

adidas

2018

FINANCIAL
SUPPLEMENT

JANUARY – MARCH

FINANCIAL SUPPLEMENT FOR THE FIRST QUARTER 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	March 31, 2018	March 31, 2017	Change in %	December 31, 2017
Assets				
Cash and cash equivalents	1,575	1,524	3.4	1,598
Short-term financial assets	5	5	1.0	5
Accounts receivable	2,837	2,876	[1.4]	2,315
Other current financial assets	375	605	[38.0]	393
Inventories	3,224	3,609	[10.7]	3,692
Income tax receivables	59	81	[26.6]	71
Other current assets	763	649	17.7	498
Assets classified as held for sale	-	-	n.a.	72
Total current assets	8,839	9,348	[5.4]	8,645
Property, plant and equipment	1,967	1,933	1.7	2,000
Goodwill	1,206	1,403	[14.1]	1,220
Trademarks	1,274	1,654	[22.9]	1,309
Other intangible assets	155	165	[6.4]	154
Long-term financial assets	279	187	49.5	236
Other non-current financial assets	240	90	168.3	219
Deferred tax assets	736	785	[6.3]	630
Other non-current assets	109	119	[8.4]	108
Total non-current assets	5,966	6,336	[5.8]	5,877
Total assets	14,805	15,684	[5.6]	14,522

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

	March 31, 2018	March 31, 2017	Change in %	December 31, 2017
Liabilities and equity				
Short-term borrowings	226	1,406	(83.9)	137
Accounts payable	1,573	1,931	(18.6)	1,975
Other current financial liabilities	396	214	84.9	362
Income taxes	547	455	20.2	424
Other current provisions	988	578	70.7	741
Current accrued liabilities	1,929	1,926	0.2	2,180
Other current liabilities	554	531	4.5	473
Total current liabilities	6,213	7,041	(11.8)	6,291
Long-term borrowings	984	982	0.1	983
Other non-current financial liabilities	25	28	(11.6)	22
Pensions and similar obligations	297	361	(17.7)	298
Deferred tax liabilities	306	371	(17.6)	275
Other non-current provisions	91	60	52.3	80
Non-current accrued liabilities	36	92	(61.4)	85
Other non-current liabilities	56	47	18.5	53
Total non-current liabilities	1,793	1,941	(7.6)	1,796
Share capital	204	202	1.1	204
Reserves ¹	(211)	572	n.a.	(87)
Retained earnings ^{1, 2}	6,820	5,945	14.7	6,333
Shareholders' equity	6,812	6,719	1.4	6,450
Non-controlling interests	(13)	(17)	21.6	(15)
Total equity	6,799	6,702	1.5	6,435
Total liabilities and equity	14,805	15,684	(5.6)	14,522

¹ Restated due to IFRS 9 transition effect in 2017 and 2018.

² Restated due to IFRS 15 transition effect in 2018.

CONSOLIDATED INCOME STATEMENT

adidas AG Consolidated Income Statement (IFRS) € in millions

	First quarter 2018	First quarter 2017	Change
Net sales	5,548	5,447	1.9%
Cost of sales	2,713	2,744	(1.2%)
Gross profit	2,835	2,702	4.9%
[% of net sales]	51.1%	49.6%	1.5pp
Royalty and commission income	26	28	(6.9%)
Other operating income	56	28	97.8%
Other operating expenses	2,172	2,122	2.3%
[% of net sales]	39.1%	39.0%	0.2pp
Operating profit	746	637	17.1%
[% of net sales]	13.4%	11.7%	1.8pp
Financial income	19	28	(30.5%)
Financial expenses	16	20	(18.3%)
Income before taxes	749	645	16.2%
[% of net sales]	13.5%	11.8%	1.7pp
Income taxes	208	183	13.1%
[% of income before taxes]	27.7%	28.4%	(0.7pp)
Net income from continuing operations	542	462	17.4%
[% of net sales]	9.8%	8.5%	1.3pp
Losses from discontinued operations, net of tax	1	6	(75.9%)
Net income	540	456	18.6%
[% of net sales]	9.7%	8.4%	1.4pp
Net income attributable to shareholders	540	455	18.7%
[% of net sales]	9.7%	8.3%	1.4pp
Net income attributable to non-controlling interests	1	1	(26.7%)
Basic earnings per share from continuing operations (in €)	2.65	2.29	15.9%
Diluted earnings per share from continuing operations (in €)	2.65	2.26	17.2%
Basic earnings per share from continuing and discontinued operations (in €)	2.65	2.26	17.1%
Diluted earnings per share from continuing and discontinued operations (in €)	2.64	2.23	18.4%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	First quarter 2018 ¹	First quarter 2017 ¹
Net income after taxes	540	456
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 ²	(1)	[0]
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	(1)	[0]
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met		
Net loss on cash flow hedges, net of tax	(20)	[183]
Net loss on cost of hedging reserve, net of tax	(25)	[2]
Currency translation differences	(77)	4
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	(122)	[181]
Other comprehensive income	(123)	[179]
Total comprehensive income	417	277
Attributable to shareholders of adidas AG	416	276
Attributable to non-controlling interests	2	0

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

² 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) € in millions¹

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve	Other reserves ²	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
Balance at December 31, 2016	201	838	[52]	146	–	[182]	5,521	6,472	[17]	6,455
IFRS 9 Transition effect, net of tax					[7]		7	–	–	–
Balance at January 1, 2017	201	838	[52]	146	[7]	[182]	5,529	6,472	[17]	6,455
Net income recognized directly in equity			4	[182]	[2]	[0]	2	[178]	[1]	[179]
Net income							455	455	1	456
Total comprehensive income			4	[182]	[2]	[0]	457	276	0	277
Reissuance of treasury shares due to the conversion of convertible bonds	1	11					32	44		44
Repurchase of treasury shares	[0]						[73]	[73]		[73]
Repurchase of treasury shares due to equity-settled share-based payment	[0]						[4]	[4]		[4]
Reissuance of treasury shares due to equity-settled share-based payment	0						4	4		4
Equity-settled share-based payment							0	0		0
Balance at March 31, 2017	202	848	[48]	[36]	[9]	[183]	5,945	6,719	[17]	6,702
Balance at December 31, 2017	204	884	[577]	[229]	[6]	[159]	6,333	6,450	[15]	6,435
IFRS 9 Transition effect, net of tax				[6]	6		2	2	[0]	2
IFRS 15 Transition effect, net of tax							[26]	[26]	[0]	[26]
Balance at January 1, 2018	204	884	[577]	[234]	[1]	[159]	6,310	6,426	[15]	6,411
Net income recognized directly in equity			[78]	[20]	[25]	[1]		[124]	1	[123]
Net income							540	540	1	540
Total comprehensive income			[78]	[20]	[25]	[1]	540	416	2	417
Reissuance of treasury shares due to the conversion of convertible bonds	0	0					1	1		1
Repurchase of treasury shares	[0]						[32]	[32]		[32]
Repurchase of treasury shares due to equity-settled share-based payment	[0]						[5]	[5]		[5]
Reissuance of treasury shares due to equity-settled share-based payment	0						8	8		8
Equity-settled share-based payment							[2]	[2]		[2]
Balance at March 31, 2018	204	884	[655]	[254]	[26]	[160]	6,820	6,812	[13]	6,799

¹ IFRS 15 and IFRS 9 are 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), option plans and acquisition of shares from non-controlling interest shareholders.

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	First Quarter 2018	First Quarter 2017
Operating activities:		
Income before taxes	749	645
Adjustments for:		
Depreciation, amortization and impairment losses	113	106
Reversals of impairment losses	(3)	(1)
Unrealized foreign exchange (gains)/losses, net	(5)	6
Interest income	(7)	(7)
Interest expense	10	20
(Gains)/losses on sale of property, plant and equipment and intangible assets, net	(1)	3
Other non-cash expenses	2	1
Payment for external funding of pension obligations (CTA)	(5)	–
Operating profit before working capital changes	853	773
Increase in receivables and other assets	(618)	(642)
Decrease in inventories	443	181
Decrease in accounts payable and other liabilities	(584)	(587)
Cash generated from/(used in) operations before interest and taxes	95	(275)
Interest paid	(8)	(17)
Income taxes paid	(120)	(148)
Net cash used in operating activities – continuing operations	(33)	(440)
Net cash generated from/(used in) in operating activities – discontinued operations	1	(101)
Net cash used in operating activities	(32)	(542)

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

	First Quarter 2018	First Quarter 2017
Investing activities:		
Purchase of trademarks and other intangible assets	(14)	(14)
Proceeds from sale of trademarks and other intangible assets	0	0
Purchase of property, plant and equipment	(79)	(100)
Proceeds from sale of property, plant and equipment	6	1
Proceeds from sale of assets held for sale	71	–
Proceeds from sale of a disposal group	–	6
Proceeds from sale of short-term financial assets	0	0
Purchase of investments and other long-term assets	(55)	(28)
Interest received	7	7
Net cash used in investing activities – continuing operations	(65)	(128)
Net cash used in investing activities – discontinued operations	–	(3)
Net cash used in investing activities	(65)	(131)
Financing activities:		
Repayments of long-term borrowings	–	(1)
Repayments of finance lease obligations	(0)	(1)
Repurchase of treasury shares	(11)	(85)
Repurchase of treasury shares due to share-based payments	(5)	(4)
Proceeds from reissuance of treasury shares due to share-based payments	4	3
Proceeds from short-term borrowings	90	811
Net cash generated from financing activities – continuing operations	79	725
Net cash generated from financing activities – discontinued operations	–	1
Net cash generated from financing activities	79	725
Effect of exchange rates on cash	(5)	(40)
(Decrease)/Increase of cash and cash equivalents	(24)	14
Cash and cash equivalents at beginning of year	1,598	1,510
Cash and cash equivalents at end of period	1,575	1,524