

adidas

2018

FINANCIAL
SUPPLEMENT

JANUARY - JUNE

FINANCIAL SUPPLEMENT FOR THE FIRST HALF YEAR 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	June 30, 2018	June 30, 2017 ^{1,2}	Change in %	December 31, 2017 ^{1,2}	January 1, 2017 ^{1,2}
Assets					
Cash and cash equivalents	1,313	1,232	6.6	1,598	1,510
Short-term financial assets	5	5	[0.5]	5	5
Accounts receivable	2,751	2,477	11.1	2,315	2,200
Other current financial assets	421	422	[0.1]	393	729
Inventories	3,425	3,644	[6.0]	3,692	3,763
Income tax receivables	57	74	[22.5]	71	98
Other current assets	758	558	35.8	498	580
Assets classified as held for sale	–	513	n.a.	72	–
Total current assets	8,730	8,924	[2.2]	8,645	8,886
Property, plant and equipment	2,025	1,876	7.9	2,000	1,915
Goodwill	1,236	1,248	[1.0]	1,220	1,412
Trademarks	829	867	[4.4]	806	1,108
Other intangible assets	160	140	14.3	154	167
Long-term financial assets	277	176	58.0	236	194
Other non-current financial assets	260	125	107.6	219	96
Deferred tax assets	683	697	[2.0]	630	732
Other non-current assets	106	111	[4.3]	108	94
Total non-current assets	5,575	5,240	6.4	5,374	5,718
Total assets	14,305	14,164	1.0	14,019	14,604

¹ Restated according to IAS 8, see Note 03.

² Restated according to IFRS 9/cost of hedging, see Notes 01, 02 and 03.

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

	June 30, 2018	June 30, 2017 ^{1,2}	Change in %	December 31, 2017 ^{1,2}	January 1, 2017 ^{1,2}
Liabilities and equity					
Short-term borrowings	95	990	(90.4)	137	636
Accounts payable	1,858	1,862	(0.2)	1,975	2,496
Other current financial liabilities	275	286	(3.8)	362	201
Income taxes	532	425	25.0	424	402
Other current provisions	1,086	568	91.2	741	573
Current accrued liabilities	2,129	1,915	11.2	2,180	2,023
Other current liabilities	480	439	9.2	473	434
Liabilities classified as held for sale	–	210	n.a.	–	–
Total current liabilities	6,455	6,696	(3.6)	6,291	6,765
Long-term borrowings	1,134	983	15.4	983	982
Other non-current financial liabilities	9	27	(65.9)	22	22
Pensions and similar obligations	298	342	(12.8)	298	355
Deferred tax liabilities	203	229	(11.4)	190	289
Other non-current provisions	106	53	99.5	80	44
Non-current accrued liabilities	13	102	(87.5)	85	120
Other non-current liabilities	61	47	29.3	53	46
Total non-current liabilities	1,823	1,782	2.3	1,711	1,859
Share capital	201	203	(0.8)	204	201
Reserves	133	202	(34.0)	(29)	743
Retained earnings	5,705	5,297	7.7	5,858	5,053
Shareholders' equity	6,040	5,702	5.9	6,032	5,997
Non-controlling interests	(12)	(16)	21.5	(15)	(17)
Total equity	6,027	5,686	6.0	6,017	5,980
Total liabilities and equity	14,305	14,164	1.0	14,019	14,604

1 Restated according to IAS 8, see Note 03.

2 Restated according to IFRS 9/cost of hedging, see Notes 01, 02 and 03.

CONSOLIDATED INCOME STATEMENT

adidas AG Consolidated Income Statement (IFRS) € in millions

	First half year 2018	First half year 2017	Change	Second quarter 2018	Second quarter 2017	Change
Net sales	10,809	10,485	3.1%	5,261	5,038	4.4%
Cost of sales	5,222	5,258	(0.7%)	2,509	2,513	(0.2%)
Gross profit	5,586	5,227	6.9%	2,751	2,525	9.0%
[% of net sales]	51.7%	49.9%	1.8pp	52.3%	50.1%	2.2pp
Royalty and commission income	58	57	1.6%	32	29	9.9%
Other operating income	126	52	141.1%	70	24	192.7%
Other operating expenses	4,433	4,194	5.7%	2,261	2,072	9.1%
[% of net sales]	41.0%	40.0%	1.0pp	43.0%	41.1%	1.8pp
Operating profit	1,338	1,142	17.1%	592	505	17.2%
[% of net sales]	12.4%	10.9%	1.5pp	11.3%	10.0%	1.2pp
Financial income	22	32	(30.6%)	14	7	98.7%
Financial expenses	23	43	(45.7%)	18	26	(29.7%)
Income before taxes	1,337	1,131	18.2%	588	486	20.9%
[% of net sales]	12.4%	10.8%	1.6pp	11.2%	9.7%	1.5pp
Income taxes	377	322	16.9%	169	139	21.9%
[% of income before taxes]	28.2%	28.5%	(0.3pp)	28.8%	28.6%	0.2pp
Net income from continuing operations	960	809	18.7%	418	347	20.5%
[% of net sales]	8.9%	7.7%	1.2pp	8.0%	6.9%	1.1pp
Losses from discontinued operations, net of tax	23	195	(88.4%)	21	189	(88.8%)
Net income	938	614	52.7%	397	159	150.6%
[% of net sales]	8.7%	5.9%	2.8pp	7.6%	3.1%	4.4pp
Net income attributable to shareholders	936	613	52.7%	396	158	150.4%
[% of net sales]	8.7%	5.8%	2.8pp	7.5%	3.1%	4.4pp
Net income attributable to non-controlling interests	2	1	42.1%	1	0	344.5%
Basic earnings per share from continuing operations (in €)	4.71	4.00	17.7%	2.06	1.72	19.9%
Diluted earnings per share from continuing operations (in €)	4.70	3.96	18.7%	2.05	1.70	20.6%
Basic earnings per share from continuing and discontinued operations (in €)	4.60	3.04	51.5%	1.95	0.78	149.7%
Diluted earnings per share from continuing and discontinued operations (in €)	4.59	3.01	52.6%	1.95	0.78	150.5%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	First half year 2018	First half year 2017	Second quarter 2018	Second quarter 2017
Net income after taxes	938	614	397	159
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)	1	0	2
Net (loss)/gain of other equity investments (IFRS 9), net of tax	(5)	–	(5)	–
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	(5)	1	(5)	2
Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met				
Net gain/(loss) on cash flow hedges, net of tax	207	(251)	227	(68)
Net (loss)/gain on cost of hedging reserve, net of tax	(15)	–	10	–
Reclassification of foreign currency differences on loss of significant influence	(4)	–	(4)	–
Currency translation differences	(19)	(314)	47	(325)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	169	(565)	280	(393)
Other comprehensive income	163	(564)	275	(391)
Total comprehensive income	1,101	51	672	(233)
Attributable to shareholders of adidas AG	1,098	49	671	(234)
Attributable to non-controlling interests	3	1	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) € in millions¹

	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve	Other reserves ²	Retained earnings	Share-holders' 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					(6)		6	–	–	–
Adjustment according to IAS 8, net of tax							(475)	(475)	–	(475)
Balance at January 1, 2017	201	838	(52)	146	(6)	(182)	5,053	5,997	(17)	5,980
Net income recognized directly in equity			(315)	(250)	(10)	1	10	(564)	0	(564)
Net income							613	613	1	614
Total comprehensive income			(315)	(250)	(10)	1	623	49	1	51
Reissuance of treasury shares due to the conversion of convertible bonds	2	33					99	134		134
Repurchase of treasury shares	(0)						(73)	(73)		(73)
Repurchase of treasury shares due to equity-settled share-based payment	(0)						(7)	(7)		(7)
Reissuance of treasury shares due to equity-settled share-based payment	0						7	7		7
Dividend payment							(405)	(405)		(405)
Equity-settled share-based payment							0	0		0
Balance at June 30, 2017	203	871	(367)	(105)	(16)	(181)	5,297	5,702	(16)	5,686
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)	0	(159)	5,836	6,011	(15)	5,996
Net income recognized directly in equity			(23)	206	(15)	(5)		162	1	163
Net income							936	936	2	938
Total comprehensive income			(23)	206	(15)	(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)	(15)	(165)	5,705	6,040	(12)	6,027

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 half year 2018	First half year 2017
Operating activities:		
Income before taxes	1,337	1,131
Adjustments for:		
Depreciation, amortization and impairment losses	220	208
Reversals of impairment losses	(2)	(1)
Unrealized foreign exchange losses, net	14	4
Interest income	(12)	(14)
Interest expense	20	40
Losses on sale of property, plant and equipment and intangible assets, net	1	4
Other non-cash expenses	4	1
Payment for external funding of pension obligations (CTA)	(11)	(4)
Operating profit before working capital changes	1,570	1,370
Increase in receivables and other assets	(505)	(402)
Decrease/(increase) in inventories	221	(132)
Decrease in accounts payable and other liabilities	(114)	(305)
Cash generated from operations before interest and taxes	1,172	531
Interest paid	(13)	(34)
Income taxes paid	(319)	(276)
Net cash generated from operating activities – continuing operations	840	221
Net cash generated from/(used in) in operating activities – discontinued operations	0	(54)
Net cash generated from operating activities	841	167

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

	First half year 2018	First half year 2017
Investing activities:		
Purchase of trademarks and other intangible assets	(32)	(20)
Proceeds from sale of trademarks and other intangible assets	0	0
Purchase of property, plant and equipment	(226)	(242)
Proceeds from sale of property, plant and equipment	8	5
Proceeds from sale of assets held for sale	71	–
Proceeds from sale of a disposal group	14	6
Proceeds from sale of short-term financial assets	0	0
Purchase of investments and other long-term assets	(56)	(73)
Interest received	12	14
Net cash used in investing activities – continuing operations	(207)	(310)
Net cash used in investing activities – discontinued operations	–	(4)
Net cash used in investing activities	(207)	(314)
Financing activities:		
Proceeds from long-term borrowings	150	–
Repayments of finance lease obligations	(0)	(1)
Dividend paid to shareholders of adidas AG	(528)	(405)
Repurchase of treasury shares	(482)	(85)
Repurchase of treasury shares due to share-based payments	(10)	(7)
Proceeds from reissuance of treasury shares due to share-based payments	9	6
Proceeds from short-term borrowings	–	485
Repayments of short-term borrowings	(38)	–
Net cash used in continuing financing activities – continuing operations	(900)	(7)
Net cash used in financing activities – discontinued operations	–	(0)
Net cash used in financing activities	(900)	(8)
Effect of exchange rates on cash	(19)	(123)
Decrease of cash and cash equivalents	(285)	(278)
Cash and cash equivalents at beginning of year	1,598	1,510
Cash and cash equivalents at end of period	1,313	1,232