

adidas

**FINANCIAL
SUPPLEMENT**

H1



JANUARY – JUNE

FINANCIAL SUPPLEMENT FOR THE FIRST HALF YEAR 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

adidas AG Consolidated Statement of Financial Position (IFRS)¹ € in millions

	June 30, 2019	June 30, 2018	Change in %	December 31, 2018
Assets				
Cash and cash equivalents	2,455	1,313	87.0	2,629
Short-term financial assets	6	5	4.7	6
Accounts receivable	2,780	2,751	1.0	2,418
Other current financial assets	548	421	30.1	542
Inventories	3,579	3,425	4.5	3,445
Income tax receivables	71	57	23.7	48
Other current assets	795	758	4.8	725
Total current assets	10,232	8,730	17.2	9,813
Property, plant and equipment ²	5,151	2,025	154.4	2,237
Goodwill	1,249	1,236	1.1	1,245
Trademarks	849	829	2.4	844
Other intangible assets	209	160	31.0	196
Long-term financial assets	348	277	25.5	276
Other non-current financial assets	409	260	57.4	256
Deferred tax assets	713	683	4.4	651
Other non-current assets	114	106	7.5	94
Total non-current assets	9,041	5,575	62.2	5,799
Total assets	19,273	14,305	34.7	15,612

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² 2019 includes balances of right-of-use assets in the amount of € 3,004 million and lease liabilities in the amount of € 3,149 million related to IFRS 16 implementation.

adidas AG Consolidated Statement of Financial Position (IFRS)¹ € in millions

	June 30, 2019	June 30, 2018	Change in %	December 31, 2018
Liabilities and equity				
Short-term borrowings	496	95	419.4	66
Accounts payable	2,111	1,858	13.6	2,300
Other current financial liabilities ²	841	275	205.9	186
Income taxes	384	532	[27.7]	268
Other current provisions	1,236	1,086	13.9	1,232
Current accrued liabilities	2,225	2,129	4.5	2,305
Other current liabilities	480	480	0.2	477
Total current liabilities	7,774	6,455	20.4	6,834
Long-term borrowings	1,602	1,134	41.3	1,609
Other non-current financial liabilities ²	2,595	9	28,026.2	103
Pensions and similar obligations	259	298	[13.0]	246
Deferred tax liabilities	250	203	23.6	241
Other non-current provisions	164	106	54.6	128
Non-current accrued liabilities	13	13	1.7	19
Other non-current liabilities	8	61	[87.3]	68
Total non-current liabilities	4,892	1,823	168.3	2,414
Share capital	198	201	[1.6]	199
Reserves	174	133	30.4	123
Retained earnings	6,248	5,705	9.5	6,054
Shareholders' equity	6,619	6,040	9.6	6,377
Non-controlling interests	[11]	[12]	7.8	[13]
Total equity	6,608	6,027	9.6	6,364
Total liabilities and equity	19,273	14,305	34.7	15,612

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² 2019 includes balances of right-of-use assets in the amount of € 3,004 million and lease liabilities in the amount of € 3,149 million related to IFRS 16 implementation.

CONDENSED CONSOLIDATED INCOME STATEMENT

adidas AG Condensed Consolidated Income Statement (IFRS)¹ € in millions

	First half year 2019	First half year 2018	Change	Second quarter 2019	Second quarter 2018	Change
Net sales	11,392	10,809	5.4%	5,509	5,261	4.7%
Cost of sales	5,296	5,222	1.4%	2,564	2,509	2.2%
Gross profit	6,096	5,586	9.1%	2,945	2,751	7.0%
[% of net sales]	53.5%	51.7%	1.8pp	53.5%	52.3%	1.2pp
Royalty and commission income	74	58	27.2%	39	32	24.1%
Other operating income	11	31	(63.4%)	5	19	(73.5%)
Other operating expenses	4,663	4,337	7.5%	2,346	2,210	6.2%
[% of net sales]	40.9%	40.1%	0.8pp	42.6%	42.0%	0.6pp
Marketing and point-of-sale expenses	1,448	1,413	2.5%	744	707	5.2%
[% of net sales]	12.7%	13.1%	(0.4pp)	13.5%	13.4%	0.1pp
Operating overhead expenses ²	3,215	2,924	10.0%	1,602	1,502	6.6%
[% of net sales]	28.2%	27.1%	1.2pp	29.1%	28.6%	0.5pp
Operating profit	1,518	1,338	13.5%	643	592	8.6%
[% of net sales]	13.3%	12.4%	0.9pp	11.7%	11.3%	0.4pp
Financial income	27	22	20.3%	18	14	29.9%
Financial expenses	78	23	236.0%	43	18	135.0%
Income before taxes	1,467	1,337	9.7%	618	588	5.2%
[% of net sales]	12.9%	12.4%	0.5pp	11.2%	11.2%	0.1pp
Income taxes	374	377	(0.8%)	157	169	(7.4%)
[% of income before taxes]	25.5%	28.2%	(2.7pp)	25.4%	28.8%	(3.5pp)
Net income from continuing operations	1,093	960	13.8%	462	418	10.3%
[% of net sales]	9.6%	8.9%	0.7pp	8.4%	8.0%	0.4pp
Gains/(losses) from discontinued operations, net of tax	72	(23)	n.a.	70	(21)	n.a.
Net income	1,164	938	24.2%	532	397	33.8%
[% of net sales]	10.2%	8.7%	1.5pp	9.7%	7.6%	2.1pp
Net income attributable to shareholders	1,163	936	24.3%	531	396	34.0%
[% of net sales]	10.2%	8.7%	1.6pp	9.6%	7.5%	2.1pp
Net income attributable to non-controlling interests	1	2	(23.2%)	0	1	(52.7%)
Basic earnings per share from continuing operations (in €)	5.50	4.71	16.6%	2.33	2.06	13.0%
Diluted earnings per share from continuing operations (in €)	5.50	4.70	16.9%	2.33	2.05	13.2%
Basic earnings per share from continuing and discontinued operations (in €)	5.86	4.60	27.3%	2.68	1.95	37.2%
Diluted earnings per share from continuing and discontinued operations (in €)	5.86	4.59	27.6%	2.68	1.95	37.4%

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

² Aggregated distribution and selling expenses, general and administration expenses, sundry expenses and impairment losses (net) on accounts receivable and contract assets.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

adidas AG Consolidated Statement of Comprehensive Income (IFRS) € in millions

	First half year 2019	First half year 2018	Second quarter 2019	Second quarter 2018
Net income after taxes	1,164	938	532	397
Items of other comprehensive income that will not be reclassified subsequently to profit or loss				
Remeasurements of defined benefit plans (IAS 19), net of tax ¹	0	[0]	1	0
Net gain/(loss) on other equity investments (IFRS 9), net of tax	12	[5]	15	[5]
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	12	[5]	15	[5]
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met				
Net (loss)/gain on cash flow hedges and net foreign investment hedges, net of tax	(54)	207	16	227
Net (loss)/gain on cost of hedging reserve – options, net of tax	(2)	1	1	4
Net gain/(loss) on cost of hedging reserve – forward contracts, net of tax	17	[16]	[4]	7
Reclassification of foreign currency differences on loss of significant influence	–	[4]	–	[4]
Currency translation differences	79	[19]	[61]	47
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	39	169	[47]	281
Other comprehensive income	51	163	[32]	276
Total comprehensive income	1,215	1,101	500	673
Attributable to shareholders of adidas AG	1,214	1,098	499	672
Attributable to non-controlling interests	1	3	1	1

¹ Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

adidas AG Consolidated Statement of Changes in Equity (IFRS)¹ € in millions

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve - options	Cost of hedging reserve - forward contracts	Other reserves ²	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2017	204	884	(520)	(229)	(5)	–	(159)	5,858	6,032	(15)	6,017
IFRS 9 transition effect, net of tax				(6)		6		3	3	(0)	3
IFRS 15 transition effect, net of tax								(25)	(25)	(0)	(25)
Balance at January 1, 2018	204	884	(520)	(234)	(5)	6	(159)	5,836	6,011	(15)	5,996
Other comprehensive income			(23)	206	1	(16)	(5)		162	1	163
Net income								936	936	2	938
Total comprehensive income			(23)	206	1	(16)	(5)	936	1,098	3	1,101
Reissuance of treasury shares due to the conversion of convertible bonds	0	0						2	3		3
Repurchase of treasury shares	(3)							(543)	(546)		(546)
Repurchase of treasury shares due to equity-settled share-based payment	(0)							(10)	(10)		(10)
Reissuance of treasury shares due to equity-settled share-based payment	0							14	14		14
Dividend payment								(528)	(528)		(528)
Equity-settled share-based payment								(1)	(1)		(1)
Balance at June 30, 2018	201	884	(543)	(28)	(4)	(11)	(165)	5,705	6,040	(12)	6,027
Balance at December 31, 2018	199	887	(574)	(3)	(3)	(5)	(180)	6,054	6,377	(13)	6,364
Other comprehensive income			79	(54)	(2)	16	12		51	(0)	51
Net income								1,163	1,163	1	1,164
Total comprehensive income			79	(54)	(2)	16	12	1,163	1,214	1	1,215
Repurchase of treasury shares	(1)							(299)	(301)		(301)
Repurchase of treasury shares due to equity-settled share-based payment	(0)							(13)	(13)		(13)
Reissuance of treasury shares due to equity-settled share-based payment	0							17	17		17
Dividend payment								(664)	(664)		(664)
Equity-settled share-based payment								(11)	(11)		(11)
Balance at June 30, 2019	198	887	(495)	(57)	(5)	12	(168)	6,248	6,619	(11)	6,608

¹ IFRS 9 and IFRS 15 were initially applied at January 1, 2018. Under the transition methods chosen, comparative information is not restated except for certain hedging requirements.

² Reserves for remeasurements of defined benefit plans (IAS 19), fair value adjustments of other equity investments (IFRS 9), option plans as well as acquisition of shares from non-controlling interest shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

adidas AG Consolidated Statement of Cash Flows (IFRS)¹ € in millions

	First half year 2019	First half year 2018
Operating activities:		
Income before taxes	1,467	1,337
Adjustments for:		
Depreciation, amortization and impairment losses	604	220
Reversals of impairment losses	(1)	(2)
Unrealized foreign exchange losses, net	7	14
Interest income	(14)	(12)
Interest expense	77	20
Losses on sale of property, plant and equipment and intangible assets, net	5	1
Other non-cash expense	4	4
Payment for external funding of pension obligations (CTA)	–	(11)
Operating profit before working capital changes	2,148	1,570
Increase in receivables and other assets	(485)	(505)
(Increase)/decrease in inventories	(109)	221
Decrease in accounts payable and other liabilities	(217)	(114)
Cash generated from operations before interest and taxes	1,338	1,172
Interest paid	(20)	(13)
Income taxes paid	(320)	(319)
Net cash generated from operating activities – continuing operations	997	840
Net cash (used in)/generated from operating activities – discontinued operations	(6)	0
Net cash generated from operating activities	991	841

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.

adidas AG Consolidated Statement of Cash Flows (IFRS)¹ € in millions

	First half year 2019	First half year 2018
Investing activities:		
Purchase of trademarks and other intangible assets	(40)	(32)
Proceeds from sale of trademarks and other intangible assets	0	0
Purchase of property, plant and equipment	(203)	(226)
Proceeds from sale of property, plant and equipment	9	8
Proceeds from sale of assets held for sale	–	71
Proceeds from sale of a disposal group	3	14
Proceeds from sale of short-term financial assets	0	0
Purchase of investments and other long-term assets	(70)	(56)
Interest received	14	12
Net cash used in investing activities – continuing operations	(287)	(207)
Net cash used in investing activities – discontinued operations	–	–
Net cash used in investing activities	(287)	(207)
Financing activities:		
Proceeds from long-term borrowings	0	150
Repayments of lease liabilities / finance lease obligations	(354)	(0)
Dividend paid to shareholders of adidas AG	(664)	(528)
Repurchase of treasury shares	(237)	(482)
Repurchase of treasury shares due to share-based payments	(13)	(10)
Proceeds from reissuance of treasury shares due to share-based payments	11	9
Proceeds from/(repayments of) short-term borrowings	420	(38)
Net cash used in financing activities – continuing operations	(837)	(900)
Net cash used in financing activities – discontinued operations	–	–
Net cash used in financing activities	(837)	(900)
Effect of exchange rates on cash	(42)	(19)
Decrease of cash and cash equivalents	(174)	(285)
Cash and cash equivalents at beginning of year	2,629	1,598
Cash and cash equivalents at end of period	2,455	1,313

¹ First-time application of IFRS 16 as of January 1, 2019. Prior year figures are not restated.