

adidas

2018
FINANCIAL
SUPPLEMENT
JANUARY - SEPTEMBER
9M

FINANCIAL SUPPLEMENT FOR THE FIRST NINE MONTHS 2018

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	September 30, 2018	September 30, 2017 ^{1,2}	Change in %	December 31, 2017 ^{1,2}	January 1, 2017 ^{1,2}
Assets					
Cash and cash equivalents	2,209	1,343	64.5	1,598	1,510
Short-term financial assets	5	5	(1.8)	5	5
Accounts receivable	3,037	2,808	8.2	2,315	2,200
Other current financial assets	530	414	27.9	393	729
Inventories	3,216	3,441	(6.5)	3,692	3,763
Income tax receivables	57	108	(46.8)	71	98
Other current assets	762	562	35.5	498	580
Assets classified as held for sale	–	376	n.a.	72	–
Total current assets	9,817	9,057	8.4	8,645	8,886
Property, plant and equipment	2,115	1,883	12.3	2,000	1,915
Goodwill	1,239	1,228	0.9	1,220	1,412
Trademarks	834	839	(0.5)	806	1,108
Other intangible assets	171	132	29.4	154	167
Long-term financial assets	278	220	26.6	236	194
Other non-current financial assets	323	160	101.7	219	96
Deferred tax assets	656	719	(8.7)	630	732
Other non-current assets	107	122	(11.8)	108	94
Total non-current assets	5,725	5,304	7.9	5,374	5,718
Total assets	15,541	14,361	8.2	14,019	14,604

¹ Restated according to IAS 8, see Note 03 in the First Half Year 2018 Report.

² Restated according to IFRS 9/cost of hedging, see Notes 01, 02 and 03 in the First Half Year 2018 Report.

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

	September 30, 2018	September 30, 2017 ^{1,2}	Change in %	December 31, 2017 ^{1,2}	January 1, 2017 ^{1,2}
Liabilities and equity					
Short-term borrowings	62	711	[91.3]	137	636
Accounts payable	1,929	1,747	10.4	1,975	2,496
Other current financial liabilities	187	345	[46.0]	362	201
Income taxes	547	529	3.5	424	402
Other current provisions	1,107	593	86.6	741	573
Current accrued liabilities	2,201	2,030	8.4	2,180	2,023
Other current liabilities	488	445	9.5	473	434
Liabilities classified as held for sale	-	152	n. a.	-	-
Total current liabilities	6,521	6,552	[0.5]	6,291	6,765
Long-term borrowings	1,617	983	64.5	983	982
Other non-current financial liabilities	129	19	569.4	22	22
Pensions and similar obligations	295	333	[11.3]	298	355
Deferred tax liabilities	285	242	18.1	190	289
Other non-current provisions	123	46	166.4	80	44
Non-current accrued liabilities	15	109	[86.1]	85	120
Other non-current liabilities	66	46	43.2	53	46
Total non-current liabilities	2,530	1,778	42.3	1,711	1,859
Share capital	200	203	[1.2]	204	201
Reserves	117	14	759.0	[29]	743
Retained earnings	6,185	5,829	6.1	5,858	5,053
Shareholders' equity	6,502	6,046	7.5	6,032	5,997
Non-controlling interests	[12]	[15]	24.1	[15]	[17]
Total equity	6,490	6,030	7.6	6,017	5,980
Total liabilities and equity	15,541	14,361	8.2	14,019	14,604

¹ Restated according to IAS 8, see Note 03 in the First Half Year 2018 Report.

² Restated according to IFRS 9/cost of hedging, see Notes 01, 02 and 03 in the First Half Year 2018 Report.

CONSOLIDATED INCOME STATEMENT

adidas AG Consolidated Income Statement (IFRS) € in millions

	Nine months 2018	Nine months 2017	Change	Third quarter 2018	Third quarter 2017	Change
Net sales	16,682	16,162	3.2%	5,873	5,677	3.5%
Cost of sales	8,051	8,071	(0.3%)	2,829	2,814	0.5%
Gross profit	8,631	8,090	6.7%	3,044	2,864	6.3%
[% of net sales]	51.7%	50.1%	1.7pp	51.8%	50.4%	1.4pp
Royalty and commission income	96	86	11.3%	37	29	30.5%
Other operating income	165	85	93.9%	39	33	18.3%
Other operating expenses	6,652	6,323	5.2%	2,220	2,129	4.3%
[% of net sales]	39.9%	39.1%	0.8pp	37.8%	37.5%	0.3pp
Operating profit	2,239	1,938	15.5%	901	795	13.2%
[% of net sales]	13.4%	12.0%	1.4pp	15.3%	14.0%	1.3pp
Financial income	35	35	(0.5%)	13	7	93.2%
Financial expenses	30	75	(59.5%)	7	35	(80.3%)
Income before taxes	2,244	1,899	18.2%	907	767	18.2%
[% of net sales]	13.5%	11.7%	1.7pp	15.4%	13.5%	1.9pp
Income taxes	628	541	16.1%	251	219	14.9%
[% of income before taxes]	28.0%	28.5%	(0.5pp)	27.7%	28.5%	(0.8pp)
Net income from continuing operations	1,616	1,358	19.0%	656	549	19.5%
[% of net sales]	9.7%	8.4%	1.3pp	11.2%	9.7%	1.5pp
Gains/(losses) from discontinued operations, net of tax	(19)	(217)	(91.1%)	3	(22)	n. a.
Net income	1,597	1,141	40.0%	659	527	25.1%
[% of net sales]	9.6%	7.1%	2.5pp	11.2%	9.3%	1.9pp
Net income attributable to shareholders	1,594	1,139	40.0%	658	526	25.1%
[% of net sales]	9.6%	7.0%	2.5pp	11.2%	9.3%	1.9pp
Net income attributable to non-controlling interests	3	2	34.9%	1	1	27.2%
Basic earnings per share from continuing operations (in €)	7.97	6.71	18.8%	3.26	2.70	20.7%
Diluted earnings per share from continuing operations (in €)	7.95	6.65	19.7%	3.26	2.68	21.4%
Basic earnings per share from continuing and discontinued operations (in €)	7.87	5.63	39.7%	3.28	2.59	26.4%
Diluted earnings per share from continuing and discontinued operations (in €)	7.86	5.58	40.7%	3.27	2.57	27.1%

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Nine months 2018	Nine months 2017	Third quarter 2018	Third quarter 2017
Net income after taxes	1,597	1,141	659	527
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)	2	0	0
Net loss of other equity investments (IFRS 9), net of tax	(5)	–	–	–
Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss	(5)	2	0	0
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	270	(337)	63	(86)
Net loss on cost of hedging reserve, net of tax	(19)	–	(4)	–
Reclassification of foreign currency differences on loss of significant influence	(4)	(4)	–	(4)
Currency translation differences	(95)	(422)	(76)	(108)
Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met	151	(763)	(18)	(198)
Other comprehensive income	146	(761)	(17)	(197)
Total comprehensive income	1,742	380	642	329
Attributable to shareholders of adidas AG	1,738	377	639	327
Attributable to non-controlling interests	5	3	2	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) € 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			(427)	(337)	(3)	2	3	(762)	1	(761)
Net income							1,139	1,139	2	1,141
Total comprehensive income			(427)	(337)	(3)	2	1,142	377	3	380
Reissuance of treasury shares due to the conversion of convertible bonds	2	36					108	146		146
Repurchase of treasury shares	(0)						(73)	(73)		(73)
Repurchase of treasury shares due to equity-settled share-based payment	(0)						(11)	(11)		(11)
Reissuance of treasury shares due to equity-settled share-based payment	0						15	16		16
Dividend payment							(405)	(405)	(1)	(406)
Equity-settled share-based payment							0	0		0
Balance at September 30, 2017	203	874	(479)	(191)	(9)	(181)	5,829	6,046	(15)	6,030
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		4	4	(0)	3
IFRS 15 transition effect, net of tax							(26)	(26)	(0)	(26)
Balance at January 1, 2018	204	884	(520)	(234)	0	(159)	5,835	6,010	(15)	5,995
Net income recognized directly in equity			(101)	269	(19)	(5)		144	2	146
Net income							1,594	1,594	3	1,597
Total comprehensive income			(101)	269	(19)	(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	(19)	(164)	6,185	6,502	(12)	6,490

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

	Nine months 2018	Nine months 2017
Operating activities:		
Income before taxes	2,244	1,899
Adjustments for:		
Depreciation, amortization and impairment losses	345	326
Reversals of impairment losses	(2)	(1)
Unrealized foreign exchange losses/(gains), net	6	(36)
Interest income	(17)	(21)
Interest expense	27	53
(Gains)/Losses on sale of property, plant and equipment and intangible assets, net	(1)	9
Other non-cash (income)/expenses	(14)	6
Payment for external funding of pension obligations (CTA)	(20)	(16)
Proceeds from early termination of promotion and advertising contracts	-	76
Operating profit before working capital changes	2,568	2,296
Increase in receivables and other assets	(916)	(927)
Decrease in inventories	398	45
Increase/(Decrease) in accounts payable and other liabilities	211	(227)
Cash generated from operations before interest and taxes	2,262	1,187
Interest paid	(16)	(46)
Income taxes paid	(480)	(380)
Net cash generated from operating activities – continuing operations	1,767	760
Net cash used in operating activities – discontinued operations	(7)	(18)
Net cash generated from operating activities	1,760	742

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

	Nine months 2018	Nine months 2017
Investing activities:		
Purchase of trademarks and other intangible assets	(55)	(30)
Proceeds from sale of trademarks and other intangible assets	1	1
Purchase of property, plant and equipment	(443)	(430)
Proceeds from sale of property, plant and equipment	14	2
Proceeds from sale of assets held for sale	71	–
Proceeds from sale of a disposal group	14	6
Proceeds from disposal of discontinued operations net of cash disposed	–	55
Proceeds from sale of short-term financial assets	0	0
Purchase of investments and other long-term assets	(55)	(153)
Interest received	17	21
Net cash used in investing activities – continuing operations	(435)	(529)
Net cash used in investing activities – discontinued operations	–	(5)
Net cash used in investing activities	(435)	(533)
Financing activities:		
Proceeds from long-term borrowings	150	–
Proceeds from issue of a convertible bond	485	–
Repayments of finance lease obligations	(0)	(2)
Dividend paid to shareholders of adidas AG	(528)	(405)
Dividend paid to non-controlling interest shareholders	(1)	(1)
Repurchase of treasury shares	(719)	(85)
Repurchase of treasury shares due to share-based payments	(17)	(11)
Proceeds from reissuance of treasury shares due to share-based payments	14	10
Proceeds from short-term borrowings	–	218
Repayments of short-term borrowings	(60)	–
Net cash used in continuing financing activities – continuing operations	(677)	(277)
Net cash used in financing activities – discontinued operations	–	(0)
Net cash used in financing activities	(677)	(277)
Effect of exchange rates on cash	(38)	(99)
Increase/(Decrease) of cash and cash equivalents	611	(167)
Cash and cash equivalents at beginning of year	1,598	1,510
Cash and cash equivalents at end of period	2,209	1,343