair value of the equity investments measured at fair value through other comprehensive income, expenses recognized for share option plans, and effects from the acquisition of non-controlling interests, as well as reserves required by law.
- **Retained earnings:** comprises both amounts that are required by the Articles of Association and voluntary amounts that have been set aside by adidas. The reserve includes the unappropriated accumulated profits less dividends paid, and consideration paid for the repurchase of adidas AG shares exceeding the nominal value. In addition, the item includes the effects of the employee stock purchase plan and the transition effects of the implementation of new IFRSs.

The capital reserve includes restricted capital in an amount of € 4 million (2022: € 4 million). Furthermore, other reserves include additional restricted capital in an amount of € 136 million (2022: € 98 million).

Distributable profits and dividends

Profits distributable to shareholders are determined by reference to the retained earnings of adidas AG and calculated under German commercial law.

Based on the resolution of the 2023 Annual General Meeting, the dividend for 2022 was € 0.70 per share (total amount: approx. € 125 million).

The Executive Board of adidas AG will propose to use retained earnings of adidas AG in an amount of € 411 million as reported in the 2023 financial statements of adidas AG for a dividend payment of € 0.70 per share and to carry forward the subsequent remaining amount.

As at February 20, 2024, 178,549,084 dividend-entitled shares exist. This would result in a dividend payment of € 125 million.

26 Share-based payment

Equity-settled share-based payment transactions with employees

In 2016, adidas announced the introduction of an open-ended employee stock purchase plan (the 'plan'). The plan is operated on a quarterly basis, with each calendar quarter referred to as an 'investment quarter.'

The plan enables employees to purchase adidas AG shares with a 15% discount ('investment shares') and to benefit from free matching shares. Currently, eligible employees of adidas AG and 17 other subsidiaries can participate in the plan. Up to two weeks before the start of an investment quarter, each eligible employee can enroll for the plan. The company accepts enrollment requests on the first day of the relevant investment quarter. This is the grant date for the investment and matching shares. The fair value at the vesting date is equivalent to the fair value of the granted equity instruments at this date. The employees invest an amount up to 10% of their gross base salary per quarter in the plan. A few days after the end of the investment quarter, the shares are purchased on the market at fair market value and transferred to the employees. Thereby the amount invested during the quarter plus the top-up from adidas is used. These shares can be sold at any time by the employee. If the shares are held for a period of one year after the last day of an investment quarter, employees will receive, as a one-off, free matching shares (one matching share for every six adidas AG shares acquired). This plan currently constitutes an equity-settled share-based payment for both elements. For the component of the matching shares relating to the specific period of service an appropriate discount is taken into account. The effects are presented in the following table:

Equity-settled share-based payment transactions with employees

	As at Dec. 31, 2022	As at December 31, 2023				
	21st investment quarter	21st investment quarter	22nd investment quarter	23rd investment quarter	24th investment quarter	25th investment quarter
Grant date	Oct. 3, 2022	Oct. 3, 2022	Jan. 2, 2023	Apr. 3, 2023	Jul. 3, 2023	Oct. 2, 2023
Share price at grant date (in €)	119.00	119.00	127.70	163.04	176,62	164.60
Share price at December 31 (in €)	127.46					184.16
Number of granted investment shares based on the share price as at December 31	48,555					33,696
Number of actually purchased investment shares	–	44,789	38,150	37,966	40,409	–
Outstanding granted matching shares based on the share price as at December 31 or actually purchased investment shares	7,465	–	6,358	6,328	6,735	5,616
Average remaining vesting period in months as at December 31 (in months)	12	–	3	6	9	12

The number of forfeited matching shares during the period amounted to 4,646 (2022: 3,557).

As at December 31, 2023, the total expenses recognized relating to investment shares amounted to € 3.4 million (2022: € 4.3 million).

Expenses recognized relating to vesting of matching shares amounted to € 3.3 million in 2023 (2022: € 3.3 million).

As at December 31, 2023, a total amount of € 5 million (2022: € 5 million) was invested by the participants in the stock purchase plan and was not yet transferred into shares by the end of December 2023. Therefore, this amount has been included in 'Other current financial liabilities.' ▶ SEE NOTE 17

Further information about the purchase of shares for the employee stock purchase plan is provided in these Notes. ▶ SEE NOTE 25

Equity-settled share-based payment transactions with third parties

In 2023, adidas entered into a promotion and advertising contract that includes a share-based payment transaction with third parties. The contract has a term of up to five years. The agreement grants a transfer of shares, which correspond up to a value of US $ 26 million. In 2023, no transfer of shares took place.

The expenses for shares are recognized over the vesting period of five years. In 2023, this amounts to a provision of € 7 million.

Equity-settled share-based payment for Executive Board members

In 2018, adidas established a 'Long-Term Incentive Plan' ('LTIP') for Executive Board members.

The LTIP 2021/2025 pursues the goal of aligning the long-term performance-based variable remuneration of the Executive Board with the performance of the company and thus with the interests of the shareholders. Against this background, the LTIP 2021/2025 is share-based. It consists of five annual tranches (2021 to 2025), each with a term of five years. Each of the five annual tranches consists of a performance year and a subsequent four-year holding period. For the 2021/2025 LTIP, the Supervisory Board has set financial and ESG-related performance criteria for each of the five performance years.

The annual LTIP tranche ('Grant Amount') is paid to the Executive Board members after approval of the consolidated financial statements and is to be fully invested by the Executive Board members in the acquisition of adidas AG shares. The shares acquired are subject to a holding period, which ends at the end of the fourth financial year following the performance year. Only after the end of the holding period can the Executive Board members dispose of the shares.

As of December 31, 2023, the total number of adidas AG shares acquired since 2019 as part of the variable performance-based compensation and subject to a holding period amounts to 57,247 no-par-value shares (2022: 78,698 no-par-value shares acquired since 2018). The number of adidas AG shares acquired by the members of the Executive Board is shown below:

LTI Bonus: Acquisition of shares in the context of the long-term variable compensation in €

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

Cash-settled share-based payment transactions with employees

In 2017, adidas implemented a Long-Term Incentive Plan (LTIP), which is a share-based remuneration scheme with cash settlement. 'RSUs' ('Restricted Stock Units') are granted on the condition that the beneficiary is employed for three or four years by adidas AG or one of its subsidiaries in a position where they are not under notice during that period. This minimum period of employment pertains to the calendar year in which the RSUs are granted and the three subsequent calendar years. As an exception in 2022 and 2023, RSUs were granted with a minimum term of employment of one and two years, respectively.

The total value of the cash remuneration payable to senior management is recalculated on each reporting date and on the settlement date, based on the fair value of the RSUs, and recognized through an appropriate increase in the provision as personnel expenses that are spread over the period of service of the beneficiary. Furthermore, social security contributions are considered in the calculation of the fair value, if appropriate for the respective country regulations and the seniority of the participants. All changes to the subsequent measurement of this provision are reported under personnel expenses.

Once a year, one tranche with a three-year term and another with a four-year term are issued. The number of RSUs granted depends on the seniority of the beneficiaries. In addition, for the four-year plan, the number of RSUs also depends on the achievement of a financial and ESG-related target. In addition, in 2022 and 2023, the option to issue two additional tranches with a two-year and a one-year maturity was exercised.

The value of one RSU is the average price of the adidas AG share as quoted for the first 20 stock exchange trading days in January of the respective financial year. The effects are presented in the following table:

Cash-settled share-based payment transactions with employees

	As at December 31, 2023			
Plan year	**2020**		**2021**	
Tranche	4-year tranche	3-year tranche	4-year tranche	3-year tranche
Share price as at December 31 (in €)	184.16	–	183.47	184.16
Number of granted RSUs based on the share price as at December 31 (in €)	20,405	–	182,438	26,257
Average risk-free interest rate based on the share price as at December 31	3.61%	–	3.60%	3.61%
Average remaining vesting period as at December 31 (in months)	–	–	12	–

Cash-settled share-based payment transactions with employees

	As at December 31, 2023							
Plan year	**2022**				**2023**			
Tranche	4-year tranche	3-year tranche	2-year tranche	1-year tranche	4-year tranche	3-year tranche	2-year tranche	1-year tranche
Share price as at December 31 (in €)	182.22	183.47	182.22	183.47	180.61	182.22	183.47	184.16
Number of granted RSUs based on the share price as at December 31 (in €)	77,407	206,748	2,130	–	304,563	111,577	11,972	9,010
Average risk-free interest rate based on the share price as at December 31	3.47%	3.60%	3.61%	–	3.24%	3.47%	3.60%	3.61%
Average remaining vesting period as at December 31 (in months)	24	12	–	–	36	24	12	–

Cash-settled share-based payment transactions with employees

	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	–

The fair value is based on the closing price of the adidas AG share on December 31, 2023, adjusted for future dividend payments.

In 2023, this resulted in an expense of € 59 million (2022: € 36 million). The corresponding provision amounted to € 80 million (2022: € 57 million).

27 Non-controlling interests

This line item within equity comprises the non-controlling interests in subsidiaries that are not directly or indirectly attributable to adidas AG.

Non-controlling interests are assigned to two subsidiaries both as at December 31, 2023, and as at December 31, 2022.

For the following subsidiaries with non-controlling interests, the main financial information is presented combined.

Subsidiaries with non-controlling interests

Legal entity name	Principal place of business	Ownership interests held by non-controlling interests	
		Dec. 31, 2023	Dec. 31, 2022
Agron, Inc.	USA	100%	100%
adidas Israel Ltd.	Israel	15%	15%

The following table presents the main financial information on subsidiaries with significant non-controlling interests before elimination.

Financial information on subsidiaries with non-controlling interests € in millions

	Non-controlling interests			
	Dec. 31, 2023		Dec. 31, 2022	
	Total	Thereof: Agron, Inc.	Total	Thereof: Agron, Inc.
Net sales	669	520	751	556
Net income	**61**	**62**	**32**	**25**
Net income attributable to non-controlling interests	**61**	**62**	**26**	**25**
Other comprehensive income	(14)	(14)	24	20
Total comprehensive income	**47**	**48**	**56**	**45**
Total comprehensive income attributable to non-controlling interests	**48**	**48**	**47**	**45**
Current assets	384	288	398	307
Non-current assets	140	116	165	124
Current liabilities	(139)	(65)	(139)	(78)
Non-current liabilities	(11)	–	(24)	–
Net assets	**373**	**340**	**399**	**353**
Net assets attributable to non-controlling interests according to the consolidated statement of financial position	**345**	**340**	**360**	**353**
Net cash generated from operating activities	64	77	15	(11)
Net cash used in investing activities	(0)	(10)	(30)	(20)
Net cash used in financing activities	(27)	(33)	(41)	(21)
Net increase of cash and cash equivalents	**37**	**34**	**(56)**	**(52)**
Dividends paid to non-controlling interests during the year[1]	**33**	**33**	**22**	**22**

1 Included in net cash used in financing activities.

28 Financial instruments

Additional information to financial instruments

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	December 31, 2023					December 31, 2022				
		Carry-ing amount	Fair value	Level 1	Level 2	Level 3	Carry-ing amount	Fair value	Level 1	Level 2	Level 3
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	Amortized cost	596		–	–	–	726		–	–	–
Cash equivalents	Fair value through profit or loss	835	835	–	835	–	72	72	–	72	–
Short-term financial assets	Fair value through profit or loss	34	34	–	34	–	–	–	–	–	–
Accounts receivable	Amortized cost	1,906		–	–	–	2,529		–	–	–
Other current financial assets											
Derivatives used in hedge accounting	n.a.	67	67	–	67	–	168	168	–	168	–
Derivatives not used in hedge accounting	Fair value through profit or loss	21	21	–	21	–	65	65	–	65	–
Other investments	n.a.	8	8	–	8	–	78	78	–	78	–
Other financial assets	Amortized cost	658		–	–	–	703		–	–	–
Long-term financial assets											
Other equity investments	Fair value through profit or loss	91	91	–	–	91	89	89	–	–	89
Other equity investments	Fair value through other comprehensive income	83	83	1	–	82	86	86	2	–	84
Other investments	Fair value through profit or loss	44	44	–	44	–	42	42	–	42	–
Other investments	n.a.	83	83	–	83	–	83	83	–	83	–
Loans	Amortized cost	–		–	–	–	0		–	–	–
Other non-current financial assets											
Derivatives used in hedge accounting	n.a.	2	2	–	2	–	1	1	–	1	–
Derivatives not used in hedge accounting	Fair value through profit or loss	–	–	–	–	–	–	–	–	–	–
Earn-out components	Fair value through profit or loss	301	301	–	–	301	227	227	–	–	227
Other financial assets	Amortized cost	115		–	–	–	108		–	–	–
Financial assets per level				**1**	**1,095**	**474**			**2**	**508**	**400**
Financial liabilities											
Short-term borrowings											
Bank borrowings	Amortized cost	49		–	–	–	29		–	–	–
Eurobond	Amortized cost	500	488	488	–	–	–	–	–	–	–
Convertible bond	Amortized cost	–	–	–	–	–	498	490	490	–	–
Accounts payable	Amortized cost	2,276		–	–	–	2,908		–	–	–
Current accrued liabilities	Amortized cost	842		–	–	–	997		–	–	–
Current accrued liabilities for customer discounts	Amortized cost	565		–	–	–	808		–	–	–
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	88	88	–	88	–	127	127	–	127	–

Carrying amounts of financial instruments and their fair values including hierarchy according to IFRS 13 € in millions

	Category	December 31, 2023					December 31, 2022				
		Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Derivatives not used in hedge accounting	Fair value through profit or loss	15	15	–	15	–	64	64	–	64	–
Other financial liabilities	Amortized cost	163		–	–	–	232		–	–	–
Lease liabilities	n.a.	545		–	–	–	643		–	–	–
Long-term borrowings											
Bank borrowings	Amortized cost	44	44	–	44	–	63	63	–	63	–
Eurobond	Amortized cost	2,386	2,234	2,234	–	–	2,883	2,604	2,604	–	–
Non-current accrued liabilities	Amortized cost	–	–	–	–	–	4	4	–	–	–
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	6	6	–	6	–	44	44	–	44	–
Lease liabilities	n.a.	2,039		–	–	–	2,343		–	–	–
Financial liabilities per level				**2,721**	**154**	**–**			**3,095**	**298**	**–**
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)		1,326					495				
Financial assets at fair value through other comprehensive income (FVOCI)		83					86				
Thereof: equity investments (without recycling to profit and loss)		83					86				
Financial assets at amortized cost (AC)		3,275					4,067				
Financial liabilities at fair value through profit or loss (FVTPL)		15					64				
Financial liabilities at amortized cost (AC)		6,825					8,423				

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

Reconciliation of fair value hierarchy Level 3 in 2023 € in millions

				Realized		Unrealized				
	Fair value Jan. 1, 2023	Additions	Dis-posals	Gains	Losses	Gains	Losses	Transfers	Currency translation	Fair value Dec. 31, 2023
Investments in other equity instruments held for trading (FAHfT)	87	–	–	–	–	2	–	–	–	89
Investments in other equity instruments (FVTPL)	2	–	–	–	–	–	–	–	–	2
Investments in other equity instruments (FVOCI)	84	3	(0)	–	–	–	(4)	–	–	82
Earn-out components (assets)	227	–	–	–	–	74	–	–	–	301

Reconciliation of fair value hierarchy Level 3 in 2022 € in millions

				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

Due to the short-term maturities of cash and cash equivalents, short-term financial assets, and accounts receivable and payable, as well as other current financial receivables and payables, their respective fair values equal their carrying amount.

The fair values of non-current financial assets and liabilities are estimated by discounting expected future cash flows using current interest rates for debt of similar terms and remaining maturities and adjusted by a company-specific credit risk premium or measured at market prices.

Fair values of long-term financial assets are based on quoted market prices in an active market or are calculated as present values of expected future cash flows.

adidas designated certain investments as equity securities at fair value through other comprehensive income (equity), because the company intends to hold those investments for the long term in order to gain insights into innovative production technologies and trends. The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic Management decision.

In accordance with IFRS 13, the following tables show the valuation methods used in measuring Level 1, Level 2, and Level 3 fair values, as well as the significant unobservable inputs used. No reclassifcations between hierachy levels were made in 2023. A review of the hierachy levels is carried out regularly by adidas.

Financial instruments Level 1 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Convertible bond	The fair value is based on the market price of the convertible bond on the balance sheet date.	Not applicable	Amortized cost
Eurobond	The fair value is based on the market price of the eurobond on the balance sheet date.	Not applicable	Amortized cost
Other equity investments	The fair value is based on the market price of the investment on the balance sheet date.	Not applicable	Fair value through other comprehensive income

Financial instruments Level 2 measured at fair value

Type	Valuation method	Significant unobservable inputs	Category
Cash equivalents and short-term financial assets (money market funds)	The discounted cash flow method is applied, which considers the present value of expected payments, discounted using a risk-adjusted discount rate. Due to their short-term maturities, it is assumed that their respective fair value is equal to the notional amount.	Not applicable	Fair value through profit or loss
Long-term financial assets (investment securities)	The fair value is based on the market price of the assets on the balance sheet date.	Not applicable	Fair value through profit or loss
Forward exchange contracts	In 2023, adidas applied the par method (forward NPV) for all currency pairs to calculate the fair value, implying actively traded forward curves.	Not applicable	n.a./fair value through profit or loss
Currency options	adidas applies the Garman-Kohlhagen model, which is an extended version of the Black-Scholes model.	Not applicable	n.a./fair value through profit or loss
Share option (cash settled)	adidas applies the Black-Scholes model.	Not applicable	Fair value through profit or loss
Total return swap (for own shares)	The fair value is based on the market price of the adidas AG share on the balance sheet date, minus accrued interest.	Not applicable	n.a./fair value through profit or loss

Financial instruments Level 3 measured at fair value

Type	Valuation method	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Category
Investment in FC Bayern München AG	This equity security does not have a quoted market price in an active market. Existing contractual arrangements (based on the externally observable dividend policy of FC Bayern München AG) are used in order to calculate the fair value on the balance sheet date. These dividends are recognized in other financial income.	See column 'Valuation method'		Fair value through profit or loss
Earn-out components (assets)	The valuation is based on the DCF Method, considering Monte Carlo Simulations to simulate future gross royalty income. The derived earn-out payments are discounted using a risk-adjusted discount rate. The fair value adjustment is recognized in discontinued operations.	Risk-adjusted maturity-specific discount rate (11.3% – 12.1%), gross royalty income	The estimated fair value would increase by 11% (decrease by 13%) if gross royalty income were 10% higher (10% lower). The estimated fair value would increase by 1% (decrease by 1%) if the risk-adjusted discount rate was 1pp lower (1pp higher).	Fair value through profit or loss
Investments in other equity instruments (fair value through profit or loss)	The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other financial result.	See column 'Valuation method'		Fair value through profit or loss
Investments in other equity instruments (fair value through other comprehensive income)	The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The fair value adjustment is recognized in other reserves.	See column 'Valuation method'		Fair value through other comprehensive income

Net gains/(losses) on financial instruments recognized in the consolidated income statement € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Financial assets classified at amortized cost (AC)	(9)	(79)
Financial assets at fair value through profit or loss (FVTPL)	69	(4)
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	2	0
Equity instruments at fair value through profit or loss (FVTPL)	–	–
Equity instruments at fair value through other comprehensive income (FVOCI)	–	–
Financial liabilities at amortized cost (AC)	3	24
Financial liabilities at fair value through profit or loss (FVTPL)	–	–
Thereof: designated as such upon initial recognition	–	–
Thereof: classified as held for trading	–	–

Net gains or losses on financial assets measured at amortized cost comprise mainly impairment losses and reversals.

Net gains or losses on financial assets or financial liabilities classified as fair value through profit or loss include the effects from fair value measurements of the derivatives that are not part of a hedging relationship, and changes in the fair value of other financial instruments as well as interest expenses.

Net gains or losses on equity instruments at fair value through profit or loss mainly include fair value adjustments based on the respective valuation method. ▶ SEE TABLE 'FINANCIAL INSTRUMENTS LEVEL 3 MEASURED AT FAIR VALUE'

During 2023, no dividends regarding equity instruments at fair value through other comprehensive income were recognized.

Net gains or losses on financial liabilities measured at amortized cost include effects from early settlement and reversals of accrued liabilities and refund liabilities.

Notional amounts of all outstanding currency hedging instruments € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	7,893	11,917
Currency options	407	461
Total	**8,300**	**12,377**

Fair values € in millions

	Dec. 31, 2023		Dec. 31, 2022	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Forward exchange contracts	81	(109)	225	(152)
Currency options	9	(1)	7	(1)
Total	**90**	**(110)**	**233**	**(153)**

Notional amounts of outstanding US dollar hedging instruments € in millions

	Dec. 31, 2023	Dec. 31, 2022
Forward exchange contracts	3,449	5,669
Currency options	353	450
Total	**3,802**	**6,119**

Financial risks

Currency risks

Currency risks, to which adidas is particularly exposed, are a direct result of multi-currency cash flows within the company. The vast majority of the transactional risk arises from product sourcing in US dollars, while sales are typically denominated in the functional currency of the respective companies. The currencies in which these transactions are mainly denominated are the US dollar, British pound, Japanese yen, and Chinese renminbi.

As governed by the company's Treasury Policy, adidas has established a hedging system on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon.

adidas uses a combination of different hedging instruments, such as forward exchange contracts, currency options, and swaps, to protect itself against unfavorable currency movements. These contracts are generally designated as cash flow hedges.

Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on the company's financial performance.

Further information about the accounting and hedge accounting treatment is included in these Notes.
▶ SEE NOTE 02

Exposures are presented in the following table:

Exposure to foreign exchange risk based on notional amounts € in millions

	USD	GBP	JPY	CNY
As at December 31, 2023				
Exposure from firm commitments and forecast transactions	(4,684)	869	474	375
Balance sheet exposure including intercompany exposure	(369)	(18)	(22)	148
Total gross exposure	**(5,053)**	**851**	**452**	**523**
Hedged with currency options	353	–	54	–
Hedged with forward contracts	2,761	(765)	(257)	(356)
Net exposure	**(1,939)**	**86**	**249**	**167**
As at December 31, 2022				
Exposure from firm commitments and forecast transactions	(5,879)	880	442	834
Balance sheet exposure including intercompany exposure	(258)	14	4	168
Total gross exposure	**(6,137)**	**894**	**446**	**1,002**
Hedged with currency options	450	–	11	–
Hedged with forward contracts	3,590	(696)	(317)	(753)
Net exposure	**(2,097)**	**197**	**140**	**249**

The exposure from firm commitments and forecast transactions was calculated on a one-year basis.

In line with IFRS 7 requirements, the company has calculated the impact on net income and shareholders' equity based on changes in the most important currency exchange rates. The calculated impacts mainly result from changes in the fair value of the hedging instruments. The analysis does not include effects that arise from the translation of the company's foreign entities' financial statements into the company's reporting currency, the euro. The sensitivity analysis is based on the net balance sheet exposure, including intercompany balances from monetary assets and liabilities denominated in foreign currencies. Moreover, all outstanding currency derivatives were re-evaluated using hypothetical foreign exchange rates to determine the effects on net income and equity.

Based on this analysis, a 10% increase in the euro versus the US dollar at December 31, 2023, would have led to a € 17 million increase in net income.

Sensitivity analysis of foreign exchange rate changes € in millions

	USD	GBP	JPY	CNY
As at December 31, 2023				
	EUR +10%	**EUR +10%**	**EUR +10%**	**EUR +10%**
Equity	(198)	66	27	24
Net income	17	2	2	(8)
	EUR -10%	**EUR -10%**	**EUR -10%**	**EUR -10%**
Equity	263	(81)	(33)	(29)
Net income	(20)	(2)	(3)	9
As at December 31, 2022				
	EUR +10%	**EUR +10%**	**EUR +10%**	**EUR +10%**
Equity	(264)	60	30	50
Net income	13	(1)	(0)	(4)
	EUR -10%	**EUR -10%**	**EUR -10%**	**EUR -10%**
Equity	335	(74)	(36)	(61)
Net income	(15)	2	0	4

The more negative market values of the US dollar hedges would have decreased shareholders' equity by € 198 million. A 10% weaker euro at December 31, 2023, would have led to a € 20 million decrease in net income. Shareholders' equity would have increased by € 263 million. The impacts of fluctuations of the euro against the British pound, the Japanese yen, and the Chinese renminbi on net income and shareholders' equity are also included in accordance with IFRS requirements.

However, many other financial and operational variables that could potentially reduce the effect of currency fluctuations are excluded from the analysis. For instance:

- Interest rates, commodity prices, and all other exchange rates are assumed constant.
- Exchange rates are assumed at a year-end value instead of the more relevant sales-weighted average figure, which the company utilizes internally to better reflect both the seasonality of its business and intra-year currency fluctuations.
- The underlying forecast cash flow exposure (which the hedge instrument mainly relates to) is not required to be revalued in this analysis.
- Operational aspects, such as potential discounts for key accounts, which have high transparency regarding the impacts of currency on our sourcing activities (due to their own private label sourcing efforts), are also excluded from this analysis.
- The credit risk is not considered as part of this analysis.

The company also largely hedges balance sheet risks. Due to its strong global position, adidas is able to partly minimize the currency risk by utilizing natural hedges. The company's gross US dollar cash flow exposure calculated for 2023 was around € 4.1 billion at year-end 2023, which was hedged using forward exchange contracts, currency options, and currency swaps.

Credit risks

A credit risk arises if a customer or other counterparty to a financial instrument fails to meet its contractual obligations. adidas is exposed to credit risks from its operating activities and from certain financing activities. Credit risks arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets, short-term bank deposits, and derivative financial instruments. Without taking into account any collateral or other credit enhancements, the carrying amount of financial assets and accounts receivable represents the maximum exposure to credit risk.

At the end of 2023, there was no relevant concentration of credit risk by type of customer or geography. The company's credit risk exposure is mainly influenced by individual customer characteristics. Under the company's credit policy, new customers are analyzed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the company's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses as well as, on a selective basis, credit insurance, the sale of accounts receivable without recourse, and bank guarantees. Further quantitative information on the extent to which credit enhancements mitigate the credit risk of accounts receivable is included in these Notes. ▶ SEE NOTE 05

At the end of 2023, no customer accounted for more than 10% of accounts receivable.

The Treasury department arranges currency, commodity, interest rate, and equity hedges, and invests cash with major banks of a high credit standing throughout the world. adidas subsidiaries are authorized to work with banks rated BBB+ or higher. Only in exceptional cases are subsidiaries authorized to work with banks rated lower than BBB+. To limit risk in these cases, restrictions are clearly stipulated, such as maximum cash deposit levels. In addition, the credit default swap premiums of the company's partner banks are monitored on a monthly basis. In the event that the defined threshold is exceeded, credit balances are shifted to banks compliant with the limit.

adidas furthermore believes that the risk concentration is limited due to the broad distribution of the investment business of the company with a high number of globally operating banks. At December 31, 2023, no bank accounted for more than 10% of the investments of adidas. Including subsidiaries' short-term deposits in local banks, the average concentration was 2%. This leads to a maximum exposure of € 91 million in the event of default of any single bank. The investment exposure was further diversified by investing into AAA-rated money market funds.

In addition, in 2023, adidas held derivatives of foreign exchange with a positive fair market value in the amount of € 90 million. The maximum exposure to any single bank resulting from these assets amounted to € 28 million and the average concentration was 8%.

In accordance with IFRS 7, the following table includes further information about set-off possibilities of derivative financial assets and liabilities. The majority of agreements between financial institutions and adidas include a mutual right to set off. However, these agreements do not meet the criteria for offsetting in the statement of financial position, because the right to set off is enforceable only in the event of counterparty defaults.

The carrying amounts of recognized derivative financial instruments, which are subject to the agreements mentioned here, are also presented in the following table:

Set-off possibilities of derivative financial assets and liabilities € in millions

	2023	2022
Assets		
Gross amounts of recognized financial assets	96	233
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial assets presented in the statement of financial position	**96**	**233**
Set-off possible due to master agreements	(83)	(132)
Total net amount of financial assets	**13**	**101**
Liabilities		
Gross amounts of recognized financial liabilities	(126)	(235)
Financial instruments which qualify for set-off in the statement of financial position	–	–
Net amounts of financial liabilities presented in the statement of financial position	**(126)**	**(235)**
Set-off possible due to master agreements	83	132
Total net amount of financial liabilities	**(43)**	**(103)**

Interest rate risks

Changes in global market interest rates affect future interest payments for variable-interest liabilities. As adidas does not have material variable-interest liabilities, even a significant increase in interest rates should have only slight adverse effects on the company's profitability, liquidity, and financial position.

To reduce interest rate risks and maintain financial flexibility, a core tenet of the company's financial strategy is to continue to use surplus cash flow from operations to reduce short-term gross borrowings. Beyond that, adidas may consider adequate hedging strategies through interest rate derivatives in order to mitigate interest rate risks.

Share price risks

Share price risks arise due to the Long-Term Incentive Plan (LTIP), which is a share-based remuneration scheme with cash settlement. In order to mitigate share price risks, it is company strategy to hedge against share price fluctuations. Swaps are used to hedge the Long-Term Incentive Plan and are classified as cash flow hedges.

In line with IFRS 7 requirements, adidas has calculated the impact on net income based on changes in the company's share price. A 10% increase in the adidas AG share price versus the closing share price at December 31, 2023, would have led to a € 5 million increase in net income and a € 4 million increase in shareholders' equity, whereas a 10% decrease in the adidas AG share price versus closing share price at December 31, 2023, would have led to a € 5 million decrease in net income and would have decreased shareholders' equity by € 4 million.

Financing and liquidity risks

Liquidity risks arise from not having the necessary resources available to meet maturing liabilities with regard to timing, volume, and currency structure. In addition, the company faces the risk of having to accept unfavorable financing terms due to liquidity restraints. The Treasury department uses an efficient cash management system in order to make best use of the operating cash flow. A twelve-month rolling cash flow forecast on a monthly basis is established to manage liquidity risk. In line with the Financial Policy, adidas aims to maintain a target leverage ratio and a target twelve months liquidity coverage. Committed and uncommitted credit lines ensure further financial flexibility. Overall, adidas' investment grade credit ratings ensure an efficient access to capital markets.

At December 31, 2023, cash and cash equivalents together with marketable securities amounted to € 1.465 billion (2022: € 0.798 billion). Moreover, the company maintains € 3.648 billion (2022: € 4.090 billion) in bilateral credit lines, which are designed to ensure sufficient liquidity at all times. Thereof, € 1.864 billion has been firmly committed since December 2023 as part of a syndicated credit facility with our core banks.

Future cash outflows arising from financial liabilities that are recognized in the consolidated statement of financial position are presented in the table.

This includes payments to settle obligations from borrowings as well as cash outflows from cash-settled derivatives with negative market values. Financial liabilities that may be settled in advance without penalty are included on the basis of the earliest date of potential repayment. Cash flows for variable-interest liabilities are determined with reference to the conditions at the balance sheet date.

Future cash outflows € in millions

	Up to 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	More than 5 years	Total
As at December 31, 2023							
Bank borrowings	48	19	19	7	–	–	93
Eurobond[1]	543	543	428	19	519	1,037	3,089
Equity-neutral convertible bond	–	–	–	–	–	–	–
Accounts payable	2,276	–	–	–	–	–	2,276
Other financial liabilities	163	–	–	–	–	–	163
Accrued liabilities[2]	842	–	–	–	–	–	842
Derivative financial liabilities	3,915	321	–	–	–	–	4,236
Total	**7,787**	**883**	**447**	**26**	**519**	**1,037**	**10,699**
As at December 31, 2022							
Bank borrowings	29	19	19	19	7	–	93
Eurobond[1]	43	543	543	428	19	1,556	3,132
Equity-neutral convertible bond	498	–	–	–	–	–	498
Accounts payable	2,908	–	–	–	–	–	2,908
Other financial liabilities	232	–	–	–	–	–	232
Accrued liabilities[2]	997	–	–	–	–	4	1,001
Derivative financial liabilities	5,183	296	30	–	–	–	5,509
Total	**9,890**	**858**	**592**	**447**	**26**	**1,560**	**13,373**

1 Including interest payments.
2 Accrued interest excluded.

adidas ended the year 2023 with an adjusted net borrowings of € 4.518 billion (2022: € 6.047 billion). Further information in the methodology for calculating adjusted net borrowings is provided in these Notes.

▶ SEE NOTE 25

Financial instruments for the hedging of foreign exchange and share price risk

As at December 31, 2023, adidas held the following instruments to hedge exposure to changes in foreign currency and share price:

Average hedge rates

As at December 31, 2023	Maturity short-term	Maturity long-term
Foreign currency risk		
Net exposure (€ in millions)	**939**	**245**
Forward exchange contracts		
Average EUR/USD forward rate	1.096	1.100
Average EUR/GBP forward rate	0.881	0.876
Average EUR/JPY forward rate	141.099	149.574
Average EUR/CNY forward rate	7.453	7.738
Option exchange contracts		
Average EUR/USD forward rate	1.103	1.100
Average EUR/GBP forward rate	–	–
Average EUR/JPY forward rate	146.908	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	**12**	**90**
Total return swap		
Average hedge rate	277.298	199.049

Average hedge rates

As at December 31, 2022	Maturity short-term	Maturity long-term
Foreign currency risk		
Net exposure (€ in millions)	**1,548**	**154**
Forward exchange contracts		
Average EUR/USD forward rate	1.096	1.064
Average EUR/GBP forward rate	0,865	0,877
Average EUR/JPY forward rate	133.215	135.203
Average EUR/CNY forward rate	7.269	7.191
Option exchange contracts		
Average EUR/USD forward rate	1.040	1.000
Average EUR/GBP forward rate	–	–
Average EUR/JPY forward rate	130.000	–
Average USD/CNY forward rate	–	–
Equity risk		
Net exposure (€ in millions)	**78**	**83**
Total return swap		
Average hedge rate	305.639	229.294

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

Designated hedged items as at December 31, 2023 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(145)	40	(19)	–
Inventory purchases	(34)	(66)	19	–
Net foreign investment risk	–	(265)	–	–
Equity risk				
Long-Term Incentive Plans	(46)	(0)	–	–

Designated hedged items as at December 31, 2022 € in millions

	Change in value used for calculating hedge ineffectiveness	Hedging reserve	Cost of hedging reserve	Balances remaining in the cash flow hedging reserve from hedge relationships for which hedge accounting is no longer applied
Foreign currency risk				
Sales	(205)	104	(63)	–
Inventory purchases	76	31	8	–
Net foreign investment risk	50	(265)	–	–
Equity risk				
Long-Term Incentive Plans	85	(23)	–	–

The hedging reserves of € 265 million for net foreign investment risk contains hedges of € 181 million related to the Chinese renminbi and € 76 million to the Russian ruble for which by the end of 2023 no outstanding hedging instruments were in place anymore.

The amounts relating to items designated as hedging instruments and hedged ineffectiveness were as follows:

Designated hedge instruments € in millions

	2023								During the period 2023				
		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	2,798	60	(19)	Other financial assets/ liabilities	145	(140)	–	Net Sales	–	–	20	63	Net Sales
Foreign exchange contracts – inventory purchases	3,040	2	(69)	Other financial assets/ liabilities	34	(49)	–	Cost of sales	(76)	75	–	–	Cost of sales
Foreign exchange contracts – net foreign investments	–	–	–	Other financial assets/ liabilities	–	–	–	Financial result	–	–	–	–	Financial result
Total return swap – Long-Term Incentive Plans	102	(11)	–	Other financial assets/ liabilities	46	–	–	Financial result	–	–	(23)	–	Other operating expenses

Designated hedge instruments € in millions

	2022								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 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	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

Some of the initial planned exposure for purchases and sales in foreign currencies ceased to exist, which led to certain overhedge positions. In accordance with IFRS 9, hedge accounting was immediately discontinued for hedging instruments that were no longer covered by a purchase or sales transaction, and, at the time the over-hedged status was determined, the fair value was transferred from the hedging reserve to the income statement. In 2023, a gain of € 9 million was reclassified into the net sales and a loss of € 7 million was reclassified into the cost of sales.

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

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting:

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2023	**(150)**	**(64)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	(54)	103
Foreign currency risk – inventory purchases	(165)	78
Foreign currency risk – net foreign investment	–	–
Amount no longer recognized in OCI:		
Foreign currency risk	56	(138)
Contracts during the year	1	14
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	–	–
Tax on movements of reserves during the year	70	3
Equity hedges		
Changes in fair value:	46	–
Amount reclassified to profit or loss	(23)	–
Balance at December 31, 2023	**(217)**	**(4)**

Changes of reserves by risk category € in millions

	Hedging reserve	Cost of hedging reserve
Balance at January 1, 2022	**(109)**	**(20)**
Cash flow hedges		
Changes in fair value:		
Foreign currency risk – sales	10	11
Foreign currency risk – inventory purchases	122	37
Foreign currency risk – net foreign investment	(50)	–
Amount no longer recognized in OCI:		
Foreign currency risk	(68)	(149)
Contracts during the year	(37)	57
Amount included in the cost of non-financial items:		
Foreign currency risk – inventory purchases	–	–
Tax on movements on reserves during the year	59	7
Equity hedges		
Changes in fair value:	(85)	–
Amount reclassified to profit or loss	67	–
Balance at December 31, 2022	**(90)**	**(58)**

In order to determine the fair values of derivatives that are not publicly traded, adidas uses generally accepted quantitative financial models based on market conditions prevailing at the balance sheet date.

Notes to the Consolidated Income Statement

29 Other operating income

Other operating income consists of the following:

Other operating income € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Income from transitional service agreements	50	156
Income from release of accrued liabilities and other provisions	7	7
Gains from disposal of fixed assets	7	3
Sundry income	7	7
Other operating income	**71**	**173**

The decrease in income from transition services agreements relates to contracts with the buyer of the Reebok business from 2022. adidas discontinued these services in 2023.

30 Other operating expenses

Expenses are presented by function according to the 'cost of sales method' in the income statement with the exception of impairment losses (net) on accounts receivable and contract assets which are disclosed in a separate line item as required by IFRS 9 'Financial Instruments.'

Other operating expenses presented by functions include marketing and point-of-sale expenses, distribution and selling expenses, and general and administration expenses, as well as sundry expenses less any income from government grants, if applicable.

Marketing and point-of-sale expenses consist of promotion and communication spending such as promotion contracts, advertising, events, and other communication activities. However, they do not include marketing overhead expenses, which are presented in distribution and selling expenses.

The distribution and selling expenses consist of sales force and sales administration costs, direct and indirect supply chain costs, and marketing overhead expenses, as well as expenses for research and development, which amounted to € 151 million in 2023 (2022: € 153 million).

General and administration expenses include the functions IT, Finance, Legal, Human Resources, and Facilities & Services, as well as General Management.

Sundry expenses consist mainly of costs for one-time effects as well as losses from disposal of fixed assets.

Income from government grants is reported as a deduction from the related expenses and amounted to € 27 million in 2023 (2022: € 36 million).

31 Cost by nature

Supplementary information on the expenses by nature is detailed below.

Cost of materials represents the amount of inventories recognized as an expense during the period.

Depreciation of tangible and right-of-use assets, amortization of intangible assets, and impairment losses and reversals of impairment losses on those assets are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales. Impairment losses on goodwill are presented as a separate line item in the consolidated income statement.

Personnel expenses are primarily included within other operating expenses unless they are directly attributable to the production costs, in which case the expenses are included within the cost of sales.

Expenses relating to leases of low-value assets exclude short-term leases of low-value assets.

Expenses by nature € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Cost of materials	**11,189**	**11,798**
Depreciation and amortization	**1,095**	**1,220**
Thereof: included within the cost of sales	13	51
Thereof: included within personnel expenses	11	10
Impairment losses	**108**	**154**
Reversals of impairment losses	**(34)**	**(4)**
Wages and salaries	2,580	2,444
Social security contributions	266	276
Pension expenses	119	136
Personnel expenses	**2,964**	**2,856**
Expense relating to short-term leases	**19**	**14**
Expense relating to leases of low-value assets	**1**	**0**
Expense relating to variable lease payments	**122**	**118**

Further information on expenses by function is provided in these Notes. ▸ SEE NOTE 30

32 Financial income/Financial expenses

Financial result consists of the following:

Financial income € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Interest income from financial instruments measured at amortized cost	39	23
Interest income from non-financial assets	0	0
Other	40	16
Financial income	**79**	**39**

Financial expenses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Interest expense on financial instruments measured at amortized cost	157	125
Thereof: interest expense on lease liabilities	86	83
Interest expense on other provisions and non-financial liabilities	3	12
Net foreign exchange losses	121	166
Other	2	17
Financial expenses	**282**	**320**

Interest income from financial instruments, measured at amortized cost, mainly consists of interest income from bank deposits and loans calculated using the 'effective interest method.'

Interest income/expense from financial instruments at fair value through profit or loss mainly includes interest payments from investment funds as well as net interest payments from interest derivatives not being part of a hedging relationship. Unrealized gains/losses from fair value measurement of such financial assets are shown in other financial income or expenses.

Interest expense on financial instruments measured at amortized cost mainly includes interest on lease liabilities as well as interest on borrowings calculated using the 'effective interest method.'

Interest expense on other provisions, and non-financial liabilities in particular, include effects from the measurement of other provisions at present value and interest on non-financial liabilities such as tax payables.

Information regarding investments, borrowings, and financial instruments is also included in these Notes.
▶ SEE NOTE 13 ▶ SEE NOTE 16 ▶ SEE NOTE 28

33 Hyperinflation

Due to the rapid devaluation of the Argentinian peso and the Turkish lira, Argentina and Turkey are considered to be hyperinflationary and as a result, the application of IAS 29 was adopted for the first time in the third quarter of 2018 (Argentina) and the second quarter of 2022 (Turkey). The financial statements of those subsidiaries that have the Argentinian peso or Turkish lira as a functional currency had been restated for the change in the general purchasing power retrospectively since January 1, 2018 (Argentina), and January 1, 2022 (Turkey). The financial statements are based on a historical cost approach. The prior-year figures of the Argentinian peso are stated in terms of the measuring unit current at December 31, 2022. Pursuant to IAS 21 'Effects of Changes in Foreign Exchange Rates,' paragraph 42, the comparative amounts of the previous reporting period were not restated for the Turkish lira.

The Argentinian price index at December 31, 2023, was 44,914.03 (2022: 15,047.61). The price index in Turkey at December 31, 2023, was 1,859.38 (2022: 1,128.45).

Both for Argentina and for Turkey, for the translation into the presentation currency (euro), all amounts were translated at the closing rate at December 31, 2023. The net assets in the subsidiary's local financial statements were adjusted for changes in the price level.

In 2023, the respective loss on the net monetary position has amounted to € 56 million (2022: € 34 million) and is recognized in the financial expenses.

34 Income taxes

adidas AG and its German subsidiaries are subject to German corporate and trade taxes. For the years ending December 31, 2023 and 2022, the statutory corporate income tax rate of 15% plus a surcharge of 5.5% thereon is applied to earnings. The municipal trade tax is approximately 11.4% of taxable income.

For non-German subsidiaries, deferred taxes are calculated based on tax rates that have been enacted or substantively enacted by the closing date.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset if:

- the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

Deferred tax assets/liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Deferred tax assets	1,358	1,216
Deferred tax liabilities	(147)	(135)
Deferred tax assets, net	**1,211**	**1,082**

The movement of deferred taxes net is as follows:

Movement of deferred taxes € in millions

	2023	2022
Deferred tax assets, net as at January 1	**1,082**	**1,141**
Deferred tax income	149	(76)
Change in consolidated companies	–	23
Change in deferred taxes attributable to remeasurements of defined benefit plans recorded in other comprehensive income[1]	3	(44)
Change in deferred taxes attributable to the change in the effective portion of the fair value of qualifying hedging instruments recorded in other comprehensive income[2]	1	21
Currency translation differences	(23)	17
Deferred tax assets, net as at December 31	**1,211**	**1,082**

1 See Note 23.
2 See Note 28.

Gross company deferred tax assets and liabilities after valuation allowances, but before appropriate offsetting, are attributable to the items detailed in the table below:

Deferred taxes € in millions

	Dec. 31, 2023	Dec. 31, 2022
Non-current assets	480	462
Current assets	334	245
Liabilities and provisions	622	852
Accumulated tax loss carry-forwards	260	126
Deferred tax assets	**1,696**	**1,685**
Non-current assets	356	421
Current assets	17	71
Liabilities and provisions	113	111
Deferred tax liabilities	**485**	**603**
Deferred tax assets, net	**1,211**	**1,082**

Deferred tax assets are recognized only to the extent that the realization of the related benefit is probable. For the assessment of probability, in addition to past performance and the respective prospects for the foreseeable future, appropriate tax structuring measures are also taken into consideration.

Deferred tax assets for which the realization of the related tax benefits is not probable decreased from € 406 million to € 308 million for the year ending December 31, 2023. The majority of this amount relates to capital tax losses in the US, which expire in 2027 and can only be offset against capital income. The remaining unrecognized deferred tax assets relate to subsidiaries operating in markets where the realization of the related tax benefit is not considered probable.

adidas does not recognize deferred tax liabilities for unremitted earnings of non-German subsidiaries to the extent that they are expected to be permanently invested in international operations. These earnings, the amount of which cannot be practicably computed, could become subject to additional tax if they were remitted as dividends or if the company were to sell its shareholdings in the subsidiaries.

Tax expenses

Tax expenses are split as follows:

Income tax expenses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Current tax expenses	271	156
Deferred tax income	(147)	(23)
Income tax expenses	**124**	**134**

The deferred tax income includes tax expense of € 7 million in total (2022: tax expense of € 6 million) related to the origination and reversal of temporary differences.

The company's applicable tax rate is 27.4% (2021: 27.4%), being the applicable income tax rate of adidas AG.

The company's effective tax rate differs from the applicable tax rate of 27.4% as follows:

Tax rate reconciliation

	Year ending Dec. 31, 2023		Year ending Dec. 31, 2022	
	€ in millions	in %	€ in millions	in %
Expected income tax expenses	18	27.4	106	27.4
Tax rate differentials	(5)	(8.4)	(59)	(15.1)
Non-deductible expenses and tax-free income	61	92.4	(160)	(41.2)
Losses for which benefits were not recognizable and changes in valuation allowances	(1)	(2.1)	251	64.6
Changes in tax rates	0	0.3	(7)	(1.7)
Other, net	2	3.8	(3)	(0.6)
Withholding tax expenses	50	76.0	5	1.2
Income tax expenses	**124**	**189.2**	**134**	**34.5**

In 2023, the effective tax rate was 189.2%. The effective tax rate in 2022 was 34.5%.

The line item 'Non-deductible expenses' includes tax expense/benefits relating to tax-free income, movements in provisions for uncertain tax positions and tax expense/benefits relating to prior periods. In 2023, the tax income relating to prior periods is € 9 million (2022: tax income of € 118 million).

For 2023, the line item 'Losses for which benefits were not recognizable and changes in valuation allowances' mainly relates to valuation allowances in respect of Russia (€ 12 million) and a release to the valuation allowances for the US and Argentina (€ 13 million). For 2022, this line item mainly related to changes in valuation allowances for the US, Argentina, and Brazil.

For 2023, the total tax benefit arising from previously unrecognized tax losses, credits or temporary differences in prior years that is used to reduce current tax expense was € 6 million, mainly relating to Argentina and Lebanon (2022: € 5 million).

For 2023, there were no effects of changes in tax rates that exceed € 1 million. For 2022, this line item mainly reflected a tax rate change in Switzerland.

The group is within the scope of the OECD Pillar Two model rules (Global Minimum Tax). Pillar Two legislation was enacted in Germany, the jurisdiction in which the company is incorporated, and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the legislation, the group is liable to pay a top-up tax for the difference between its Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate. The vast majority of entities within the group have an effective tax rate that exceeds 15%, with material exceptions for subsidiaries in the United Arab Emirates, Hongkong and Switzerland.

The group is in the process of assessing the impact of the Pillar Two legislation. Based on prior years and the accounting profit for the financial year 2023, this assessment process results in an additional expected tax exposure in a low two digit € million range. The group might not be exposed to paying Pillar Two income taxes in relation to most jurisdictions. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable.

35 Earnings per share

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

Earnings per share

	Continuing operations		Discontinued operations		Total	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Net (loss)/ income from continuing operations (€ in millions)	(58)	254	–	–	–	–
Net income attributable to non-controlling interests (€ in millions)	61	26	–	–	–	–
Net (loss)/income attributable to shareholders (€ in millions)	**(120)**	**228**	**44**	**384**	**(75)**	**612**
Weighted average number of shares	178,543,596	183,263,629	178,543,596	183,263,629	178,543,596	183,263,629
Basic earnings per share (€)	**(0.67)**	**1.25**	**0.25**	**2.09**	**(0.42)**	**3.34**
Net (loss)/income attributable to shareholders (€ in millions)	(120)	228	44	384	(75)	612
Net (loss)/ income used to determine diluted earnings per share (€ in millions)	**(120)**	**228**	**44**	**384**	**(75)**	**612**
Weighted average number of shares	178,543,596	183,263,629	178,543,596	183,263,629	178,543,596	183,263,629
Dilutive effect of share-based payments	14,019	4,458	14,019	4,458	14,019	4,458
Weighted average number of shares for diluted earnings per share	**178,557,615**	**183,268,087**	**178,557,615**	**183,268,087**	**178,557,615**	**183,268,087**
Diluted earnings per share (€)	**(0.67)**	**1.25**	**0.25**	**2.09**	**(0.42)**	**3.34**

Additional information

36 Segmental information

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

As at December 31, 2023, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments,' five operating segments were identified: EMEA, North America, Asia-Pacific, Greater China, and Latin America.

Each market comprises all wholesale, retail, and e-commerce business activities relating to the distribution and sale of products of the adidas brand to retail customers and end consumers.

Other Businesses includes the business activities of the Y-3 label and other subordinated businesses which are not monitored separately by the chief operating decision-maker. Also, certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution 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)[1,2]		Segmental operating profit[1,2]		Segmental assets[1,3]		Segmental liabilities[1,3]	
	2023	2022	2023	2022	2023	2022	2023	2022
EMEA	8,235	8,550	1,280	1,678	2,633	2,960	256	294
North America	5,219	6,404	273	989	1,737	2,589	123	139
Greater China	3,190	3,179	553	322	735	1,361	184	218
Asia-Pacific	2,254	2,241	472	486	624	712	59	78
Latin America	2,291	2,104	482	474	865	811	111	128
Reportable segments	**21,190**	**22,478**	**3,061**	**3,949**	**6,594**	**8,434**	**732**	**856**
Other Businesses	155	150	36	27	48	49	4	4
Total	**21,344**	**22,628**	**3,096**	**3,976**	**6,642**	**8,483**	**736**	**861**

1 2022 figures adjusted due to a shift between the Latin and North America segments.
2 Year ending December 31.
3 At December 31.

Segmental information II € in millions

	Capital expenditure[1]		Depreciation and amortization[1]		Impairment losses and reversals of impairment losses[1]	
	2023	2022	2023	2022	2023	2022
EMEA	120	146	292	335	27	116
North America	73	73	159	156	18	(1)
Greater China	50	78	205	256	10	6
Asia-Pacific	35	52	126	134	21	5
Latin America	31	29	57	56	–	–
Reportable segments	**309**	**378**	**838**	**937**	**77**	**126**
Other Businesses	2	1	2	2	–	1
Total	**311**	**379**	**840**	**940**	**77**	**126**

1 Year ending December 31.

The following table shows the net sales (with third parties) broken down by segment and product group.

Net sales (with third parties) € in millions

	EMEA		North America		Greater China		Asia-Pacific	
	2023	2022	2023	2022	2023	2022	2023	2022
Footwear	4,611	4,529	2,826	3,641	1,819	1,709	1,234	1,177
Apparel	3,059	3,464	1,920	2,242	1,293	1,379	863	917
Accessories and Gear	565	556	474	522	78	91	157	148
Total	**8,235**	**8,550**	**5,219**	**6,404**	**3,190**	**3,179**	**2,254**	**2,241**

	Latin America		Reportable segments		Other Businesses		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Footwear	1,530	1,288	12,020	12,344	36	59	12,056	12,402
Apparel	617	668	7,752	8,670	53	62	7,806	8,732
Accessories and Gear	145	147	1,418	1,464	65	29	1,483	1,493
Total	**2,291**	**2,104**	**21,190**	**22,478**	**155**	**150**	**21,344**	**22,628**

Reconciliations

The following tables include reconciliations of segmental information to the aggregate numbers of the consolidated financial statements, taking into account items which are not directly attributable to a segment.

Net sales (third parties) € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	21,190	22,478
Other Businesses	155	150
HQ / Consolidation	83	(117)
Total net sales	**21,427**	**22,511**

Operating profit € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Operating profit for reportable segments	3,061	3,949
Operating profit for Other Businesses	36	27
HQ	(2,015)	(2,169)
Central expenditure for marketing	(823)	(934)
Consolidation	9	(203)
Operating profit	**268**	**669**
Financial income	79	39
Financial expenses	(282)	(320)
Income before taxes	**65**	**388**

Capital expenditure € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	309	378
Other Businesses	2	1
HQ	193	317
Total	**504**	**695**

Depreciation and amortization € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	838	937
Other Businesses	2	2
HQ	255	280
Total	**1,095**	**1,220**

Impairment losses and reversals of impairment losses € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Reportable segments	77	126
Other Businesses	–	1
HQ	(2)	23
Total	**75**	**150**

Assets € in millions

	Dec. 31, 2023	Dec. 31, 2022
Accounts receivable and inventories of reportable segments	6,594	8,434
Accounts receivable and inventories of Other Businesses	48	49
Accounts receivable and inventories of HQ	(211)	20
Current financial assets	2,220	1,811
Other current assets	1,159	1,418
Non-current assets	8,211	8,563
Total	**18,020**	**20,296**

Liabilities € in millions

	Dec. 31, 2023	Dec. 31, 2022
Accounts payable of reportable segments	732	856
Accounts payable of Other Businesses	4	4
Accounts payable of HQ	1,540	2,048
Current financial liabilities	1,359	1,594
Other current liabilities	4,503	4,755
Non-current liabilities	4,957	5,688
Total	**13,095**	**14,945**

Geographical information

Net sales (third parties) are shown in the geographic market in which the net sales are realized. Non-current assets are allocated to the geographic market based on the domicile of the respective subsidiary independent of the segmental structure and consist of tangible assets, goodwill, trademarks, other intangible assets, right-of-use assets, and other non-current assets.

Geographical information by market € in millions

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
EMEA	8,450	8,567	3,095	3,238
North America	5,225	6,398	1,216	1,367
Greater China	3,208	3,195	936	1,136
Asia-Pacific	2,254	2,241	722	809
Latin America	2,291	2,109	165	160
Total	**21,427**	**22,511**	**6,134**	**6,710**

Geographical information by country € in millions

	Net sales (third parties)		Non-current assets	
	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022	Dec. 31, 2023	Dec. 31, 2022
Germany, Europe	1,345	1,558	1,353	1,367
USA, North America	4,819	5,959	1,120	1,269

37 Additional cash flow information

In 2023, net cash generated from operating activities compared to the prior year results was primarily due to a decrease in operating working capital requirements. In particular the reduction in inventories contributed to the net cash generated.

The net cash used in investing activities in 2023 is mainly related to an increase in spending on intangible assets and property, plant, and equipment such as investments in the furnishing and fitting of own retail stores, in new office buildings and IT systems.

Net cash used in financing activities mainly related to the repayment of the convertible bond, repayments of lease liabilities, interests paid, and dividend paid to shareholders of adidas AG.

The effects resulting from the application of IAS 29 'Accounting in hyperinflationary countries' are recorded below the cash flow from financing activities in the line 'IAS 29 hyperinflation effects in operating, investing and financing cashflows'. The net effect in 2023 amounts to € 82 million (2022: € 64 million). The previous year's value of cash and cash equivalents changed by € 0 million (2022: € 20 million) due to the indexation of the opening balance of cash and cash equivalents in Argentina and Turkey.

Net cash used in discontinued operations € in millions

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Net cash used in operating activities	–	(85)
Net cash used in investing activities	–	–
Net cash used in financing activities	–	(6)
Net cash used in discontinued operations	**–**	**(91)**

In 2023, the following changes in financial liabilities impacted the net cash used in financing activities:

Impact of change in financial liabilities on net cash used in financing activities € in millions

			Non-cash effects					
	Jan. 1, 2023	Net (payments) / proceeds in the period[1]	IFRS 16 lease obligations	Fair value adjustments	Transfer within financial liabilities	Effect of exchange rates	Other[1]	Dec. 31, 2023
Short-term borrowings	527	(522)	–	–	519	–	25	549
Long-term borrowings	2,946	(50)	–	–	(519)	–	52	2,430
Lease liabilities	2,986	(689)	292	–	–	(91)	86	2,584
Total	**6,459**	**(1,260)**	**292**	**–**	**–**	**(91)**	**163**	**5,564**

1 Since the 2023 financial year, interest payments and interest expenses have been reported separately in the reconciliation of financial liabilities in 'Net payments/receipts in the period' and 'Other'. The reconciliation for 2022 has been adjusted accordingly.

Impact of change in financial liabilities on net cash used in financing activities € in millions

			Non-cash effects					
	Jan. 1, 2022	Net (payments) / proceeds in the period[1]	IFRS 16 lease obligations	Fair value adjustments	Transfer to liabilties held for sale	Effect of exchange rates	Other[1]	Dec. 31, 2022
Short-term borrowings	29	(39)	–	–	513	–	24	527
Long-term borrowings	2,466	969	–	–	(513)	–	24	2,946
Lease liabilities	2,836	(719)	795	–	–	(9)	83	2,986
Total	**5,331**	**210**	**795**	**–**	**–**	**(9)**	**131**	**6,459**

1 Since the 2023 financial year, interest payments and interest expenses have been reported separately in the reconciliation of financial liabilities in 'Net payments/proceeds in the period' and 'Other'. The reconciliation for 2022 has been adjusted accordingly.

38 Other financial commitments and contingencies

adidas has other financial commitments for promotion and advertising contracts, which mature as follows:

Financial commitments for promotion and advertising € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	1,291	1,251
Between 1 and 5 years	3,620	2,974
After 5 years	1,507	717
Total	**6,418**	**4,942**

Commitments with respect to promotion and advertising contracts maturing after five years have remaining terms of up to 12 years from December 31, 2023. The increase compared to the prior year mainly relates to the prolongation of major sports marketing contracts.

adidas has other financial commitments for leasing and other rental obligations which mature as follows:

Financial commitments for other contracts € in millions

	Dec. 31,2023	Dec. 31,2022
Within 1 year	46	80
Between 1 and 5 years	117	197
After 5 years	51	79
Total	**214**	**356**

The contracts regarding these leases with expiration dates of between one and ten years partly include renewal options and price adjustment clauses.

Service arrangements

adidas has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. Financial commitments under these contracts mature as follows:

Financial commitments for service arrangements € in millions

	Dec. 31, 2023	Dec. 31, 2022
Within 1 year	364	397
Between 1 and 5 years	673	481
After 5 years	417	3
Total	**1,454**	**881**

The increase compared to the prior year mainly relates to an obligation entered into in connection with logistics services.

Contingent liabilities

As of December 31, 2023, contingent liabilities exist in connection with guarantees from leases in the amount of € 62 million. These mainly relate to the Reebok business and could not be terminated upon its sale.

Litigation and other legal risks

The company is currently engaged in various lawsuits resulting from the ordinary course of business, mainly in connection with commercial and partnership agreements as well as intellectual property rights. The risks triggered by these lawsuits are covered by provisions if and to the extent a reliable estimate of the company's potential liability can be made. In the opinion of Management, the ultimate liabilities resulting from such claims will not materially affect the assets, liabilities, financial position and profit or loss of the company. ▶ SEE NOTE 18

The company is in dispute with the local revenue authorities in South Africa (SARS) with regard to the customs value of imported products. In June 2018, SARS issued a ruling claiming a customs payment including interest and penalties for the years 2007 to 2013 totaling ZAR 1,871 million (€ 92 million). adidas has applied for a suspension of the payment demand and in 2019 instituted legal action against the decision before the High Court in South Africa. In case the court rules in favor of SARS, adidas intends to appeal the decision at the Supreme Court of South Africa. Based on external legal opinions, Management currently believes that it is more likely than not that the claim made by SARS will eventually not result in an outflow of resources. Therefore, a provision was not recognized in the consolidated statement of financial position.

In connection with the financial irregularities of Reebok India Company in 2012, various legal uncertainties were identified. At this stage, the respective ultimate risk cannot be determined conclusively. However, based on opinions obtained from external counsel and internal assessments, Management assumes that the possibility of any cash outflow in settlement is remote. Therefore, no material negative influence on the assets, liabilities, financial position, and profit of the company is expected.

In connection with the termination of the Yeezy partnership, adidas has initiated arbitration proceedings against Kanye West and entities controlled by him (Defendants) claiming, among others, damages. In this context, Defendants filed certain counterclaims against adidas. Management currently believes that these counterclaims will not result in any cash outflow; therefore, no material negative influence on the assets, liabilities, financial position, and profit or loss of the Group is expected.

In 2023, plaintiff Hampton Roads Shipping Association – International Longshoremen's Association Funds –, an entity which had purchased adidas American Depository Receipts (ADRs) representing adidas AG shares, initiated a securities class action at the US District Court in Portland (Oregon).

The plaintiff alleges that the company "recklessly or intentionally made false or misleading statements" regarding risks arising from the business partnership with its former partner Kanye West and/or the company's public commitments to diversity and inclusion by allegedly failing to disclose certain statements and other misconduct of Kanye West.

With respect to loss causation and damages, plaintiff points to specific share price drops for adidas ADRs that it connects to adidas's alleged misstatements or omissions. Also, on behalf of other adidas ADR holders, plaintiff seeks monetary compensation for damages suffered from price drops of adidas ADRs. The proceedings are at an early stage and a concrete amount of damage is not yet specified.

The company rejects these allegations in full and filed a motion to dismiss in February 2024. Management believes that the complaint will not have any material influence on the assets, liabilities, financial position and profit or loss of the company.

39 Related party disclosures

According to the definitions of IAS 24 'Related Party Disclosures,' the Supervisory Board and the Executive Board of adidas AG have been identified as related parties who receive compensation essentially in connection with their function as key management personnel. These consolidated financial statements contain detailed information about the compensation of the Supervisory Board and the Executive Board of adidas AG. ► SEE NOTE 40

In addition, a brand ambassador agreement was in place between adidas and the Supervisory Board member Jackie Joyner-Kersee. For her services under this agreement, Jackie Joyner-Kersee in 2023 received a fixed compensation of € 0.2 million (2022: € 0.1 million). As of the reporting date, there were no outstanding balances in this context.

Members of the Executive Board and Supervisory Board and their close family members are free to buy or sell shares of the Company on the market. The shares held by this group of persons are regularly entitled to dividends, so that the dividend, as resolved by the 2023 Annual General Meeting, was paid out per share held to these persons in 2023. The employee representatives on the Supervisory Board are also entitled to participate in the adidas AG employee stock purchase program. Shares are purchased at a discount of 15% on the same terms as for other employees. Participants who hold their self-acquired shares for at least one year will subsequently receive one share for every six shares held without additional payment, provided they are still adidas employees at that time. ► SEE NOTE 25

Members of the Executive Board and Supervisory Board may purchase products from the Company in the ordinary course of business.

In addition to their compensation for their Supervisory Board activities, the employee representatives on the Supervisory Board continued to receive salaries under their normal employment contracts. These were not influenced by their Supervisory Board activities.

A schedule of the adidas AG subsidiaries included in the consolidated financial statements is shown in Attachment I to the notes to the consolidated financial statements. Balances and transactions between the Company and its subsidiaries that are related parties have been eliminated in consolidation and are not presented in these Notes. ► SEE SHAREHOLDINGS

In addition, adidas Pension Trust e.V., a registered association, is regarded as a related party. Based on a Contractual Trust Arrangement, adidas Pension Trust e.V. manages the plan assets in the form of an administrative trust to fund and protect part of the pension obligations of adidas AG. Employees, senior executives, and members of the Executive Board of adidas AG can be members of the registered association. adidas AG has the right to claim a refund of pension payments from adidas Pension Trust e.V. under specific contractually agreed conditions. As of December 31, 2023, adidas Pension Trust e. V. held plan assets of € 368.2 million (2022: € 331.7 million) in trust for adidas AG. In 2023, adidas AG made lease payments of € 7.0 million (2022: € 6.3 million) to adidas Pension Trust e.V. As of December 31, 2023, there were outstanding liabilities to adidas Pension Trust e.V. in the amount of € 0.7 million (2022: € 0 million). There were no material outstanding receivables from adidas Pension Trust e.V. as of December 31, 2023 (2022: € 0.1 million). ► SEE NOTE 23

The non-profit foundation adidas Stiftung, Herzogenaurach, established in 2023, together with its subsidiary (collectively 'the foundation'), is also considered a related party of adidas AG. In 2023, adidas AG contributed a total amount of € 1.3 million to the foundation's endowment capital and its other assets for the permanent and sustainable fulfilment of the foundation's purpose.

In addition, as part of a donation agreement, adidas AG has committed to make a donation in a total amount of € 115.3 million over several years to the foundation. This amount was outstanding in full as of December 31, 2023 and recognized as an other liability. Furthermore, there is a service agreement for the temporary provision of certain services by adidas AG in 2024, for which remuneration of around € 0.3 million was agreed.

40 Other information

Employees

The average numbers of employees are as follows:

Employees

	Year ending Dec. 31, 2023	Year ending Dec. 31, 2022
Own retail	30,839	31,698
Sales	2,874	3,204
Logistics	7,647	8,530
Marketing	4,553	4,742
Central administration	5,093	5,287
Production	479	520
Research and development	993	1,051
Information technology	5,009	4,810
Total	**57,485**	**59,842**

Accountant service fees for the auditor of the financial statements

The expenses for the audit fees comprise the expenses of adidas AG, Herzogenaurach. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was elected, starting 2023, to carry out the audit procedures.

Fees € in millions

	2023
Audit services	2
Other confirmation services	1
Tax consultancy services	–
Other services	–
Sum	**3**

Expenses for the audit fees of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft were mainly related to the audits of both the consolidated financial statements and the financial statements of adidas AG, the review of essential components of the consolidated interim financial statements as of June 30, 2023, as well as the audit of the financial statements of its subsidiary, adidas CDC Immobilieninvest GmbH.

Other confirmation services relate to confirmation services provided for by law or contract, such as the audit of the non-financial statement, the audit of the project management and the project methodology of the new ERP system and other contractually agreed confirmation services.

Compensation of the Supervisory Board and the Executive Board of adidas AG

Supervisory Board

Pursuant to the Articles of Association of adidas AG, the Supervisory Board members' total annual payment, including attendance fees, amounted to € 2.8 million (2022: € 2.8 million).

Members of the Supervisory Board were not granted any loans or advance payments in 2023.

The consolidated financial statements contain additional information on an existing brand ambassador agreement between adidas and the supervisory board member Jackie Joyner-Kersee. ► SEE NOTE 39

Executive Board

In 2023, the total compensation of the members of the Executive Board amounted to € 40.3 million (2022: € 22.0 million), € 12.3 million thereof related to short-term benefits (2022: € 6.5 million). The short-term benefits comprise the one-year Performance Bonus, the performance criteria of which include currency neutral sales growth, operating margin and individual performance criteria. For share-based payments, expenses amounting to € 11.3 million (2022: € 4.7 million) were recognized in the 2023 financial year. Of the total compensation, an overall amount of € 15.5 million is attributable to severance payments, settlement payments and amounts for non-competition clauses. In the previous year, no share-based payments were granted. Post-employment benefits (costs for accrued pension entitlements for members of the Executive Board) totaled € 1.2 million in 2023 (2022: € 3.5 million). As of December 31, 2023, the present value of the pension commitments for members of the Executive Board in office during the financial year amounted to € 11.2 million in 2023 (2022: € 15.3 million).

As of December 31, 2023, there are provisions for short-term variable compensation components for members of the Executive Board amounting to € 4.5 million. There were no provisions in the 2022 financial year.

The current members of the Executive Board were not granted any loans or advance payments in 2023.

Total compensation of the members of the Supervisory Board and the Executive Board pursuant to §314 (1) in conjunction with §315e HGB

The total compensation of the members of the Executive Board in the 2023 financial year amounted to € 23.8 million (2022: € 6.5 million). Thereof, € 10.9 million (2022: € 6.5 million) related to short-term benefits. Moreover, Executive Board members appointed after January 1, 2021, are not granted benefits under the company pension scheme. Instead, they receive a so-called pension allowance in the form of an adequate lump-sum amount, which is directly paid out to the Executive Board members annually. In this context, Bjørn Gulden received € 1.1 million and Arthur Hoeld € 0.3 million in the 2023 financial year. For the 2023 financial year, the Executive Board was granted an LTIP bonus amounting to € 7.6 million. In 2022 no LTIP bonus was granted. Any LTIP Bonus granted must be invested in full in the acquisition of adidas AG shares after deduction of taxes and social security contributions. These shares are subject to a lock-up period which ends upon expiry of the fourth financial year after the performance year. The LTIP payout amount is considered earned only after expiry of the lock-up period and only then can the Executive Board members dispose of the shares at their own discretion. By contrast, the amount deducted for income tax and social security contributions is already fully earned at the time of payout following the adoption of the consolidated financial statements by the Supervisory Board. Moreover, Bjørn Gulden was granted 11,886 adidas AG shares as reimbursement for the variable compensation forfeited at his former employer which are subject to a four-year lock-up period. The gross amount to be matched by the company in this regard was € 3.9 million. The increase of total compensation in comparison to the previous year is mainly attributable to the fact that the Executive Board members were neither granted a Performance Bonus nor an LTIP Bonus in 2022.

The total annual compensation to be paid to the members of the Supervisory Board in accordance with the Articles of Association of adidas AG, including attendance fees, totaled € 2.8 million (2022: € 2.8 million).

Former members of the Executive Board and their surviving dependents received a total of € 21.9 million in benefits in the 2023 financial year (2022: € 16.7 million).

Provisions for pension entitlements have been created for the former members of the Executive Board who resigned on or before December 31, 2005, and their surviving dependents, in an amount of € 43.6 million in total as at December 31, 2023 before offsetting with the assets of the 'adidas Pension Trust e.V.' (prior year: € 28.6 million). There are pension commitments towards former Executive Board members who resigned after December 31, 2005, which are covered by a pension fund or a pension fund in combination with a reinsured pension trust fund. From this, indirect obligations amounting to € 38.1 million (prior year: € 35.0 million) arise for which no provisions were created due to financing through the pension fund and pension trust fund. Provisions for pension entitlements have been created for two former members of the Executive Board who resigned on or after December 31, 2019, in an amount of € 3.4 million (2022: 3.1 million).

Companies opting for exemption under § 264 (3) HGB

The subsidiary adidas CDC Immobilieninvest GmbH, Herzogenaurach, is opting for exemption under § 264 (3) HGB.

41 Information relating to the German coperating governance code

Information pursuant to § 161 German Stock Corporation Act (Aktiengesetz – AktG)

In December 2023, the Executive Board and Supervisory Board of adidas AG issued an updated Declaration of Compliance in accordance with § 161 AktG and made it permanently available to the shareholders. The full text of the Declaration of Compliance is available on the company's corporate website.

42 Events after the balance sheet date

At the start of the 2024 financial year, the Group's internal reporting structure was adjusted for management purposes.

Since January 1, 2024, the EMEA market has been divided into two separate markets, Europe and Emerging Markets. Russia is allocated to the 'other businesses' as it is no longer monitored separately by the chief operating decision-makers due to the discontinuation of business activities. In addition, the Asia-Pacific market has been split into two separate markets, Japan and South Korea, and Southeast Asia and Pacific have been merged with the new Emerging Markets market. The North America, Latin America and China markets remain unchanged.

In line with this reporting structure of the company for management purposes by market and in accordance with the definition of IFRS 8 'Operating Segments', seven operating segments have thus been identified as of January 1, 2024: Europe, Emerging Markets, North America, China, Latin America, Japan, and South Korea. Due to the small size of the two operating segments Japan and South Korea, they are combined for external segment reporting as Japan/South Korea.

Due to the change in the operating segments and the associated groups of cash-generating units, both a reallocation of goodwill and an impairment test of goodwill were carried out as at January 1, 2024. There was no need for impairment in this context.

No other company-specific subsequent events are known that might have a material influence on the assets, liabilities, financial position, and profit or loss of the company.

Date of preparation

The Executive Board of adidas AG prepared and approved the consolidated financial statements for submission to the Supervisory Board on February 20, 2024. It is the Supervisory Board's task to examine the consolidated financial statements and give their approval.

Herzogenaurach, February 20, 2024

The Executive Board of adidas AG

BJØRN GULDEN
CHIEF EXECUTIVE OFFICER,
GLOBAL BRANDS

ARTHUR HOELD
GLOBAL SALES

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

MICHELLE ROBERTSON
GLOBAL HUMAN RESOURCES,
PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

Shareholdings

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by [1]	in %
	Germany			
1	adidas Beteiligungsgesellschaft mbH[2]	Herzogenaurach (Germany)	directly	100
2	adidas CDC Immobilieninvest GmbH	Herzogenaurach (Germany)	11	100
3	adidas Insurance & Risk Consultants GmbH[2]	Herzogenaurach (Germany)	directly	100
	Europe (incl. Middle East and Africa)			
4	adidas International Trading AG	Lucerne (Switzerland)	9	100
5	adidas sport gmbh	Lucerne (Switzerland)	directly	100
6	adidas Austria GmbH	Klagenfurt (Austria)	directly	100
7	runtastic GmbH	Pasching (Austria)	9	100
8	adidas France S.a.r.l.	Strasbourg (France)	directly	100
9	adidas International B.V.	Amsterdam (Netherlands)	directly	93.97
			8	6.03
10	adidas International Marketing B.V.	Amsterdam (Netherlands)	9	100
11	adidas International Property Holding B.V.	Amsterdam (Netherlands)	68	100
12	adidas Infrastructure Holding B.V.	Amsterdam (Netherlands)	9	100
13	adidas Benelux B.V.	Amsterdam (Netherlands)	directly	100
14	adidas Ventures B.V.	Amsterdam (Netherlands)	9	100
15	adidas (UK) Limited	Stockport (Great Britain)	9	100
16	Trafford Park DC Limited	Stockport (Great Britain)	12	100
17	adidas Pensions Management Limited	Stockport (Great Britain)	15	100
18	adidas (Ireland) Limited	Kildare (Ireland)	9	100
19	adidas International Re DAC	Dublin (Ireland)	9	100
20	adidas España S.A.U.	Zaragoza (Spain)	1	100
21	adidas Italy S.p.A.	Monza (Italy)	9	100
22	adidas Portugal - Artigos de Desporto, S.A.	Lisbon (Portugal)	9	100
23	adidas Business Services, Lda.	Moreira da Maia (Portugal)	9	98
			directly	2
24	adidas Norge AS	Oslo (Norway)	directly	100
25	adidas Sverige Aktiebolag	Solna (Sweden)	directly	100
26	adidas Suomi Oy	Vantaa (Finland)	9	100
27	adidas Danmark A/S	Them (Denmark)	9	100
28	adidas CR s.r.o.	Prague (Czech Republic)	directly	100
29	adidas Budapest Kft.	Budapest (Hungary)	directly	100
30	adidas Bulgaria EAD	Sofia (Bulgaria)	directly	100
31	LLC "adidas, Ltd."	Moscow (Russia)	directly	100
32	adidas Poland Sp. z o.o.	Warsaw (Poland)	directly	100
33	adidas Romania S.R.L.	Bucharest (Romania)	9	100
34	adidas Baltics SIA	Riga (Latvia)	9	100
35	adidas Slovakia s.r.o.	Bratislava (Slovak Republic)	directly	100
36	adidas Trgovina d.o.o.	Ljubljana (Slovenia)	directly	100
37	SC 'adidas-Ukraine'	Kiev (Ukraine)	directly	100
38	adidas LLP	Almaty (Republic of Kazakhstan)	directly	100
39	adidas Serbia DOO Beograd	Belgrade (Serbia)	9	100
40	adidas Croatia d.o.o.	Zagreb (Croatia)	9	100
41	adidas Hellas Single Member S.A.	Athens (Greece)	directly	100
42	adidas (Cyprus) Limited	Limassol (Cyprus)	directly	100
43	adidas Spor Malzemeleri Satis ve Pazarlama A.S.	Istanbul (Turkey)	9	100
44	adidas Emerging Markets L.L.C	Dubai (United Arab Emirates)	indirectly	51
			8	49

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by [1]	in %
45	adidas Emerging Markets FZE	Dubai (United Arab Emirates)	9	100
46	adidas Levant Limited	Dubai (United Arab Emirates)	45	100
47	adidas Levant Limited - Jordan	Amman (Jordan)	46	100
48	adidas Imports & Exports Ltd.	Cairo (Egypt)	49	99.98
			9	0.02
49	adidas Sporting Goods Ltd.	Cairo (Egypt)	9	99.81
			directly	0.19
50	adidas Israel Ltd.	Holon (Israel)	9	85
51	adidas Morocco LLC	Casablanca (Morocco)	directly	100
52	adidas (South Africa) (Pty) Ltd.	Cape Town (South Africa)	directly	100
53	adidas Arabia Trading	Riyadh (Saudi Arabia)	directly	100
	North America			
54	adidas North America, Inc.	Wilmington, Delaware (USA)	9	100
55	adidas America, Inc.	Portland, Oregon (USA)	54	100
56	adidas International, Inc.	Portland, Oregon (USA)	54	100
57	adidas Team, Inc.	Des Moines, Iowa (USA)	54	100
58	adidas Holdings LLC	Wilmington, Delaware (USA)	54	69
			62	31
59	adidas Indy, LLC	Wilmington, Delaware (USA)	54	100
60	Stone Age Equipment, Inc.	Marina Del Rey, California (USA)	55	100
61	Spartanburg DC, Inc.	North Charleston, South Carolina (USA)	55	100
62	adidas Pluto Corporation	Wilmington, Delaware (USA)	9	100
63	adidas Canada Limited	Woodbridge, Ontario (Canada)	9	100
	Asia-Pacific			
64	adidas Sourcing Limited	Hong Kong (China)	4	100
65	adidas Hong Kong Limited	Hong Kong (China)	1	100
66	adidas Trading (Far East) Limited (formerly: Reebok Trading (Far East) Limited)	Hong Kong (China)	54	100
67	adidas (Suzhou) Co., Ltd.	Suzhou (China)	1	100
68	adidas Sports (China) Co., Ltd.	Shanghai (China)	1	100
69	adidas (China) Ltd.	Shanghai (China)	9	100
70	adidas Sports Goods (Shanghai) Co., Ltd	Shanghai (China)	69	100
71	adidas Logistics (Tianjin) Co., Ltd.	Tianjin (China)	12	100
72	adidas Business Services (Dalian) Limited	Dalian (China)	9	100
73	adidas Japan K.K.	Tokyo (Japan)	9	100
74	adidas Korea LLC.	Seoul (Korea)	directly	100
75	adidas Korea Technical Services Limited	Busan (Korea)	64	100
76	adidas India Private Limited	New Delhi (India)	directly	10.67
			9	89.33
77	adidas India Marketing Private Limited	New Delhi (India)	76	98.62
			9	1
			directly	0.37
78	adidas Technical Services Private Limited	Gurgaon (India)	64	100
79	Refop India Company (formerly: Reebok India Company)	Gurgaon (India)	58	99.03
			89	0.91
			55	0.07
80	PT adidas Indonesia	Jakarta (Indonesia)	9	99.67
			directly	0.33
81	adidas (Malaysia) Sdn. Bhd.	Petaling Jaya (Malaysia)	directly	60
			9	40
82	ADIDAS PHILIPPINES, INC.	Taguig City (Philippines)	directly	100
83	adidas Singapore Pte Ltd	Singapore (Singapore)	directly	100
84	adidas Taiwan Limited	Taipei	9	100

Shareholdings of adidas AG, Herzogenaurach, as at December 31, 2023

	Company and domicile		Share in capital held by [1]	in %
85	adidas (Thailand) Co., Ltd.	Bangkok (Thailand)	directly	100
86	adidas Australia Pty Limited	Mulgrave (Australia)	9	100
87	adidas New Zealand Limited	Auckland (New Zealand)	directly	100
88	adidas Vietnam Company Limited	Ho Chi Minh City (Vietnam)	9	100
89	adidas (Mauritius) Limited (formerly: Reebok (Mauritius) Company Limited)	Port Louis (Mauritius)	58	100
	Latin America			
90	adidas Argentina S.A.	Buenos Aires (Argentina)	9	76.96
			1	23.04
91	Refop de Argentina S.A. (formerly: Reebok Argentina S.A.)	Buenos Aires (Argentina)	directly	96.25
			9	3.75
92	adidas do Brasil Ltda.	São Paulo (Brazil)	1	100
93	adidas Franchise Brasil Servicos Ltda.	São Paulo (Brazil)	92	99.99
			directly	0.01
94	REFOP Produtos Esportivos Brasil Ltda. (formerly: Reebok Produtos Esportivos Brasil Ltda.)	São Paulo (Brazil)	9	100
95	adidas Chile Limitada	Santiago de Chile (Chile)	directly	99
			3	1
96	adidas Colombia Ltda.	Bogotá (Colombia)	directly	100
97	adidas Perú S.A.C.	Lima (Peru)	directly	99
			95	1
98	adidas de Mexico, S.A. de C.V.	Mexico City (Mexico)	directly	100
99	adidas Industrial, S.A. de C.V.	Mexico City (Mexico)	directly	100
100	Refop de Mexico, S.A. de C.V. (formerly: Reebok de Mexico, S.A. de C.V.)	Mexico City (Mexico)	directly	100
101	adidas Latin America, S.A.	Panama City (Panama)	directly	100
102	Concept Sport, S.A.	Panama City (Panama)	9	100
103	3 Stripes S.A.	Montevideo (Uruguay)	directly	100
104	Tafibal S.A.	Montevideo (Uruguay)	directly	100
105	Raelit S.A.	Montevideo (Uruguay)	directly	100
106	adidas Sourcing Honduras, S.A.	San Pedro Sula (Honduras)	54	100
107	adisport Corporation	San Juan (Puerto Rico)	9	100
108	adidas Sourcing El Salvador, S.A. de C.V.	Antiguo Cuscatlán (El Salvador)	9	99.95
			directly	0.05

1 The number refers to the number of the company.
2 Profit and loss transfer agreement.

Responsibility Statement

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

Herzogenaurach, February 20, 2024

BJØRN GULDEN
CHIEF EXECUTIVE OFFICER,
GLOBAL BRANDS

ARTHUR HOELD
GLOBAL SALES

HARM OHLMEYER
CHIEF FINANCIAL OFFICER

MICHELLE ROBERTSON
GLOBAL HUMAN RESOURCES,
PEOPLE AND CULTURE

MARTIN SHANKLAND
GLOBAL OPERATIONS

Copy of the Auditor's Report

Based on the final results of our audit we issued the following unqualified auditor's report dated February 23, 2024:

"Independent auditor's report"

To adidas AG, Herzogenaurach

Report on the audit of the Consolidated Financial Statements and of the Group Management

Audit Opinions

We have audited the consolidated financial statements of adidas AG, Herzogenaurach, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2023, and notes to the consolidated financial statements, including material accounting policy information. In addition, we have audited the group management report of adidas AG, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2023. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

– the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2023, and of its financial performance for the financial year from 1 January to 31 December 2023, and

– the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § [Article] 322 Abs. 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the consolidated financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of inventories
2. Recognition of revenue, taking into account expected returns

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of inventories

1. In the Company's consolidated statement of financial position, inventories amounting to EUR 4,525 million (25% of total assets) are reported.

   Inventories are initially recognized at cost, taking into account directly attributable incidental acquisition costs and cost reductions. The carrying amount of recognized inventories must be reduced if the inventories are damaged or (partially) obsolete and the expected net realizable values are less than the costs.

   At the balance sheet date, the costs are compared against the net realizable values, which are determined by deducting the directly attributable selling costs to be incurred prior to sale of the inventories from the sales proceeds expected to be generated.

Net realizable values are calculated based on discretionary planning assumptions as to the sales proceeds realizable in the ordinary course of business less necessary selling costs, which are derived on the basis of historical observable data. In particular, the age (seasonality) of the inventories and the selected sales channel to be used in future sales are significant. The impairment test resulted in a write-down on inventories as of the balance sheet date amounting to EUR 317 million in total.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the inputs for the future net realizable values and other factors having an influence on value, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we analyzed among other things the impairment testing process and assessed identified controls with respect to implementation, appropriateness and operating effectiveness. Furthermore, we evaluated the key inputs used to calculate net realizable values based on historical data and our understanding of the business. We verified the mathematical accuracy of the calculation logic used in the impairment test.

   We were able to satisfy ourselves that the estimates and assumptions made by the executive directors in connection with the appropriate measurement of inventories were sufficiently substantiated and documented.

3. The Company's disclosures relating to the accounting policies applied with respect to the "inventories" line item are contained in section 2 of the notes to the consolidated financial statements "Summary of significant accounting policies". In addition, the disclosures on "inventories" are contained in section 7, "Inventories".

2. Recognition of revenue, taking into account expected returns

1. In the Company's consolidated financial statements, revenues amounting to EUR 21,427 million are reported.

   Revenue is recognized from the sale of goods in the "Wholesale", "E-commerce" and "Own retail" sales channels if the Company satisfies a performance obligation by transferring a specified asset to a customer. An asset is deemed to have been transferred if the customer obtains control of that asset. Revenue is recognized in the amount to which the Company has a claim when the power to control an asset is transferred.

   Customers of the Company have the option, subject to certain conditions, of exchanging or returning goods in exchange for a credit. The amounts regarding expected returns are estimated by the executive directors based on experiences with regard to historic return rates and accrued for a return provision against revenues.

   The asset embodying the right to receive goods returned by the customer is measured at the carrying amount of the respective inventories less settlement costs.

   The revenues have a significant influence on the Group's net profit or loss for the year and represent one of the most significant performance indicators for adidas. Due to the large transaction volume with respect to the sale of merchandise in three different sales channels and the potential risk in general of notional revenues and the uncertainty with regard to estimates of expected returns, in our view the existence and accrual of revenues from the sale of merchandise were of particular significance in the context of our audit.

2. With respect to the audit of the existence and accrual of revenue, we first assessed the design, implementation and operating effectiveness of internal controls, including the functioning of IT-based controls with respect to outgoing goods and the acceptance of goods, invoices and the payment settlement. In addition, we examined the presentation of revenue recognition in the Group-wide accounting policy to assess whether it complied with IFRS 15.

   Furthermore, in the context of substantive audit procedures, we obtained evidence (in particular delivery certificates, invoices and receipts of payments) of the existence and accrual of revenue in order to assess whether the recognized and accrues revenues were based on a corresponding shipment or transfer of goods. In addition, we evaluated the mathematical correctness of the executive directors' calculation of expected returns. We compared the expected returns against historical, sales channel-specific return rates and the returned merchandise recorded in the financial accounting records.

   We were able to satisfy ourselves that the estimates and assumptions made by the executive directors in connection with the appropriate accounting treatment of the revenue were sufficiently substantiated and documented.

3. The Company's disclosures relating to the accounting policies applied with respect to the recognition of revenue from merchandise are contained in section 2 of the notes to the consolidated financial statements "Summary of significant accounting policies".

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- non-financial statement to comply with §§ 289b to 289e HGB and with §§ 315b to 315c HGB included in different places of the group management report
- the section "Performance KPIs to track product availability and on-time in-full delivery" of the group management report
- the disclosures marked as unaudited in section "Description of the main features of the internal control and risk management system process pursuant to § 315 section 4 German Commercial Code (Handelsgesetzbuch – HGB)" of the group management report

The other information comprises further

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

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

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

— Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

— Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

— Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

— Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

— Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file adidasag-2023-12-31-de.zip (SHA256 hash value: f7cfad6e3dd2bf8e66077ce9a17bddfa0b222f09b8b59748606b8c82dc7777da) and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from 1 January to 31 December 2023 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements

3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic rendering of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents

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

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 12 May 2022. We were engaged by the supervisory board on 14 December 2023. We have been the group auditor of the adidas AG, Herzogenaurach, without interruption since the financial year 2023.

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

Reference to an other matter – Use of the auditor's report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be filed in the company register – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Christian Landau.

Nuremberg, February 23, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Rainer Kroker
Wirtschaftsprüfer

Christian Landau
Wirtschaftsprüfer

Independent Practitioner's Report on a Limited and Reasonable Assurance Engagement on Non-financial Reporting[28]

To adidas AG, Herzogenaurach

We have performed an assurance engagement on the combined non-financial statement of adidas AG, Herzogenaurach, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Combined Non-financial Statement") consisting of the sections of the combined management report denoted with ⌜ ⌝ and [ ].

In accordance with our engagement, we have divided the level of assurance to be obtained by us and

- performed a reasonable assurance engagement on the sections denoted with [ ] in the Combined Non-financial Statement and
- performed a limited assurance engagement on the sections denoted with ⌜ ⌝ in the Combined Non-financial Statement.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Responsibility of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Combined Non-financial Statement in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18 June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section "EU-Taxonomy" of the Combined Non-financial Statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are re-sponsible for such internal control as the executive directors consider necessary to enable the preparation of a Combined Non-financial Statement that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU-Taxonomy" of the Combined Non-financial Statement. They are responsible for the defensibility of this interpretation. Due to

28 PricewaterhouseCoopers GmbH has performed a limited and reasonable assurance engagement on the German version of the combined non-financial statement and issued an independent practitioner`s report in German language, which is authoritative. The following text is a translation of the independent practitioner`s report.

the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Audit Firm's Independence and Quality Management

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Management 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality management for audit firms (IDW Qualitätsmanagementstandard 1: Anforderungen an das Qualitätsmanagement in der Wirtschaftsprüferpraxis - IDW QMS 1 (09.2022)), which requires the audit firm to design, implement and operate a system of quality management that complies with the applicable legal requirements and professional standards.

Responsibility of the Assurance Practitioner

Our responsibility is to express a conclusion with reasonable assurance on the sections of the Combined Non-financial Statement denoted with [ ] and a conclusion with limited assurance on the sections of the Combined Non-financial Statement denoted with ⌜ ⌝ based on the assurance procedures we have performed.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to

- obtain reasonable assurance about whether the sections denoted with [ ] in the Combined Non-financial Statement for the period from 1 January to 31 December 2023, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, have been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB, and

- obtain limited assurance about whether any matters have come to our attention that cause us to believe that the sections denoted with ⌜ ⌝ in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2023, other than the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement, are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.

The procedures performed for the limited assurance engagement part are less extensive than those performed for the reasonable assurance engagement part, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organisation and stakeholder engagement
- Inquiries of the executive directors and relevant employees involved in the preparation of the Combined Non-financial Statement about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Non-financial Statement
- Identification of likely risks of material misstatement in the Combined Non-financial Statement
- Analytical procedures on selected disclosures in the Combined Non-financial Statement
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Non-financial Statement
- Evaluation of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Combined Non-financial Statement
- Inquiries on the relevance of climate-risks

In the course of our reasonable assurance engagement part on the sections denoted with [ ] in the Combined Non-financial Statement, we have performed the following assurance procedures and other activities in addition to those described above:

- Identification of likely risks of material misstatement in the Combined Non-financial Statement
- Evaluation of the internal control system in relation to the subject matter
- Audit of processes for collecting, controlling, analysing and aggregating selected data from various locations on a test basis
- Analytical assessment of selected disclosures in the Combined Non-financial Statement

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

Assurance Opinion

In our opinion, the sections denoted with [ ] in the Combined Non-financial Statement for the period from 1 January to 31 December 2023 have been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.
Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the sections denoted with ⌜ ⌝ in the Company's Combined Non-financial Statement for the period from 1 January to 31 December 2023 are not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "EU Taxonomy" of the Combined Non-financial Statement.
We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Restriction of Use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Munich, February 23, 2024

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Hendrik Fink
Wirtschaftsprüfer
[German public auditor]

ppa. Nico Irrgang