

adidas

**FINANCIAL
SUPPLEMENT**

9M



JANUARY – SEPTEMBER

FINANCIAL SUPPLEMENT FOR THE FIRST NINE MONTHS 2019

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	September 30, 2019	September 30, 2018	Change in %	December 31, 2018
Assets				
Cash and cash equivalents	2,349	2,209	6.3	2,629
Short-term financial assets	6	5	8.1	6
Accounts receivable	3,247	3,037	6.9	2,418
Other current financial assets	699	530	31.9	542
Inventories	3,677	3,216	14.3	3,445
Income tax receivables	78	57	35.1	48
Other current assets	892	762	17.1	725
Total current assets	10,946	9,817	11.5	9,813
Property, plant and equipment ²	5,133	2,115	142.7	2,237
Goodwill	1,276	1,239	3.0	1,245
Trademarks	886	834	6.2	844
Other intangible assets	216	171	26.1	196
Long-term financial assets	361	278	29.9	276
Other non-current financial assets	418	323	29.5	256
Deferred tax assets	723	658	9.9	651
Other non-current assets	150	107	39.2	94
Total non-current assets	9,162	5,726	60.0	5,799
Total assets	20,109	15,542	29.4	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 € 2,919 million and lease liabilities in the amount of € 3,107 million related to IFRS 16 implementation.

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

	September 30, 2019	September 30, 2018	Change in %	December 31, 2018
Liabilities and equity				
Short-term borrowings	414	62	568.9	66
Accounts payable	2,354	1,929	22.0	2,300
Other current financial liabilities ²	786	187	321.4	186
Income taxes	379	547	[30.8]	268
Other current provisions	1,304	1,107	17.8	1,232
Current accrued liabilities	2,266	2,201	2.9	2,305
Other current liabilities	483	488	[1.0]	477
Total current liabilities	7,986	6,521	22.5	6,834
Long-term borrowings	1,599	1,617	[1.2]	1,609
Other non-current financial liabilities ²	2,640	129	1,953.2	103
Pensions and similar obligations	260	295	[11.7]	246
Deferred tax liabilities	297	285	4.1	241
Other non-current provisions	205	123	67.4	128
Non-current accrued liabilities	12	15	[19.4]	19
Other non-current liabilities	7	66	[89.7]	68
Total non-current liabilities	5,020	2,530	98.4	2,414
Share capital	197	200	[1.8]	199
Reserves	347	117	197.5	123
Retained earnings	6,572	6,186	6.2	6,054
Shareholders' equity	7,115	6,503	9.4	6,377
Non-controlling interests	[12]	[12]	[6.4]	[13]
Total equity	7,103	6,491	9.4	6,364
Total liabilities and equity	20,109	15,542	29.4	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 € 2,919 million and lease liabilities in the amount of € 3,107 million related to IFRS 16 implementation.

CONDENSED CONSOLIDATED INCOME STATEMENT

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

	Nine months 2019	Nine months 2018	Change	Third quarter 2019	Third quarter 2018	Change
Net sales	17,802	16,682	6.7%	6,410	5,873	9.1%
Cost of sales	8,367	8,051	3.9%	3,071	2,829	8.6%
Gross profit	9,435	8,631	9.3%	3,339	3,044	9.7%
[% of net sales]	53.0%	51.7%	1.3pp	52.1%	51.8%	0.3pp
Royalty and commission income	111	96	16.4%	37	37	[0.4%]
Other operating income	18	40	[53.8%]	7	9	[22.1%]
Other operating expenses	7,149	6,528	9.5%	2,486	2,191	13.5%
[% of net sales]	40.2%	39.1%	1.0pp	38.8%	37.3%	1.5pp
Marketing and point-of-sale expenses	2,200	2,126	3.5%	753	713	5.6%
[% of net sales]	12.4%	12.7%	[0.4pp]	11.7%	12.1%	[0.4pp]
Operating overhead expenses ²	4,949	4,402	12.4%	1,733	1,478	17.3%
[% of net sales]	27.8%	26.4%	1.4pp	27.0%	25.2%	1.9pp
Operating profit	2,416	2,239	7.9%	897	901	[0.3%]
[% of net sales]	13.6%	13.4%	0.1pp	14.0%	15.3%	[1.3pp]
Financial income	28	35	[21.3%]	12	13	[10.5%]
Financial expenses	112	30	271.9%	44	7	545.7%
Income before taxes	2,331	2,244	3.9%	865	907	[4.6%]
[% of net sales]	13.1%	13.5%	[0.4pp]	13.5%	15.4%	[1.9pp]
Income taxes	594	628	[5.4%]	220	251	[12.3%]
[% of income before taxes]	25.5%	28.0%	[2.5pp]	25.5%	27.7%	[2.2pp]
Net income from continuing operations	1,737	1,616	7.5%	644	656	[1.7%]
[% of net sales]	9.8%	9.7%	0.1pp	10.1%	11.2%	[1.1pp]
Gains/(losses) from discontinued operations, net of tax	74	[19]	n.a.	2	3	[42.0%]
Net income	1,811	1,597	13.4%	646	659	[1.9%]
[% of net sales]	10.2%	9.6%	0.6pp	10.1%	11.2%	[1.1pp]
Net income attributable to shareholders	1,809	1,594	13.5%	646	658	[1.8%]
[% of net sales]	10.2%	9.6%	0.6pp	10.1%	11.2%	[1.1pp]
Net income attributable to non-controlling interests	2	3	[33.2%]	1	1	[45.2%]
Basic earnings per share from continuing operations (in €)	8.76	7.97	10.0%	3.26	3.26	0.1%
Diluted earnings per share from continuing operations (in €)	8.76	7.95	10.2%	3.26	3.26	0.3%
Basic earnings per share from continuing and discontinued operations (in €)	9.13	7.87	16.0%	3.27	3.28	[0.1%]
Diluted earnings per share from continuing and discontinued operations (in €)	9.13	7.86	16.2%	3.27	3.27	0.0%

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

	Nine months 2019	Nine months 2018	Third quarter 2019	Third quarter 2018
Net income after taxes	1,811	1,597	646	659
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	11	(5)	(1)	–
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	10	(5)	(1)	0
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met				
Net gain on cash flow hedges and net foreign investment hedges, net of tax	20	270	74	63
Net (loss)/gain on cost of hedging reserve – options, net of tax	(13)	6	(11)	5
Net gain/(loss) on cost of hedging reserve – forward contracts, net of tax	16	(26)	(0)	(9)
Reclassification of foreign currency differences on loss of significant influence	–	(4)	–	–
Currency translation differences	190	(95)	111	(76)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	213	151	174	(18)
Other comprehensive income	224	146	173	(17)
Total comprehensive income	2,035	1,742	819	642
Attributable to shareholders of adidas AG	2,033	1,738	818	639
Attributable to non-controlling interests	2	5	1	2

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			(101)	269	6	(26)	(5)		144	2	146
Net income								1,594	1,594	3	1,597
Total comprehensive income			(101)	269	6	(26)	(5)	1,594	1,738	5	1,742
Reissuance of treasury shares due to the conversion of convertible bonds	0	1						13	14		14
Repurchase of treasury shares	(4)							(731)	(735)		(735)
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								(528)	(528)	(1)	(530)
Equity-settled share-based payment								0	0		0
Balance at September 30, 2018	200	885	(621)	35	1	(20)	(164)	6,186	6,503	(12)	6,491
Balance at December 31, 2018	199	887	(574)	(3)	(3)	(5)	(180)	6,054	6,377	(13)	6,364
Other comprehensive income			190	20	(13)	16	10		224	0	224
Net income								1,809	1,809	2	1,811
Total comprehensive income			190	20	(13)	16	10	1,809	2,033	2	2,035
Repurchase of treasury shares	(3)							(621)	(624)		(624)
Repurchase of treasury shares due to equity-settled share-based payment	(0)							(21)	(21)		(21)
Reissuance of treasury shares due to equity-settled share-based payment	0							25	25		25
Dividend payment								(664)	(664)	(2)	(666)
Equity-settled share-based payment								(10)	(10)		(10)
Balance at September 30, 2019	197	887	(384)	17	(16)	12	(170)	6,572	7,115	(12)	7,103

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

	Nine months 2019	Nine months 2018
Operating activities:		
Income before taxes	2,331	2,244
Adjustments for:		
Depreciation, amortization and impairment losses	884	345
Reversals of impairment losses	(2)	(2)
Unrealized foreign exchange losses, net	13	6
Interest income	(24)	(17)
Interest expense	107	27
Losses/(gains) on sale of property, plant and equipment and intangible assets, net	7	(1)
Other non-cash effects on operating activities	6	(14)
Payment for external funding of pension obligations (CTA)	(4)	(20)
Operating profit before working capital changes	3,319	2,568
Increase in receivables and other assets	(1,061)	(916)
(Increase)/decrease in inventories	(177)	398
Increase in accounts payable and other liabilities	69	211
Cash generated from operations before interest and taxes	2,149	2,262
Interest paid	(23)	(16)
Income taxes paid	(519)	(480)
Net cash generated from operating activities – continuing operations	1,607	1,767
Net cash used in operating activities – discontinued operations	(7)	(7)
Net cash generated from operating activities	1,600	1,760

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

	Nine months 2019	Nine months 2018
Investing activities:		
Purchase of trademarks and other intangible assets	(65)	(55)
Proceeds from sale of trademarks and other intangible assets	0	1
Purchase of property, plant and equipment	(347)	(443)
Proceeds from sale of property, plant and equipment	10	14
Proceeds from sale of assets held for sale	–	71
Proceeds from sale of a disposal group	3	14
Proceeds from disposal of discontinued operations net of cash disposed	21	–
(Purchase of)/proceeds from sale of short-term financial assets	(0)	0
Purchase of investments and other long-term assets	(72)	(55)
Interest received	22	17
Net cash used in investing activities – continuing operations	(428)	(435)
Net cash generated from investing activities – discontinued operations	–	–
Net cash used in investing activities	(428)	(435)
Financing activities:		
Proceeds from long-term borrowings	–	150
Proceeds from issuance of a convertible bond	–	485
Repayments of lease liabilities / finance lease obligations	(513)	(0)
Dividend paid to shareholders of adidas AG	(664)	(528)
Dividend paid to non-controlling interest shareholders	(2)	(1)
Repurchase of treasury shares	(604)	(719)
Repurchase of treasury shares due to share-based payments	(21)	(17)
Proceeds from reissuance of treasury shares due to share-based payments	18	14
Proceeds from/(repayments of) short-term borrowings	334	(60)
Net cash used in financing activities – continuing operations	(1,452)	(677)
Net cash generated from financing activities – discontinued operations	–	–
Net cash used in financing activities	(1,452)	(677)
Effect of exchange rates on cash	(1)	(38)
(Decrease)/increase in cash and cash equivalents	(280)	611
Cash and cash equivalents at beginning of year	2,629	1,598
Cash and cash equivalents at end of period	2,349	2,209

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