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FOR IMMEDIATE RELEASE **Herzogenaurach, May 5, 2023**

adidas reports revenues on prior-year level in the first quarter of 2023

Major developments:

- **Currency-neutral revenues flat versus the prior year despite adverse Yeezy impact**
- **Gross margin down 5.1pp to 44.8% due to higher supply chain costs, increased discounting, inventory allowances, adverse Yeezy impact and negative FX movements**
- **Operating profit reaches € 60 million**
- **Inventory position improves sequentially to € 5.7 billion, up 25% versus the prior year**
- **Full year outlook confirmed**

adidas CEO Bjørn Gulden:
"Q1 ended a little better than we had expected with flattish sales and a small operating profit of € 60 million. Sales growth excluding Yeezy was 9%. Great double-digit growth in Latin America and Asia-Pacific, and slight growth in EMEA despite Russia were in line with our plan. Total revenues in Greater China were still down 9%, but we achieved double-digit sell-out growth. This was better than expected and makes us optimistic for the rest of the year. The 20% sales decline in North America – down 5% excluding Yeezy – was in line with our conservative sell-in strategy due to the high levels of inventory and discounts in the market.

We are very happy to see our Performance categories continue to develop well and grow strongly. The decline in Lifestyle and the loss of Yeezy are of course hurting us. But also here we see some positive developments: The Terrace segment is doing very well in all markets and we have started to scale up volumes for our Samba, Gazelle and Campus franchises. Our partnership launches with Bad Bunny, Ronnie Fieg/Kith and Gucci have performed great. And the reaction from consumers and retailers to our Fear of God launch in April was incredible.

Inventories are still too high, but already € 300 million lower than at the beginning of the year. We continue to work hard to normalize our inventory levels during the year. This is crucial for us to be able to lower discount levels, increase our full price business and re-build brand heat again.

I have spent Q1 working on our product ranges, brainstormed about future innovations, talked to a great number of retailers about improving our cooperations, met suppliers to discuss future strategies, had many of our athletes visiting our campus, and of course started to work on simplifying and speeding up our processes. All of this will continue, and we still have a long way to go, but I am very happy with the progress we have made and what we have achieved so far.

I am extremely inspired by the huge energy and talent our people – the adidas family – have showcased during the short time I have been here. adidas has all the ingredients to be the best sports brand in the world, to grow strongly and to be a good profitable company. We just need some time. 2023 will be a bumpy year with disappointing numbers, where maximizing our short-term financial results is not our goal. It is a transition year to build a strong base for a better 2024 and a good 2025 and beyond."

Currency-neutral revenues reach prior-year level

In the first quarter of 2023, **currency-neutral revenues** were flat versus the prior-year level. The top-line development in Q1 was impacted by significantly reduced sell-in to the wholesale channel as part of the company's initiatives to reduce high inventory levels, particularly in North America and Greater China. In addition, the discontinuation of the Yeezy business weighed on the top-line development during the quarter, representing a drag of around € 400 million on the year-over-year comparison, mainly across the North America, Greater China and EMEA regions.

Despite this significant drag, **footwear** revenues grew 1% during the quarter, reflecting the strong momentum the adidas brand is enjoying in its Performance categories football, running, outdoor and tennis. **Apparel** sales declined 3% in the first quarter as this product division is particularly impacted by the high inventory levels in the marketplace and the company's disciplined sell-in approach in response to it. **Accessories** grew 8% during the quarter driven by strong growth in football.

Lifestyle revenues were down during the quarter despite extraordinary demand for the company's Samba, Gazelle and Campus franchises. These products are at the core of the current Terrace sneaker trend and have been benefiting strongly from it. While adidas continued to limit the supply at the beginning of the year, the company is slowly starting to scale its offering as the year progresses. Sales in the adidas **Performance** categories continued to grow at a strong double-digit rate. This growth reflects the successful launch of latest product innovations such as the jerseys for the FIFA Women's World Cup 2023, the latest iteration of the iconic Predator football boot, the Adizero family of running products and the Free Hiker outdoor franchise.

In euro terms, the company's revenues declined 1% to € 5.274 billion in the first quarter (2022: € 5.302 billion).

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Wholesale revenues grow strongly in EMEA, Asia-Pacific and Latin America

From a channel perspective, currency-neutral sales in **Wholesale** grew 3% driven by strong growth in EMEA, Asia-Pacific and Latin America. **Direct-to-consumer (DTC)** revenues declined 7% versus the prior year. This development reflects the adverse Yeezy impact on the company's **e-commerce** business (-23%) as the vast majority of this product used to be sold through adidas' own online channel. At the same time, sales in the company's **own retail** stores increased 11% in Q1.

Disciplined sell-in and Yeezy impact weigh on top-line in North America and Greater China

Currency-neutral sales in **North America** declined 20% during the quarter as the region is particularly affected by the discontinuation of the Yeezy business. In addition, significantly reduced sell-in to the Wholesale channel as a result of high inventory levels in the market weighed on the top-line development. While total revenues in **Greater China** declined 9% in Q1, the sell-out of the company's products increased year-over-year, as reflected in double-digit growth across adidas' own retail stores. Sales in **EMEA** grew 4%, driven by high-single-digit growth in Wholesale. Revenues in **Asia-Pacific** and **Latin America** both continued to increase at double-digit rates (Asia-Pacific +16%, Latin America +49%), driven by strong growth in both Wholesale and DTC.

Gross margin declines to 44.8%

The company's first quarter **gross margin** was down 5.1 percentage points to 44.8% (2022: 49.9%). This decrease was mainly driven by the increase in supply chain costs as well as higher discounting in the marketplace. In addition, inventory allowances, the adverse Yeezy impact and negative currency developments weighed on the gross margin development. This could not be offset by the significant positive effect from the price increases the company has implemented.

Operating profit of € 60 million, resulting in an operating margin of 1.1%

Other operating expenses were up 5% to € 2.367 billion (2022: € 2.258 billion). As a percentage of sales, other operating expenses increased 2.3 percentage points to 44.9% (2022: 42.6%). **Marketing and point-of-sale expenses** decreased 6% to € 601 million (2022: € 641 million). As a percentage of sales, marketing and point-of-sale expenses slightly decreased by 0.7 percentage points to 11.4% (2022: 12.1%). **Operating overhead expenses** were up 9% to € 1.766 billion mainly driven by higher logistics and IT costs (2022: € 1.617 billion). As a percentage of sales, operating overhead expenses increased 3.0 percentage points to 33.5% (2022: 30.5%). The company's **operating profit** amounted to € 60 million (2022: € 437 million) in the quarter, reflecting an **operating margin** of 1.1% (2022: 8.2%).

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Net loss from continuing operations of € 24 million

After taxes, the company's **net loss from continuing operations** amounted to € 24 million (2022: net income from continuing operations of € 310 million), while **basic EPS from continuing operations** decreased to negative € 0.18 (2022: positive € 1.60).

Inventories and operating working capital increase

Inventories increased 25% year-over-year to € 5.675 billion (2022: € 4.542 billion). On a currency-neutral basis, inventories grew 27% compared to the prior year, reflecting sequential improvements across all regions. **Operating working capital** was up 38% to € 6.391 billion (2022: € 4.643 billion). On a currency-neutral basis, operating working capital grew 41%. Average operating working capital as a percentage of sales increased to 26.0% (2022: 20.4%). This development reflects the inventory increase as well as a double-digit decrease in payables due to lower sourcing volumes in line with the company's activities to reduce elevated inventory levels.

Adjusted net borrowings of € 6.630 billion

Adjusted net borrowings at March 31, 2023 amounted to € 6.630 billion (March 31, 2022: € 2.909 billion), representing a year-over-year increase of 128%. This development was mainly due to significantly lower cash and cash equivalents resulting from a negative cash flow from operating activities as well as the company's shareholder return activities over the past twelve months.

adidas confirms full year guidance

For the full year 2023, adidas continues to expect **currency-neutral revenues** to decline at a high-single-digit rate as macroeconomic challenges and geopolitical tensions persist. Elevated recession risks in North America and Europe as well as uncertainty around the recovery in Greater China continue to exist. The company's revenue development will also be impacted by the initiatives to significantly reduce high inventory levels. In addition, while the company continues to review future options for the utilization of its Yeezy inventory, the guidance reflects the revenue loss of around € 1.2 billion from potentially not selling the existing stock. Accounting for the corresponding negative operating profit impact of around € 500 million, the company's **underlying operating profit** is projected to be around the break-even level in 2023.

Reported operating loss of € 700 million projected

Should the company irrevocably decide not to repurpose any of the existing Yeezy product going forward, this would result in the potential write-off of the existing Yeezy inventory and would lower the company's operating profit by an additional € 500 million this year. In addition, adidas expects one-off costs of up to € 200 million in 2023. These costs are part of the company's ongoing strategic review aimed at reigniting profitable growth as of 2024. If all these effects were to materialize, the company expects to report an **operating loss** of € 700 million in 2023.

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adidas AG Condensed Consolidated Income Statement (IFRS) € in millions

	Quarter ending March 31, 2023	Quarter ending March 31, 2022	Change
Net sales	5,274	5,302	*(0.5%)*
Cost of sales	2,911	2,654	*9.7%*
Gross profit	**2,363**	**2,648**	***(10.8%)***
(% of net sales)	44.8%	49.9%	*(5.1pp)*
Royalty and commission income	25	23	*8.2%*
Other operating income	39	23	*65.8%*
Other operating expenses	2,367	2,258	*4.8%*
(% of net sales)	44.9%	42.6%	*2.3pp*
Marketing and point-of-sale expenses	601	641	*(6.3%)*
(% of net sales)	11.4%	12.1%	*(0.7pp)*
Operating overhead expenses[1]	1,766	1,617	*9.2%*
(% of net sales)	33.5%	30.5%	*3.0pp*
Operating profit	**60**	**437**	***(86.2%)***
(% of net sales)	1.1%	8.2%	*(7.1pp)*
Financial income	13	8	*56.0%*
Financial expenses	41	34	*22.2%*
Income before taxes	**32**	**411**	***(92.3%)***
(% of net sales)	0.6%	7.8%	*(7.2pp)*
Income taxes	55	101	*(45.2%)*
(% of income before taxes)	174.9%	24.5%	*150.4pp*
Net (loss)/income from continuing operations	**(24)**	**310**	***n.a.***
(% of net sales)	(0.4%)	5.9%	*n.a.*
(Loss)/gain from discontinued operations, net of tax	(6)	180	*n.a.*
Net (loss)/income	**(30)**	**490**	***n.a.***
(% of net sales)	(0.6%)	9.2%	*n.a.*
Net (loss)/income attributable to shareholders	**(39)**	**482**	***n.a.***
(% of net sales)	(0.7%)	9.1%	*n.a.*
Net income attributable to non-controlling interests	**9**	**8**	***16.3%***
Basic earnings per share from continuing operations (in €)	**(0.18)**	**1.60**	***n.a.***
Diluted earnings per share from continuing operations (in €)	**(0.18)**	**1.60**	***n.a.***
Basic earnings per share from continuing and discontinued operations (in €)	**(0.22)**	**2.55**	***n.a.***
Diluted earnings per share from continuing and discontinued operations (in €)	**(0.22)**	**2.55**	***n.a.***

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

Net Sales € in millions

	Quarter ending March 31, 2023	Quarter ending March 31, 2022	Change	Change (currency-neutral)
EMEA	1,996	1,935	*3.1%*	*4.0%*
North America	1,177	1,403	*(16.1%)*	*(19.6%)*
Greater China	884	1,004	*(11.9%)*	*(9.4%)*
Asia-Pacific	567	506	*12.0%*	*15.6%*
Latin America	595	417	*42.6%*	*48.7%*
Other Businesses	45	36	*24.1%*	*25.1%*

Rounding differences may arise.

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adidas AG Consolidated Statement of Financial Position (IFRS) € in millions

	March 31, 2023	March 31, 2022	Change
Cash and cash equivalents	778	3,050	*(74.5%)*
Accounts receivable	2,818	2,819	*(0.0%)*
Other current financial assets	770	1,137	*(32.3%)*
Inventories	5,675	4,542	*24.9%*
Income tax receivables	96	104	*(7.4%)*
Other current assets	1,208	1,376	*(12.2%)*
Total current assets	**11,344**	**13,028**	***(12.9%)***
Property, plant and equipment	2,201	2,245	*(2.0%)*
Right-of-use assets	2,471	2,668	*(7.4%)*
Goodwill	1,248	1,240	*0.7%*
Other intangible assets	432	366	*17.9%*
Long-term financial assets	306	279	*9.6%*
Other non-current financial assets	338	394	*(14.3%)*
Deferred tax assets	1,265	1,102	*14.8%*
Other non-current assets	71	88	*(18.7%)*
Total non-current assets	**8,332**	**8,383**	***(0.6%)***
Total assets	**19,677**	**21,412**	***(8.1%)***
Short-term borrowings	1,297	39	*3259.4%*
Accounts payable	2,102	2,717	*(22.7%)*
Current lease liabilities	596	589	*1.2%*
Other current financial liabilities	325	597	*(45.7%)*
Income taxes	359	598	*(40.0%)*
Other current provisions	1,408	1,411	*(0.2%)*
Current accrued liabilities	2,403	2,505	*(4.1%)*
Other current liabilities	465	568	*(18.2%)*
Total current liabilities	**8,954**	**9,024**	***(0.8%)***
Long-term borrowings	2,942	2,462	*19.5%*
Non-current lease liabilities	2,181	2,340	*(6.8%)*
Other non-current financial liabilities	21	33	*(36.7%)*
Pensions and similar obligations	115	206	*(44.2%)*
Deferred tax liabilities	136	259	*(47.6%)*
Other non-current provisions	103	104	*(1.5%)*
Non-current accrued liabilities	7	7	*(4.2%)*
Other non-current liabilities	7	8	*(1.6%)*
Total non-current liabilities	**5,512**	**5,419**	***1.7%***
Share capital	179	186	*(4.2%)*
Reserves	362	332	*9.1%*
Retained earnings	4,308	6,101	*(29.4%)*
Shareholders' equity	**4,849**	**6,619**	***(26.7%)***
Non-controlling interests	362	350	*3.4%*
Total equity	**5,211**	**6,969**	***(25.2%)***
Total liabilities and equity	**19,677**	**21,412**	***(8.1%)***

Rounding differences may arise.

Additional Balance Sheet Information € in millions

	March 31, 2023	March 31, 2022	Change
Operating working capital	6,391	4,643	*37.6%*
Working capital	2,390	4,005	*(40.3%)*
Adjusted net borrowings[1]	6,630	2,909	*127.9%*
Financial leverage[2]	136.7%	43.9%	*92.8pp*

1 Adjusted net borrowings = short-term borrowings + long-term borrowings + current and non-current lease liabilities + pensions and similar obligations + factoring – accessible cash and cash equivalents.
2 Based on shareholders' equity.
Rounding differences may arise.