

adidas

2018

FIRST HALF YEAR

REPORT

JANUARY - JUNE

FIRST HALF YEAR REPORT 2018



AT A GLANCE

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FINANCIAL HIGHLIGHTS (IFRS)

	First half year 2018	First half year 2017	Change
Operating Highlights (€ in millions)			
Net sales ¹	10,809	10,485	3%
Gross profit ¹	5,586	5,227	7%
Other operating expenses ¹	4,433	4,194	6%
EBITDA ¹	1,562	1,362	15%
Operating profit ¹	1,338	1,142	17%
Net income from continuing operations ¹	960	809	19%
Net income attributable to shareholders ²	936	613	53%
Key Ratios			
Gross margin ¹	51.7%	49.9%	1.8pp
Other operating expenses in % of net sales ¹	41.0%	40.0%	1.0pp
Operating margin ¹	12.4%	10.9%	1.5pp
Effective tax rate ¹	28.2%	28.5%	(0.3pp)
Net income attributable to shareholders in % of net sales ²	8.7%	5.8%	2.8pp
Average operating working capital in % of net sales ^{1,3}	20.1%	20.4%	(0.3pp)
Equity ratio ⁴	42.2%	40.3%	2.0pp
Net borrowings/EBITDA ^{1,5}	(0.0)	0.3	n. a.
Financial leverage ⁴	(1.5%)	12.9%	(14.4pp)
Return on equity ^{2,4}	15.5%	10.8%	4.7pp
Balance Sheet and Cash Flow Data (€ in millions)			
Total assets ⁴	14,305	14,164	1%
Inventories	3,425	3,644	(6%)
Receivables and other current assets	3,987	3,530	13%
Operating working capital	4,318	4,258	1%
Net cash/(net borrowings)	89	(735)	n. a.
Shareholders' equity ⁴	6,040	5,702	6%
Capital expenditure ¹	258	261	(1%)
Net cash generated from operating activities ²	841	167	403%
Per Share of Common Stock (€)			
Basic earnings ¹	4.71	4.00	18%
Diluted earnings ¹	4.70	3.96	19%
Net cash generated from operating activities ²	4.13	0.83	399%
Dividend	2.60	2.00	30%
Share price at end of period	186.95	167.75	11%
Other (at end of period)			
Number of employees ¹	56,270	56,044	0%
Number of shares outstanding	201,120,299	202,657,342	(1%)
Average number of shares	203,391,785	201,783,166	1%

¹ Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade, Adams Golf, Ashworth and CCM Hockey businesses.

² Includes continuing and discontinued operations.

³ Twelve-month trailing average.

⁴ 2017 restated according to IAS 8, see Note 03.

⁵ EBITDA of last twelve months.

OUR SHARE

ADIDAS AG SHARE INCREASES IN THE FIRST HALF OF 2018

During the first half of 2018, international equity markets came under pressure as a result of global trade fears following discussions around the implementation of US import tariffs, weak economic data and political uncertainties in the Eurozone as well as interest rate increases by the Federal Reserve. Robust economic data in the US, the European Central Bank's commitment to stable interest rates as well as the increase in the oil price to a four-year high only temporarily supported equity markets. As a consequence, the DAX-30 declined 5% as at June 30, 2018 compared to the year-end 2017 level. ■ [SEE TABLE 1](#) The adidas AG share closed the first half of 2018 on a positive note, as the share price was supported by the release of strong full year 2017 results including a well received full year 2018 outlook and an increase of the company's 2020 profitability targets. Positive newsflow around the US sporting goods industry outlook also supported the adidas AG share price. On the other hand, developments such as the oil price increase and uncertainties regarding trade tariffs on product made in China put pressure on the share, especially during the second quarter of 2018. However, the adidas AG share closed 12% above the year-end 2017 level at € 186.95 on June 30, 2018. ■ [SEE TABLE 1](#)

Performance of the adidas AG share and important indices at June 30, 2018 (in %) 1

	YTD	1 year	3 years	5 years	10 years
adidas AG	12	11	172	125	366
DAX-30	(5)	(0)	12	55	92
EURO STOXX 50	(3)	(1)	(1)	30	1
MSCI World Textiles, Apparel & Luxury Goods	13	27	42	58	203

Source: Bloomberg.

DIVIDEND OF € 2.60 PER SHARE PAID

At the Annual General Meeting (AGM) on May 9, 2018, shareholders approved the adidas AG Executive and Supervisory Boards' recommendation to pay a dividend of € 2.60 per share for the 2017 financial year. ■ [SEE FINANCIAL HIGHLIGHTS, P. 03](#) The dividend was paid on May 15, 2018. This represents a dividend payout of € 528 million and a payout ratio of 37.0% of net income from continuing operations excluding the negative one-time tax impact as a result of the US tax reform in 2017. This is in line with the company's targeted payout ratio of between 30% and 50%.

94% OF CONVERTIBLE BOND CONVERTED

In March 2012, adidas AG issued a convertible bond, due on June 14, 2019, for an aggregate nominal amount of € 500 million. The bonds were priced with a 0.25% annual coupon and a conversion premium of 40% above the reference price of € 59.61, resulting in an initial conversion price of € 83.46 per share which, as a consequence of contractual provisions relating to dividend protection, was adjusted to € 80.48 per share in May 2018. As a result of conversion rights exercised, a total of 34,692 shares of adidas AG were delivered to the bondholders of adidas AG's convertible bond in the first half of 2018. In total, 5,796,289 shares were transferred following the exercise of conversion rights, all of which were serviced from treasury shares of the company. As at June 30, 2018, the remaining bonds were convertible into up to 345,430 new or existing adidas AG shares. Consequently, at the end of the first half of 2018, 94% of the convertible bond was converted. On June 30, 2018, the convertible bond closed at € 231.97, 13% above the prior year end level of € 205.91.

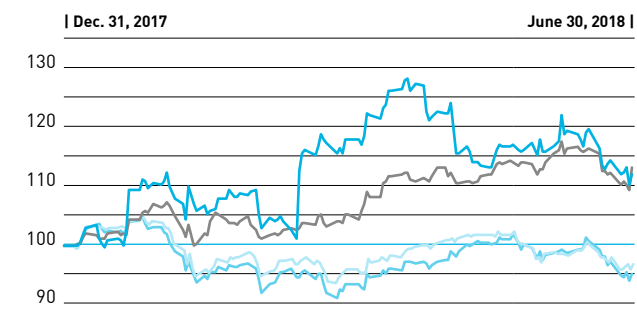
MULTI-YEAR SHARE BUYBACK PROGRAM INITIATED

On March 13, 2018, adidas AG announced the launch of a multi-year share buyback program of up to € 3.0 billion in total until May 11, 2021. While the company may use the

repurchased shares for all purposes in accordance with the authorization granted on May 12, 2016 except for allocating shares to Executive Board members as a compensation component, adidas intends to cancel the vast majority of the repurchased shares.

On March 21, 2018, adidas AG announced the commencement of the first tranche of the share buyback program with an aggregate acquisition cost of up to € 1 billion (excluding incidental purchasing costs). Since March 22, 2018, shares are being repurchased exclusively via the stock exchange in electronic trading through the Frankfurt Stock Exchange (Xetra) over a period of time not to extend beyond December 31, 2018. Within the first tranche up to and including June 30, 2018, adidas AG bought back 2,797,987 shares for a total purchase price of € 543,744,578 million. This translates into an average purchase price per share of € 194.33.

Share price development in 2018¹



¹ Index: December 31, 2017 = 100.

■ adidas AG
■ DAX
■ EURO STOXX 50
■ MSCI World Textiles, Apparel & Luxury Goods Index

BUSINESS PERFORMANCE

ECONOMIC AND SECTOR DEVELOPMENT

GLOBAL ECONOMY GROWS IN THE FIRST HALF OF 2018¹

Global growth remained robust in the first half of 2018 but has eased in recent months, as manufacturing activity and trade have shown signs of moderation. The ongoing withdrawal of monetary policy accommodation in developed economies has led to some tightening of global financing conditions, while oil prices are substantially higher than previously expected. Among developing economies, the recovery in commodity exporters has continued while growth in commodity importers remained robust. Across the globe, risks of escalating trade protectionism and geopolitical tensions have increased.

SPORTING GOODS INDUSTRY EXPANSION CONTINUES IN THE FIRST HALF OF 2018²

In the first half of 2018, the global sporting goods industry continued to grow. Against an overall favorable macroeconomic backdrop, rising sports participation and health awareness continued to drive global demand for athletic performance products while increasing sportswear penetration rates continued to fuel global demand for athletic casual and activewear products. In addition, the 2018 FIFA World Cup provided a modest tailwind to the overall sector. For the sporting goods industry, too, risks related to trade protectionism and geopolitical tensions have increased.

¹ Source: World Bank, Global Economic Prospects.

² Source: NPD Market Research.

INCOME STATEMENT

ADIDAS WITH STRONG FINANCIAL PERFORMANCE IN THE FIRST HALF OF 2018

In the first half of 2018, revenues increased 10% on a currency-neutral basis. In euro terms, revenues grew 3% to € 10.809 billion. [■ SEE TABLE 3](#) From a brand perspective, currency-neutral revenues for brand adidas grew 12%, driven by double-digit sales increases in the football, running and training categories as well as in Sport Inspired. Currency-neutral Reebok sales declined 3% versus the prior year, as a result of declines in the training and running categories, which more than offset growth in Classics. From a regional perspective, on a currency-neutral basis, the combined sales of the adidas and Reebok brands were driven by double-digit increases in North America, Asia-Pacific and Latin America. While revenues increased at a low-single-digit rate in Western Europe, currency-neutral sales in Russia/CIS remained stable and revenues in Emerging Markets declined.

The gross margin improved 1.8 percentage points to 51.7%, reflecting the positive effects from an improved pricing mix, which more than offset negative currency effects as well as a less favorable channel mix and higher input costs. [■ SEE TABLE 3](#)

Royalty and commission income increased 2% to € 58 million. On a currency-neutral basis, royalty and commission income grew 10%. Other operating income increased 141% to € 126 million, due to the release of prior year operational provisions and litigation gains.

Other operating expenses were up 6% to € 4.433 billion, as a result of higher marketing expenditure as well as higher operating overhead costs. As a percentage of sales, other operating expenses increased 1.0 percentage points to 41.0%. [■ SEE TABLE 3](#) Marketing expenditure amounted to € 1.416 billion, which represents an increase of 13% versus the prior year level. As a percentage of sales, marketing expenditure increased 1.2 percentage points to 13.1%, reflecting activities related to the 2018 FIFA World Cup as well as overproportionate investments in brands and products. Operating overhead costs grew 2% to € 3.016 billion. As a percentage of sales, operating overhead costs decreased 0.2 percentage points to 27.9%. Operating profit grew 17% to € 1.338 billion, representing an operating margin of 12.4%, an increase of 1.5 percentage points compared to the prior year. [■ SEE TABLE 3](#) This development was due to the gross margin increase as well as higher other operating income, which more than offset the negative effect of higher other operating expenses as a percentage of sales. Financial income was down 31% to € 22 million, mainly as a result of a decrease in positive exchange rate effects. Financial expenses declined 46% to € 23 million, due to a decrease in interest expenses. As a result, net financial expenses amounted to € 1 million compared to net financial expenses of € 11 million in the prior year. The company's tax rate was down 0.3 percentage points to 28.2%. [■ SEE FINANCIAL HIGHLIGHTS, P. 03](#) Consequently, net income from continuing operations grew 19% to € 960 million, resulting in basic earnings per share of € 4.71, up 18% versus the prior year, and diluted earnings per share of € 4.70, an increase of 19% compared to the prior year.

In the first half of 2018, adidas incurred losses from discontinued operations of € 23 million (2017: losses of € 195 million), net of tax, mainly related to an adjustment in connection with the sale of the Rockport business in 2015. As a result, net income attributable to shareholders, which in addition to net income from continuing operations includes the losses from discontinued operations, increased 53% to € 936 million. [SEE TABLE 3](#) Consequently, basic earnings per share (EPS) from continuing and discontinued operations were up 51% to € 4.60 and diluted EPS from continuing and discontinued operations increased 53% to € 4.59. [SEE TABLE 3](#)

Key Financial Highlights

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	First half year 2018	First half year 2017	Change
Operating Highlights (€ in millions)			
Net sales ¹	10,809	10,485	3%
Operating profit ¹	1,338	1,142	17%
Net income from continuing operations ¹	960	809	19%
Net income attributable to shareholders ²	936	613	53%
Key Ratios			
Gross margin ¹	51.7%	49.9%	1.8pp
Other operating expenses in % of net sales ¹	41.0%	40.0%	1.0pp
Operating margin ¹	12.4%	10.9%	1.5pp
Per Share of Common Stock (€)			
Diluted earnings ²	4.59	3.01	53%

¹ Figures reflect continuing operations as a result of the divestiture of the Rockport, TaylorMade and CCM Hockey businesses.

² Includes continuing and discontinued operations.

The total number of shares outstanding decreased by 2,740,935 shares in the first half of 2018 to 201,120,299. This was a result of shares repurchased as part of the company's share buyback program, which was partly offset by share conversions in relation to the company's outstanding convertible bond. [SEE FINANCIAL HIGHLIGHTS, P. 03](#) Consequently, the average number of shares used in the calculation of EPS was 203,391,785.

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

ASSETS

At the end of June 2018, total assets were up 1% to € 14.305 billion compared to the prior year, as a result of an increase in non-current assets which more than offset a decline in current assets.

Total current assets decreased 2% to € 8.730 billion at the end of June 2018. Cash and cash equivalents were up 7% to € 1.313 billion, as net cash generated from operating activities was partly offset by net cash used in investing and financing activities. Currency effects had a negative impact on cash and cash equivalents in an amount of € 19 million. Inventories declined 6% to € 3.425 billion. On a currency-neutral basis, inventories decreased 2%, reflecting the company's focus on tight inventory management. The company's accounts receivable increased 11% to € 2.751 billion. On a currency-neutral basis, receivables were up 15%, mainly reflecting the company's top-line development in the first half of 2018. Other current assets increased 36% to € 758 million. This development was mainly due to the change in the accounting treatment regarding IFRS 15, which led to the recognition of return assets. [SEE NOTE 02, P. 21](#)

Total non-current assets increased 6% to € 5.575 billion at the end of June 2018. Fixed assets were up 5% to € 4.526 billion, mainly related to the company's own-retail activities, investments into logistics and IT infrastructure as well as the further development of the company's headquarters in Herzogenaurach. This was partly offset by negative currency translation effects of € 68 million. Other non-current financial assets more than doubled to € 260 million. This development mainly reflects the recognition of seller and contingent notes related to the divestiture of the TaylorMade and CCM Hockey businesses.

[SEE DIAGRAM 4](#)

Structure of statement of financial position^{1,2}
in % of total assets

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	June 30, 2018	June 30, 2017
Assets (€ in millions)	14,305	14,164
Cash and cash equivalents	9.2	8.7
Accounts receivable	19.2	17.5
Inventories	23.9	25.7
Fixed assets	31.6	30.4
Other assets	16.0	17.7

■ 2018 ■ 2017

¹ For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 13.

² 2017 restated according to IAS 8, see Note 03.

LIABILITIES AND EQUITY

Total current liabilities decreased 4% to € 6.455 billion at the end of June 2018. Accounts payable remained virtually unchanged at € 1.858 billion. On a currency-neutral basis, accounts payable grew 1%. Short-term borrowings declined 90% to € 95 million at the end of June 2018, reflecting a decrease in bank loans as well as conversions of the company's convertible bond into adidas AG shares. Other current provisions were up 91% to € 1.086 billion, due to the change in the accounting treatment regarding IFRS 15, which led to an increase in the provision for returns. [SEE NOTE 02, P. 21](#) Current accrued liabilities grew 11% to € 2.129 billion, mainly as a result of invoices not yet received as well as accruals for customer discounts.

Total non-current liabilities increased 2% to € 1.823 billion at the end of June 2018. Long-term borrowings rose 15% to € 1.134 billion compared to the prior year, reflecting an increase in bank loans. Other non-current provisions almost doubled to € 106 million while non-current accrued liabilities decreased 87% to € 13 million. This mainly reflects changes in provisions for personnel. [SEE DIAGRAM 5](#)

Structure of statement of financial position^{1,2} in % of total liabilities and equity

	June 30, 2018	June 30, 2017
Liabilities and equity (€ in millions)	14,305	14,164
Short-term borrowings	0.7	7.0
Accounts payable	13.0	13.1
Long-term borrowings	7.9	6.9
Other liabilities	36.3	32.8
Total equity	42.1	40.1

■ 2018 ■ 2017

¹ For absolute figures see adidas AG Consolidated Statement of Financial Position, p. 13.
² 2017 restated according to IAS 8, see Note 03.

Shareholders' equity increased 6% to € 6.040 billion at the end of June 2018. The net income generated during the last twelve months and the reissuance of treasury shares in an amount of € 124 million were partly offset by the dividend of € 528 million paid to shareholders for the 2017 financial year, the repurchase of treasury shares in an amount of € 565 million, including incidental purchasing costs, as well as negative currency effects of € 491 million. The company's equity ratio increased 2.0 percentage points to 42.2%.

OPERATING WORKING CAPITAL

Operating working capital increased 1% to € 4.318 billion at the end of June 2018. On a currency-neutral basis, operating working capital grew 6%. Average operating working capital as a percentage of sales decreased 0.3 percentage points to 20.1%, reflecting the strong top-line development during the last twelve months as well as the company's continued focus on tight working capital management. [SEE FINANCIAL HIGHLIGHTS, P. 03](#)

LIQUIDITY ANALYSIS

In the first half of 2018, net cash generated from operating activities increased to € 841 million. [SEE FINANCIAL HIGHLIGHTS, P. 03](#) Net cash generated from continuing operating activities rose to € 840 million, driven by an increase in income before taxes and lower operating working capital requirements, partly offset by an increase in income taxes paid. Net cash used in investing activities rose to € 207 million. The majority of investing activities in the first half of 2018 related to spending for property, plant and equipment, such as investments in the furnishing and fitting of our own-retail stores and investments in IT systems as well as the further development of the company's headquarters in Herzogenaurach. Net cash used in financing activities totaled € 900 million, mainly due to the dividend paid to shareholders as well as the repurchase of treasury shares, partly offset by an increase in proceeds from long-term borrowings. Exchange

rate effects negatively impacted the company's cash position by € 19 million. As a result of all these developments, cash and cash equivalents increased € 81 million to € 1.313 billion.

Net cash at June 30, 2018 amounted to € 89 million, representing an improvement of € 824 million compared to net borrowings of € 735 million in the prior year. [SEE FINANCIAL HIGHLIGHTS, P. 03](#) This development was mainly related to a decrease in short-term borrowings. The company's ratio of net borrowings over EBITDA amounted to -0.0.

BUSINESS PERFORMANCE BY SEGMENT

WESTERN EUROPE

Sales in Western Europe increased 2% on a currency-neutral as well as a reported basis to € 3.023 billion. adidas brand revenues grew 3% on a currency-neutral basis, driven by double-digit sales growth in the football category. In addition, mid-single-digit increases in Sport Inspired also supported the development. Reebok brand revenues decreased 4% on a currency-neutral basis, mainly due to declines in the training and running categories, which more than offset high-single-digit growth in Classics. [SEE TABLE 6](#)

Gross margin in Western Europe increased 2.1 percentage points to 46.9%, driven by an improved pricing, channel and product mix, which more than offset the negative impact from unfavorable currency developments as well as higher input costs. Operating expenses increased 9% to € 774 million, mainly reflecting higher marketing expenditure.

As a percentage of sales, operating expenses were up 1.7 percentage points to 25.6%. The operating margin improved 0.4 percentage points to 21.3%, as a result of the increase in gross margin which more than offset the negative effect of higher operating expenses as a percentage of sales.

[SEE TABLE 6](#)

NORTH AMERICA

Sales in North America increased 18% on a currency-neutral basis. In euro terms, sales grew 6% to € 2.122 billion. adidas brand revenues increased 20% on a currency-neutral basis, driven by double-digit sales growth in the training, running and football categories as well as in Sport Inspired. Reebok brand revenues increased 4% on a currency-neutral basis, driven by double-digit growth in Classics. In addition, growth in the running category also supported this development.

[SEE TABLE 7](#)

Gross margin in North America decreased 0.4 percentage points to 39.3%, as a more favorable pricing mix was more than offset by a negative channel and product mix as well as higher input costs. Operating expenses declined 2% to € 589 million, reflecting a decline in operating overhead costs. Operating expenses as a percentage of sales decreased 2.1 percentage points to 27.7%. The operating margin improved 1.7 percentage points to 13.1% as a result of lower operating expenses as a percentage of sales, which more than offset the decline in gross margin. [SEE TABLE 7](#)

Western Europe at a glance € in millions

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	First half year 2018	First half year 2017	Change	Change (currency-neutral)
Net sales	3,023	2,969	2%	2%
adidas brand	2,776	2,712	2%	3%
Reebok brand	247	257	(4%)	(4%)
Gross profit	1,417	1,331	7%	-
Gross margin	46.9%	44.8%	2.1pp	-
Segmental operating profit	644	620	4%	-
Segmental operating margin	21.3%	20.9%	0.4pp	-

North America at a glance € in millions

7

	First half year 2018	First half year 2017	Change	Change (currency-neutral)
Net sales	2,122	2,001	6%	18%
adidas brand	1,929	1,794	7%	20%
Reebok brand	194	207	(6%)	4%
Gross profit	835	796	5%	-
Gross margin	39.3%	39.7%	(0.4pp)	-
Segmental operating profit	279	228	22%	-
Segmental operating margin	13.1%	11.4%	1.7pp	-

ASIA-PACIFIC

Sales in Asia-Pacific increased 17% on a currency-neutral basis. In euro terms, sales were up 11% to € 3.582 billion. adidas brand revenues grew 18% on a currency-neutral basis. This development was due to double-digit growth in all key categories. Reebok brand revenues declined 2% on a currency-neutral basis, driven by a high-single-digit decline in Classics, which more than offset growth in the running and training categories. [SEE TABLE 8](#)

Gross margin in Asia-Pacific increased 0.3 percentage points to 56.7%, reflecting an improved pricing, channel and product mix, partly offset by negative currency effects and higher input costs. Operating expenses were up 10% to € 786 million, driven by higher marketing expenditure as well as an increase in operating overhead costs. As a percentage of sales, operating expenses decreased 0.1 percentage points to 21.9%. As a result of the positive effect of lower operating expenses as a percentage of sales, as well as the gross margin increase, the operating margin increased 0.4 percentage points to 35.0%. [SEE TABLE 8](#)

Asia-Pacific at a glance € in millions

8

	First half year 2018	First half year 2017	Change	Change (currency-neutral)
Net sales	3,582	3,240	11%	17%
adidas brand	3,419	3,061	12%	18%
Reebok brand	163	179	(9%)	(2%)
Gross profit	2,032	1,829	11%	-
Gross margin	56.7%	56.4%	0.3pp	-
Segmental operating profit	1,253	1,122	12%	-
Segmental operating margin	35.0%	34.6%	0.4pp	-

RUSSIA/CIS

Sales in Russia/CIS remained stable on a currency-neutral basis. In euro terms, sales declined 13% to € 297 million. adidas brand revenues were up 2% on a currency-neutral basis, due to exceptional growth in the football category, reflecting revenues generated through leveraging the 2018 FIFA World Cup. Reebok brand revenues decreased 7% on a currency-neutral basis, driven by declines in all major categories. [SEE TABLE 9](#)

Gross margin in Russia/CIS increased 2.9 percentage points to 67.4%, driven by positive currency effects, partly offset by an unfavorable pricing and channel mix. Operating expenses were down 18% to € 133 million and, as a percentage of sales, declined 2.6 percentage points to 44.8%. This development reflects a decline in operating overhead expenses. The operating margin increased 5.6 percentage points to 22.6% as a result of the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. [SEE TABLE 9](#)

Russia/CIS at a glance € in millions

9

	First half year 2018	First half year 2017	Change	Change (currency-neutral)
Net sales	297	341	(13%)	(0%)
adidas brand	223	250	(11%)	2%
Reebok brand	74	90	(18%)	(7%)
Gross profit	200	220	(9%)	-
Gross margin	67.4%	64.5%	2.9pp	-
Segmental operating profit	67	58	16%	-
Segmental operating margin	22.6%	17.0%	5.6pp	-

LATIN AMERICA

Sales in Latin America grew 12% on a currency-neutral basis. In euro terms, sales declined 5% to € 847 million. adidas brand revenues increased 16% on a currency-neutral basis driven by exceptional growth in the football category as well as by double-digit growth in Sport Inspired. In addition, high-single-digit growth in the running category also contributed to this development. Reebok brand revenues declined 10% on a currency-neutral basis, as a result of declines in all major categories. [SEE TABLE 10](#)

Gross margin in Latin America increased 4.6 percentage points to 44.1%, driven by an improved pricing and channel mix, which more than offset negative currency effects as well as higher input costs. Operating expenses were down 11% to € 230 million, mainly reflecting a decrease in operating overhead costs. Operating expenses as a percentage of sales were down 1.6 percentage points to 27.2%. The operating margin increased 6.2 percentage points to 16.9%, reflecting the gross margin increase as well as the positive effect of lower operating expenses as a percentage of sales. [SEE TABLE 10](#)

Latin America at a glance € in millions

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	First half year 2018	First half year 2017	Change	Change (currency-neutral)
Net sales	847	895	(5%)	12%
adidas brand	762	785	(3%)	16%
Reebok brand	85	111	(23%)	(10%)
Gross profit	374	354	6%	-
Gross margin	44.1%	39.6%	4.6pp	-
Segmental operating profit	143	96	49%	-
Segmental operating margin	16.9%	10.7%	6.2pp	-

EMERGING MARKETS

Sales in Emerging Markets declined 2% on a currency-neutral basis. In euro terms, revenues decreased 13% to € 560 million. adidas brand revenues were down 2% on a currency-neutral basis, as mid-single-digit increases in the football and running categories were more than offset by declines in Sport Inspired and in the training category. Reebok brand revenues declined 5% on a currency-neutral basis, as double-digit increases in Classics were more than offset by double-digit decreases in the training and running categories. [SEE TABLE 11](#)

Gross margin in Emerging Markets increased 2.3 percentage points to 50.9%, driven by an improved pricing, channel and product mix, partly offset by negative currency effects and higher input costs. Operating expenses were down 12% to € 137 million, reflecting a decrease in marketing expenditure as well as operating overhead costs. Operating expenses as a percentage of sales increased 0.4 percentage points to 24.6%. As a result of the gross margin increase, which more than offset the negative effect from higher operating expenses as a percentage of sales, the operating margin grew 1.9 percentage points to 26.4%. [SEE TABLE 11](#)

Emerging Markets at a glance € in millions 11

	First half year 2018	First half year 2017	Change	Change (currency- neutral)
Net sales	560	644	(13%)	(2%)
adidas brand	498	570	(13%)	(2%)
Reebok brand	62	74	(16%)	(5%)
Gross profit	285	313	(9%)	-
Gross margin	50.9%	48.6%	2.3pp	-
Segmental operating profit	148	158	(6%)	-
Segmental operating margin	26.4%	24.5%	1.9pp	-

SUBSEQUENT EVENTS AND OUTLOOK

SUBSEQUENT EVENTS

NO SUBSEQUENT EVENTS

Between the end of the first half of 2018 and the finalization of the interim consolidated financial statements on July 25, 2018, there were no significant organizational, management, economic, socio-political, legal or financial changes which we expect to influence our business materially going forward.

OUTLOOK¹

GLOBAL ECONOMY TO GROW IN 2018²

Global GDP is projected to grow 3.1% in 2018 as the ongoing cyclical recovery is expected to continue. However, escalating trade protectionism and heightened geopolitical tensions continue to cloud the outlook. In addition, the headline growth forecast conceals differences between the pace of growth in developed and developing economies. Developing economies are forecast to see an acceleration of growth to 4.5% as commodity-exporting economies benefit from a stabilization of oil and other commodity prices. In contrast, growth in developed economies is projected to slow to 2.2%, as further monetary tightening appears likely and the effects of U.S. fiscal stimulus wane. With macroeconomic indicators generally at elevated levels already and potential economic growth set to decrease due to a slowdown in productivity growth as well as less favorable demographic trends, risks to the global outlook are tilted to the downside. Instances of trade protectionism or geopolitical conflicts could materially dampen consumer confidence, trade and growth. In addition, a rise in borrowing costs or disorderly movements in financial markets might cause turbulence and potentially derail the expansion.

SPORTING GOODS INDUSTRY EXPANSION TO CONTINUE IN 2018³

In the absence of any major macroeconomic shocks, we expect the global sporting goods industry to grow at a mid-single-digit rate in 2018. Consumer spending on sporting goods in the developing economies is expected to grow faster than in the more developed markets. Progressing urbanization and a growing middle-class in many developing economies are predicted to further propel industry growth. In developed economies, the sporting goods industry is forecast to expand, as wage increases on the back of generally strong labor market conditions will support consumer spending on sporting goods. Around the world, rising sports participation and health awareness is projected to continue to boost demand for athletic performance products. In addition, sportswear penetration rates are forecast to edge up further as sports-inspired apparel and footwear ('athleisure') has become a structural component of the broader fashion landscape, fueling the demand for athletic casual and activewear products. Within the supply chain, innovation such as the application of new manufacturing techniques is projected to enhance speed-to-market capabilities of sports brands, which will favorably impact sales growth as consumers' demands can be met faster and more precisely. On the distribution side, the e-commerce channel, which is already a significant growth driver for the industry, is anticipated to broaden out further as investments into the digital transformation continue across the sporting goods industry.

ADIDAS CONFIRMS TOP- AND BOTTOM-LINE OUTLOOK FOR THE 2018 FINANCIAL YEAR

Against the background of the financial performance in the first half of 2018, adidas has confirmed its 2018 financial outlook. The company continues to expect sales to increase at a rate of around 10% on a currency-neutral basis, driven by double-digit growth in North America and Asia-Pacific.

Gross margin is forecast to increase up to 0.3 percentage points to a level of up to 50.7%, benefiting from the positive effects of a more favorable pricing, channel and regional mix. These improvements will be partly offset by the negative impact from unfavorable currency movements as well as higher input costs. The operating margin is expected to improve between 0.5 and 0.7 percentage points to a level between 10.3% and 10.5%. Operating profit is projected to increase between 9% and 13%. Net income from continuing operations is expected to rise to a level between € 1.615 billion and € 1.675 billion. This development reflects an increase of between 13% and 17% compared to the prior year level of € 1.430 billion, excluding the negative one-time tax impact recorded in 2017. Basic earnings per share from continuing operations are expected to increase at a rate

¹ This Management Report contains forward-looking statements that reflect Management's current view with respect to the future development of adidas. The outlook is based on estimates that we have made on the basis of all the information available to us at the time of completion of this First Half Year Report. In addition, such forward-looking statements are subject to uncertainties as described in the Risk and Opportunity Report of the adidas 2017 Annual Report (pp. 131 – 145), which are beyond the control of the company. In case the underlying assumptions turn out to be incorrect or described risks or opportunities materialize, actual results and developments may materially deviate (negatively or positively) from those expressed by such statements. adidas does not assume any obligation to update any forward-looking statements made in this Management Report beyond statutory disclosure obligations.

² Source: World Bank, Global Economic Prospects.

³ Source: NPD Market Research.

between 12% and 16% compared to the prior-year level of € 7.05, excluding the negative one-time tax impact in 2017, not taking into account any decrease in the number of shares outstanding due to the company's share buyback program. Net financial expenses are forecast to decrease in 2018. The tax rate is projected to be below the prior year level of 29.3%, excluding the negative one-time tax impact recorded in 2017.

RISKS AND OPPORTUNITIES

Taking into account the occurrence likelihood and the potential financial impact of the risks explained in the 2017 Annual Report, as well as the current business outlook, Management does not foresee any material jeopardy to the viability of the company as a going concern. Management remains confident that the earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the company. Compared to the assessment in the 2017 Annual Report, overall the company's risk profile remains unchanged.

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	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					(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

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT JUNE 30, 2018

01 – GENERAL

The interim consolidated financial statements of adidas AG and its subsidiaries (collectively 'adidas', the 'Group' or 'the company') for the first half year ending June 30, 2018 are prepared in compliance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The company applied all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and Interpretations of the IFRS Interpretations Committee effective as at June 30, 2018.

These interim consolidated financial statements were prepared in compliance with International Accounting Standard IAS 34 'Interim Financial Reporting'. Accordingly, these interim consolidated financial statements do not include all of the information and notes required for consolidated financial statements at financial year-ends. Therefore, these interim consolidated financial statements should be read in conjunction with the 2017 annual consolidated financial statements. The accounting policies as well as principles and practices applied in the consolidated financial statements for the year ending December 31, 2017 also apply to the interim consolidated financial statements for the first half year ending June 30, 2018, with the following exceptions.

The following new standards and amendments to existing standards and interpretations, which were issued by the IASB and are effective in the EU for financial years beginning on January 1, 2018, have been applied for the first time with an impact on the consolidated financial statements as expected:

- **IFRS 9 'Financial Instruments' (EU effective date: January 1, 2018):** The new standard prescribes rules for the accounting of financial instruments, replacing the current guidelines in IAS 39 'Financial Instruments:

Recognition and Measurement'. In particular, IFRS 9 prescribes new classification methods for financial assets, which has an effect on the company's classification and subsequent presentation of certain financial assets. The standard eliminates the previous IAS 39 categories for financial assets, which include held to maturity, loans and receivables and available for sale. Instead, upon initial recognition under IFRS 9, a financial asset is classified and measured as follows: amortized cost, fair value through other comprehensive income (equity), fair value through other comprehensive income (debt) or fair value through profit or loss. In contrast, IFRS 9 largely retains the existing requirements in IAS 39 for classification and measurement of financial liabilities. The standard introduces new requirements for the impairment of financial instruments, contract assets, lease receivables, loan commitments, financial guarantees and revised requirements regarding hedge accounting.

The respective classification is generally based on the business model for managing financial assets or a group of financial assets and its contractual cash flow characteristics. On initial recognition of an equity investment that is not held for trading, it is possible to irrevocably elect to present subsequent changes of the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. When these equity investments are sold or written off, any unrealized gains and losses are reclassified to retained earnings and not presented under profit or loss.

For transition purposes, adidas has taken advantage of the exemption of IFRS 9 from restating prior periods. Therefore, comparative information has only been restated

for the retrospective application of certain hedging requirements.

For more details on the company's categories according to IFRS 9 [SEE NOTE 07](#). For further information about the changes and effects from the first-time application of IFRS 9 on January 1, 2018 [SEE NOTES 02 AND 07](#).

- **IFRS 15 'Revenue from Contracts with Customers' (EU effective date: January 1, 2018):** This new standard replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and IFRIC 13 'Customer Loyalty Programmes' and provides a holistic framework for all aspects of revenue recognition. IFRS 15 creates a centralized, single five-step model for recognizing revenue arising from contracts with customers.

adidas has applied the modified retrospective method (also called 'cumulative effect method') for transition to IFRS 15, whereby the cumulative effect of initially applying IFRS 15 is shown in the opening balance as at January 1, 2018. Accordingly, the comparative information presented for 2017 has not been restated. Instead it is accounted for according to the rules valid for revenue recognition during the 2017 financial year.

Additionally, adidas has applied the practical expedient for transition offered in the IFRS 15 Amendment 'Clarifications to IFRS 15' which is only applicable for the modified retrospective method. With the application of this amendment, the company has reflected the aggregate effect of all contract modifications that occurred before the beginning of the earliest period presented or before the date of initial application for the first-time application of IFRS 15.

Under IFRS 15, revenue is recognized at the transfer of control of the goods to the customer whereas under IAS 18 revenue recognition was dependent on the transfer of risks

and rewards. For more information about the impacts from the application of IFRS 15 [SEE NOTE 04](#).

The following provides an update to adidas' implementation status of new standards and interpretations which are expected to have a significant impact on the consolidated financial statements and will be effective for financial years beginning after January 1, 2018, and which have not been applied in preparing these interim consolidated financial statements:

- **IFRS 16 'Leases' (EU effective date: January 1, 2019):** The new standard replaces the guidance in IAS 17 'Leases' and the respective interpretations IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases – Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 eliminates the required classification of leases into operating and finance leases in accordance with IAS 17, replacing it with a single accounting model requiring lessees to recognize a right-of-use asset and a corresponding lease liability for leases with a lease term of more than twelve months.

adidas has identified the main categories for leases where adidas acts as lessee, which thus far include the following: buildings, land, technical equipment and machinery, office equipment, furniture and fixtures, motor vehicles, computer hardware and other equipment. According to the option offered in IFRS 16.4 for lessees, adidas has decided to exclude leases for software from the scope of the new standard.

IFRS 16 offers the lessee the option to combine lease payments with payments for non-lease components in the calculation of the lease liability and right-of-use asset per class of asset. adidas has not finally decided yet for which classes of underlying assets it will exercise this option. The standard also offers the lessee the option to exclude lease contracts for leased assets with low value and/or with a short-term lease period (less than twelve months) from the recognition of the lease liability and right-of-use asset. adidas has decided to exercise this option to exclude these leases.

The company has continued to collect real estate lease contracts in its global lease management system, which captures the relevant information from lease contracts. adidas is in the process of implementing and configuring a technical system to ensure the storage of data from non-real estate lease contracts and to guarantee IFRS 16-compliant accounting valuations and calculations. Additional system analysis with regard to the IFRS 16 requirements is ongoing. Further analysis of the expected impact on the company's consolidated financial statements is still in progress.

The interim consolidated financial statements and the interim Group management report were not audited in accordance with § 317 German Commercial Code (Handelsgesetzbuch – HGB) nor reviewed by an auditor.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim consolidated financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

The results of operations for the first half year ending June 30, 2018 are not necessarily indicative of results to be expected for the entire year.

The interim consolidated financial statements are presented in euros (€) and, unless otherwise stated, all values are presented in millions of euros (€ in millions). Due to rounding principles, numbers presented may not sum up exactly to totals provided.

02 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and policies mentioned in the below table and text have partly changed as a result of the initial application of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. Other newly applied standards and interpretations did not materially affect the company's accounting policies.

Principles of measurement

The following table includes an overview of selected subsequent measurement principles used in the preparation of the interim consolidated financial statements.

Overview of selected subsequent measurement principles

Item	Subsequent measurement principle
Assets	
Cash and cash equivalents	Nominal amount
Cash equivalents (investments in money market funds)	Fair value through profit or loss
Short-term financial assets	Fair value through profit or loss
Accounts receivable	Amortized cost
Contract assets	Impairment-only approach
Inventories	Lower of cost and net realizable value
Assets classified as held for sale	Lower of carrying amount and fair value less costs to sell
Property, plant and equipment	Amortized cost
Goodwill	Impairment-only approach
Intangible assets (except goodwill):	
With definite useful life	Amortized cost
With indefinite useful life	Impairment-only approach
Long-term financial assets	Amortized cost, at fair value through profit or loss, or at fair value through comprehensive income depending on the type of the financial asset
Other financial assets	Amortized cost, or at fair value through profit or loss depending on the type of the financial asset
Liabilities	
Borrowings	Amortized cost
Accounts payable	Amortized cost
Liabilities/provisions for cash-settled share-based payment arrangements	Fair value
Contract liabilities	Expected settlement amount
Other financial liabilities	Amortized cost
Provisions:	
Pensions	Projected unit credit method
Other provisions	Expected settlement amount
Accrued liabilities	Amortized cost

Derivative financial instruments

adidas uses derivative financial instruments, such as currency options, forward exchange contracts, commodity futures as well as interest rate swaps and cross-currency interest rate swaps, to hedge its exposure to foreign exchange, commodity price and interest rate risks. In accordance with its Treasury Policy, adidas does not enter into transactions with derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognized in the statement of financial position at fair value, and subsequently also measured at their fair value. The method of recognizing the resulting gains or losses is dependent on the nature of the hedge. On the date a derivative contract is entered into, adidas designates derivatives as either a hedge of a forecasted transaction (cash flow hedge) or a hedge of a net investment in a foreign operation.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges, and that are effective, as defined in IFRS 9, are recognized in equity. adidas is applying the 'cost of hedging' approach for dedicated cash flow hedges. Changes in the fair value of the time value component of options, as well as the forward element in forward contracts are recognized separately in equity. The first-time application of IFRS 9 had the consequence that the fair value of the time value component of options was reclassified into equity at the beginning of the comparative period (retrospective application). There was no impact for forward exchange contracts (prospective application). When the effectiveness is not 100%, the ineffective portion of the change in the fair value is recognized in the income statement. Accumulated gains and losses in equity are transferred to the income statement in the same periods during which the hedged forecasted transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under the company's risk management policies, may not qualify for hedge accounting under the specific rules of IFRS 9. Changes in the fair value of any

derivative instruments that do not meet these rules are recognized immediately in the income statement.

Hedges of net investments in foreign entities are accounted for in a similar way to cash flow hedges. If the hedging instrument is a derivative (e.g. a forward exchange contract) or a foreign currency borrowing, effective currency gains and losses in the derivative and all gains and losses arising on the translation of the borrowing, respectively, are recognized in equity, with the exception of the cross-currency basis spread.

adidas documents the relationship between hedging instruments and hedge objects at transaction inception, as well as the risk management objectives and strategies for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific firm commitments and forecasted transactions. adidas also assesses the effectiveness and possible ineffectiveness of its derivatives by using different methods of effectiveness testing, such as the 'dollar offset method' or the 'hypothetical derivative method'.

The fair values of currency options, forward exchange contracts and commodity futures are determined on the basis of market conditions on the reporting dates. The fair value of a currency option is determined using generally accepted models to calculate option prices. The fair value of an option is influenced not only by the remaining term of the option but also by additional factors, such as the actual foreign exchange rate and the volatility of the underlying foreign currency base. Fair values are determined taking into consideration the counterparty risk. adidas has exercised the option to calculate the amounts on counterparty level according to IFRS 13 'Fair Value Measurement', paragraph 48.

Cash and cash equivalents

Cash and cash equivalents represent cash at banks, cash on hand and short-term deposits with maturities of three months or less from the date of acquisition.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Part of cash equivalents include investments in money market funds, which contain cash flows other than those of principal and interest on principal. As a result, those investments are measured at fair value through profit or loss.

Accounts receivable

Accounts receivable are recognized at the transaction price, which represents the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Subsequently, these are measured at amortized cost.

Other financial assets

Other financial assets that give rise to cash flows consisting only of payments of principal and interest are classified in accordance with the respective business model for managing the financial assets. Financial assets that are held in a business model with the objective to hold them until maturity and collect the contractual cash flows are measured at amortized cost. adidas mainly has security deposits and receivables from credit cards/marketplaces which fall under this category.

Other financial assets that contain cash flows other than those of principal and interest on principal are measured at fair value through profit or loss. This mainly includes secured promissory notes and earn-out components.

Long-term financial assets

All purchases and sales of long-term financial assets are recognized on the trade date and initially measured at fair value.

Long-term financial assets which were previously classified as available-for-sale and measured at fair value through comprehensive income are now distinguished between debt and equity instruments and classified according to IFRS 9 as follows:

Debt instruments are measured dependent on the business model and the contractual cash flows. Only financial assets that are held within the business model with the objective to collect the contractual cash flows which represent solely payments of principal and interest on the principal amount outstanding are measured at amortized cost. All other financial assets which do not fulfill both of these criteria will be measured at fair value – either at fair value through profit or loss or at fair value through other comprehensive income (debt).

Generally, all investments in equity instruments are measured at fair value through profit or loss. An irrevocable election can be made at initial recognition to capture fair value changes in other comprehensive income for instruments that are neither held for trading nor contingent considerations recognized by an acquirer.

adidas has designated certain investments as equity securities at fair value through other comprehensive income (equity) because these investments represent investments that the company intends to hold for the long term for strategic purposes. The designation of certain equity instruments at fair value through other comprehensive income (equity) is based on a strategic management decision.

Impairment losses on financial assets

Impairment losses for debt financial assets measured at amortized cost or at fair value through other comprehensive income (debt) are recognized in accordance with IFRS 9 'Financial Instruments.' The standard requires that not only historical data, but also future expectations and projections are taken into account when accounting for impairment losses ('expected credit loss' model).

adidas consistently applies the simplified approach and recognizes lifetime expected credit losses for all accounts receivable. In order to calculate a loss allowance, all accounts receivable sharing similar credit risk characteristics are allocated into several portfolios based on geographical regions and macroeconomic indicators. Historical payment and aging patterns are analyzed individually for each of the portfolios to determine the probability of default which is further adjusted by forward-looking factors derived primarily from the Credit Default Swap (CDS) spreads of the countries where adidas runs its operations. The adjusted probability of default is then applied in combination with a loss given default as a loss rate to calculate the expected credit loss for each portfolio and aging bucket. The rates are reviewed on a regular basis to ensure that they reflect latest data on credit risk. In case an objective evidence of credit impairment is observed for accounts receivable of a specific customer, a detailed analysis of the credit risk is performed and an individual loss allowance is recognized for this customer.

Cash and cash equivalents measured at amortized cost are subject to IFRS 9 impairment requirements. The company is monitoring the credit risk associated with those financial instruments taking into consideration the economic environment, observing external credit ratings and/or CDS spreads of counterparty financial institutions and establishing exposure limits. The credit risk of cash and cash equivalents is insignificant due to their relatively short-term maturity, investment grade credit ratings and established exposure limits. Therefore, any credit impairment losses for cash and cash equivalents are not material for the company.

Contract assets and contract liabilities

Contract assets and liabilities are recognized in connection with revenues arising from the licensing-out of the right to use the adidas and Reebok brands as well as various other trademarks to third parties. Contract assets represent the company's right to consideration in exchange for rights that

adidas has transferred to a third party and contract liabilities represent the company's obligation to transfer rights to a third party. The subsequent measurement of contract assets follows the impairment-only approach for financial assets within the scope of IFRS 9. Contract liabilities are measured at the expected settlement amount.

Revenue

Revenue derived from the sale of goods is recognized when adidas has satisfied the respective performance obligation by transferring the promised goods to the customer. The goods are transferred when the customer obtains control of the respective goods. The timing of the transfer of control depends on the individual terms of the sales agreement (terms of delivery).

Revenue is measured at the fair value of the consideration received or receivable, net of returns, early payment discounts and rebates.

Under certain conditions and in accordance with contractual agreements, customers of adidas have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are accrued based on past experience on average return rates and average actual return periods by means of a refund liability. The return assets are measured at the former carrying amount of the inventory/product, less any handling cost.

Provided that the customers meet certain predefined conditions, adidas grants its customers different types of globally aligned performance-based rebates. Examples are customers' sales growth and loyalty as well as sell-out support, e.g. through retail space management/franchise stores. When it is assumed that the customer fulfills the requirements for being granted the rebate, this amount is accrued by means of an accrued liability for marketing and sales.

Customer incentives and options as well as any obligation for adidas to pay for the delivery of goods to the customer do not create separate performance obligations under IFRS 15.

In addition, adidas generates revenue from the licensing-out of the right to use the adidas and Reebok brands as well as various other trademarks to third parties. The related sales-based royalty and commission income is recognized based on the contract terms on an accrual basis. Contracts with guaranteed minimum income result in contract assets and contract liabilities depending on the timing of yearly payments received from customers. The performance obligation related to these contract assets and liabilities is satisfied over the life of the contract, whereby payments are received as arranged in the contract with the customer.

03 — ADJUSTMENTS ACCORDING TO IAS 8

The German Financial Reporting Enforcement Panel (FREP) performed an examination in accordance with § 342b section 2 sentence 3 No. 3 HGB (unlimited scope examination on a sampling basis) of the consolidated financial statements of adidas AG at December 31, 2016 and the related 2016 Group management report. The responsible panel concluded that the consolidated financial statements at December 31, 2016 are erroneous:

“The recoverability of the Reebok brand with a book value of EUR 1.47 billion could not be proven based on the documentation provided by the company as at December 31, 2016.

Although an operating loss of around EUR 150 million and restructurings indicate an impairment of the cash-generating units Reebok with the Reebok brand as a major asset, no impairment test was conducted on the basis of the relevant cash-generating Reebok business units. This violates IAS 36.12 in conjunction with IAS 36.22, IAS 36.66 et seq. and § 238 German Commercial Code (Handelsgesetzbuch – HGB).

The company conducted a test for impairment of the intangible asset of the brand by determining the fair value of the Reebok brand based on notional royalty savings (relief-

from-royalty method). The estimate is based on the assumption of strong sales growth. Moreover, since the acquisition, an unchanged royalty rate of 4.5% has been used although the brand has sustainably failed to meet the sales targets and has regularly not met its profitability targets since the acquisition of the brand in 2006. Thus, in the present case, the use of non-market-driven input factors and the valuation method applied do not lead to the most reliable estimate of the fair value of the Reebok brand. This violates IFRS 13.2, IFRS 13.9, IFRS 13.61 et seqq. and IFRS 13.69 as well as IAS 36.105.”

After detailed examination, the Executive Board accepted the findings. The error finding resulted in a retrospective correction of the 2016 consolidated financial statements according to IAS 8.41 et seqq.

The following table provides an overview of the impact of all corrections:

Adjustment of the adidas AG Opening Consolidated Statement of Financial Position (IFRS) as at January 1, 2017 € in millions

	Dec 31, 2016 (as reported)	Adjustment IAS 8	Opening balance Jan. 1, 2017 ¹
Assets			
Total current assets	8,886	-	8,886
Trademarks	1,680	572	1,108
Total non-current assets	6,290	572	5,718
Total assets	15,176	572	14,604
Liabilities and equity			
Total current liabilities	6,765	-	6,765
Deferred tax liabilities	387	97	289
Total non-current liabilities	1,957	97	1,859
Share capital	201	-	201
Reserves	749	-	749
Retained earnings	5,521	475	5,047
Shareholders' equity	6,472	475	5,997
Non-controlling interests	(17)	-	(17)
Total equity	6,455	475	5,980
Total liabilities and equity	15,176	475	14,604

¹ Excluding transition effect according to IFRS 9.

Whereas the impairment test of the Reebok trademark was performed based on its fair value using the relief-from-royalty method, adidas re-performed the test for the 2016 financial year using the value-in-use concept for the Reebok cash-generating units allocated to the trademark. Insofar, the carrying amount of the Reebok brand was classified as a corporate asset and allocated to the individual Reebok markets based on the planned revenues.

The recoverable amount of the individual Reebok markets was determined on the basis of value in use based on the present value of the expected future cash flows. The individual Reebok markets are defined as the regional markets which are responsible for the distribution of the Reebok brand. The regional markets are: Western Europe, North America, Greater China, Russia/CIS, Latin America, Japan, Middle East, South Korea and Southeast Asia/Pacific. The number of cash-generating Reebok business units amounted to a total of nine at the end of 2016. The respective discount rates applied to the cash flow projections of the respective cash-generating Reebok business units range from 6.6% to 11.2%.

This calculation uses cash flow projections based on the financial planning covering a four-year period in total. The planning is based on long-term expectations of the company and reflects in total for the Reebok markets an average annual mid-single- to low-double-digit sales increase with varying forecasted growth prospects for the different Reebok markets. Furthermore, adidas expects the operating margin to expand, primarily driven by an improvement in the gross margin as well as lower operating expenses as a percentage of sales. The planning of capital expenditure and working capital is primarily based on past experience. The planning for future tax payments is based on current statutory corporate tax rates of the individual Reebok markets. Cash flows beyond the detailed planning period of the respective Reebok markets are extrapolated using steady growth rates of 1.7%. According to the company's expectations, these growth rates do not

exceed the long-term average growth rate of the business sector in the individual markets in which Reebok operates.

Discount rates are based on a weighted average cost of capital calculation considering a five-year average market-weighted debt/equity structure and financing costs referencing major competitors for each Reebok market. The discount rates used are after-tax rates and reflect the specific equity and country risk of the relevant Reebok markets.

In total, trademark impairment losses of € 572 million were retrospectively recognized in 2016 and the carrying amount of the Reebok trademark at December 31, 2016 (as reported) in the amount of € 1,470 million was adjusted according to IAS 8 to € 898 million at December 31, 2016. Deferred tax liabilities related to the Reebok trademark were reduced by € 97 million, respectively.

A change in the discount rate by 1.0 percentage points or a reduction of planned free cash inflows by 15% would result in an additional impairment requirement of approximately € 90 million and € 100 million, respectively.

Future changes in expected cash flows and discount rates may lead to impairments and reversals of impairment losses of the Reebok trademark.

For the 2017 financial year as well, an impairment test was retrospectively performed based on the respective groups of cash-generating Reebok business units. In this context, there was no need for any additional impairment or reversal of impairment losses of the Reebok trademark in 2017.

The adjustments according to IAS 8 at January 1, 2017 also had an impact at December 31, 2017 and June 30, 2017, respectively:

Compared to the carrying amount as reported at December 31, 2017, the Reebok trademark decreased accordingly by € 503 million, deferred tax liabilities by € 85 million and shareholders' equity by € 417 million.


Compared to the carrying amount as reported at June 30, 2017, the Reebok trademark decreased accordingly

by € 528 million, deferred tax liabilities by € 90 million and shareholders' equity by € 439 million.

Any changes in the adjustments compared to January 1, 2017 solely relate to currency translation differences.

04 — REVENUE

The sales of the company in certain product categories are seasonal and therefore revenues and attributable earnings may vary within the financial year. Sales and earnings tend to be strongest in the first and third quarters of the financial year because these coincide with the launch of the spring/summer and fall/winter collections, respectively. However, shifts in the share of sales and attributable earnings of particular product categories or the regional composition may occur throughout the year.

For a disaggregation of revenue into product categories  SEE NOTE 10.

No significant changes in the timing or amount of revenue due to the application of IFRS 15 were identified.

Accordingly, there was no material impact on the company's interim consolidated income statement for the first half year ending June 30, 2018.

A material impact on the presentation of the customer's right of return resulted from the application of IFRS 15. Under IAS 18, adidas reduced revenue related to estimated returns based on past experience by means of a return provision, which was calculated on a net basis. The net value was determined by the amount of the gross margin (i.e. the difference between gross sales and cost of sales) for the products sold which are expected to be returned.

The accounting for the return provision was adjusted in accordance with IFRS 15. As of January 1, 2018, a liability in the amount of the credit notes for expected returns is presented. Corresponding with this treatment, an asset for the right to recover products from customers upon settling the refund liability is recognized. The new approach resulted

in an increase in other assets as well as in the return provision not affecting the consolidated income statement and a decrease in the equity ratio. The first-time application of IFRS 15 on January 1, 2018 resulted in an increase in the return provision (included in 'Current accrued liabilities') of € 237 million, an initially recognized return asset (included in 'Other current assets') in an amount of € 196 million and a decrease in retained earnings in an amount of € 41 million in the company's consolidated statement of financial position. As at June 30, 2018, the return liability and the return asset increased by € 263 million and € 209 million, respectively, due to the application of IFRS 15 compared to IAS 18.

Due to the application of IFRS 15, contract assets and contract liabilities were recognized for the first time in relation to revenues from licensing contracts. The effect of this application resulted in the first-time recognition of contract assets in an amount of € 7 million, contract liabilities in an amount of € 1 million, and an increase in retained earnings in an amount of € 6 million. As at June 30, 2018, contract assets and contract liabilities increased by € 7 million and € 1 million respectively due to the application of IFRS 15 compared to IAS 18.

05 — DISCONTINUED OPERATIONS

The results of the Rockport, TaylorMade and CCM operations that were sold in previous periods are shown as discontinued operations in the consolidated income statement.

The net result of discontinued operations presented in the consolidated income statement as at June 30, 2018 contains an adjustment in connection with the sale of the Rockport operating segment in July 2015.

Losses from discontinued operations for the first six months ending June 30, 2018 in an amount of € 23 million (2017: losses of € 195 million) are entirely attributable to the shareholders of adidas AG.

06 — SHAREHOLDERS' EQUITY

During the period from January 1, 2018 to June 30, 2018, the nominal capital of adidas AG remained unchanged. Consequently, on June 30, 2018, the nominal capital of adidas AG amounted to € 209,216,186, divided into 209,216,186 registered no-par-value shares.

Based on the authorization to repurchase treasury shares resolved upon by the Annual General Meeting on May 12, 2016, the company started the first tranche of a new share buyback program on March 22, 2018. While the company may use the repurchased shares for all purposes admissible under the granted authorization with the exception of the transfer of shares as a compensation component for the company's Executive Board members, adidas AG plans to cancel the majority of the repurchased shares.

adidas AG purchased a total of 161,888 shares for a total price of € 31,570,000.06 (excluding incidental purchasing costs), i.e. for an average price of € 195.01 per share, in the period between March 22, 2018 and March 31, 2018 inclusive. This corresponded to a notional amount of € 161,888 in the nominal capital and consequently to 0.08% of the nominal capital.

In April 2018, 479,177 shares were purchased for a total price of € 98,679,133.76 (excluding incidental purchasing costs), i.e. for an average price of € 205.93 per share. This corresponded to a notional amount of € 479,177 in the nominal capital and consequently to 0.23% of the nominal capital.

In May 2018, 617,854 shares were purchased for a total price of € 120,189,123.80 (excluding incidental purchasing costs), i.e. for an average price of € 194.53 per share. This corresponded to a notional amount of € 617,854 in the nominal capital and consequently to 0.3% of the nominal capital.

On May 24, 2018, the company (including the shares purchased since 2014) exceeded the reportable threshold of 3% of the shares in adidas AG as defined by § 40 section 1 sentence 2 German Securities Trading Act (Wertpapier-

handelsgesetz - WpHG). The share of voting rights amounted to 3.008% (6,293,433 shares) at that time.

In June 2018, 1,539,068 shares were purchased for a total price of € 293,306,320.11 (excluding incidental purchasing costs), i.e. for an average price of € 190.57 per share. This corresponded to a notional amount of € 1,539,068 in the nominal capital and consequently to 0.74% of the nominal capital.

Due to the fact that conversion rights were exercised, a total of 34,692 treasury shares of adidas AG were delivered to the holders of adidas AG's convertible bond in the period from January 1, 2018 to June 30, 2018.

Moreover, 22,360 treasury shares were used as consideration, i.a. for the transfer or licensing of industrial property rights and intangible property rights due to contractual obligations.

In the 2016 financial year, adidas AG introduced an employee stock purchase plan in favor of employees of adidas AG and its affiliated companies. Outside the share buyback program initiated in March, the company purchased adidas AG shares in connection with this employee stock purchase plan. For instance, on January 8, 2018, adidas AG purchased 25,672 adidas AG shares at an average price of € 173.27 in connection with the employee stock purchase plan. This corresponded to a total price of € 4,448,258 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 25,672 or 0.01%. At the same time, adidas AG also purchased a further 3,642 adidas AG shares at an average price of € 173.27, which were used as matching shares. This corresponded to a total price of € 631,059 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 3,642 or 0.002%. All shares purchased for this purpose on January 8, 2018 were issued to the eligible employees on January 10, 2018. On April 9, 2018, adidas AG purchased a further 24,104 adidas AG shares at an average price of € 201.88 in connection with the employee stock purchase

plan. This corresponded to a total price of € 4,866,054 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 24,104 or 0.012%. At the same time, adidas AG purchased a further 2,751 adidas AG shares at an average price of € 201.88, which were used as matching shares. This corresponded to a total price of € 555,365 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 2,751 or 0.0013%. All shares purchased for this purpose on April 9, 2018 were issued to the eligible employees on April 11, 2018. On July 6, 2018, adidas AG purchased a further 30,504 adidas AG shares at an average price of € 182.47 in connection with the employee stock purchase plan. This corresponded to a total price of € 5,566,187 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 30,504 or 0.015%. At the same time, adidas AG purchased a further 3,040 adidas AG shares at an average price of € 182.47, which were used as matching shares. This corresponded to a total price of € 554,720 (excluding incidental purchasing costs) with a pro rata amount or an amount in the nominal capital of € 3,040 or 0.0014%. All shares purchased for this purpose on July 6, 2018 were issued to the eligible employees on July 10, 2018.

On June 30, 2018, adidas AG held a total of 8,095,887 treasury shares (including the shares purchased since 2014), corresponding to a notional amount of € 8,095,887 in the nominal capital and consequently to 3.87% of the nominal capital. In accordance with § 71b German Stock Corporation Act (Aktiengesetz – AktG), the treasury shares held directly or indirectly do not confer any rights to the company.

07 — FINANCIAL INSTRUMENTS

Carrying amounts of financial instruments as at June 30, 2018 and their fair values € in millions

	IAS 39		IFRS 9	IAS 39	Transition effect			IFRS 9			
	Category	Measurement	Category	Carrying amount Dec. 31, 2017	Retained earnings		Revenue reserves	Deferred tax	Carrying amount Jan. 1, 2018	Carrying amount June 30, 2018	Fair value June 30, 2018
					New measurement category	Change of evaluation measurement					
Financial assets											
Cash and cash equivalents											
Cash and cash equivalents	n.a.	Amortized cost	Amortized cost	1,598					1,598	1,115	
Cash equivalents	n.a.	Amortized cost	Fair value through profit or loss	–					–	198	
Short-term financial assets	FAHfT	Fair value recognized in net income	Fair value through profit or loss	5					5	5	
Accounts receivable	LaR	Amortized cost	Amortized cost	2,315		(2)		(1)	2,312	2,751	
Other current financial assets											
Derivatives used in hedge accounting	n.a.	Fair value recognized in equity	Hedge Accounting	82		5	(5)		82	136	
Derivatives not used in hedge accounting	FAHfT	Fair value recognized in net income	Fair value through profit or loss	28					28	24	
Promissory notes	n.a.	Fair value recognized in net income	Fair value through profit or loss	–					32	30	
Other financial assets	LaR	Amortized cost	Amortized cost	283	(0)			(0)	252	232	

1 Finance lease obligations are measured according to IAS 17.

Carrying amounts of financial instruments as at June 30, 2018 and their fair values € in millions

	IAS 39		IFRS 9	IAS 39	Transition effect			IFRS 9			
	Category	Measurement	Category	Carrying amount Dec. 31, 2017	Retained earnings		Revenue reserves	Deferred tax	Carrying amount Jan. 1, 2018	Carrying amount June 30, 2018	Fair value June 30, 2018
					New measurement category	Change of evaluation measurement					
Long-term financial assets											
Other equity investments	FAHfT	Fair value recognized in net income	Fair value through profit or loss	82					82	82	
Other equity investments	AfS	At cost less impairment losses	Fair value through profit or loss	3					9	4	
Other equity investments	AfS	At cost less impairment losses	Fair value through other comprehensive income	53	5			2	63	58	
Other equity investments	AfS	Fair value recognized in equity	Fair value through profit or loss	26					26	28	
Other equity investments	AfS	Fair value recognized in equity	Amortized cost	62					62	104	
Loans	LaR	Amortized cost	Amortized cost	9					1	1	
Other non-current financial assets											
Derivatives used in hedge accounting	n.a.	Fair value recognized in equity	Hedge Accounting	1					1	20	
Derivatives not used in hedge accounting	FAHfT	Fair value recognized in net income	Fair value through profit or loss	14					14	9	
Promissory notes	n.a.	Fair value recognized in net income	Fair value through profit or loss	118					118	119	
Earn-out components	FAHfT	Fair value recognized in net income	Fair value through profit or loss	19					19	20	
Other financial assets	LaR	Amortized cost	Amortized cost	67		(0)		(0)	67	92	

1 Finance lease obligations are measured according to IAS 17.

Carrying amounts of financial instruments as at June 30, 2018 and their fair values € in millions

	IAS 39		IFRS 9	IAS 39	Transition effect			IFRS 9			
	Category	Measurement	Category	Carrying amount Dec. 31, 2017	Retained earnings		Revenue reserves	Deferred tax	Carrying amount Jan. 1, 2018	Carrying amount June 30, 2018	Fair value June 30, 2018
					New measurement category	Change of evaluation measurement					
Financial liabilities											
Short-term borrowings											
Bank borrowings	FLAC	Amortized cost	Amortized cost	106					106	68	
Convertible bond	FLAC	Amortized cost	Amortized cost	31					31	28	65
Accounts payable	FLAC	Amortized cost	Amortized cost	1,975					1,975	1,858	
Current accrued liabilities	FLAC	Amortized cost	Amortized cost	837					837	806	
Refund liability	-	-	n.a.	-					563	662	
Other current financial liabilities											
Derivatives used in hedge accounting	n.a.	Fair value recognized in equity	Hedge Accounting	250					250	89	
Derivatives not used in hedge accounting	FLHfT	Fair value recognized in net income	Fair value through profit or loss	24					24	31	
Earn-out components	FLHfT	Fair value recognized in net income	Fair value through profit or loss	21					21	7	
Other financial liabilities	FLAC	Amortized cost	Amortized cost	67					67	148	
Finance lease obligations ¹	n.a.	n.a.	n.a.	0					0	0	

¹ Finance lease obligations are measured according to IAS 17.

Carrying amounts of financial instruments as at June 30, 2018 and their fair values € in millions

	IAS 39		IFRS 9	IAS 39	Transition effect			IFRS 9			
	Category	Measurement	Category	Carrying amount Dec. 31, 2017	Retained earnings		Revenue reserves	Deferred tax	Carrying amount Jan. 1, 2018	Carrying amount June 30, 2018	Fair value June 30, 2018
					New measurement category	Change of evaluation measurement					
Long-term borrowings											
Bank borrowings	FLAC	Amortized cost	Amortized cost	–					–	150	
Eurobond	FLAC	Amortized cost	Amortized cost	983					983	984	1,037
Non-current accrued liabilities	FLAC	Amortized cost	Amortized cost	1					1	1	
Other non-current financial liabilities											
Derivatives used in hedge accounting	n.a.	Fair value recognized in equity	Hedge Accounting	9					9	0	
Derivatives not used in hedge accounting	FLHfT	Fair value recognized in net income	Fair value through profit or loss	5					5	1	
Earn-out components	FLHfT	Fair value recognized in net income	Fair value through profit or loss	5					5	5	
Other financial liabilities	FLAC	Amortized cost	Amortized cost	1					1	0	
Finance lease obligations ¹	n.a.	n.a.	n.a.	3					3	3	

¹ Finance lease obligations are measured according to IAS 17.

Carrying amounts of financial instruments as at June 30, 2018 and their fair values € in millions

	IAS 39		IFRS 9	IAS 39	Transition effect			IFRS 9			
	Category	Measurement	Category	Carrying amount Dec. 31, 2017	Retained earnings		Revenue reserves	Deferred tax	Carrying amount Jan. 1, 2018	Carrying amount June 30, 2018	Fair value June 30, 2018
					New measurement category	Change of evaluation measurement					
Thereof: aggregated by category according to IAS 39											
Financial assets at fair value through profit or loss				149							
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)				-							
Thereof: held for trading (FAHfT)				149							
Loans and receivables (LaR)				2,674							
Available-for-sale financial assets (AFS)				145							
Financial liabilities at amortized cost (FLAC)				4,001							
Financial liabilities at fair value through profit or loss held for trading (FLHfT)				54							
Thereof: aggregated by category according to IFRS 9											
Financial assets at fair value through profit or loss (FVTPL)								334	519		
Thereof: designated as such upon initial recognition (Fair Value Option - FVO)								-	-		
Thereof: held for trading (FAHfT)								82	82		
Financial assets at fair value through other comprehensive income (FVOCI)								146	213		
Thereof: debt instruments								-	-		
Thereof: derivatives used in hedge accounting								83	156		
Thereof: equity investments (without recycling to profit and loss)								63	58		
Financial assets at amortized cost (AC)								4,292	4,295		
Financial liabilities at fair value through profit or loss (FVTPL)								54	43		
Thereof: held for trading (FLHfT)								-	-		
Financial liabilities at fair value through other comprehensive income (FVOCI)								259	90		
Thereof: derivatives used in hedge accounting								259	90		
Financial liabilities at amortized cost (AC)								4,001	4,042		

1 Finance lease obligations are measured according to IAS 17.

Fair value hierarchy of financial instruments according to IFRS 13 as at December 31, 2017 € in millions

	Fair value Dec. 31, 2017	Level 1	Level 2	Level 3
Short-term financial assets	5		5	
Derivative financial instruments				
Derivatives being part of a hedge	83		83	
Derivatives not being part of a hedge	42		42	
Long-term financial assets	227		89	138
Promissory notes	118			118
Earn-out components	19			19
Financial assets	494		218	276
Short-term borrowings	169		169	
Derivative financial instruments				
Derivatives being part of a hedge	259		259	
Derivatives not being part of a hedge	29		29	
Long-term borrowings	1,035	1,035		
Earn-out components	25			25
Financial liabilities	1,517	1,035	457	25

Level 1 is based on quoted prices in active markets for identical assets or liabilities.

Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value hierarchy of financial instruments according to IFRS 13 as at June 30, 2018 € in millions

	Fair value June 30, 2018	Level 1	Level 2	Level 3
Cash equivalents	198		198	
Short-term financial assets	5		5	
Derivative financial instruments				
Derivatives used in hedge accounting	156		156	
Derivatives not used in hedge accounting	33		33	
Long-term financial assets				
Equity investments (FVTPL)	86			86
Equity investments (FVOCI)	58			58
Other long-term financial assets	28		28	
Promissory notes	149			149
Earn-out components	20			20
Financial assets	732		420	312
Short-term borrowings	132		132	
Derivative financial instruments				
Derivatives used in hedge accounting	90		90	
Derivatives not used in hedge accounting	32		32	
Long-term borrowings	1,187	1,187		
Earn-out components	11			11
Financial liabilities	1,453	1,187	254	11

Level 1 is based on quoted prices in active markets for identical assets or liabilities.

Level 2 is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Reconciliation of fair value hierarchy level 3 in 2017 € in millions

		Fair value Jan. 1, 2017	Additions	Disposals	Gains	Losses	Currency translation	Fair value Dec. 31, 2017
Long-term financial assets	This category relates to an 8.33% investment in FC Bayern München AG of € 82 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognized in other financial income.	81	-	-	1	-	-	82
Promissory note	On July 26, 2017, adidas signed a definitive agreement to sell the CCM Hockey operating segment which was divested on September 1, 2017. The transaction included a promissory note. The discounted cash flow method is applied. The fair value adjustment is recognized in discontinued operations.	-	36	-	-	(1)	-	35
Promissory note	On May 10, 2017, adidas signed a definitive agreement to sell its TaylorMade business including the brands TaylorMade, Adams Golf and Ashworth (together TaylorMade) which was divested on October 2, 2017. The transaction included a promissory note. The discounted cash flow method is applied. The fair value adjustment is recognized in discontinued operations.	-	86	-	-	(0)	(3)	83
Promissory notes	On January 23, 2015, adidas signed a definitive agreement to sell the Rockport operating segment which was divested on July 31, 2015. The transaction included contingent promissory notes. The discounted cash flow method is applied. The fair value adjustment is recognized in discontinued operations.	45	-	-	-	(40)	(5)	-
Earn-out components (assets)	On May 10, 2017, adidas signed a definitive agreement to sell its TaylorMade business including the brands TaylorMade, Adams Golf and Ashworth (together TaylorMade) which was divested on October 2, 2017. The transaction included earn-out components which are measured based on the Monte Carlo method. The earn-out components are dependent on the achievement of certain performance measures over the first five years. The fair value adjustment is recognized in discontinued operations.	-	19	-	-	-	-	19
Investments in other equity instruments	The change in fair value refers to recognized impairment losses resulting from one or more events where objective evidence of an impairment was identified, considering expectations regarding future business development. The impairment is recognized in other financial result.	64	26	(14)	-	(20)	-	56
Earn-out components (liabilities)	The acquisition of Runtastic includes earn-out components which are measured based on the discounted cash flow method. The earn-out components are dependent on retention of the Runtastic management as well as on the achievement of certain performance measures over the first three years after the acquisition. The fair value adjustment refers to accretion and is recognized in interest result.	22	-	(2)	-	5	-	25

Reconciliation of fair value hierarchy level 3 in 2018 € in millions

		Fair value Jan. 1, 2018	Additions	Disposals	Gains	Losses	Currency translation	Fair value June 30, 2018
Investments in other equity instruments held for trading (FAHfT)	This category relates to an 8.33% investment in FC Bayern München AG of € 82 million. Dividends are distributed by FC Bayern München AG instead of regular interest payments. These dividends are recognized in other financial income.	82	-	-	-	-	-	82
Investments in other equity instruments (FVTPL)	The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The change in fair value mainly relates to recognized impairment losses and is recognized in other financial result.	9	-	5	-	-	-	4
Investments in other equity instruments (FVOCI)	The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The significant inputs (financing rounds) used to measure fair value include one or more events where objective evidence of any changes was identified, considering expectations regarding future business development. The change in fair value is recognized in other comprehensive income.	63	-	-	-	6	1	58
Promissory note	On July 26, 2017, adidas signed a definitive agreement to sell the CCM Hockey operating segment which was divested on September 1, 2017. The transaction included a promissory note. The discounted cash flow method is applied. The fair value adjustment is recognized in discontinued operations.	35	-	-	1	1	1	36
Promissory note	On May 10, 2017, adidas signed a definitive agreement to sell its TaylorMade business including the brands TaylorMade, Adams Golf and Ashworth (together TaylorMade) which was divested on October 2, 2017. The transaction included a promissory note. The discounted cash flow method is applied. The fair value adjustment is recognized in discontinued operations.	83	-	-	-	2	2	84
Promissory note	On June 30, 2016, adidas formally completed the divestiture of the Mitchell & Ness business. The transaction included a promissory note. The discounted cash flow method is applied. The fair value adjustment is recognized in financial result.	32	-	4	1	-	1	29
Earn-out components (assets)	On May 10, 2017, adidas signed a definitive agreement to sell its TaylorMade business including the brands TaylorMade, Adams Golf and Ashworth (together TaylorMade). The transaction included earn-out components which are measured based on the Monte Carlo method. The earn-out components are dependent on the achievement of certain performance measures over the first five years. The fair value adjustment is recognized in discontinued operations.	19	-	-	0	-	-	20
Earn-out components (liabilities)	The acquisition of Runtastic includes earn-out components which are measured based on the discounted cash flow method. The earn-out components are dependent on retention of the Runtastic management as well as on the achievement of certain performance measures over the first three years after the acquisition. The fair value adjustment refers to accretion and is recognized in interest result.	25	-	20	-	6	-	11

**Net gains/(losses) on financial instruments recognized
in the consolidated income statement € in millions**

	Year ending Dec. 31, 2017	Year ending Dec. 31, 2016
Financial assets or financial liabilities at fair value through profit or loss	1	1
Thereof: designated as such upon initial recognition	-	-
Thereof: classified as held for trading	1	1
Loans and receivables	(60)	(35)
Available-for-sale financial assets	(56)	(3)
Financial liabilities at amortized cost	22	15

**Net gains/(losses) on financial instruments recognized
in the consolidated income statement € in millions**

	Period ending June 30, 2018
Financial assets classified at amortized cost (AC)	(25)
Financial assets at fair value through profit or loss (FVTPL)	2
Thereof: designated as such upon initial recognition	-
Thereof: classified as held for trading	-
Equity instruments at fair value through profit or loss (FVTPL)	(1)
Equity instruments at fair value through other comprehensive income (FVOCI)	-
Financial liabilities at amortized cost (AC)	14
Financial liabilities at fair value through profit or loss (FVTPL)	6
Thereof: designated as such upon initial recognition	-
Thereof: classified as held for trading	-

The valuation methods used in measuring Level 1, Level 2 and Level 3 fair values remain unchanged and can be found in the Notes to the 2017 consolidated financial statements.

As a consequence of the 'expected credit loss' model and the new requirements of IFRS 9, credit losses are normally recognized earlier than in the case of the former IAS 39 'incurred credit loss' approach. The first-time application of IFRS 9 led to an increase in the loss allowance for financial instruments of € 2 million (net of tax) which is mainly attributable to accounts receivable and, to a lesser extent, other financial assets. In the first half year 2018, impairment losses on financial assets measured at amortized cost amounted to € 26 million and gains from reversals of impairment losses amounted to € 1 million.

**08 — OTHER OPERATING INCOME AND OTHER
OPERATING EXPENSES**

Other operating income mainly includes income from the release of accrued liabilities and other provisions as well as sundry income.

Other operating expenses include expenses for marketing, sales and research and development, as well as for logistics and central administration. In addition, they include impairment losses as well as depreciation on tangible assets and amortization on intangible assets (except goodwill impairment losses), with the exception of depreciation and amortization which is included in the cost of sales. In the first half of 2018, depreciation and amortization expense for tangible and intangible assets (excluding goodwill) and impairment losses amounted to € 216 million (2017: € 204 million).

09 — EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net income from continuing operations attributable to shareholders by the weighted average number of shares outstanding during the year, excluding ordinary shares purchased by adidas and held as treasury shares.

It is necessary to include potential dilutive shares arising from the convertible bond issuance in March 2012 in the calculation of diluted earnings per share for the first half year ending June 30, 2018 as the conversion right has a value at the balance sheet date. The average share price reached € 188.84 per share during the first half of 2018 and thus exceeded the conversion price of € 80.48 per share.

Earnings per share

	Continuing operations		Discontinued operations		Total	
	First half year 2018	First half year 2017	First half year 2018	First half year 2017	First half year 2018	First half year 2017
Net income from continuing operations (€ in millions)	960	809	-	-	-	-
Net income attributable to non-controlling interests (€ in millions)	2	1	-	-	-	-
Net income attributable to shareholders (€ in millions)	959	808	(23)	(195)	936	613
Weighted average number of shares	203,391,785	201,783,166	203,391,785	201,783,166	203,391,785	201,783,166
Basic earnings per share (€)	4.71	4.00	[0.11]	[0.97]	4.60	3.04
Net income attributable to shareholders (€ in millions)	959	808	(23)	(195)	936	613
Interest expense on convertible bond, net of taxes (€ in millions)	0	2	-	-	0	2
Net income used to determine diluted earnings per share (€ in millions)	959	810	(23)	(195)	936	615
Weighted average number of shares	203,391,785	201,783,166	203,391,785	201,783,166	203,391,785	201,783,166
Weighted assumed conversion of the convertible bond	369,846	2,452,688	-	-	369,846	2,452,688
Weighted average number of shares for diluted earnings per share	203,761,631	204,235,854	203,391,785	201,783,166	203,761,631	204,235,854
Diluted earnings per share (€)	4.70	3.96	[0.11]	[0.97]	4.59	3.01

10 – SEGMENTAL INFORMATION

adidas operates predominantly in one industry segment – the design, distribution and marketing of athletic and sports lifestyle products.

As already communicated in the 2017 adidas Annual Report, effective January 1, 2018, the four former operating segments Greater China, Japan, South Korea and Southeast Asia/Pacific were consolidated to one operating segment Asia-Pacific. The comparative information presented in this note has been restated accordingly. As at June 30, 2018, following the company's internal management reporting by markets and in accordance with the definition of IFRS 8 'Operating Segments', ten operating segments were identified: Western Europe, North America adidas, North America Reebok, Asia-Pacific, Latin America, Emerging Markets (formerly called Middle East), Russia/CIS, adidas Golf, Runtastic and Other centrally managed businesses. Due to the completed divestitures, income and expenses of the former TaylorMade and CCM Hockey operating segments were reported as discontinued operations as at June 30, 2018.

■ **SEE NOTE 05** The operating segments North America adidas and North America Reebok were aggregated to North America. According to the criteria of IFRS 8 for reportable segments, the operating segments Western Europe, North America, Asia-Pacific, Latin America, Emerging Markets and Russia/CIS are reported separately. The remaining operating segments are aggregated under Other Businesses due to their only subordinate materiality.

Each market comprises all wholesale, retail and e-commerce business activities relating to the distribution and sale of products of the adidas and Reebok brands to retail customers and end consumers.

adidas Golf comprises the distribution and sale of adidas Golf branded products.

Runtastic operates in the digital health and fitness space. The company provides a comprehensive ecosystem for tracking and managing health and fitness data.

Other centrally managed businesses primarily includes the business activities of the Y-3 label.

Certain centralized corporate functions do not meet the definition of IFRS 8 for an operating segment. This includes, in particular, functions such as Global Brands and Global Sales (central brand and distribution management for the adidas and Reebok brands), central treasury, global sourcing as well as other headquarter functions. Assets, liabilities, income and expenses relating to these corporate functions are presented in the reconciliations.

There are no intersegment sales between the reportable segments.

The results of the operating segments are reported in the line item 'Segmental operating profit'. This is defined as gross profit minus other operating expenses plus royalty and commission income and other operating income attributable to the segment or group of segments, however without considering headquarter costs and central expenditure for marketing investments.

Segmental assets include accounts receivable as well as inventories. Only these items are reported to the chief operating decision maker on a regular basis.

Segmental liabilities only contain accounts payable from operating activities as there are no other liability items reported regularly to the chief operating decision maker.

Segments € in millions

	Net sales (third parties) ¹		Segmental operating profit ¹		Segmental assets ²		Segmental liabilities ²	
	2018	2017	2018	2017	2018	2017	2018	2017
Western Europe	3,023	2,969	644	620	1,912	1,956	98	78
North America	2,122	2,001	279	228	1,536	1,392	64	64
Asia-Pacific	3,582	3,240	1,253	1,122	1,181	989	244	162
Latin America	847	895	143	96	666	788	73	50
Emerging Markets	560	644	148	158	402	448	30	36
Russia/CIS	297	341	67	58	176	247	8	6
Reportable segments	10,430	10,090	2,533	2,282	5,872	5,818	516	394
Other Businesses (continuing operations)	378	395	56	51	291	287	19	23
Other Businesses (discontinued operations)	30	478	(2)	35	–	343	–	71
Other Businesses (total)	408	873	54	85	291	630	19	95
Total	10,838	10,963	2,587	2,367	6,163	6,449	535	489

¹ First half year.

² At June 30.

Operating profit € in millions

	First half year 2018	First half year 2017
Operating profit for reportable segments	2,533	2,282
Operating profit for Other Businesses	54	85
Segmental operating profit	2,587	2,367
Reclassification to discontinued operations	2	(35)
HQ	(756)	(694)
Central expenditure for marketing investments	(443)	(379)
Consolidation	(52)	(117)
Operating profit	1,338	1,142
Financial income	22	32
Financial expenses	(23)	(43)
Income before taxes	1,337	1,131

Net sales (third parties) € in millions

	First half year 2018	First half year 2017
Footwear	6,404	6,329
Apparel	3,914	3,664
Hardware	521	970
Reclassification to discontinued operations	(30)	(478)
Total	10,809	10,485

11 – EVENTS AFTER THE BALANCE SHEET DATE

Between the end of the first half of 2018 and the finalization of these interim consolidated financial statements on July 25, 2018, there were no major company-specific matters which we expect to influence our business materially going forward.

Herzogenaurach, July 25, 2018

The Executive Board of adidas AG

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Herzogenaurach, July 25, 2018



KASPER RORSTED
CHIEF EXECUTIVE OFFICER



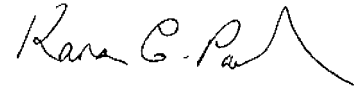
ROLAND AUSCHEL
GLOBAL SALES



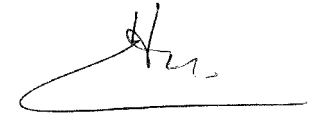
ERIC LIEDTKE
GLOBAL BRANDS



HARM OHLMEYER
CHIEF FINANCIAL OFFICER



KAREN PARKIN
GLOBAL HUMAN RESOURCES



GIL STEYAERT
GLOBAL OPERATIONS

FINANCIAL CALENDAR 2018 / 2019

NOV 7
2018

NINE MONTHS 2018 RESULTS

MAR 13
2019

FULL YEAR 2018 RESULTS

MAY 3
2019

FIRST QUARTER 2019 RESULTS

MAY 9
2019

ANNUAL GENERAL MEETING

AUG 8
2019

FIRST HALF 2019 RESULTS

NOV 6
2019

NINE MONTHS 2019 RESULTS

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