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GROUP MANAGEMENT REPORT FINANCIAL REVIEW

Internal Management System

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

Internal management system designed to drive shareholder value

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

Net sales and operating profit growth

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

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

- **Sales and gross margin development:** Management focuses on identifying and exploiting growth opportunities that not only provide for future top-line improvements but also have the potential to increase our gross margin. Major levers include reducing promotional activity, driving full-price sales, and managing product and supply chain costs.

- **Operating expense control:** Management puts an emphasis on ensuring efficiency and flexibility in the company's cost base, especially in marketing and operating overhead expenses. Marketing expenditure is one of our largest operating expenses, and at the same time, one of the most important mechanisms for driving brand desirability and top-line growth. Therefore, we are committed to increasing investments into our brand and products as well as ensuring the effectiveness and efficiency of our marketing activities. We also aim to improve our operational efficiency by actively managing our operating overhead expenses. In addition to leveraging our top-line growth, we regularly review our organizational set-up to reduce complexity.

Cash flow and operating working capital management

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

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

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

Capital expenditure targeted to maximize future returns

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

Other key performance indicators

In addition to the major financial KPIs, which assess the performance and operational success of our company, as outlined above, we have also identified a set of KPIs that help us track our progress in other areas we deem important for success. These KPIs are assessed on a regular basis and include, among others, employee engagement, the share of female leadership, and carbon intensity per product.
► SEE SUSTAINABILITY STATEMENT ► SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
► SEE ADIDAS-GROUP.COM/S/COMPENSATION

Structured performance measurement system

We have developed an extensive performance measurement system that uses a variety of tools to measure the company's performance. Key performance indicators and other important financial metrics are regularly monitored and compared against initial targets as well as rolling forecasts. When negative deviations exist between actual and target numbers, we perform a detailed analysis to identify and address the cause. If necessary, action plans are implemented to optimize the development of our operating performance. To assess current sales and profitability development, Management continuously analyzes the performance of our operating segments. We also benchmark our financial results with those of our major competitors on a regular basis. Taking into account the year-to-date performance as well as opportunities and risks, the company's financial performance is assessed regularly. Finally, as an early indicator of future performance, the results of any relevant market or consumer research are assessed as available.

Business Performance

In 2024, adidas continued its turnaround and recorded significantly better-than-expected results against a challenging and volatile macroeconomic backdrop. Revenues increased 12% on a currency-neutral basis as brand momentum accelerated further and broadened across markets and categories. The company's gross margin improved 3.3 percentage points to 50.8%, while operating profit increased by more than € 1 billion to € 1,337 million in 2024.

Economic and sector development

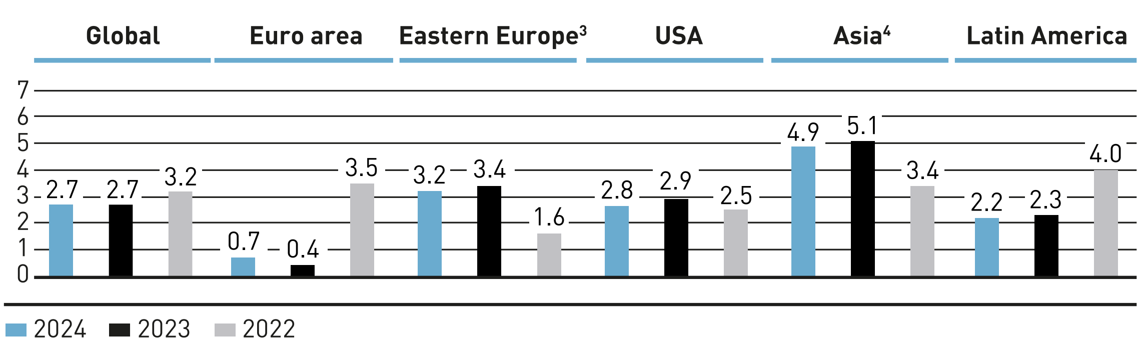
Global economy stable in 2024[5]

The global economy stabilized in 2024, particularly in the second half of the year, as inflation levels decreased and global central banks cut interest rates. At the same time, geopolitical tensions persisted, and political developments caused further uncertainty. Against this backdrop, consumer sentiment was generally cautious, reflecting concerns over economic stability and discretionary spending power. In this context, global gross domestic product (GDP) grew 2.7% in 2024, the same rate as in the previous year. Growth in advanced economies stagnated at 1.7%, while developing economies continued to outperform with growth of 4.1%. Globally, the risks of heightened political uncertainty and adverse trade policy shifts, a resurgence of inflation, geopolitical tensions, supply chain disruptions, as well as climate-related disasters remain.

Sporting goods industry resilient in 2024

In 2024, the global sporting goods industry proved resilient. In a challenging consumer environment, the overall sector expanded despite concerns over economic stability and discretionary spending power. Although inventories in most markets were back at healthy levels, North America still faced excess stock, particularly in the first half of the year. In other major markets, including Europe and Greater China, macroeconomic conditions weighed on demand, also for sporting goods. On the other hand, consumer excitement was boosted by major sports events during the summer. The industry also continued to benefit from lasting structural trends such as increasing sports participation rates, rising health and fitness awareness, and consumer preferences for high-quality and comfort footwear and apparel. Looking ahead, the sporting goods industry is expected to remain fundamentally attractive. At the same time, it is subject to risks of lower consumer demand due to heightened macroeconomic challenges, adverse tariff schemes, and further geopolitical tensions.

Regional GDP development[1,2] in %



1 Real change in percent versus prior year. 2023 and 2022 figures restated compared to prior year.
2 Source: World Bank as of January 16, 2025.
3 Includes Emerging Europe and Central Asia.
4 Includes East Asia and Pacific.

5 Source: World Bank Global Economic Prospects.

Income Statement

Acceleration to double-digit revenue growth in 2024

In euro terms, revenues increased 11% to € 23,683 million in 2024 (2023: € 21,427 million). On a currency-neutral basis, revenues were up 12% compared to the prior year. The double-digit growth was driven by the strong momentum of the adidas brand. Excluding Yeezy sales in both years, currency-neutral revenues of the underlying adidas business increased 13% in 2024. The sale of the remaining Yeezy inventory, which was successfully concluded during the fourth quarter, generated revenues of around € 650 million in the year (2023: around € 750 million).

Net sales

+12% C.N.

€ 23,683 million

Net sales € in millions

Currency-neutral net sales increased strong double digits in Europe, Emerging Markets and Latin America. In addition, both Japan/South Korea and Greater China also increased at a double-digit rate. North America recorded a low-single-digit decline as the company continued its conservative sell-in approach to the wholesale channel in response to still elevated inventory levels in this market, particularly in the first half of the year, as well as due to lower Yeezy sales. With those anticipated headwinds moderating sequentially, revenue growth in North America accelerated to a double-digit rate in the fourth quarter. ► SEE BUSINESS PERFORMANCE BY SEGMENT

Net sales by segment[1,2] € in millions

	2024	2023	Change	Change (currency-neutral)
Europe	7,551	6,302	20%	19%
North America	5,128	5,219	(2%)	(2%)
Greater China	3,459	3,190	8%	10%
Emerging Markets	3,310	2,850	16%	19%
Latin America	2,772	2,291	21%	28%
Japan/South Korea	1,339	1,293	4%	10%
Other Businesses	104	199	(48%)	(46%)
Total	**23,683**	**21,427**	**11%**	**12%**

1 Prior year adjusted in context of introduction of new segment structure.
2 Differences to aggregated net sales may arise due to items which are not directly attributable. See Note 36.

Footwear-led growth reflecting strong brand and product momentum

Footwear led the company’s growth with an increase of 17%, driven by a strong and locally-relevant product offering that resonates with consumers. Next to additional newness and depth for its iconic Samba, Gazelle, Handball Spezial, and Campus products, the company introduced and started to scale volumes in Retro Running with the SL72 and incubated franchises in the Low Profile domain, such as Taekwondo and Japan. Alongside the strong Originals range, an improved footwear offering in Sportswear served consumer needs across a wider range of price points. In Football, adidas drove strong growth through the latest iterations of the iconic Predator boots as well as the revamped F50 franchise. In Running, the company started to leverage the credibility of its record-breaking Adizero running shoe family into its newly launched Ultraboost 5, Supernova and Adistar franchises developed for everyday runners. Lastly, adidas benefited from increased demand for its basketball signature shoe models, led by Anthony Edwards’ award-winning AE1.

Apparel revenues grew 6% as the company continued to broaden its brand and product momentum. In addition to growth in its football performance kit business, the company successfully launched retro-inspired third jerseys and a range of other products featuring the iconic Trefoil logo, as part of its strategy to create a bigger football lifestyle business. Apparel revenues in Originals increased on the back of new offerings such as the Firebird range, while Sportswear introduced completely revamped apparel collections, such as the innovative Z.N.E. range. Accessories and gear sales were up 2%.

Net sales by product category[1,2] € in millions

	2024	2023	Change	Change (currency-neutral)
Footwear	13,975	12,083	16%	17%
Apparel	8,216	7,856	5%	6%
Accessories and Gear	1,499	1,488	1%	2%
Total	**23,683**	**21,427**	**11%**	**12%**

1 Prior year adjusted due to category reclassification of hyperinflation-related effects.
2 Differences to aggregated net sales may arise due to items which are not directly attributable. See Note 36.

Momentum broadening across categories

The broad-based demand for adidas products was also evident from an overall category perspective. Currency-neutral revenues in Lifestyle and Performance increased at a double-digit and high-single-digit rate, respectively. In Lifestyle, Originals led the growth with a strong double-digit increase, while Sportswear was up mid-single digits. On the Performance side, double-digit growth in Football stood out among several categories that posted increases, including Running and Training.

Balanced growth across all channels

On a currency-neutral basis, wholesale revenues increased 14% as relationships with retail partners further strengthened, while direct-to-consumer (DTC) sales grew 11%. Within DTC, own retail posted growth of 15% versus the prior year, driven by the strong sell-out rates in the company's concept store fleet, while e-commerce revenues increased 6%. The continued focus on reducing discounting activity and improving the overall business mix on own online platforms pared back much stronger growth in e-commerce full-price sales. In addition, lower Yeezy sales weighed significantly on e-commerce growth.

Cost of sales increase moderately

Cost of sales is defined as the amount paid to third parties for expenses associated with producing and delivering adidas products. In addition, own-production expenses are also included in the cost of sales. However, these expenses represent only a very small portion of total cost of sales. In 2024, cost of sales was € 11,658 million, representing an increase of 4% compared to the prior year level of € 11,244 million. This development reflects the company's growth as well as less favorable currency rates, partly offset by lower freight and product costs.

Gross margin up significantly to 50.8%

In 2024, gross profit increased 18% to € 12,026 million from € 10,184 million in 2023, while gross margin increased 3.3 percentage points to 50.8% (2023: 47.5%). The improvement was mainly driven by lower freight and product costs, a more favorable business mix, and reduced discounting. In contrast, negative currency effects weighed significantly on the gross margin, particularly in the first half of the year.

Gross margin[1] in %

1 Gross margin = (gross profit / net sales) × 100.

Royalties and other operating income

Royalty and commission income was relatively flat at € 81 million in 2024 (2023: € 83 million), while other operating income was up 144% to € 174 million from € 71 million in 2023. The increase in other operating income mainly reflects the release of prior year's accruals in the third quarter of 2024 in an amount of around € 100 million following the Yeezy settlement. This was offset by provisions in a similar amount for further donations, which were recorded within operating overhead expenses.

Other operating expenses growing slower than revenues

Other operating expenses, including depreciation and amortization, mainly consist of marketing and point-of-sale, distribution and selling, as well as general and administration expenses. In 2024, other operating expenses were up 9% to € 10,945 million (2023: € 10,070 million). As a percentage of sales, other operating expenses decreased 0.8 percentage points to 46.2% from 47.0% in 2023.

Marketing and point-of-sale expenses increased 12% to € 2,841 million in 2024 (2023: € 2,528 million). The company continued its marketing investments to support its global brand campaign 'You Got This' and large-scale activations around the UEFA EURO 2024, the CONMEBOL Copa América, the Olympic and Paralympic Games Paris 2024, as well as support for new product launches such as the Supernova running franchise or the Z.N.E. apparel range. Furthermore, adidas broadened its portfolio of sports partners, with new additions such as the French Rugby Federation, Texas Tech University, and the Ukrainian Association of Football, or individual athletes like Aitana Bonmatí, Lamine Yamal, and Travis Hunter. As a percentage of sales, marketing and point-of-sale expenses increased 0.2 percentage points to 12.0% (2023: 11.8%).

Operating overhead expenses increased 7% to € 8,103 million (2023: € 7,541 million). This development reflects ongoing investments aimed at strengthening the company's sales activities and increasing its agility. In addition, operating overhead expenses include provisions for further donations in an amount of around € 100 million. As a percentage of sales, operating overhead expenses decreased 1.0 percentage point to 34.2% from 35.2% in 2023. Within operating overhead expenses, distribution and selling expenses increased 7% to € 5,936 million in 2024 from € 5,547 million in the prior year. As a percentage of sales, distribution and selling expenses decreased 0.8 percentage points to 25.1% from 25.9% in 2023. General and administration expenses were up 16% to € 2,138 million (2023: € 1,839 million). As a percentage of sales, general and administration expenses were up 0.4 percentage points to 9.0% (2023: 8.6%).

► SEE NOTE 30

Other operating expenses in % of net sales

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

EBITDA increases strongly

Earnings before interest, taxes, depreciation, and amortization, as well as impairment losses/reversal of impairment losses on property, plant, and equipment; right-of-use; and intangible assets (EBITDA) increased 81% to € 2,465 million in 2024 versus € 1,358 million in 2023. Total depreciation and amortization as well as impairment losses/reversal of impairment losses for tangible, right-of-use, and intangible assets was relatively flat at € 1,180 million in 2024 (2023: € 1,170 million).

EBITDA[1] € in millions

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

Operating margin reaches 5.6%

Operating profit increased 398%, or more than € 1 billion in absolute terms, to € 1,337 million in 2024 versus € 268 million in 2023. The sale of the remaining Yeezy inventory in the course of 2024 contributed around € 200 million to operating profit. This compares to a profit contribution from Yeezy of around € 300 million in the prior year. The operating margin was 5.6% in 2024, 4.4 percentage points above the prior-year level (2023: 1.3%).

Operating margin

5.6%

+4.4PP

Operating profit € in millions

Operating margin[1] in %

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

Net financial result stable while tax rate normalizes

Financial income increased 28% to € 101 million in 2024 (2023: € 79 million), mainly reflecting higher interest income. Financial expenses were up 12% to € 317 million compared to € 282 million in 2023, mainly reflecting higher financing costs in some markets, partly offset by lower negative effects related to hyperinflation countries. As a result, the company's net financial result was relatively stable at negative € 215 million (2023: negative € 203 million). The company's tax rate decreased to 26.5% in 2024 (2023: 189.2%), reflecting the normalization of profitability levels throughout the year.

▶ SEE NOTE 32 ▶ SEE NOTE 34

Net income from continuing operations increases to € 824 million

Driven by significant business improvements in 2024, net income from continuing operations improved strongly to € 824 million (2023: net loss of € 58 million). Taking into consideration € 68 million of net income attributable to non-controlling interests (2023: € 61 million), both basic and diluted earnings per share (EPS) from continuing operations reached € 4.24 (2023: negative € 0.67). The total number of shares outstanding was unchanged at 178,549,084 at the end of 2024. Consequently, the average number of shares used in the calculation of basic earnings per share (EPS) was also 178,549,084 (2023: 178,543,596).

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

Basic earnings per share in €

Gains from discontinued operations

In 2024, adidas incurred gains from discontinued operations of € 8 million, net of tax, related to the Reebok divestiture (2023: € 44 million). ▶ SEE NOTE 03

Net income attributable to shareholders of € 764 million

The company's net income attributable to shareholders, which, in addition to the net income from continuing operations, considers the gains from discontinued operations as well as net income attributable to non-controlling interests, amounted to € 764 million in 2024 (2023: net loss of € 75 million). As a result, both basic and diluted EPS from continuing and discontinued operations were € 4.28 in 2024 versus negative € 0.42 in 2023.

Statement of Financial Position and Statement of Cash Flows

Assets

At the end of December 2024, total assets were up 15% to € 20,655 million from € 18,020 million in the prior year, mainly related to the increase of cash and cash equivalents, accounts receivable, inventories, and right-of-use assets.

Structure of statement of financial position[1] in % of total assets

	2024	2023
Assets (€ in millions)	**20,655**	**18,020**
Cash and cash equivalents	11.9%	7.9%
Accounts receivable	11.7%	10.6%
Inventories	24.2%	25.1%
Fixed assets[2]	33.7%	35.4%
Right-of-use assets (IFRS 16)[3]	40.0%	35.2%
Other assets	18.6%	20.9%

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

Total current assets increased 21% to € 11,904 million at the end of December 2024 compared to € 9,809 million in 2023. Cash and cash equivalents were up 72%, or more than € 1 billion in absolute terms, to € 2,455 million at the end of December 2024 (2023: € 1,431 million). This increase is mainly due to the positive cash flow from operating activities, partly offset by the repayment of a € 500 million eurobond maturing in September 2024, repayments of lease liabilities, interest paid, as well as the dividend payment for the year 2023. Inventories increased 10% to € 4,989 million at the end of December 2024 (2023: € 4,525 million) to support the company's growth off of a healthy inventory position. On a currency-neutral basis, inventories increased 11%. ▶ SEE NOTE 04-08

Inventories € in millions

Accounts receivable increased 27% to € 2,413 million at the end of December 2024 (2023: € 1,906 million), mainly reflecting higher sell-in and a more sizable wholesale business compared to the prior year. On a currency-neutral basis, receivables were up 26%. Other current financial assets were up 55% to € 950 million (2023: € 614 million), mainly related to a shift from non-current to current financial assets with regard to a part of the earn-out component of the Reebok divestiture, which has a maturity of less than one year, as well as the increase in the fair value of financial instruments. Other current assets were down 13% to € 997 million at the end of December 2024 (2023: € 1,143 million) due to customs refund claims, now being presented under other non-current assets in 2024 due to a change in the assumption of the duration of the proceedings as well as a decrease of tax receivables. ► SEE NOTE 05-08

Accounts receivable € in millions

Total non-current assets increased 7% to € 8,751 million at the end of December 2024 from € 8,211 million in 2023. This development is mainly related to an increase in fixed assets, which were up 9% to € 6,953 million at the end of December 2024 versus € 6,386 million in 2023. Right-of-use assets increased 24% to € 2,779 million (2023: € 2,247 million), mainly due to additions relating to a new distribution center. Goodwill was up 3% to € 1,275 million (2023: € 1,238 million), reflecting currency effects. Other intangible assets decreased 4% to € 426 million (2023: € 442 million), while other non-current financial assets decreased 44% to € 234 million from € 418 million at the end of 2023. This development is mainly related to a shift from non-current to current financial assets with regard to a part of the earn-out component of the Reebok divestiture, which has a maturity of less than one year. Other non-current assets increased 491% to € 291 million from € 49 million at the end of 2023. This was caused by a shift from customs refund claims to non-current assets. Deferred tax assets amounted to € 1,272 million compared to € 1,358 million in 2023. ► SEE NOTE 09-15

Liabilities and equity

Total current liabilities were up 19% to € 9,593 million at the end of December 2024 from € 8,043 million in 2023. Short-term borrowings increased 4% to € 570 million at the end of December 2024 (2023: € 549 million), as the reclassification of a eurobond in an amount of € 500 million due to its maturity in 2025 was offset by the repayment of a eurobond amounting to € 500 million in September 2024. Accounts payable increased 36% to € 3,096 million at the end of December 2024 versus € 2,276 million in 2023, mainly reflecting higher sourcing volumes. On a currency-neutral basis, accounts payable were also up 36%. Current lease liabilities increased 11% to € 607 million at the end of December 2024 versus € 545 million in 2023, mainly in connection with a new distribution center. Other current financial liabilities were down 28% to € 191 million from € 266 million in 2023, mainly related to reduced customs liabilities as well as a lower fair value of financial instruments. Other current provisions increased 16% to € 1,538 million at the end of December 2024 versus € 1,323 million in 2023, mainly due to higher provisions for personnel that offset lower provisions for customs due to a reclassification from current to non-current. Current accrued liabilities were up 17% to € 2,659 million at the end of December 2024 from € 2,273 million in 2023, mainly due to higher accruals for outstanding invoices, personnel, and discounts, which were only partly offset by lower accruals for marketing costs. Other current liabilities were up 23% to € 598 million at the end of December 2024 from € 488 million in 2023. This increase is mainly related to higher tax liabilities as well as donations in connection with the sale of the remaining Yeezy inventory.
► SEE NOTE 16-21

Structure of statement of financial position[1] in % of total liabilities and equity

	2024	2023
Liabilities and equity (€ in millions)	**20,655**	**18,020**
Short-term borrowings	2.8%	3.0%
Accounts payable	15.0%	12.6%
Long-term borrowings	9.3%	13.5%
Other liabilities	44.6%	43.5%
Current and non-current lease liabilities (IFRS 16)[2]	33.7%	33.0%
Total equity	28.4%	27.3%

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

Accounts payable € in millions

Total non-current liabilities increased 3% to € 5,194 million at the end of December 2024 compared to € 5,052 million in the prior year. Long-term borrowings were down 21% to € 1,915 million at the end of December 2024 compared with € 2,430 million in the prior year. This decrease is mainly due to the reclassification of a eurobond of € 500 million to short-term borrowings due to its maturity in 2025. Non-current lease liabilities were up 22% to € 2,495 million at the end of December 2024 from € 2,039 million in the prior year, due to a new distribution center as well as currency effects. Deferred tax liabilities decreased 9% to € 133 million at the end of December 2024 from € 147 million in the prior year. Other non-current provisions were up 88% to € 353 million at the end of December 2024 from € 188 million in the prior year, reflecting a reclassification of provisions for customs from current to non-current and higher other provisions. Other non-current liabilities were up 49% to € 154 million at the end of December 2024 from € 103 million in 2023. This increase is related to donations in connection with the sale of the remaining Yeezy inventory. ▶ SEE NOTE 16-24

Shareholders' equity increased 20% to € 5,476 million at the end of December 2024 versus € 4,580 million in 2023. This was mainly driven by higher net income, the increase of hedging reserves as well as positive currency effects, partly offset by the dividend paid to shareholders for the full year 2023. The equity ratio increased to 26.5% compared to 25.4% in the prior year. ▶ SEE NOTE 25

Equity ratio[1] in %

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

Operating working capital

Operating working capital increased 4% to € 4,306 million at the end of December 2024 compared to € 4,154 million in 2023. On a currency-neutral basis, operating working capital was also up 4%. Average operating working capital as a percentage of sales decreased 5.9 percentage points to 19.7% (2023: 25.7%), reflecting the slight increase of average operating working capital against the background of significantly higher net sales in 2024 compared to 2023.

Average operating working capital[1, 2] in % of net sales

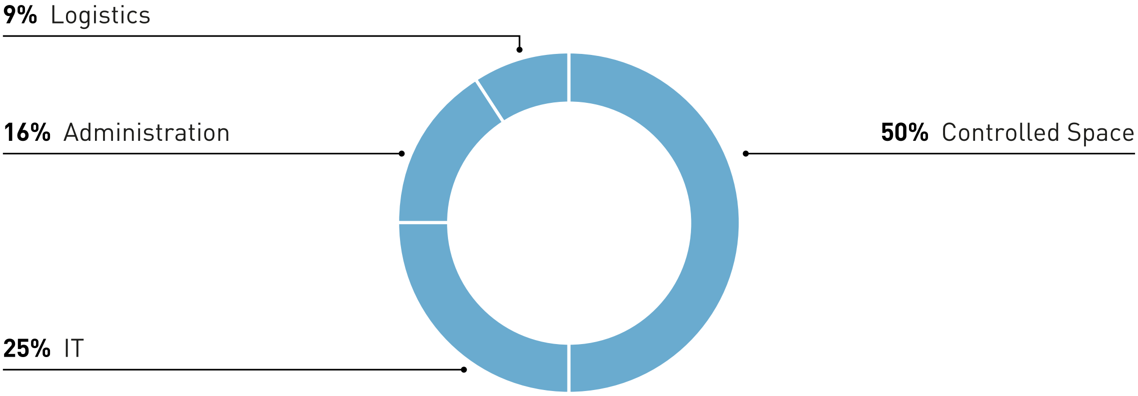
1 Average operating working capital = sum of operating working capital at quarter-ends/4. Operating working capital = accounts receivable + inventories – accounts payable.
2 2021 figure reflects the reclassification of the Reebok business to assets or liabilities held for sale.

Investment analysis

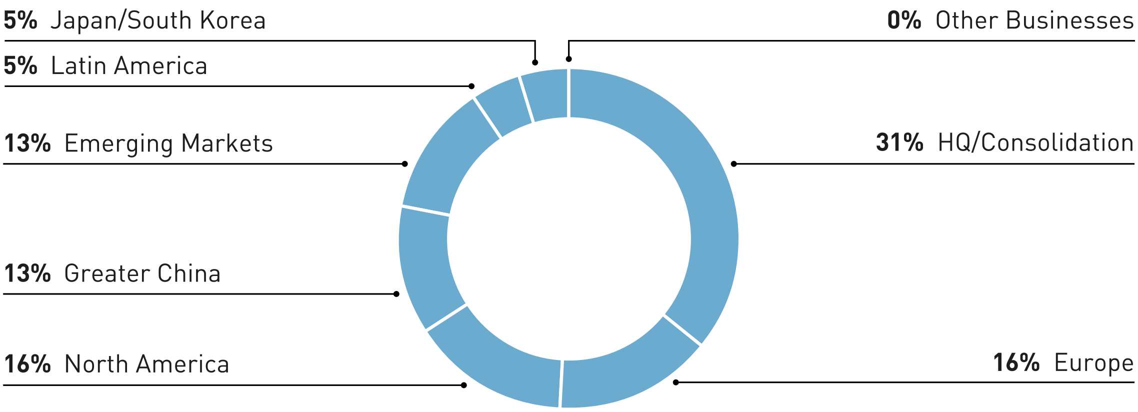
Capital expenditure is defined as the total cash expenditure for the purchase of tangible and intangible assets (excluding acquisitions and right-of-use assets according to IFRS 16). Capital expenditure increased 7% to € 540 million (2023: € 504 million). Capital expenditure for property, plant, and equipment was up 15% to € 419 million compared to € 363 million in the prior year. The company invested € 121 million in intangible assets (2023: € 141 million). Depreciation and amortization, excluding impairment losses and reversal of impairment losses of tangible and intangible assets, increased 5% to € 530 million in 2024 (2023: € 505 million).

Controlled space initiatives, which comprise investments in new or remodeled own retail and franchise stores as well as in shop-in-shop presentations of our products in our customers' stores, accounted for 50% of total capital expenditure (2023: 45%). Expenditure for IT and logistics represented 25% and 9%, respectively (2023: 32% and 9%, respectively). In addition, expenditure for administration accounted for 16% (2023: 14%). From a segmental perspective, the majority of the capital expenditure was recorded centrally at headquarter level, which accounted for 31% (2023: 38%). From a regional perspective, capital expenditure in Europe and North America accounted for 16% each (2023: 12% and 15%, respectively) of the total capital expenditure, followed by Greater China and Emerging Markets with 13% each (2023: 10% and 15%, respectively) as well as Latin America and Japan/South Korea with 5% each (2023: 6% and 3%, respectively).

Capital expenditure by type in %



Capital expenditure by segments in %



Liquidity analysis

Net cash generated from operating activities amounted to € 2,910 million in 2024 (2023: € 2,550 million). This development was mainly due to the higher operating profit in the period, which was partly offset by a less favorable operating working capital development versus the prior year. Adjustments according to IAS 29 'Financial Reporting in Hyperinflationary Economies' are required to be separately disclosed and had a positive impact of € 9 million on the company's 2024 operating cash flow (2023: negative € 19 million). In accordance with IAS 29 the prior year's presentation was changed. ▶ SEE NOTE 37

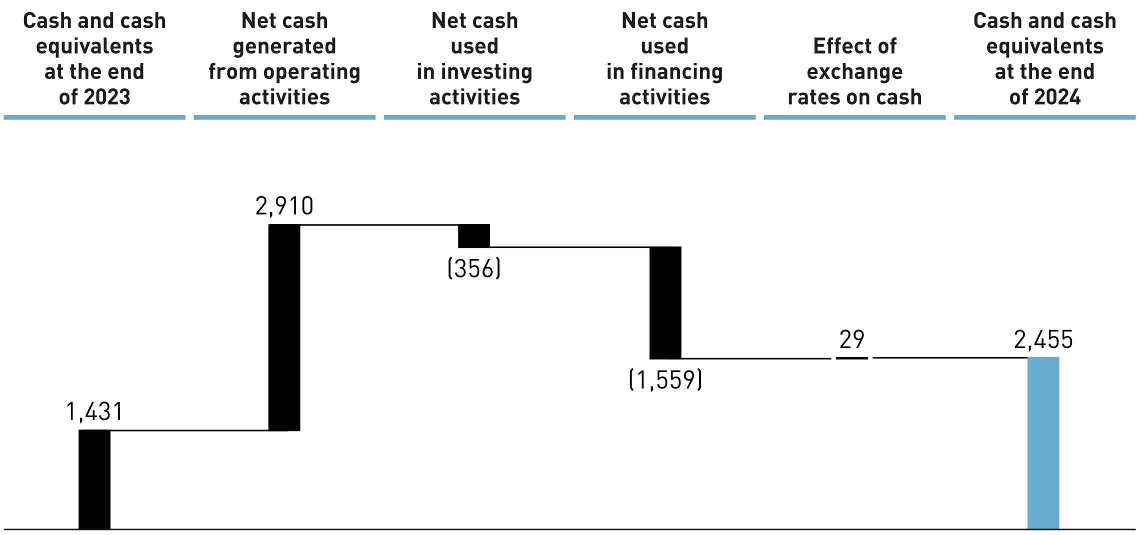
In 2024, net cash used in investing activities reached a level of € 356 million compared to net cash used of € 451 million in 2023. This development was mainly due to the proceeds related to the divestiture of the Reebok business.

Net cash used in financing activities amounted to € 1,559 million (2023: € 1,425 million). This is mainly a result of repayments of lease liabilities, the repayment of a € 500 million eurobond in September 2024, interest paid as well as the dividend payment for the year 2023.

Exchange rate effects on cash positively impacted the company's cash position by € 29 million (2023: negative € 40 million).

As a result of all these developments, cash and cash equivalents increased by € 1,024 million to € 2,455 million at the end of December 2024 compared to € 1,431 million at the end of December 2023.

Change in cash and cash equivalents € in millions



Adjusted net borrowings at December 31, 2024 amounted to € 3,622 million, compared to € 4,518 million in 2023. The company's ratio of adjusted net borrowings over EBITDA amounted to 1.5 at the end of December 2024 (2023: 3.3). This strong deleveraging relates to the significantly lower adjusted net borrowings and the higher EBITDA compared to the prior year period. ▶ SEE TREASURY

Adjusted net borrowings/EBITDA[1,2] € in millions

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

Off-balance-sheet items

The company's most significant off-balance-sheet items are commitments for promotion and advertising, for service arrangements as well as for other contracts. At the end of December 2024, financial commitments for promotion and advertising increased 27% to € 8,122 million in 2024 (2023: € 6,418 million). adidas has outsourced certain logistics and information technology functions, for which it has entered into long-term contracts. For these service arrangements, financial commitments decreased 60% to € 669 million in 2024 (2023: € 1,667 million). The decrease mainly relates to an obligation entered for a new distribution center, which was recognized as a lease liability in 2024. ► SEE NOTE 38

Treasury

Corporate Financial Policy

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

Treasury Policy and responsibilities

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

- The Treasury Committee consists of members of the Executive Board and other senior executives who decide on the Treasury Policy and provide strategic guidance for managing treasury-related topics. Major changes to our Treasury Policy are subject to the prior approval of the Treasury Committee.

- The Treasury department is responsible for specific centralized treasury transactions and for the global implementation of our Treasury Policy.

- On a subsidiary level, where applicable and economically reasonable, local managing directors and finance directors are responsible for managing treasury matters in their respective subsidiaries. Controlling functions on a corporate level ensure that the transactions of the individual business units are in compliance with our Treasury Policy.

Centralized Treasury function

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

► SEE NOTE 02

Standard covenants

In the case of our committed credit facilities, we have entered into various legal covenants. These legal covenants may include limits on the disposal of fixed assets, the amount of debt secured by liens, cross-default provisions, and change of control. However, our financial arrangements do not contain any financial covenants. If we fail to meet any covenant and were unable to obtain a waiver, borrowings would become due and payable immediately. As of December 31, 2024, we were in full compliance with all our covenants. We are fully confident that we will continue to be in compliance with these covenants in the future. We believe that cash generated from operating activities, together with access to internal and external sources of funds, will be sufficient to meet our future operating and capital needs.

Credit ratings

adidas received strong first-time investment-grade ratings by both Standard & Poor's and Moody's in August 2020. Standard & Poor's gave adidas an 'A+' rating, and Moody's granted the company an 'A2' rating. The initial outlook for both ratings was 'stable' as both rating agencies recognized the company's strong credit metrics, robust liquidity profile, and conservative financial policies. In November 2022, both Standard & Poor's and Moody's revised their outlook for adidas to 'negative' due to a deterioration in credit metrics amid pressure on the company's operating performance from economic as well as company-specific challenges. In February 2023, Standard & Poor's lowered its rating on adidas to 'A-', while Moody's downgraded the company to 'A3', both with a 'negative' outlook. Due to adidas showing strong improvements in revenue growth and financial performance, Standard & Poor's revised adidas' outlook to 'stable' in October 2024, acknowledging significantly better-than-expected operating performance and credit metrics. In December 2024, Moody's also changed the outlook to 'stable' from 'negative', reflecting the ongoing improvements in the company's financial performance. Overall, adidas' investment-grade credit ratings continue to ensure an efficient access to capital markets.

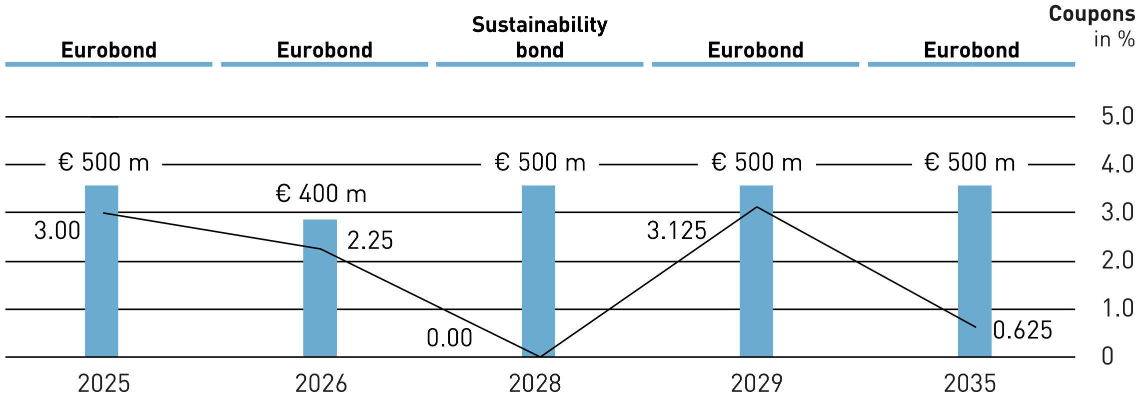
Syndicated credit facility

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

Outstanding bonds

adidas currently has five bonds outstanding. Most recently, in 2022, the company issued a three-year bond of € 500 million maturing in November 2025 with a coupon of 3.00%, in addition to a seven-year bond of € 500 million that matures in November 2029 and has a coupon of 3.125%. In September 2020, adidas successfully priced its first sustainability bond. At the time of the issuance, the € 500 million bond had a term of eight years until October 2028 and a coupon of 0.00%. adidas planned to use the proceeds of the sustainability bond to finance and refinance, in whole or in part, eligible sustainable projects, as defined in the Sustainability Bond Framework. As of September 2023, the total amount of net proceeds of € 500 million was fully allocated to eligible sustainable projects. Also in September 2020, adidas issued a 15-year bond of € 500 million which matures in September 2035 and has a coupon of 0.625%. Lastly, the company has a further outstanding bond of € 400 million issued in 2014 which matures in October 2026 with a coupon of 2.25%. All bonds have been listed on the Luxembourg Stock Exchange and have denominations of € 100,000 each, except for the bond that matures in October 2026 with a denomination of € 1,000 each. ▶ SEE NOTE 16

Maturity profile and coupons of adidas bonds[1]



1 Coupons are fixed.

Additional credit lines

In addition to the syndicated credit facility and access to bond markets, the company's financial flexibility is ensured by the availability of further credit facilities. At the end of 2024, committed and uncommitted credit lines, including the syndicated loan facility, amounted to € 3,656 million (2023: € 3,648 million), of which € 3,560 million was unutilized (2023: € 3,556 million). Committed and uncommitted credit lines represent approximately 52% and 48% of total credit lines, respectively (2023: 53% and 47%, respectively). In addition, we have an unused multi-currency commercial paper program in the amount of € 2,000 million available (2023: € 2,000 million). We monitor the ongoing need for available credit lines based on the current level of debt and future financing requirements.

Gross borrowings decrease

The company's gross borrowings, the vast majority of which are denominated in euro, are composed of bank borrowings as well as outstanding bonds. Gross borrowings decreased 17% to € 2,485 million at the end of 2024 from € 2,979 million in the prior year, mainly due to the repayment of the € 500 million eurobond in September 2024. The total amount of bonds outstanding at the end of 2024 was € 2,389 million (2023: € 2,886 million). Bank borrowings amounted to € 96 million at the end of 2024 compared to € 93 million in the prior year.

Financing structure € in millions

	2024	2023
Cash and cash equivalents	**2,455**	**1,431**
Bank borrowings	96	93
Eurobonds	2,389	2,886
Gross total borrowings	**2,485**	**2,979**
Net (borrowings)/cash	**(30)**	**(1,548)**

As of December 31, 2024, cash and cash equivalents include € 325 million (2023: € 211 million) held by subsidiaries which were subject to foreign exchange control (e.g., Russia, Argentina) or other legal restriction and hence were not anytime available for general use by adidas AG or other subsidiaries.

Debt maturity profile

In 2025, assuming unchanged maturities, debt instruments of € 570 million will mature. This compares to € 549 million that matured in the course of 2024.

Remaining time to maturity of gross borrowings € in millions

	2024	2023
< 1 year	**570**	549
1 to 3 years	**425**	935
3 to 5 years	**994**	504
> 5 years	**496**	991
Total	**2,485**	2,979

2024 2023

Adjusted net borrowings of € 3,622 million

Adjusted net borrowings on December 31, 2024, amounted to € 3,622 million, compared to € 4,518 million on December 31, 2023. This development was mainly due to significantly higher cash and cash equivalents resulting from a positive cash flow from operating activities and lower long-term borrowings, which have been slightly offset by higher current and non-current lease liabilities in 2024.

Adjusted (net borrowings)/net cash[1,2] € in millions

2024	**(3,622)**
2023	(4,518)
2022	(6,047)
2021	(2,082)
2020	(2,424)

1 Figures for 2020 and 2021 were restated to reflect methodology revision in 2022.
2 2021 figure reflects the reclassification of the Reebok business to assets or liabilities held for sale.

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

Composition of adjusted net borrowings € in millions

	2024	2023
Short-term borrowings	570	549
Long-term borrowings	1,915	2,430
Current and non-current lease liabilities	3,102	2,584
Pensions and similar obligations	144	139
Factoring	21	70
Subtotal	**5,752**	**5,772**
Cash and cash equivalents	2,455	1,431
Short-term financial assets	0	34
Less trapped cash	325	211
Less accessible cash and cash equivalents	**2,130**	**1,254**
Adjusted net borrowings	**3,622**	**4,518**

Leverage ratio improves significantly

The company remains committed to an adjusted net borrowings below two times EBITDA (Earnings before interests, taxes, depreciation and amortization and impairment losses and reversals) over the long term. This ratio amounted to 1.5 at the end of December 2024 (2023: 3.3). The strong deleveraging relates to the significantly lower adjusted net borrowings and the higher EBITDA compared to the prior year period.

▶ SEE INCOME STATEMENT ▶ SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS ▶ SEE NOTE 25

Adjusted net borrowings/EBITDA

1.5

Interest rate increases

The weighted average interest rate on the company's gross borrowings increased to 2.5% in 2024 (2023: 1.6%). This development was mainly due to higher financing needs in some subsidiaries in markets with high interest rates. Fixed-rate financing represented 98% of total gross borrowings at the end of 2024 (2023: 99%). Variable-rate financing accounted for 2% of total gross borrowings at the end of 2024 (2023: 1%).

Interest rate development[1] in %

1 Weighted average interest rate of gross borrowings.

Effective foreign exchange management is a key priority

As a globally operating company, adidas is exposed to currency risks. Therefore, effective currency management is a key focus of our Treasury department, with the aim of reducing the impact of currency fluctuations on non-euro-denominated net future cash flows. In this regard, hedging US dollars is a central part of our hedging program. This is a direct result of our Asian-dominated sourcing, which is largely denominated in US dollars. In 2024, our Treasury department managed a net deficit of around US $ 5.0 billion related to business activities (2023: US $ 4.1 billion). Thereof, around US $ 3.6 billion was against the euro (2023: US $ 3.0 billion). As governed by our Treasury Policy, we have established a hedging program on a rolling basis up to 24 months in advance, under which the vast majority of the anticipated seasonal hedging volume is secured approximately six months prior to the start of a season. In rare instances, hedges are contracted beyond the 24-month horizon. We had largely covered our anticipated hedging needs for 2025 as of the end of 2024. At the same time, we have already started hedging our exposure for 2026. The use of different hedging instruments, such as foreign exchange contracts, currency options, and swaps, or the combination of different instruments protect us against unfavorable currency movements. ▶ SEE SOURCING AND SUPPLY CHAIN ▶ SEE RISK AND OPPORTUNITY REPORT ▶ SEE NOTE 28

Financial Statements and Management Report of adidas AG

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

Operating activities and capital structure of adidas AG

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

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

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

The asset and capital structure of adidas AG is significantly impacted by its holding and financing function for the adidas Group. For example, 49% of total assets as of December 31, 2024, related to financial assets (2023: 48%), which primarily consist of shares in affiliated companies. Intercompany accounts, through which transactions between affiliated companies are settled, represent another 17% of total assets (2023: 28%) and 29% of total equity and liabilities as of December 31, 2024 (2023: 28%).

Preparation of accounts

Unlike the consolidated financial statements, which are in conformity with the International Financial Reporting Standards (IFRS), as adopted by the European Union as of December 31, 2024, the following financial statements of adidas AG have been prepared in accordance with the rules set out in the German Commercial Code (Handelsgesetzbuch – HGB).

Income statement in accordance with HGB

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

	2024	2023
Net sales	5,068	4,510
Change in finished and unfinished goods	–	(4)
Total output	**5,068**	**4,506**
Other operating income	687	721
Cost of materials	(1,845)	(1,678)
Personnel expenses	(891)	(852)
Depreciation and amortization	(137)	(139)
Other operating expenses	(3,150)	(2,801)
Operating result	**(268)**	**(243)**
Financial result	500	103
Taxes	(83)	(49)
Net income/(loss)	**149**	**(189)**
Retained earnings brought forward	286	598
Utilization for the repurchase/issuance of adidas AG shares	–	2
Retained earnings	**435**	**411**

adidas AG net sales € in millions

	2024	2023
Royalty and commission income	2,475	2,275
adidas Germany	1,673	1,267
Foreign subsidiaries	75	88
Central distribution unit	78	125
Other revenues	767	755
Total	**5,068**	**4,510**

Sales of adidas AG comprise external revenues generated by adidas Germany with products of the adidas brand as well as revenues from foreign subsidiaries. Revenues of adidas AG also include royalty and commission income, mainly from affiliated companies, revenues from the central distribution unit and other revenues which mainly consist of costs recharged to subsidiaries. In 2024, adidas AG net sales increased 12% to € 5,068 million compared to € 4,510 million in the prior year.

In 2024, other operating income of adidas AG decreased 5% to € 687 million (2023: € 721 million). This development was primarily due to lower positive currency effects.

In 2024, other operating expenses for adidas AG increased 12% to € 3,150 million (2023: € 2,801 million). This was largely attributable to higher costs for advertising and promotion as well as recharges from subsidiaries.

Depreciation and amortization for adidas AG relating to intangible and tangible fixed assets decreased 1% to € 137 million in 2024 (2023: € 139 million).

In 2024, adidas AG generated an operating loss of € 268 million (2023: € 243 million). This development is mainly reflecting higher expenses.

The financial result of adidas AG increased 385% to € 500 million in 2024 (2023: € 103 million). The increase was attributable to higher income from dividends.

Net income, after taxes of € 83 million (2023: € 49 million), amounted to € 149 million in 2024 and was higher than the prior year net loss of € 189 million.

Balance sheet in accordance with HGB

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

	Dec. 31, 2024	Dec. 31, 2023
Assets		
Intangible assets	359	359
Property, plant and equipment	652	675
Financial assets	4,425	4,427
Fixed assets	**5,436**	**5,461**
Inventories	38	44
Receivables and other assets	1,733	2,765
Cash and cash equivalents, securities	1,648	859
Current assets	**3,419**	**3,668**
Prepaid expenses	153	136
Total assets	**9,008**	**9,265**
Equity and liabilities		
Shareholders' equity	2,479	2,455
Provisions	956	813
Liabilities and other items	5,573	5,997
Total equity and liabilities	**9,008**	**9,265**

At the end of December 2024, total assets decreased 3% to € 9,008 million compared to € 9,265 million in the prior year. This development was mainly a result of the decrease in receivables and other assets.

Shareholders' equity increased 1% to € 2,479 million at the end of 2024 (2023: € 2,455 million). The equity ratio increased to 27.5% (2023: 26.5%).

Provisions were up 18% to € 956 million at the end of 2024 (2023: € 813 million).

At the end of December 2024, liabilities and other items decreased 7% to € 5,573 million (2023: € 5,997 million). This is mainly due to the repayment of a eurobond in 2024.

Development of cash and cash equivalents

adidas AG has a syndicated credit facility of € 1,864 million and additional bilateral credit lines (including overdrafts) of € 841 million. In addition, the company has a multi-currency commercial paper program in an amount of € 2,000 million available. ▶ SEE TREASURY

In 2024, operating activities of adidas AG resulted in a cash inflow of € 55 million (2023: € 212 million). The change versus the prior year was mainly a result of lower receivables. Net cash inflow from investment activities was € 525 million (2023: € 104 million). This was primarily attributable to higher dividend income from subsidiaries. Financing activities resulted in a net cash outflow of € 345 million (2023: € 323 million). The net cash outflow from financing activities mainly relates to the dividend payment to the shareholders of adidas AG, the repayment of a eurobond and interest payments. As a result of these developments, cash and cash equivalents of adidas AG increased to € 424 million at the end of December 2024 compared to € 189 million at the end of the prior year.

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

Disclosures Pursuant to § 315a and § 289a of the German Commercial Code and Explanatory Report

Composition of subscribed capital

The nominal capital of adidas AG amounts to € 180,000,000 (as at December 31, 2024) and is divided into the same number of registered no-par-value shares with a notional pro rata amount in the nominal capital of € 1 each. The nominal capital and the number of shares did not change in the 2024 financial year. The shares are fully paid in. Any claim on the part of the shareholders to the issuance of individual share certificates is generally excluded pursuant to § 4 section 7 of the Articles of Association unless such issuance is required in accordance with the regulations valid at a stock exchange at which the shares are admitted. Pursuant to § 67 section 2 German Stock Corporation Act (Aktiengesetz – AktG), in relation to adidas AG, only a person who is registered accordingly in the share register shall be deemed a shareholder. Each share grants one vote at the Annual General Meeting and determines the shareholders' share in the company's profit. All shares carry the same rights and obligations. The shareholders' individual rights and obligations follow from the provisions of the German Stock Corporation Act, in particular from §§ 12, 53a et seq., 118 et seq., and 186 AktG. As at December 31, 2024, adidas AG held in total 1,450,916 treasury shares, which do not confer any rights to the company in accordance with § 71b AktG. ▶ SEE NOTE 25

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

Restrictions on voting rights or transfer of shares

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

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

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

Shareholdings in share capital exceeding 10% of voting rights

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

Shares with special rights

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

Voting right control if employees have a share in the capital

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

Executive Board appointment and dismissal

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

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

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

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

Amendments to the Articles of Association

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

Authorizations of the Executive Board

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

Authorization of the Executive Board to issue shares

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

Authorized Capital

- Until August 6, 2026, the Executive Board is authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in cash once or several times by no more than € 50,000,000 altogether (Authorized Capital 2021/I). The Executive Board may, subject to Supervisory Board approval, exclude residual amounts from shareholders' subscription rights.

- Until August 6, 2026, the Executive Board is also authorized to increase the nominal capital, subject to Supervisory Board approval, by issuing new shares against contributions in kind and/or cash once or several times by no more than € 20,000,000 altogether (Authorized Capital 2021/II). The Executive Board is authorized, subject to Supervisory Board approval, to exclude residual amounts from shareholders' subscription rights and to wholly or partly exclude shareholders' subscription rights when issuing shares against contributions in kind. Additionally, the Executive Board may, subject to Supervisory Board approval, exclude shareholders' subscription rights if the new shares against contributions in kind are issued at a price not significantly below the stock market price of the company's shares already quoted on the stock exchange at the point in time when the issue price is ultimately determined, which should be as close as possible to the placement of the shares; this exclusion of subscription rights can also be associated with the listing of the company's shares on a foreign stock exchange. The authorization to exclude subscription rights under this authorization, however, may only be used to the extent that the pro-rata amount of the new shares in the nominal capital together with the pro-rata amount in the nominal capital of other shares, which have been issued by the company since May 12, 2021, subject to the exclusion of subscription rights, on the basis of an authorized capital or following a repurchase or for which subscription or conversion rights or subscription or conversion obligations have been granted through the issuance of convertible bonds and/or bonds with warrants while excluding subscription rights, does not exceed 10% of the nominal capital existing on the date of the entry of this authorization with the Commercial Register or – if this amount is lower – as of the respective date on which the resolution on the utilization of the authorization is adopted. The previous sentence does not apply to the exclusion of subscription rights for residual amounts. The Authorized Capital 2021/II must not be used to issue shares within the scope of compensation or participation programs for Executive Board members or employees or for members of the management bodies or employees of affiliated companies. ► SEE NOTE 25

Contingent Capital

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

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

Authorization of the Executive Board to repurchase shares

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

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

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

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

- They may be sold on the stock exchange or through a public offer to all shareholders in relation to their shareholding quota; in case of an offer to all shareholders, subscription rights for residual amounts are excluded. The shares may also be sold differently, provided the shares are sold in exchange for a cash payment and at a price that, at the time of the sale, is not significantly below the stock market price of the company's shares with the same features; the prorated amount of the nominal capital which is attributable to the aggregate number of shares sold under this authorization may not exceed 10% of the company's nominal capital. The prorated amount of the nominal capital attributable to new shares which may be issued between May 11, 2023, and the sale of the shares based on an authorized capital while excluding shareholders subscription rights pursuant to §§ 203 section 1, 186 section 3 sentence 4 AktG is attributed to the limit of 10%. Likewise, the prorated amount of the nominal capital that is attributable to shares which may be issued due to bonds with warrants and/or convertible bonds which are linked to subscription or conversion rights or obligations or the company's right to delivery of shares, provided these bonds are issued on the basis of authorizations pursuant to §§ 221 section 4, 186 section 3 sentence 4 AktG between May 11, 2023, and the sale of the shares, shall also be attributed to the limit of 10%.

- The shares may be offered and assigned as consideration for the direct or indirect acquisition of companies, parts of companies or participations in companies or other business assets, especially real estate and rights to real estate, or receivables (also from the company) or within the scope of company mergers.

- They may be offered and sold as consideration for the acquisition of industrial property rights or intangible property rights or for the acquisition of licenses relating to such rights, also through subordinated Group companies.

- They may be used for purposes of meeting the subscription or conversion rights or obligations or the company's right to delivery of shares arising from bonds with warrants and/or convertible bonds issued by the company or its subordinated Group companies.

- In connection with employee stock purchase plans, the shares may be used in favor of (current and former) employees of the company and its affiliated companies as well as in favor of (current and former) members of management bodies of the company's affiliated companies, whereas the amount of shares must not exceed 5% of the nominal capital neither at the point in time when this authorization becomes effective nor at the point in time when the shares are used. Shares assigned to members of the Executive Board as compensation in the form of a share bonus based on this authorization are to be attributed to this limit.

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

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

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

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

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

In the 2024 financial year, the Executive Board did not use the authorization to purchase adidas AG shares.

Change of control / compensation agreements

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

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

Business Performance by Segment

Since the beginning of 2024, adidas has been reporting on its financial and operating performance via the following breakdown: Europe, North America, Greater China, Emerging Markets, Latin America, and Japan/South Korea.

Europe

In 2024, sales in Europe grew 19% on a currency-neutral basis and increased 20% in euro terms to € 7,551 million from € 6,302 million in 2023. The currency-neutral development was driven by double-digit increases in both Lifestyle and Performance. In Lifestyle, Originals increased at a strong double-digit rate, while Sportswear grew high single digits. Growth in Performance was led by Football, where revenues increased at a strong double-digit rate, but was broad-based with increases across several categories.

Net sales in Europe

+19% C.N.

€ 7,551 million

Europe at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	7,551	6,302	20%	19%
Gross margin	50.3%	45.9%	4.3pp	–
Segmental operating profit	1,485	852	74%	–
Segmental operating margin	19.7%	13.5%	6.1pp	–

Gross margin in Europe increased 4.3 percentage points to 50.3% from 45.9% in 2023. Lower sourcing costs, a better business mix, and reduced discounting more than offset negative currency developments. Operating expenses were up 12% to € 2,310 million versus € 2,057 million in 2023, mainly driven by increases in marketing spend. As a percentage of sales, operating expenses were down 2.0 percentage points to 30.6% (2023: 32.6%). Operating profit in Europe increased 74% to € 1,485 million versus € 852 million in the prior year. The operating margin improved 6.1 percentage points to 19.7% (2023: 13.5%).

North America

Revenues in North America decreased 2% on a currency-neutral basis and also 2% in euro terms to € 5,128 million (2023: € 5,219 million). This development was mainly driven by the company's continued conservative sell-in approach to the wholesale channel in response to still elevated inventory levels in this market, particularly in the first half of the year, as well as lower Yeezy sales. With those anticipated headwinds moderating sequentially, revenue growth in North America accelerated to a double-digit rate in the fourth quarter.

Net sales in North America

(2%) C.N.

€ 5,128 million

North America at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	5,128	5,219	(2%)	(2%)
Gross margin	43.1%	40.1%	3.0pp	–
Segmental operating profit	480	273	76%	–
Segmental operating margin	9.4%	5.2%	4.1pp	–

Gross margin in North America increased 3.0 percentage points to 43.1% (2023: 40.1%). Benefits from lower sourcing costs, healthier inventory levels, and a better business mix more than offset impacts from higher discounting. Operating expenses were down 4% to € 1,788 million versus € 1,872 million in 2023, mainly driven by a decrease in operating overhead costs. Operating expenses as a percentage of sales decreased 1.0 percentage point to 34.9% (2023: 35.9%). Operating profit in North America increased 76% to € 480 million from € 273 million in 2023, while the operating margin increased 4.1 percentage points to 9.4% from 5.2% in 2023.

Greater China

Sales in Greater China increased 10% on a currency-neutral basis. In euro terms, sales increased 8% to € 3,459 million (2023: € 3,190 million). The currency-neutral increase was driven by growth in both Lifestyle and Performance. In Lifestyle, Originals grew at a double-digit rate, while Sportswear was up high single digits. In Performance, Football increased strong double digits, with several other categories also posting growth.

Net sales in Greater China

+10% C.N.

€ 3,459 million

Greater China at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	3,459	3,190	8%	10%
Gross margin	49.6%	48.7%	0.9pp	–
Segmental operating profit	714	553	29%	–
Segmental operating margin	20.6%	17.3%	3.3pp	–

Gross margin in Greater China improved by 0.9 percentage points to 49.6% from 48.7% in 2023, mainly reflecting a better business mix. At the same time, higher sourcing costs and negative currency developments weighed on the gross margin. Operating expenses were relatively flat at € 1,012 million (2023: € 1,002 million), while operating expenses as a percentage of sales decreased 2.1 percentage points to 29.3% compared to 31.4% in the prior year. Operating profit in Greater China increased 29% to € 714 million versus € 553 million in 2023, while the operating margin improved 3.3 percentage points to 20.6% from 17.3% in 2023.

Emerging Markets

Sales in Emerging Markets improved 19% on a currency-neutral basis. In euro terms, sales were up 16% to € 3,310 million from € 2,850 million in 2023. On a currency-neutral basis, this development was driven by double-digit growth in both Lifestyle and Performance. In Lifestyle, Originals increased at a strong double-digit rate and Sportswear grew high single digits. Growth in Performance was broad-based across all categories.

Net sales in Emerging Markets

+19% C.N.

€ 3,310 million

Emerging Markets at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	3,310	2,850	16%	19%
Gross margin	51.3%	50.0%	1.3pp	–
Segmental operating profit	738	626	18%	–
Segmental operating margin	22.3%	22.0%	0.3pp	–

Gross margin in Emerging Markets increased 1.3 percentage points to 51.3% (2023: 50.0%). Benefits from price increases, lower sourcing costs, and a better business mix more than offset significant negative currency developments. Operating expenses were up 20% to € 959 million versus € 803 million in 2023, driven by increases in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales were up 0.8 percentage points to 29.0% (2023: 28.2%). Operating profit in Emerging Markets increased 18% to € 738 million from € 626 million in 2023, while the operating margin was up 0.3 percentage points to 22.3% versus 22.0% in 2023.

Latin America

Revenues in Latin America increased 28% on a currency-neutral basis. In euro terms, sales in Latin America improved 21% to € 2,772 million from € 2,291 million in 2023. On a currency-neutral basis, this improvement was driven by strong double-digit growth in most Performance categories. In Lifestyle, Originals and Sportswear also grew at strong double-digit rates.

Net sales in Latin America

+28% C.N.

€ 2,772 million

Latin America at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	2,772	2,291	21%	28%
Gross margin	47.9%	45.6%	2.3pp	–
Segmental operating profit	614	482	27%	–
Segmental operating margin	22.2%	21.0%	1.1pp	–

Gross margin in Latin America increased 2.3 percentage points to 47.9% (2023: 45.6%). Benefits from lower sourcing costs, price increases, an improved business mix, and lower discounting more than offset significant negative currency developments. Operating expenses were up 27% to € 717 million from € 564 million in 2023. This development reflects increases in both marketing expenditure and operating overhead costs. Operating expenses as a percentage of sales increased 1.2 percentage points to 25.9% (2023: 24.6%). Operating profit in Latin America increased 27% to € 614 million versus € 482 million in 2023. The operating margin increased 1.1 percentage points to 22.2% from 21.0% in 2023.

Japan/South Korea

Revenues in Japan/South Korea increased 10% on a currency-neutral basis. In euro terms, sales improved 4% to € 1,339 million from € 1,293 million in 2023. The currency-neutral increase was driven by double-digit growth in Lifestyle, including a strong double-digit increase in Originals. In Performance, Football grew double digits.

Net sales in Japan/South Korea

+10% C.N.

€ 1,339 million

Japan/South Korea at a glance € in millions

	2024	2023	Change	Change (currency-neutral)
Net sales	1,339	1,293	4%	10%
Gross margin	53.1%	52.5%	0.5pp	–
Segmental operating profit	295	268	10%	–
Segmental operating margin	22.0%	20.7%	1.3pp	–

Gross margin in Japan/South Korea increased 0.5 percentage points to 53.1% from 52.5% in 2023. An improved business mix, benefits from price increases, lower sourcing costs, and less discounting more than offset significant negative currency developments. Operating expenses were flat at € 428 million (2023: € 427 million). However, operating expenses as a percentage of sales decreased 1.1 percentage points to 32.0% (2023: 33.0%). Operating profit in Japan/South Korea increased 10% to € 295 million versus € 268 million in 2023. The operating margin increased 1.3 percentage points to 22.0% from 20.7% in 2023.

Outlook

In 2025, we expect macroeconomic challenges and geopolitical tensions to persist. While this may negatively affect consumer sentiment and discretionary spending power, the global sporting goods industry is set to continue its positive development. Despite these challenges, we expect to gain further market share and grow the company's currency-neutral sales at a high-single-digit rate in 2025. This reflects continued double-digit growth for the adidas brand. With an ongoing focus on profitable growth and operating leverage, we project to further increase operating profit to a level of between € 1.7 billion and € 1.8 billion in 2025.

Forward-looking statements

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

► SEE RISK AND OPPORTUNITY REPORT

Global economic growth to remain constant in 2025[6]

Global gross domestic product (GDP) growth is projected to remain constant at 2.7% in 2025, influenced by the ongoing impact of tight monetary policies, restrictive financial conditions, and sluggish global trade. Although inflation rates have declined, they remain above target levels in most advanced economies, which means that monetary policies are expected to stay restrictive in the near term. In addition, geopolitical conflicts continue to affect the global economy. Advanced economies are anticipated to grow by only 1.7%, while developing economies are expected to see better conditions with a growth forecast of 4.1% in 2025. However, there are still significant risks, including weaker-than-expected performance in major economies such as Greater China, North America, and Europe. Additionally, geopolitical conflicts and political developments could lead to higher tariffs or otherwise disrupt global trade. Potential supply chain disruptions, spikes in energy prices, and climate-related disasters also remain critical concerns for the global economy.

Sporting goods industry to continue its positive trajectory in 2025

After demonstrating resilience in 2024, the global sporting goods industry is expected to continue its positive trajectory in 2025. The industry is expected to benefit from sustained consumer interest in health and fitness, with a continued emphasis on athleisure and rising sports participation rates. Product innovation, both for elite and everyday athletes, is expected to further drive consumer engagement. Additionally, the rising importance of community events in promoting sports participation is becoming increasingly evident. Local sports events and training programs are playing a significant role in

6 Source: World Bank Global Economic Prospects.

encouraging active lifestyles and fostering a sense of community. However, the industry is expected to face several challenges in 2025. Still elevated inflation and interest rates are likely to limit discretionary spending power. At the same time, geopolitical conflicts and political developments may lead to global trade disruptions. Against this backdrop, companies' ability to adapt to changing consumer preferences and macroeconomic conditions will be crucial.

2025 outlook

	2024	2025 outlook
Net sales	€ 23,683 million	to increase at a high-single-digit rate[1]
Operating profit	€ 1,337 million	to reach a level of between € 1.7 billion and € 1.8 billion
Average operating working capital in % of sales	19.7%	to reach a level of between 21% and 22%
Capital expenditure[2]	€ 540 million	to reach a level of around € 600 million

1 Currency-neutral.
2 Excluding acquisitions and leases.

Currency-neutral sales to increase at a high-single-digit rate in 2025

We expect the company's currency-neutral sales to increase at a high-single-digit rate in 2025, reflecting continued double-digit growth for the adidas brand. Our increased focus on local consumer preferences combined with a significantly better, broader, and deeper product range as well as much improved retailer relationships will be the main drivers of our projected top-line increase. In addition, impactful marketing initiatives will further add to our brand momentum and fuel sales growth. Having completed the sale of the remaining Yeezy inventory in 2024, the company's outlook does not include any Yeezy revenues in 2025 (2024: around € 650 million).

Significant growth expected in all market segments

Currency-neutral revenues are expected to grow strongly in all markets in 2025. Specifically, we expect sales for the adidas brand to grow at a double-digit rate in North America, Greater China, Emerging Markets, and Latin America. Revenues in Europe and Japan/South Korea are projected to increase at a high-single-digit rate.

Operating profit to increase further to between € 1.7 billion and € 1.8 billion

While we will continue to increase our marketing and sales investments, operating overhead efficiencies will allow us to leverage our strong top-line growth. This is expected to lead to further significant bottom-line improvements in 2025. As a result, we project operating profit to increase to a level of between € 1.7 billion and € 1.8 billion in 2025. Having completed the sale of the remaining Yeezy inventory in 2024, the company's outlook does not include any profit contribution from Yeezy in 2025 (2024: around € 200 million).

Average operating working capital of between 21% and 22%

During 2024, average operating working capital as a percentage of sales decreased by 5.9 percentage points to 19.7%, mainly reflecting effective measures to return to a healthy inventory position. From this healthy inventory position, our focus in 2025 will be on enabling continued top-line growth as well as on supporting our retail and manufacturing partners. Consequently, we forecast average operating working capital as a percentage of sales to increase moderately to a level of between 21% and 22% in 2025.

Capital expenditure of around € 600 million

In addition to leveraging the company's existing state-of-the-art infrastructure, we will continue to invest into our business. As a result, capital expenditure is expected to reach a level of around € 600 million in 2025 (2024: € 540 million).

Management proposes dividend payment of € 2.00 per share

The adidas AG Executive and Supervisory Boards will recommend paying a dividend of € 2.00 per dividend-entitled share to shareholders at the Annual General Meeting on May 15, 2025 (2024: € 0.70). The total payout of € 357 million (2024: € 125 million) reflects a payout ratio of 43% of net income from continuing operations. The proposal reflects the company's significantly better-than-expected performance in 2024, its improved financial profile, as well as Management's confident outlook for the future. This payout ratio is within the target range of between 30% to 50% of net income from continuing operations as defined in our Financial Policy. ► SEE OUR SHARE

Risk and Opportunity Report

In order to remain competitive and ensure sustainable success, adidas consciously takes risks and continuously explores and develops opportunities. Our risk and opportunity management principles and system provide the framework for our company to conduct business in a well-controlled environment.

Risk and opportunity management principles

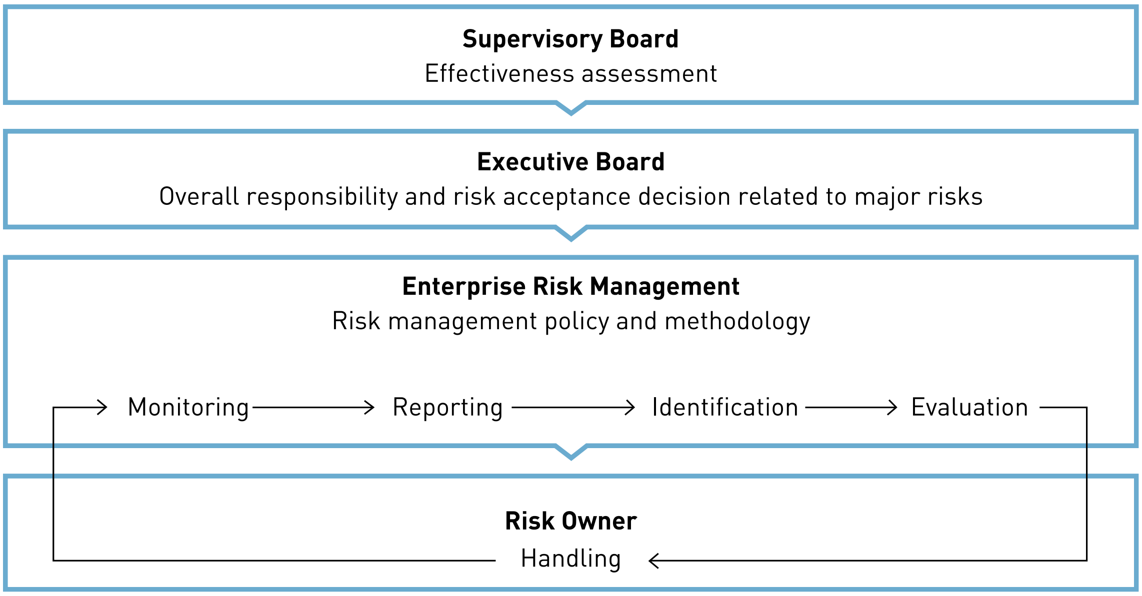
The key objective of the risk and opportunity management is to support business success and protect the company as a going concern through an opportunity-focused but risk-aware decision-making framework. Our Enterprise Risk Management Policy outlines the principles, processes, tools, risk areas, key responsibilities, reporting requirements, and communication timelines within our company. Risk and opportunity management is a company-wide activity that utilizes key insights from the members of the Executive Board as well as from global and local business units and functions. We define risk as the potential occurrence of an external or internal event (or series of events) that may negatively impact our ability to achieve the company's business objectives or financial goals. Opportunity is defined as the potential occurrence of an external or internal event (or series of events) that can positively impact the company's ability to achieve its business objectives or financial goals.

Risk and opportunity management system

The Executive Board has overall responsibility for establishing a risk and opportunity management system that ensures comprehensive and consistent management of all relevant risks and opportunities. The Enterprise Risk Management department governs, operates, and develops the company's risk and opportunity management system and is the owner of the centrally managed risk and opportunity management process on behalf of the Executive Board. The Supervisory Board is responsible for monitoring the effectiveness of the risk management system. These duties are undertaken by the Supervisory Board's Audit Committee. Working independently of all other functions of the organization, the Internal Audit department provides objective assurance to the Executive Board and the Audit Committee regarding the adequacy and effectiveness of the company's risk and opportunity management system on a regular basis. In addition, the Internal Audit department includes an assessment of the effectiveness of risk management processes and compliance with the company's Enterprise Risk Management Policy as part of its regular auditing activities with selected adidas subsidiaries or functions each year.

Our risk and opportunity management system is based on frameworks for enterprise risk management and internal controls developed and published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, we have adapted our risk and opportunity management system to more appropriately reflect the structure as well as the culture of the company. This system focuses on the identification, evaluation, handling, systematic reporting, and monitoring of risks and opportunities. Furthermore, we use a quantitative concept for risk capacity and risk appetite. Risk capacity is a liquidity-based measure and represents the maximum level of risk adidas AG can take before being threatened with insolvency. Risk appetite refers to the maximum level of risk the company is willing to take and is linked to the company's liquidity targets.

Risk and opportunity management system



Our risk and opportunity management process comprises the following steps:

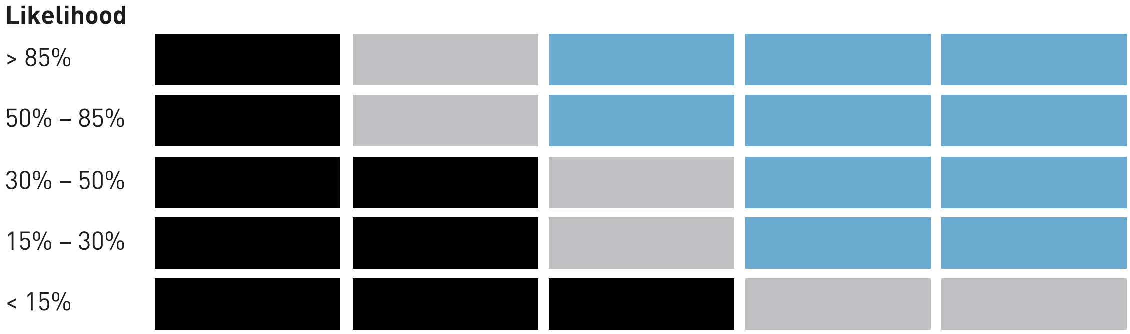
- **Risk and opportunity identification:** adidas continuously monitors the macroeconomic environment and developments in the sporting goods industry as well as internal processes to identify risks and opportunities as early as possible. On a semiannual basis, the Enterprise Risk Management department conducts a survey among senior management and selected middle management to ensure an effective bottom-up identification of risks and opportunities. Enterprise Risk Management has also defined 25 categories to help identify risks and opportunities in a systematic way. In addition, adidas uses various instruments in the risk and opportunity identification process, such as primary qualitative and quantitative research including trend scouting and consumer surveys as well as feedback from our business partners. These efforts are supported by global market research and competitor analysis. Through this process, we seek to identify the markets, categories, consumer target groups, and product styles that show the most potential for future growth at a local and global level. Equally, our analysis focuses on those areas that are at risk of saturation or exposed to increased competition or changing consumer tastes. Furthermore, we consider topics related to environmental, social, and governance aspects in our overall identification process as well as in the following process steps. Our risk and opportunity identification process is not only limited to external risk factors or opportunities, but also includes an internal perspective that considers company culture, processes, projects, human resources, and compliance aspects.

- **Risk and opportunity evaluation:** We assess identified risks and opportunities individually according to a systematic evaluation methodology, which allows adequate prioritization as well as allocation of resources. Risk and opportunity evaluation is part of the responsibility of the Enterprise Risk Management department supported by subject matter experts as well as internal and external data. The Enterprise Risk Management department also conducts assessments with the Executive Board members and senior leaders to validate the evaluation of most relevant risks and opportunities.

  According to our methodology, risks and opportunities are evaluated by looking at two dimensions: the potential impact and the likelihood that this impact materializes. Based on this evaluation, we classify risks and opportunities into three categories: minor, moderate, and major.

The potential impact is evaluated using five categories: marginal, low, medium, high, and significant. These categories represent financial or equivalent non-financial measurements. The financial measurements are based on the potential effect on the company's net income and cash flow. Non-financial measurements used are the degree to which the company's reputation, brand image, and employer value proposition are affected. Moreover, the degree of damage to people's health and safety, caused by non-compliance with legal regulations or gross negligence, and the degree of legal and judicial consequences at a corporate and personal level can be considered. Likelihood represents the possibility that a given risk or opportunity may materialize with the specific impact. The likelihood of individual risks and opportunities is evaluated on a percentage scale divided into five categories.

Risk evaluation categories



	Marginal	Low	Medium	High	Significant
Financial equivalent[1]	> € 1 million - € 10 million	> € 10 million - € 35 million	> € 35 million - € 60 million	> € 60 million - € 100 million	> € 100 million
Qualitative equivalent	Marginal impact on reputation, e.g., growing negative consumer reactions locally & slightly impaired bargaining power with partners & lower ranking in employer ratings. Minor harm to employees or third parties that doesn't require medical treatment. Internal corrective actions required.	Low impact on reputation, e.g., strong increase of negative consumer reactions globally & impaired bargaining power with partners & weaker results in important non-financial external ratings. Minor harm to employees or third parties that requires medical treatment. Judicial investigations leading to no direct sanctions but requiring internal corrective actions, including dismissal of employees.	Medium impact on reputation, e.g., rejection by specific consumer groups & termination or renegotiation of partnerships & profit warnings. Harm to employees or third parties that leads to hospitalization. Judicial investigations leading to imprisonment of employees and/or business interruption.	High impact on reputation, e.g., regional consumer boycotts & termination of key partnership & downgrade of credit and analyst ratings & temporary local employee strikes. Serious, life-changing harm to employees or third parties. Judicial investigations leading to imprisonment of senior leadership and/or significant business interruption including due to ongoing investigations.	Significant impact on reputation, e.g., persisting global consumer boycott & termination of multiple key partnerships & exclusion from key stock indices & long-lasting global employee strikes. Fatalities of employees or third parties. Imprisonment of Board member(s), monitorship and/or cessation of business operations due to court order.

Potential impact

Risk classification: Minor (black) · Moderate (grey) · Major (blue)

1 Based on net income and cash flow.

When evaluating risks and opportunities, we also consider the speed of materialization (velocity). In this respect, we differentiate in which financial year risks and opportunities could occur. We consider both gross and net risk in our risk assessments. While the gross risk reflects the inherent risk before any mitigating action, the net risk reflects the residual risk after all mitigating action. On the one hand, this approach allows for a good understanding of the impact of mitigating action taken; on the other hand, it provides the basis for scenario analysis. Our assessment of risks presented in this report only reflects the net risk perspective. We measure the actual financial impact of selected risks and opportunities that materialized against the original assessment on a yearly basis ('back-testing'). In this way, we ensure continuous monitoring of the accuracy of risk and opportunity evaluations across the company, which enables us to continuously improve evaluation methodology based on our findings.

In assessing the potential effect from opportunities, each opportunity is appraised with respect to viability, commerciality, and potential risks. This approach is not only applied to longer-term strategic prospects but also to shorter-term tactical and opportunistic initiatives at the corporate level as well as at the market and brand level. In contrast to the risk evaluation, only the net perspective exists for assessing opportunities.

We aggregate risks and opportunities using a stochastic simulation (Monte Carlo simulation) to determine the company's risk and opportunity portfolio (i.e., the company's aggregated risk position), considering interdependencies of individual risks and opportunities. To identify a potential threat to the company as a going concern, we compare the 2025 risk and opportunity portfolio to the company's defined risk capacity and determine the likelihood that the aggregated risk exceeds the risk capacity; to identify a potential threat to the company's rating, we compare the 2025 risk and opportunity portfolio to the defined risk appetite and determine the likelihood that the aggregated risk exceeds the risk appetite.

- **Risk and opportunity handling:** Risks and opportunities are treated in accordance with the company's risk and opportunity management principles as described in the Enterprise Risk Management Policy. Risk Owners are in charge of developing and implementing appropriate risk-mitigating action within their area of responsibility. In addition, the Risk Owners need to determine a general risk-handling strategy for the identified risks, which is either risk avoidance, risk reduction with the objective to lower impact or likelihood, risk transfer to a third party or risk acceptance. The decision on the implementation of the respective risk-handling strategy also takes into account the costs in relation to the benefit of any planned mitigating action if applicable. The Enterprise Risk Management department works closely with the Risk Owners to monitor the continuous progress of planned mitigating action and assess the viability of already implemented mitigating action. Depending on the risk class determined by the risk and opportunity evaluation, the authority to make decisions to accept risks resides with the Executive Board, leaders reporting directly to an Executive Board member and the operational management on the next hierarchical level. The decision to accept major risks without taking additional mitigating action can only be made by the entire Executive Board. In its decision-making process, the Executive Board takes into account the risk profile, i.e., the relationship between risk and opportunity portfolio (i.e., the company's aggregated risk position) and risk appetite, as well as risk capacity. To support the Executive Board, the Enterprise Risk Management department defined clear thresholds for the likelihood that the company's aggregated risk exceeds the defined risk appetite and risk capacity. The company's risk appetite must not be exceeded with a likelihood of at least 95%; the company's risk capacity must not be exceeded with a likelihood of at least 99%.

- **Risk and opportunity monitoring and reporting:** Our risk and opportunity management system aims to increase the transparency of risks and opportunities. As both risks and opportunities are subject to constant change, Risk Owners not only monitor developments but also the adequacy and effectiveness of the current risk-handling strategy on an ongoing basis.

Regular risk reporting takes place half-yearly and consists of a five-step reporting stream:

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

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

- Enterprise Risk Management provides a consolidated report to the Executive Board summarizing the results of both bottom-up and top-down assessment as well as the risk and opportunity profile to highlight a potential threat to the company's rating and going concern. The Executive Board reviews the report, jointly agrees on a company assessment of risks and opportunities and decides if Risk Owners are required to take further action.

- Based on the Executive Board's decision, Enterprise Risk Management creates the final risk and opportunity report that is also shared with the 'Leadership Group.'

- The Executive Board presents in collaboration with Enterprise Risk Management the final risk and opportunity assessment results to the Audit Committee of the Supervisory Board.

Material changes in previously reported risks and opportunities or newly identified substantial risks and opportunities are also reported outside the regular half-yearly reporting stream on an ad hoc basis to the Executive Board. To further improve the risk culture at adidas, we also offer a risk management training to all our employees through our company intranet.

Compliance management system (adidas Fair Play)

We consider compliance with the law as well as with external and internal regulations to be imperative. The Executive Board sets the tone from the top, and every employee is required to act ethically and in compliance with the law as well as with internal and other external regulations while executing the company's business. We believe adidas Fair Play will prevent a majority of potential compliance issues. For that reason, we have specific measures to detect and respond to any concerns. We realize, however, that no compliance system can eliminate all violations.

The adidas Chief Compliance Officer (CCO) oversees the company's Compliance Management System (CMS). We see compliance as all-encompassing, spanning all business functions throughout the entire value chain. Our central Compliance team works closely with Regional Compliance Managers and Local Compliance Officers to conduct a systematic assessment of key compliance risks on a regular basis.

The company's CMS is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises and is designed to:

- support the achievement of qualitative and sustainable growth through good corporate governance,
- reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct,
- protect and further enhance the value and reputation of the company and its brand through compliant conduct, and
- support 'Diversity, Equity, and Inclusion' ('DEI') initiatives by fighting harassment and discrimination.

The adidas Fair Play Code of Conduct is accessible on our website, includes guidelines for employee behavior in everyday work, and is applicable globally for all business areas.
► ADIDAS-GROUP.COM/S/CODE-OF-CONDUCT

The Fair Play Code of Conduct and our CMS are organized around three pillars: prevent, detect, and respond.

- **Prevent:** The Compliance team regularly reviews and updates the CMS as necessary. In addition to the Fair Play Code of Conduct mentioned above, we also support all initiatives to prevent and fight harassment and discrimination in the workplace. Management also shares compliance-related communication, and the Compliance team together with the Regional Compliance Managers and Local Compliance Officers provides mandatory training to all employees globally during onboarding and in regular, repeated cycles. The Compliance team and partners also provide targeted in-person compliance training as appropriate with senior management and newly promoted or hired senior executives across the globe in order to further enhance the compliance 'tone from the top,' as well as the 'tone from the middle.' We closely monitor the completion rates for these training measures. We also focused on further enhancing cooperation among the Compliance team and the Corporate Internal Audit, the Group Policies, the Internal Controls, and the Enterprise Risk Management departments to align risk assurance.
- **Detect:** adidas has whistleblowing procedures in place to ensure timely detection of potential infringements of statutory regulations or internal guidelines. Employees can report compliance concerns internally to their supervisor, the CCO, Regional Compliance Managers or Local Compliance Officers, the relevant HR Manager, the Employee Relations department, or, where applicable, the Works Council. Employees can also report externally via the independent, confidential Fair Play hotline and website, which also allow for anonymous complaints. The Fair Play hotline and website are available at all times worldwide, including the services of interpreters, if required. They are promoted digitally and with posters to reach all our locations around the world. We comply with the requirements under the German Whistleblower Protection Act, based on Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.
- **Respond:** Appropriate and timely response to compliance violations is essential. The Compliance team leads all investigations in cooperation with an established team of Regional Compliance Managers and a global network of Local Compliance Officers, with further support from Employee Relations and HR. We track, monitor, and report potential incidents of non-compliance worldwide. In 2024, we recorded 1,260 potential compliance violations (2023: 590). Most importantly, insights gained from the investigation of past violations are used to continuously improve the CMS. Where necessary, we react promptly to confirmed compliance violations, through appropriate and effective sanctions ranging from warnings to termination of employment contracts. In 2024, the Compliance team further strengthened its

relationship with the Employee Relations organization, a key partner in many compliance matters, especially those related to harassment and discrimination.

Potential compliance violations

	2024 Incidents[1]	2023 Cases[2]
Financial, including theft	86	51
Malfeasance, including conflicts of interest and corruption	57	17
Competition	2	0
Behavioral	848	387
Other[3]	267	135

1 Incidents reported (with various allegation types) per area, with several incidents per raised case being possible.
2 Total cases reported in the year per area. Incident level reporting not available under old case management tool.
3 Includes payroll issues, intellectual property, and leaks of confidential information, among others.

Reporting of potential compliance violations in %

	2024	2023
Anonymous contact to hotline	38	53
Named contact to hotline	16	23
Compliance Officer, Employee Relations and other	46	24

The introduction of the new case management tool at the end of 2023 has allowed for more comprehensive incident capturing and reporting of each case. This resulted in a higher number of reported incidents in 2024 compared to cases captured in the 2023 data.

The company's CCO regularly reports to the Executive Board on the further development of the CMS and on major compliance cases. In addition, the CCO reports to the Audit Committee on a regular basis. In 2024, the CCO attended four meetings of the Audit Committee of the Supervisory Board to report on the further development of the compliance program, major compliance cases, and other relevant compliance topics.

The information on the potential compliance violations is part of the entity-specific information for ESRS G1-4 - Corruption and bribery cases. ▶ SEE ESRS G1-4 - CORRUPTION AND BRIBERY CASES

Description of the main features of the internal control and risk management system process pursuant to § 315 section 4 German Commercial Code (Handelsgesetzbuch – HGB)

The accounting-related internal control and risk management system of the company represents a process embedded within the company-wide corporate governance system. It aims to provide reasonable assurance regarding the reliability of the company's external financial reporting by ensuring company-wide compliance with statutory accounting regulations, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting, and Legal, focusing on the identification, assessment, mitigation, monitoring, and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process. The internal control and risk management system serves to identify, assess, limit, and control risks identified in the consolidated financial reporting process that might result in the consolidated financial statements not being compliant with internal and external regulations.

Internal Control over Financial Reporting (ICoFR) aims to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of ICoFR, the Corporate Internal Audit department, which includes both the Internal Audit and Global Internal Controls functions, regularly reviews accounting-related processes. Additionally, as part of the year-end audit, the external auditor assesses the effectiveness of selected internal controls, including IT controls. The Audit Committee of the Supervisory Board also monitors the effectiveness of ICoFR, with the results reported at least once every year.

All adidas companies are required to comply with the consolidated financial reporting policies (Finance Manual), which are available to all employees involved in the financial reporting process through the company-wide intranet. We update the Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Finance Manual are promptly communicated to all adidas companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the company. We aim to ensure compliance with the Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, the local manager responsible for the accounting-related process within the respective company and the respective local Managing Director confirm adherence to the Finance Manual and to IFRS in a signed representation letter to the Accounting department semiannually.

The accounting for adidas companies is conducted either locally or by our Global Business Services. Virtually all the IT Enterprise Resource Planning (ERP) systems used are based on a company-wide standardized SAP system. Following approval by the Finance Director of the respective adidas company, the local financial statements are transferred to a central consolidation system based on SAP Group Reporting. At the corporate level, the regularity and reliability of the financial statements prepared by adidas companies are reviewed by the Accounting and Controlling departments. These reviews include automated validations in the system as well as the creation of reports and analyses to ensure data integrity and adherence to the reporting logic. In addition, differences between current-year and prior-year financial data as well as budget figures are analyzed on a market level. If necessary, adidas seeks the opinion of independent experts to review business transactions that occur infrequently and on a non-routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP Group Reporting. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors as well as differences and are reported back to the adidas companies. After finalization of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analyzed with respect to trends and variances. Unless already otherwise clarified, the adidas companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorization concepts, approval concepts, and access restrictions. Access authorizations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimized through central control and monitoring of virtually all IT systems, centralized management of change processes, and regular data backups.

Furthermore, the adidas internal control and risk management system includes non-accounting-related controls which serve to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of non-financial reporting, and compliance with applicable laws and regulations. The internal control and risk management system regarding the non-accounting-related activities focuses also on the identification, assessment, mitigation, monitoring, and reporting of relevant risks. It is as well embedded within the company-wide corporate governance system and encompasses various sub-processes in the areas of Brands, Sourcing, Supply Chain Management, Procurement, IT, Sales, or Human Resources.

All adidas companies are also required to comply with the non-accounting-related policies ('Policy Manual'), which are available to all employees involved in the various processes through the company-wide intranet and are updated and communicated on a regular basis.

The effectiveness of the non-accounting-related controls is also regularly monitored by the Corporate Internal Audit department and the Global and Market Internal Controls teams. The reporting of internal control testing results to the Audit Committee of the Supervisory Board also includes the effectiveness of non-accounting-related controls.

Nothing came to our attention that would cause us to doubt the adequacy and effectiveness of the entire internal control and risk management system. However, due to the limitations of any internal control and risk management system, absolute certainty about the appropriateness and effectiveness of these systems cannot be guaranteed.[7]

Illustration of risks

This report includes an explanation of financial and non-financial risks that we deem to be most relevant to the achievement of the company's objectives in 2025 and beyond. In this context, we present the risks in a more aggregated form than in our internal reporting. In addition, risks that are currently rated as minor or are not considered relevant or that are not yet known to us could have a negative impact on the achievement of our business objectives or financial goals. Additional information on risks related to environmental, social, and governance aspects is available in our Sustainability Statement. According to our risk assessment methodology, macroeconomic, sociopolitical, regulatory, and currency risks; risks related to tax and customs regulations; risks related to impairment of goodwill; risks related to consumer demand and product offering; personnel risks; and IT and cybersecurity risks are classified as major. The corporate risks overview table illustrates the assessment of all risks described below.

Corporate risks overview

Risk categories	Potential impact	Change (2023 rating)	Likelihood	Change (2023 rating)
Macroeconomic, sociopolitical, regulatory, and currency risks	Significant		30% – 50%	
Risks related to tax and customs regulations	Significant		15% – 30%	
Risks related to impairment of goodwill	High		30% – 50%	
Risks related to consumer demand and product offering	High	↓ (Significant)	15% – 30%	
Personnel risks	High		15% – 30%	
IT and cybersecurity risks	High		15% – 30%	
Risks related to media and stakeholder activities	Medium		30% – 50%	
Risks related to the competitive and retail environment	Significant		< 15%	↓ (15% – 30%)
Business partner risks	Significant		< 15%	
Compliance risks	Significant		< 15%	
Hazard risks	Significant		< 15%	
Litigation risks	Significant		< 15%	
Project risks	Significant		< 15%	

7 The statement in relation to German Corporate Governance Code A5 was not audited in terms of content as part of the audit of this Group Management Report.

Macroeconomic, sociopolitical, regulatory, and currency risks

Growth in the sporting goods industry is highly dependent on consumer spending and consumer confidence. Economic downturns, inflation, financial market turbulence, currency exchange rate fluctuations, and sociopolitical factors such as geopolitical conflicts, changes of government, civil unrest, pandemics, nationalization, expropriation, or nationalism, in particular in regions where adidas is strongly represented, could therefore negatively impact the company's business activities (up to a potential wind-down of subsidiaries) and top- and bottom-line performance. Currency risks are a direct result of multi-currency cash flows within the company, in particular the mismatch of the currencies required for sourcing our products versus the denominations of our sales. Furthermore, translation impacts from the conversion of non-euro-denominated results into the company's functional currency, the euro, might lead to a material negative impact on our company's financial performance. In addition, substantial changes in the regulatory environment such as trade restrictions, economic and political sanctions, regulations concerning product compliance, social aspects, human rights, environmental, and climate protection regulations could lead to potential sales shortfalls or cost increases. ► SEE NOTE 28

To mitigate these macroeconomic, sociopolitical, and regulatory risks, adidas strives to balance sales across key regions and also between developed and emerging markets. We continuously monitor the macroeconomic, political, and regulatory landscape in all our key markets to anticipate potential problem areas, so that we can quickly adjust our business activities accordingly upon any change in conditions. Potential adjustments may be a reallocation of manufacturing of our products to alternative countries, a reallocation of investments to alternative, more attractive markets, changes in product prices, closure of our own retail stores, more conservative product purchasing, tight working capital management, and an increased focus on cost control.

To mitigate the risk related to fluctuations in currency exchange rates, we utilize a centralized currency risk management system and hedge currency needs for projected sourcing requirements on a rolling basis up to 24 months in advance. In rare instances, hedges are contracted beyond the 24-months horizon.
► SEE TREASURY

By building on our leading position within the sporting goods industry and taking into account the interests of our stakeholders, we actively engage in supporting policymakers and regulators in their efforts to liberalize global trade and curtail trade barriers, and to proactively influence and adapt to significant changes in the regulatory environment.

Risks related to tax and customs regulations

Numerous laws and regulations regarding customs and taxes as well as changes in such laws and regulations affect the company's business practices worldwide. Non-compliance with regulations concerning product imports (including calculation of customs values), intercompany transactions, or income taxes could lead to substantial financial penalties and additional costs as well as negative media coverage and therefore reputational damage, for example in case of understatements or underpayments of corporate income taxes or customs duties. Changes in regulations regarding customs and taxes may also have a substantial impact on the company's sourcing costs or income taxes. Therefore, we also create provisions in accordance with the relevant accounting regulations to account for potential disputes with customs or tax authorities. Due to the current geopolitical situation, we assume in individual cases increasingly aggressive positions taken by tax and customs authorities in audits, which could increase the potential impact of such risks and the likelihood that they materialize. In 2021, the 'OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting' agreed on a two-pillar solution to address the tax challenges arising from the digitalization of the economy. Pillar 2, which includes the introduction of global minimum tax, could lead to higher-than-planned income tax expenses.

We seek to manage tax and customs risks in a balanced way that bears an appropriate relationship to the operating structure, commercial and economic substance, and other business risks. To proactively manage such risks, we constantly seek expert advice from specialized independent law and tax advisory firms in areas such as process design, transaction advisory, compliance, and tax or customs audits. Processes are in place requiring that attention is regularly directed to potential areas of tax or customs risk (e.g., a quarterly tax risk questionnaire) and the corporate tax and customs teams are involved in critical business transactions. Compliance with global tax and customs policies and controls is monitored by the Corporate Tax and Customs teams, internal controls experts and the Internal Audit department. We closely monitor changes in legislation to properly adopt regulatory requirements regarding customs and taxes; apply any available and applicable guidance from tax authorities and organizations such as the OECD, the World Customs Organization, and the World Trade Organization; and seek guidance from individual authorities, as appropriate, which may include requesting tax rulings from a tax authority. In addition, our internal legal, customs, and tax teams advise our operational management teams to ensure appropriate and compliant business practices. Our specialized staff receive adequate training for their role and non-tax, or non-customs staff are made aware of potential tax and customs matters relevant to their roles. Furthermore, we work closely with customs authorities and governments worldwide to make sure we adhere to customs and trade regulations at import and export to ensure the availability and obtain the required clearance of products to fulfill sales demand.

Risks related to impairment of goodwill

Our balance sheet carries book values in goodwill. Deterioration in the business performance, and particularly in future business prospects, as well as significant exchange rate fluctuations could require corrections of the book values by incurring impairment charges. In addition, increases in market interest rates could trigger increases in discount rates used in our impairment test for goodwill and require impairment charges. An impairment charge would be a purely accounting, non-cash effect impacting the company's operating result. ► SEE NOTE 11

Risks related to consumer demand and product offering

Our success largely depends on our ability to continuously create new, innovative, and sustainable products. Consumer demand changes can be sudden and unexpected, particularly when it comes to the more fashion-related part of our business. Therefore, we face a risk of short-term revenue loss in cases where we are unable to anticipate consumer demand or respond quickly to changes. In addition, creating and offering products that do not resonate with consumers and our retail partners is a critical risk to the success of our brands, especially considering our focus on key product franchises. This risk could be exacerbated if our marketing activities and brand campaigns fail to generate consumer excitement. Even more critical in the long term, however, are the risks of continuously overlooking new trends and failing to continuously introduce and successfully commercialize new product innovation.

To mitigate these risks, identifying and responding to shifts in consumer demand as early as possible is a key responsibility of our brand and sales organizations and, in particular, of the respective Risk Owners. Therefore, we utilize extensive primary and secondary research tools as outlined in our risk and opportunity identification process. By putting the consumer at the center of our decision-making, we intend to create higher brand advocacy and attract new consumers. We continuously expand our consumer analytics efforts to read and quickly react to changes in demand or trend shifts. In addition, direct touchpoints with consumers via our own digital channels, such as the adidas app, and direct communication with consumers on social media platforms strengthen our understanding of consumer preferences and behavior and, as a result, help us to reduce our vulnerability to changes in demand. Through continuous monitoring of sell-through data and disciplined product life-cycle management, in particular for our major product franchises, we are able to better detect demand patterns and prevent excess supply. By leveraging our promotion partnerships and by carefully orchestrating launch events across markets and channels, we intend to maintain brand desire and consumer demand at a constantly high level. Utilizing external insights and capabilities in product creation helps us strengthen our product offering and drive consumer demand, brand desire, market share, and profitability.

Personnel risks

Achieving the company's strategic and financial objectives is highly dependent on our employees and their talents. In this respect, strong leadership and a performance-enhancing culture are critical to the company's success. Therefore, ineffective leadership as well as the failure to maintain a performance-oriented culture that fosters 'Diversity, Equity, and Inclusion' ('DEI') and strong employee engagement among our workforce could substantially impede our ability to achieve our goals. An ineffective, unbalanced, or insufficient allocation of resources to business activities as well as improper planning and untimely execution of reorganization and transformation initiatives may reduce employee engagement, cause business disruption and inefficiencies, and may negatively affect business performance. In addition, global competition for highly qualified personnel remains fierce. As a result, the loss of key personnel in strategic positions and the inability to identify, recruit, and retain highly qualified and skilled talent who best meet the specific needs of our company pose risks to our business performance.

We are taking various measures to ensure that we maintain a culture that fosters DEI. Through several specialized programs, DEI is embedded into our recruitment processes. Our DEI Executive Council, comprising a diverse group including all members of the Executive Board and leaders from each market, continued its work in 2024 to increase accountability for global DEI initiatives, address emerging DEI issues impacting our brand, and drive the execution of our DEI strategy in a legally compliant manner. Furthermore, our workforce takes part in DEI learning programs. To ensure effective leadership across the company we offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. To optimize staffing levels and resource allocation (i.e., having the right people with the right skillsets in the right roles at the right time), we adjust resource allocation where required to reflect developments in business performance, the economic environment, and our company's strategic priorities. Organizational transformations and reorganizations are supported by change activations with our leadership teams and organizational design consultancy. We continuously invest in improving employer branding activities, and our global recruiting organization constantly enhances our internal and external recruiting services and capabilities. Our global succession management helps create internal talent pipelines for critical leadership positions and therefore reduces succession risk.

IT and cybersecurity risks

Theft, leakage, corruption, or unavailability of critical information (e.g., consumer data, employee data, product data) and systems could lead to reputational damage, regulatory penalties, or the inability to perform key business processes. Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support, and financial reporting, are all dependent on IT systems. Significant outages, application failures, or cybersecurity threats to our infrastructure, or that of our business partners, could therefore result in reputational damage, regulatory penalties, or cause considerable business disruption or impact to business-critical data.

To mitigate these risks, our Information Security organization proactively drives system preventive maintenance, service continuity planning, adherence to Information Security policies (aligned with the NIST SP 800-53 Rev. 5 framework), and continuous execution of a comprehensive information security program aligned with a zero-trust and cloud strategy. Information security architecture design, application security, governance, data security, employee awareness programs, and a 24x7 incident response help us to adequately protect the company. We have also secured limited insurance coverage for damage resulting from cybersecurity incidents.

Risks related to media and stakeholder activities

Adverse or inaccurate media coverage on our products or business practices (including topics related to social, environmental, and governance) as well as negative social media discussion may significantly harm adidas' reputation and brand image, lead to public misperception of the company's business performance and eventually result in a sales slowdown. Similarly, certain activities on the part of key stakeholders (e.g., non-governmental organizations, governmental institutions) could cause reputational damage, distract top management, and disrupt business activities.

To mitigate these risks, we pursue proactive, open communication and engagement with key stakeholders (e.g., consumers, media, the financial community, non-governmental organizations, governmental institutions) on a continuous basis. In addition, we have established clear crisis communication processes to ensure a quick and effective response to adverse developments. We have also strengthened social media capabilities and created various digital newsrooms around the globe that enable continuous monitoring of social media content related to the company's products and activities and allow early management of potentially damaging social media discussion. On a case-by-case basis, we seek external advice from experts in communication and stakeholder management.

Risks related to the competitive and retail environment

Changes in the competitive landscape and the retail environment could impact the company's success. Strategic alliances among competitors or retailers, the increase in retailers' own private-label businesses and intense competition for consumers, production capacity, and promotion partnerships between well-established industry peers and new market entrants pose a substantial risk to adidas. This could lead to harmful competitive behavior, such as sustained periods of heavy discounting in the marketplace or intense bidding for promotion partnerships. Failure to recognize and respond to consolidation in the retail industry could lead to increased dependency on particular retail partners, reduced bargaining power, and, consequently, considerable margin erosion. Sustained pricing pressure in key markets could threaten the company's financial performance and the competitiveness of our brands. Aggressive competitive practices could also drive increases in marketing costs and market share losses, thus hurting the company's profitability and market position. The inability to adjust our distribution strategy in a timely manner to a changing retail industry, which is experiencing continuous substitution of physical retail stores by digital commerce platforms as well as increasing connectivity between physical and digital retail, could result in sales and profit shortfalls. A decline in the attractiveness of particular shopping locations such as shopping malls could lead to sales shortfalls in our customers' and our own stores, higher inventory in the marketplace, increased clearance activity, and margin pressure.

To mitigate these risks, we continuously monitor and analyze information on our competitors and markets in order to be able to anticipate unfavorable changes in the competitive environment rather than merely reacting to such changes. This enables us to proactively adjust our marketing and sales activities (e.g., product launches or selective pricing adjustments) when needed. We also continuously and closely monitor numerous indicators (e.g., order placement, sell-through rates at the point of sale, average selling prices, discounts, store traffic) that help us identify changes in the retail environment and quickly take appropriate action such as closing or remodeling our own stores. We constantly adjust our segmentation strategies to ensure that the right product is sold at the right point of sale at an appropriate price. Continuous investment in research and development ensures that we remain innovative and distinct from competitors. We also pursue a strategy of entering into long-term agreements with key promotion partners. In addition, our product and communication initiatives are designed to increase brand desire, drive market share growth, and strengthen our brand's market position.

Business partner risks

adidas interacts and enters into partnerships with various third parties, such as athletes, creative partners, innovation partners, retail partners, or suppliers of goods or services. As a result, the company is exposed to a multitude of business partner risks.

We work with strategic partners in various areas of our business (e.g., product creation, manufacturing, research, and development) or distributors in a few selected markets whose approach might differ from our own business practices and standards, which could also negatively impact the company's business performance and reputation. Similarly, failure to maintain strong relationships with our partners could negatively impact the company's sales and profitability. Risks may also arise from a dependency on particular partners. For example, the overdependency on a supplier or customer increases the company's vulnerability to delivery and sales shortfalls, respectively, and could lead to significant margin pressure. Business partner default (including insolvency) or other disruptive events such as strikes may negatively affect the company's business activities and result in additional costs and liabilities as well as lower sales for the company. Unethical business practices or improper behavior on the part of business partners could have a negative spillover effect on the company's reputation, lead to higher costs or liabilities or even disrupt business activities.

To mitigate business partner risks, adidas has implemented various measures. For example, we generally include clauses in contractual agreements with partners that allow us to suspend or even terminate our partnership in case of improper or unethical conduct. In addition, we work with a broad portfolio of promotion partners to reduce the dependency on the success and popularity of a few individual partners. We utilize a broad distribution strategy, which includes our direct-to-consumer business to reduce the risk of overreliance on key customers. Specifically, no single customer accounted for more than 5% of the company's sales in 2024. To reduce risk in the supply chain, we work with suppliers who demonstrate reliability, financial stability, quality, and innovation. Furthermore, in order to minimize any potential negative consequences such as a violation of our Workplace Standards by our suppliers, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to suppliers' premises. To reduce supplier dependency, the company follows a strategy of diversification. In this context, adidas works with a broad network of suppliers in different countries and, for the vast majority of its products, does not have a single-sourcing model.

Compliance risks

As a globally operating company, adidas is subject to various laws and regulations. Non-compliance with such laws and regulations could lead to penalties and fines and cause reputational damage. For example, non-compliance with laws and regulations concerning data protection and privacy, such as the EU General Data Protection Regulation (GDPR), may result in substantial fines. In addition, failure to comply with data protection and privacy regulations could cause reputational damage and result in a loss of consumer trust in our brands. We also face the risk that members of top management and our employees breach rules and standards that guide appropriate and responsible business behavior. This includes the risks of fraud, financial misstatements or manipulation, anti-competitive business practices, bribery, corruption, discrimination, and harassment in the workplace.

Our Compliance Management System (CMS) helps us to prevent, detect, and adequately respond to these risks. Our Global Policy Manual provides a framework for basic work procedures and processes, and our Fair Play Code of Conduct stipulates that every employee and our business partners shall act ethically in compliance with the laws and regulations of the legal systems where they conduct company business. In addition, our Regional Compliance Managers and Local Compliance Officers guide and advise our operating managers regarding fraud and corruption topics. Furthermore, we utilize controls such as segregation of duties in IT systems and data analytics technology to prevent or detect fraudulent activities. We are also working with external partners and law firms to ensure we are informed about legal requirements across the globe, and we take appropriate action to ensure compliance. To mitigate the risk of non-compliance with laws and regulations concerning data protection and privacy, we train our employees and introduced global privacy principles and standards. This framework applies to all adidas businesses worldwide and sets our expectations of third-party business partners for managing personal information for or on behalf of adidas. Our Global Privacy Officer, the Global Privacy department, and local privacy experts drive compliance with laws and regulations and the company framework, which is updated regularly to reflect new requirements and improvements.

Hazard risks

As climate change intensifies, the likelihood and intensity of natural disasters such as storms, floods, wildfires, droughts, pandemics, or heat waves increases, and so does adidas' potential risk. In addition, our business activities could be impacted by other hazards such as port congestions, strikes, riots, armed conflicts, or terrorist attacks. All of the above could damage our offices, stores, or distribution centers or disrupt our operational processes (e.g., sourcing, logistics) leading to loss of sales, higher cost, a decrease in profitability, and physical injury.

To manage and mitigate these risks, we continuously monitor potential threats and have implemented business continuity plans including but not limited to fallback solutions for transportation, dynamic capacity management of containers and carriers, and reallocation of production. We also maintain high safety standards in all our locations and have secured insurance coverage for property damage and business interruptions.

Litigation risks

adidas may be involved in legal disputes and proceedings in different jurisdictions. For example, despite a rigid internal clearance process, legal steps may be taken against adidas due to the company's use of certain technologies or trademarks that are protected by a third party's intellectual property rights. These actions may result in, among others, the company having to stop using certain technologies or designs, imposed royalty payment obligations, the withdrawal of products from certain markets, legal costs, or reputational damage. In particular, in commercial disputes involving the company, third parties may also claim financial damages, including lost profits, as a result of an alleged breach of contract by the company.

Our Legal team actively defends adidas' intellectual property rights and regularly communicates with all relevant internal business partners to ensure that our products, including our designs and other innovations, are cleared and adequately protected prior to use. We may retain specialized external counsel (and other advisors, if needed) in case legal action is taken against the company.

Project risks

To effectively support further business growth and improve efficiency, adidas continuously invests in new projects such as the creation, implementation, expansion, harmonization, or modernization of IT systems, distribution centers, or office buildings. Ineffective project management could delay the execution of critical projects and lead to higher expenditures. Inadequate project planning and controlling as well as executional mistakes or ineffective change management could cause inefficiencies, delays, or business disruption, resulting in higher costs and sales shortfalls. Inappropriate project governance, prioritization, and oversight of the project portfolio may lead to suboptimal resource allocation and undesired project results.

We manage projects utilizing reviews by project teams as well as project steering committees to evaluate the progress, quality, and costs of those projects on a regular basis. This approach allows early detection of project risks and quick implementation of corrective action or timely cancelation of projects with a low chance of success. To ensure true end-to-end management of key projects we have established a network of program and project management departments across all main functions. We also work with external partners for project management support in areas where we do not have the required expertise or experience in-house.

Illustration of opportunities

In this report, we illustrate financial and non-financial opportunities considered most relevant in 2025 and beyond. In this context, we present the opportunities in a more aggregated form than in our internal reporting. In addition, opportunities that are currently rated as minor or are not considered relevant or that are not yet known to us could have a positive impact on the achievement of our business objectives or financial goals. Additional information on opportunities related to environmental, social, and governance aspects is available in our Sustainability Statement. According to our assessment methodology, opportunities related to consumer demand and product offering; macroeconomic, sociopolitical, regulatory, and currency opportunities; and opportunities related to order and supply management are considered major. The assessment is illustrated in the corporate opportunities overview table.

Corporate opportunities overview

Opportunity categories	Potential impact	Change (2023 rating)	Likelihood	Change (2023 rating)
Opportunities related to consumer demand and product offering	Significant		30% – 50%	
Macroeconomic, sociopolitical, regulatory, and currency opportunities	Significant		30% – 50%	
Opportunities related to order and supply management	Significant		15% – 30%	
Personnel opportunities	Medium	↓ (High)	15% – 30%	

Opportunities related to consumer demand and product offering

Well-executed campaigns and marketing initiatives could increase brand desire and consumer appeal, which may drive full-price sell-through and result in higher-than-expected sales and profit. In addition, outstanding competitive performance of promotion partners such as individual athletes, club teams, or national teams may further increase their popularity among consumers. As a result, adidas may generate higher sales of signature footwear or licensed apparel and accessories. We believe that our continued focus on product innovation and the ability to fully commercialize such innovation through an attractive product offering that resonates with consumers and considers global as well as local trends could provide further upside potential both in terms of sales and profit. In that respect, we see untapped commercial potential particularly for our Lifestyle franchises as well as our Running and Training business.

Macroeconomic, sociopolitical, regulatory, and currency opportunities

Positive macroeconomic developments could strengthen consumer sentiment and purchasing power. Favorable exchange rate developments can potentially have a positive impact on the company's financial results. Translation effects from the conversion of non-euro-denominated results into our company's functional currency, the euro, might also positively impact our company's financial performance. Legislative and regulatory changes such as the elimination of trade barriers due to free trade agreements can create cost savings or potentially open up new channels of distribution and, as a result, positively impact profitability in the mid to long term.

Opportunities related to order and supply management

Changes in consumer demand can be sudden and unexpected, including rapid increases in demand for certain products in certain markets. By strengthening our local supply chains and introducing more flexible and simplified order and supply management, we would be better able to respond to new trends and meet specific local demand. This could lead to incremental net sales and higher margins, and effectively reduce inventory risk.

Personnel opportunities

Further strengthening a performance-oriented culture that fosters 'Diversity, Equity, and Inclusion' as well as leadership accountability and clear values in the workplace could lead to increased diversity of thought, increased creativity and innovation, and higher employee satisfaction and engagement. This may positively impact the company's financial performance. A workforce that includes diverse talent and reflects the diversity of our customers and consumers helps us better serve the communities we work in and strengthens brand reputation among our consumers, which could potentially create a competitive advantage and positively impact top- and bottom-line performance.

Management Assessment of Performance, Risks and Opportunities, and Outlook

Assessment of performance versus targets

We communicate our financial targets on an annual basis. We also provide updates throughout the year as appropriate. 2024 was a successful year for adidas and we performed significantly better than initially expected, while the overall business environment was still characterized by geopolitical tensions and macroeconomic challenges in several regions. Our strong top-line development reflected an acceleration of brand momentum that broadened across markets, categories, and channels. Less discounting and a higher share of full-price sales benefited our profitability levels, partially offset by continued investments into marketing and sales. We were able to upgrade our guidance three times in the course of the year, reflecting the faster-than-expected progress both financially and operationally. Ultimately, our 2024 financial results exceeded our latest guidance from October on both the top and bottom line.

► SEE INCOME STATEMENT

Company targets versus actual key metrics

	2023 Results	2024 Initial targets[1]	2024 Updated targets[2]	2024 Updated targets[3]	2024 Latest targets[4]	2024 Results	2025 Outlook
Currency-neutral net sales development	0%	to increase at a mid-single-digit rate	to increase at a mid- to high-single-digit rate	to increase at a high-single-digit rate	to increase at a rate of around 10%	12%	to increase at a high-single-digit rate
Operating profit	€ 268 million	around € 500 million	around € 700 million	around € 1.0 billion	around € 1.2 billion	€ 1,337 million	between € 1.7 billion and € 1.8 billion
Average operating working capital in % of net sales	25.7%	between 23% and 24%	between 23% and 24%	between 21% and 22%	between 21% and 22%	19.7%	between 21% and 22%
Capital expenditure[5]	€ 504 million	around € 600 million	around € 600 million	around € 600 million	around € 600 million	€ 540 million	around € 600 million

1 As published on January 31, 2024. For average working capital and capital expenditure as of March 13, 2024.
2 As published on April 16, 2024.
3 As published on July 16, 2024. For average working capital and capital expenditure as of July 31, 2024.
4 As published on October 15, 2024.
5 Excluding acquisitions and leases.

In 2024, revenues increased 12% on a currency-neutral basis. This was significantly better than our initial expectation (January 2024: increase at a mid-single-digit rate) and also ahead of our latest guidance (October 2024: increase at a rate of around 10%). Excluding Yeezy sales in both years, currency-neutral revenues of the underlying adidas business increased 13% in 2024. The sale of the remaining Yeezy inventory, which we successfully concluded during the fourth quarter of 2024, generated revenues of around € 650 million in the year (2023: around € 750 million).

Our currency-neutral top-line development reflected strong double-digit growth in Europe, Emerging Markets and Latin America. Japan/South Korea and Greater China also increased at a double-digit rate. North America recorded a low-single-digit decline as we continued our conservative sell-in approach to the wholesale channel in response to still elevated inventory levels in this market, particularly in the first half of the year, as well as due to lower Yeezy sales. With those anticipated headwinds moderating sequentially, North America accelerated to double-digit revenue growth in the fourth quarter of 2024.

Our operating profit reached € 1,337 million in 2024, ahead of our latest guidance of around € 1.2 billion provided in October and significantly better than our expectation at the beginning of the year (January 2024: around € 500 million). The sale of the remaining Yeezy inventory in the course of 2024 contributed around € 200 million to operating profit (2023: around € 300 million). ► SEE INCOME STATEMENT

Average operating working capital as a percentage of sales ended the year 2024 at 19.7%, better than the latest guidance of between 21% and 22% in July and representing a significant year-over-year decrease of 5.9 percentage points. Capital expenditure increased 7% to € 540 million in 2024, slightly below our guidance of a level of around € 600 million. ► SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

Beyond our financial performance, we also actively monitor other KPIs. These other KPIs include, among others, the share of women in management positions as well as the carbon intensity per product. With 41% female representation in management positions in 2024, we remain committed to achieving a level of 50% by 2033. CO_2e emissions per product decreased by 2.5% in 2024, in line with our ambition to reduce carbon intensity by 9% between 2022 and 2025. ► SEE SUSTAINABILITY STATEMENT ► SEE ESRS S1 ► SEE ESRS E1

Assessment of overall risks and opportunities

Our Risk Management team aggregates all risks and opportunities identified through the half-yearly risk and opportunity assessment process to determine the company's risk and opportunity portfolio (i.e., the company's aggregated risk position). Results from this process are analyzed and reported to the Executive Board accordingly. The Executive Board discusses and assesses risks and opportunities on a regular basis and takes into account the relationship between the risk and opportunity portfolio (i.e., the company's aggregated risk position) and risk appetite as well as risk capacity in its decision-making. Compared to the prior year, our assessment of certain risks and opportunities has changed in terms of likelihood of occurrence and/or potential financial impact. Our risk and opportunity aggregation using a Monte Carlo simulation determined that the company's aggregated risk position does not exceed the company's risk capacity threshold with a likelihood of at least 99%. Therefore, we do not foresee any material jeopardy to the viability of the company as a going concern. ► SEE RISK AND OPPORTUNITY REPORT

Assessment of financial outlook

The global sporting goods industry is expected to continue its positive development in 2025 despite several challenges and risks. Still elevated inflation and interest rates are likely to limit discretionary spending power. At the same time, geopolitical conflicts and political developments could lead to higher tariffs or otherwise disrupt global trade.

Despite these challenges, we aim to gain further market share, leveraging our significantly better, broader, and deeper product range with an increased focus on local consumer preferences, in combination with much improved retailer relationships and impactful marketing initiatives. As a result, we expect the company's currency-neutral sales to increase at a high-single-digit rate in 2025, reflecting continued double-digit growth for the adidas brand. The strong top-line growth, in combination with operating overhead leverage, is projected to lead to further significant bottom-line improvements in 2025. We expect operating profit to increase to a level of between € 1.7 billion and € 1.8 billion in 2025.
► SEE OUTLOOK

We believe our outlook for 2025 realistically describes the underlying development of the company. However, the outlook for 2025 as outlined in this report is subject to change. Ongoing uncertainties regarding macroeconomic challenges, the impact from geopolitical conflicts, the development of consumer sentiment, and potential supply-chain disruptions represent risks to the achievement of our stated financial goals and aspirations. No other material event between the end of 2024 and the publication of this report has altered our view. ► SEE OUTLOOK