

adidas

**FINANCIAL  
SUPPLEMENT**



JANUARY – DECEMBER



# FINANCIAL SUPPLEMENT FOR FOURTH QUARTER AND FULL YEAR 2018

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

adidas AG Consolidated Statement of Financial Position (IFRS)<sup>1</sup> € in millions

	Note	Dec. 31, 2018	Dec. 31, 2017 <sup>2</sup>	Change in %	Jan. 1, 2017 <sup>2</sup>
<b>Assets</b>					
Cash and cash equivalents	06	2,629	1,598	64.5	1,510
Short-term financial assets	07	6	5	5.3	5
Accounts receivable	08	2,418	2,315	4.4	2,200
Other current financial assets	09	542	393	38.1	729
Inventories	10	3,445	3,692	(6.7)	3,763
Income tax receivables	38	48	71	(32.3)	98
Other current assets	11	725	498	45.6	580
Assets classified as held for sale	12	–	72	(100.0)	–
<b>Total current assets</b>		<b>9,813</b>	<b>8,645</b>	<b>13.5</b>	<b>8,886</b>
Property, plant and equipment	13	2,237	2,000	11.8	1,915
Goodwill	14	1,245	1,220	2.0	1,412
Trademarks	15	844	806	4.7	1,108
Other intangible assets	15	196	154	27.0	167
Long-term financial assets	16	276	236	16.9	194
Other non-current financial assets	17	256	219	16.9	96
Deferred tax assets	38	651	630	3.4	732
Other non-current assets	18	94	108	(13.5)	94
<b>Total non-current assets</b>		<b>5,799</b>	<b>5,374</b>	<b>7.9</b>	<b>5,718</b>
<b>Total assets</b>		<b>15,612</b>	<b>14,019</b>	<b>11.4</b>	<b>14,604</b>

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

<sup>2</sup> Restated according to IAS 8, see Note 03 in the 2018 Annual Report.

adidas AG Consolidated Statement of Financial Position (IFRS)<sup>1</sup> € in millions

	Note	Dec. 31, 2018	Dec. 31, 2017 <sup>2</sup>	Change in %	Jan. 1, 2017 <sup>2</sup>
<b>Liabilities and equity</b>					
Short-term borrowings	19	66	137	(51.5)	636
Accounts payable		2,300	1,975	16.5	2,496
Other current financial liabilities	20	186	362	(48.6)	201
Income taxes	38	268	424	(36.8)	402
Other current provisions	21	1,232	741	66.2	573
Current accrued liabilities	22	2,305	2,180	5.7	2,023
Other current liabilities	23	477	473	1.0	434
<b>Total current liabilities</b>		<b>6,834</b>	<b>6,291</b>	<b>8.6</b>	<b>6,765</b>
Long-term borrowings	19	1,609	983	63.7	982
Other non-current financial liabilities	24	103	22	357.7	22
Pensions and similar obligations	25	246	298	(17.3)	355
Deferred tax liabilities	38	241	190	26.8	289
Other non-current provisions	21	128	80	60.2	44
Non-current accrued liabilities	22	19	85	(77.7)	120
Other non-current liabilities	26	68	53	29.2	46
<b>Total non-current liabilities</b>		<b>2,414</b>	<b>1,711</b>	<b>41.1</b>	<b>1,859</b>
Share capital		199	204	(2.3)	201
Reserves		123	(29)	n.a.	743
Retained earnings		6,054	5,858	3.4	5,053
<b>Shareholders' equity</b>	27	<b>6,377</b>	<b>6,032</b>	<b>5.7</b>	<b>5,997</b>
Non-controlling interests	29	(13)	(15)	15.3	(17)
<b>Total equity</b>		<b>6,364</b>	<b>6,017</b>	<b>5.8</b>	<b>5,980</b>
<b>Total liabilities and equity</b>		<b>15,612</b>	<b>14,019</b>	<b>11.4</b>	<b>14,604</b>

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

<sup>2</sup> Restated according to IAS 8, see Note 03 in the 2018 Annual Report.

# CONSOLIDATED INCOME STATEMENT

adidas AG Consolidated Income Statement (IFRS) € in millions

	Note	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017	Change
Net sales	40	21,915	21,218	3.3%
Cost of sales		10,552	10,514	0.4%
<b>Gross profit</b>		<b>11,363</b>	<b>10,703</b>	<b>6.2%</b>
[% of net sales]		51.8%	50.4%	1.4pp
Royalty and commission income		129	115	12.0%
Other operating income	33	48	17	187.9%
Other operating expenses	13, 15, 34	9,172	8,766	4.6%
[% of net sales]		41.9%	41.3%	0.5pp
Marketing and point-of-sale expenses		3,001	2,724	10.2%
[% of net sales]		13.7%	12.8%	0.9pp
Distribution and selling expenses		4,450	4,307	3.3%
[% of net sales]		20.3%	20.3%	0.0pp
General and administration expenses		1,576	1,568	0.5%
[% of net sales]		7.2%	7.4%	[0.2pp]
Sundry expenses		105	130	[19.7%]
[% of net sales]		0.5%	0.6%	[0.1pp]
Impairment losses (net) on accounts receivable and contract assets		41	37	12.0%
<b>Operating profit</b>		<b>2,368</b>	<b>2,070</b>	<b>14.4%</b>
[% of net sales]		10.8%	9.8%	1.1pp
Financial income	36	57	46	24.1%
Financial expenses	36	47	93	[49.6%]
<b>Income before taxes</b>		<b>2,378</b>	<b>2,023</b>	<b>17.6%</b>
[% of net sales]		10.9%	9.5%	1.3pp
Income taxes	38	669	668	0.1%
[% of income before taxes]		28.1%	33.0%	[4.9pp]
<b>Net income from continuing operations</b>		<b>1,709</b>	<b>1,354</b>	<b>26.2%</b>
[% of net sales]		7.8%	6.4%	1.4pp
Losses from discontinued operations, net of tax	04	5	254	[98.2%]
<b>Net income</b>		<b>1,704</b>	<b>1,100</b>	<b>55.0%</b>
[% of net sales]		7.8%	5.2%	2.6pp
<b>Net income attributable to shareholders</b>		<b>1,702</b>	<b>1,097</b>	<b>55.1%</b>
[% of net sales]		7.8%	5.2%	2.6pp
<b>Net income attributable to non-controlling interests</b>		<b>3</b>	<b>3</b>	<b>[6.1%]</b>
Basic earnings per share from continuing operations (in €)	39	8.46	6.68	26.7%
Diluted earnings per share from continuing operations (in €)	39	8.45	6.63	27.4%
Basic earnings per share from continuing and discontinued operations (in €)	39	8.44	5.42	55.6%
Diluted earnings per share from continuing and discontinued operations (in €)	39	8.42	5.38	56.5%

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

adidas AG Consolidated Statement of Comprehensive Income (IFRS)<sup>1</sup> € in millions

	Note	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017
<b>Net income after taxes</b>		<b>1,704</b>	<b>1,100</b>
<b>Items of other comprehensive income that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of defined benefit plans (IAS 19), net of tax <sup>2</sup>	25	(13)	23
Net loss on other equity investments (IFRS 9), net of tax	31	(8)	-
<b>Subtotal of items of other comprehensive income that will not be reclassified subsequently to profit or loss</b>		<b>(21)</b>	<b>23</b>
<b>Items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met</b>			
Net gain/(loss) on cash flow hedges and net foreign investment hedges, net of tax	31	232	(375)
Net gain on cost of hedging reserve, net of tax – options	31	3	1
Net loss on cost of hedging reserve, net of tax – forward contracts	31	(10)	-
Reclassification of foreign currency differences on loss of significant influence		(4)	15
Currency translation differences		(49)	(481) <sup>3</sup>
<b>Subtotal of items of other comprehensive income that will be reclassified to profit or loss when specific conditions are met</b>		<b>171</b>	<b>(840)</b>
<b>Other comprehensive income</b>		<b>150</b>	<b>(818)</b>
<b>Total comprehensive income</b>		<b>1,855</b>	<b>282</b>
Attributable to shareholders of adidas AG		1,851	278
Attributable to non-controlling interests		4	4

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

<sup>2</sup> Includes actuarial gains or losses relating to defined benefit obligations, return on plan assets (excluding interest income) and the asset ceiling effect.

<sup>3</sup> Restated according to IAS 8, see Note 03 in the 2018 Annual Report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

adidas AG Consolidated Statement of Changes in Equity (IFRS)<sup>1</sup> € in millions

	Note	Share capital	Capital reserve	Cumulative currency translation differences	Hedging reserve	Cost of hedging reserve – options	Cost of hedging reserve – forward contracts	Other reserves <sup>2</sup>	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
<b>Balance at December 31, 2016</b>		<b>201</b>	<b>838</b>	<b>[52]</b>	<b>146</b>	<b>–</b>	<b>–</b>	<b>[182]</b>	<b>5,521</b>	<b>6,472</b>	<b>[17]</b>	<b>6,455</b>
IFRS 9 transition effect, net of tax	31					[6]			6	–		–
Adjustment according to IAS 8, net of tax	03								[475]	[475]		[475]
<b>Balance at January 1, 2017</b>		<b>201</b>	<b>838</b>	<b>[52]</b>	<b>146</b>	<b>[6]</b>	<b>–</b>	<b>[182]</b>	<b>5,053</b>	<b>5,997</b>	<b>[17]</b>	<b>5,980</b>
Other comprehensive income				[468] <sup>3</sup>	[375]	1		23	[1]	[819]	1	[818]
Net income									1,097	1,097	3	1,100
<b>Total comprehensive income</b>				<b>[468]</b>	<b>[375]</b>	<b>1</b>	<b>–</b>	<b>23</b>	<b>1,096</b>	<b>278</b>	<b>4</b>	<b>282</b>
Reissuance of treasury shares due to the conversion of convertible bonds	27	3	46						180	229		229
Repurchase of treasury shares	27	[0]							[73]	[73]		[73]
Repurchase of treasury shares due to equity-settled share-based payment	27	[0]							[15]	[15]		[15]
Reissuance of treasury shares due to equity-settled share-based payment	27	0							19	20		20
Dividend payment									[405]	[405]	[1]	[406]
Equity-settled share-based payment	28								2	2		2
<b>Balance at December 31, 2017</b>		<b>204</b>	<b>884</b>	<b>[520]</b>	<b>[229]</b>	<b>[5]</b>	<b>–</b>	<b>[159]</b>	<b>5,858</b>	<b>6,032</b>	<b>[15]</b>	<b>6,017</b>
IFRS 9 transition effect, net of tax	31				[6]		6		3	3	[0]	3
IFRS 15 transition effect, net of tax	32								[25]	[25]	[0]	[25]
<b>Balance at January 1, 2018</b>		<b>204</b>	<b>884</b>	<b>[520]</b>	<b>[234]</b>	<b>[5]</b>	<b>6</b>	<b>[159]</b>	<b>5,836</b>	<b>6,011</b>	<b>[15]</b>	<b>5,996</b>
Other comprehensive income				[54]	231	3	[10]	[21]		149	1	150
Net income									1,702	1,702	3	1,704
<b>Total comprehensive income</b>				<b>[54]</b>	<b>231</b>	<b>3</b>	<b>[10]</b>	<b>[21]</b>	<b>1,702</b>	<b>1,851</b>	<b>4</b>	<b>1,855</b>
Reissuance of treasury shares due to the conversion of convertible bonds	27	0	3						27	30		30
Repurchase of treasury shares	27	[5]							[996]	[1,001]		[1,001]
Repurchase of treasury shares due to equity-settled share-based payment	27	[0]							[19]	[19]		[19]
Reissuance of treasury shares due to equity-settled share-based payment	27	0							22	23		23
Dividend payment									[528]	[528]	[1]	[530]
Equity-settled share-based payment	28								11	11		11
<b>Balance at December 31, 2018</b>		<b>199</b>	<b>887</b>	<b>[574]</b>	<b>[3]</b>	<b>[3]</b>	<b>[5]</b>	<b>[180]</b>	<b>6,054</b>	<b>6,377</b>	<b>[13]</b>	<b>6,364</b>

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

<sup>2</sup> Reserves for remeasurements of defined benefit plans (IAS 19), option plans and acquisition of shares from non-controlling interest shareholders.

<sup>3</sup> Adjusted according to IAS 8 with an amount of € 57 million, see Note 03 in the 2018 Annual Report.



# CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017
<b>Operating activities:</b>			
Income before taxes		2,378	2,023
<b>Adjustments for:</b>			
Depreciation, amortization and impairment losses	13, 14, 15, 34, 36	490	484
Reversals of impairment losses	33	(3)	(1)
Unrealized foreign exchange gains, net		(10)	(75)
Interest income	36	(24)	(25)
Interest expense	36	42	62
Losses on sale of property, plant and equipment and intangible assets, net		9	17
Other non-cash expenses	33, 34	17	3
Payment for external funding of pension obligations (CTA)		(90)	(30)
Proceeds from early termination of promotion and advertising contracts	05, 33	–	76
<b>Operating profit before working capital changes</b>		<b>2,808</b>	<b>2,534</b>
Increase in receivables and other assets		(209)	(477)
Decrease/(increase) in inventories		180	(216)
Increase in accounts payable and other liabilities		741	422
<b>Cash generated from operations before interest and taxes</b>		<b>3,520</b>	<b>2,263</b>
Interest paid		(40)	(65)
Income taxes paid		(815)	(556)
<b>Net cash generated from operating activities – continuing operations</b>		<b>2,666</b>	<b>1,641</b>
Net cash (used in)/generated from operating activities – discontinued operations		(20)	6
<b>Net cash generated from operating activities</b>		<b>2,646</b>	<b>1,648</b>



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

	Note	Year ending Dec. 31, 2018	Year ending Dec. 31, 2017
<b>Investing activities:</b>			
Purchase of trademarks and other intangible assets		(96)	(74)
Proceeds from sale of trademarks and other intangible assets		2	0
Purchase of property, plant and equipment		(611)	(678)
Proceeds from sale of property, plant and equipment		13	2
Proceeds from sale of assets held for sale	12	71	-
Proceeds from sale of a disposal group	12	18	6
Proceeds from disposal of discontinued operations net of cash disposed		-	174
Purchase of sale of short-term financial assets		(0)	(0)
Purchase of investments and other long-term assets		(56)	(132)
Interest received		24	25
<b>Net cash used in investing activities – continuing operations</b>		<b>(636)</b>	<b>(676)</b>
Net cash used in investing activities – discontinued operations		-	(4)
<b>Net cash used in investing activities</b>		<b>(636)</b>	<b>(680)</b>
<b>Financing activities:</b>			
Proceeds from long-term borrowings		141	-
Proceeds from issuance of a convertible bond	19	518	-
Payments for options related to a convertible bond	19	(35)	-
Repayments of finance lease obligations		(2)	(2)
Dividend paid to shareholders of adidas AG	27	(528)	(405)
Dividend paid to non-controlling interest shareholders		(1)	(1)
Repurchase of treasury shares	27	(1,000)	(85)
Repurchase of treasury shares due to share-based payments		(22)	(15)
Proceeds from reissuance of treasury shares due to share-based payments		19	13
Proceeds from short-term borrowings	19	9	-
Repayments of short-term borrowings	19	(49)	(273)
<b>Net cash used in financing activities – continuing operations</b>		<b>(951)</b>	<b>(769)</b>
Net cash used in financing activities – discontinued operations		-	(0)
<b>Net cash used in financing activities</b>		<b>(951)</b>	<b>(769)</b>
<b>Effect of exchange rates on cash</b>		<b>(29)</b>	<b>(111)</b>
Increase of cash and cash equivalents		1,031	88
Cash and cash equivalents at beginning of year	06	1,598	1,510
<b>Cash and cash equivalents at end of period</b>	<b>06</b>	<b>2,629</b>	<b>1,598</b>