



adidas

2016

ALL

CREA

TORS

ADIDAS  
MAGAZINE





**We are calling all creators. They are our creative capital, the source of our inspiration. The game changers, the difference makers, the shapers of tomorrow. True athletes at heart, who set the pace, always first to break new ground and rewrite the rules as we know them. Their drive and courage invigorates our brands and helps us create unique experiences.**

**We need creators in order to continually push boundaries, to re-invent, to make something out of nothing.**

**We need them to Create the New.**

**That's why we invite all Creators, whether inside or outside our company, to come in and work with us. We give them spaces where their ideas can spark and where collaborative exchange is encouraged. Empowering this creative force is the essence of our Open Source approach. It will take us an essential step further towards making our brands the most relevant and desirable for all consumers.**

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Kasper Rorsted took over as CEO of adidas in October 2016. In this interview, he explains how he intends to further accelerate the company's growth trajectory and describes the opportunities that the Open Source approach offers, why speed counts and what role major metropolitan centres will play in future. In addition: Kasper Rorsted's vision for the most global of all stores – the adidas and Reebok online shops.

NAME

**KASPER  
RORSTED**

JOB

**ADIDAS  
CHIEF  
EXECUTIVE  
OFFICER**

# THE ACCEPT ERATOR





# INTERVIEW WITH **KASPER RORSTED**

» BY THE  
**END OF 2020,**  
WE WILL BE  
A WHOLE LOT  
**CLOSER TO**  
**ACHIEVING**  
OUR **MISSION**  
TO BE  
**THE BEST**  
**SPORTS**  
**COMPANY IN**  
**THE WORLD.**«

Kasper Rorsted was born in Denmark in 1962. Before joining adidas, he was Chief Executive Officer of consumer goods manufacturer Henkel and had previously gained experience in various management positions with Oracle, Compaq and Hewlett Packard. So Rorsted knows what he's talking about when it comes to what consumers want and the importance of digitalisation, which, as adidas CEO, he will make a focus topic.



**As part of its strategic growth plan 'Creating the New', adidas has defined three key priorities until the year 2020: Speed, Cities and Open Source. With Open Source, adidas invites partners and consumers to become creatively involved in the future development of the company. What role does CEO Kasper Rorsted play in this process?**

A CEO shouldn't make the mistake of thinking he also has to double as the company's top creative. We have creative directors who do that job. The CEO's role is to set out the strategic framework for the company, and to make sure that strategy is executed.

**On the one hand, you're expected to provide clear directives – on the other, your openness is widely praised throughout the company. How do you cope with that contradiction?**

There's no contradiction. Quite the reverse, in fact: open, direct communication with our people allows me to explain where our strategic priorities lie, what decisions we've taken at the Board level and how we plan to implement them. That's why I believe that transparent communication is vital to good leadership. And, of course, it's not a one-way street. I exchange views openly and frankly with our employees, and this provides me with direct feedback. Which aspects of their work are they happy with? Where is there room for improvement?

**Can you give us some examples of external partners who have been particularly helpful to adidas recently in moving forward with the Open Source initiative?**

I'd rather not single out anyone in particular. One of our key strengths is the fact that we collaborate with a wide and diverse range of partners from a variety of fields: sport, music, fashion and industry. Every one of our partners helps us move forward.

**This Open Source approach does involve some risk though, does it not? If you allow others to play a part in shaping your brand, you inevitably lose a degree of control.**

That's not how I see it. The opportunities created by our Open Source approach far outweigh the risks. Our brands are global, with millions of fans all over the world. By communicating and collaborating openly with consumers worldwide, we make our brands more attractive.

**One of the company's other strategic goals is to target the world's major metropolitan centres. Will cities be more important than regions in the future?**

Cities are certainly not going to eclipse our major regions such as North America, Europe or Asia. New York, however, is vital to our success in America, being the source of trends that spread out across the country – and beyond. For that reason, New York is more important to us than, say, Denmark – which is why, when the world's largest adidas flagship store opened last December, it was on 5th Avenue in New York and not in Copenhagen.

**How do you choose which geographical areas to focus on? Which regions and cities are of particular interest to adidas – and which are inevitably less important?**

We've made a number of clear decisions in this respect as part of our Creating the New strategy. We're now focusing on six global cities: New York, Los Angeles, Paris, London, Shanghai and Tokyo. At the regional level, North America, Western Europe and China are expected to make the largest contribution to our projected growth between now and 2020.



**When you joined adidas, you stated that one of your priorities was the US market, where you expect to see higher-than-average growth. Realistically speaking, how likely is adidas to ever pose a genuine threat to its main competitor in that competitor's home market – the largest and most important sports market in the world?**

We're actually very pleased with the progress we've made in North America over the past year. In fact, in 2016, the adidas brand grew 30% in this market. That doesn't mean we're anywhere near satisfied with our current position – indeed, we are distinctly under-represented. Consequently, we will continue to increase our US investment in the coming years in order to accelerate growth. At the same time, of course, we also intend to further expand our already strong positions in Western Europe and China.

**You also want to make the company faster. How do you plan to do that?**

Speed is crucial in every type of sport I can think of. The same is true in our industry. The faster we can produce and deliver our products, the better we can respond to actual demand. This then has a positive effect on the desirability of our brands, which means we can sell more products at full price. In addition, our digital transformation will help make the company as a whole faster.

**How will the new SPEEDFACTORIES help achieve that goal?**

The SPEEDFACTORIES are a pivotal project for adidas as they are our first step into the world of smart and digitalised manufacturing. This year, we'll begin production at our SPEEDFACTORY in Ansbach and establish the first US SPEEDFACTORY in Atlanta. In each case, we're moving our production much closer to our major sales markets.

**You mentioned digitalisation – what does that mean for adidas?**

Digitalisation is going to change our company fundamentally in the years ahead because it offers totally new ways of developing, producing and selling our products. Our online shops adidas.com and Reebok.com are currently our only truly global stores. They are also our largest and most profitable. And that is why we intend to continuously expand our activities in this area.

**Will additional investment in digital technology mean an increase in overall expenditure?**

Yes, we have to invest in this area, especially in standardised global systems, so we're ready for digitalisation. This standardisation will also help us achieve our goals in terms of increased profitability.

**How can you afford this investment given the rising cost of high-profile sponsorships, such as Manchester United or the German national team?**

Before we talk about sponsorship, let me just say this: adidas is a rapidly growing and financially sound company. We are therefore most definitely in a position to make the investments that are vital to our continued business success. Now, regarding sponsorship: yes, the truly iconic names in sport are becoming increasingly expensive. However, these names now have a much better global profile than they did just a few years ago. Take FC Bayern Munich, for example. Five years ago, around 80% of our FC Bayern Munich jerseys were sold in Germany. Today, about half of that Bayern jersey revenue comes from markets outside Germany – with sales continuing to rise. In other words, we can now focus on a few iconic global names while cutting back on smaller partners with limited, national reach. As a result, our total sponsorship spend is actually coming down as a percentage of our overall marketing mix.

**In Germany, there are currently around 3.7 million companies competing for the available talent. Why would someone want to work for adidas today?**

At adidas, we're guided by a core belief. We believe that, through sport, we have the power to change lives. Sport can generate enormous positive energy. Those who share our love of sport, who're passionate about our brands and who want to be part of an exciting growth industry will find the perfect place to work at adidas. All in all, we're a very attractive employer – as shown by the fact that each year around one million people apply to join adidas.

» 'CREATING THE NEW'  
IS A STRATEGY THAT WORKS – AS SHOWN BY  
LAST YEAR'S SALES AND EARNINGS.«



**What does adidas do to harness the positive power of sport?**

There are so many examples. First of all, engaging in any form of sport has a positive effect on a person's health and well-being. Then there are the thousands of adidas employees worldwide who participate each year in projects for children and young people from disadvantaged backgrounds – projects that use sport to promote essential qualities such as confidence, team spirit and creativity. I'd also like to mention our project with 'Parley for the Oceans'. Together with Parley, we're working hard to clear the world's oceans of plastic waste. This year alone, we'll be using some of that waste to produce around one million pairs of shoes. Over the longer term, we plan to use only recycled polyester in our products. All of these initiatives have proved extremely popular with employees and consumers alike. Our Parley shoes sold out immediately after launch in our New York store.

**With all that in mind, what are your personal criteria for assessing your own performance? Do you use traditional metrics such as sales, profits and market share? Or something else entirely?**

A good company should be managed in a way that benefits all its stakeholders. For that reason, we measure our performance using five criteria: sales growth, brand desirability, profitability, employee satisfaction and sustainability.

**The year 2017 is the first milestone on the road to achieving these goals. What are your priorities for the coming year?**

Creating the New is a strategy that works, as shown by last year's record-breaking sales and earnings. Our goal for 2017 will be to continue executing this strategy while making a few minor adjustments to ensure that sales and earnings grow even faster than planned until 2020. Ensuring progress in talent management and digitalisation are top priorities for me personally this year.

**Leaving aside sales and earnings, what do you think the multi-year strategic business plan Creating the New will have changed on completion at the end of 2020?**

We'll be a whole lot closer to achieving our mission to be the best sports company in the world. But in making that assessment, we'll continue to rely on our Open Source approach. It won't be us who decides whether we're the best or not – that's something we'll leave to our shareholders, consumers, partners and employees.



NAME  
**ALEXANDRA  
MEIER &  
STEFAN  
BOGLE**

JOB  
**ADIDAS  
SENIOR  
DIRECTOR  
CONSUMER  
OPERATIONS**  
**ADIDAS  
SENIOR  
DIRECTOR  
STRATEGIC  
& ANALYTICS**

# PROMOTIONS

# NET PROMOTER

Some brands are more desirable than others. Why is this? What is it about them that interests consumers, what do they find irritating or fascinating? Alexandra Meier and Stefan Bögle try to figure out questions like these with the help of Net Promoter Score – a tool that adidas uses to measure the desirability of its brands.



# MEASURING DESIRABILITY

Relationships are notoriously complex, with a strong emotional component that frequently makes them impossible to evaluate objectively. That's every bit as true of consumer/brand relationships as it is of the interpersonal variety. Yet adidas has successfully condensed this complexity into a single metric, one that can also be used to make brands more popular and desirable. It's called the Net Promoter Score (NPS), and it underpins almost all the company's activities.

## EVERY CONTACT COUNTS

It's happening constantly, over and over again at countless locations around the world, whenever a customer comes into contact with a brand – accidentally or by design, at events, in-store or online. That contact, no matter how fleeting, has the potential to develop into a lifelong connection.

It's the start of a new relationship. Just as two people can connect across a crowded room, sometimes even the briefest encounter between consumer and brand can grow into a lasting attraction, a powerful desire, even an obsession. "If we want to influence this desire positively," says Stefan Bögle, Senior Director Strategic Insights & Analytics at adidas, the first step is understanding the factors driving it. We believe that reinforcing such a desire is the ideal way to sustainably boost our sales and market shares and lift our profitability. That's why one key objective of our five-year business plan, 'Creating the New', is to strengthen brand desirability."

But how do you create something as multi-faceted as a good consumer/brand relationship? How do you develop it continuously across multiple touchpoints around the world? How, above all, do you measure and evaluate your success? To answer these questions, the company uses a popular approach that's proved enormously effective since its introduction at adidas two years ago. The Net Promoter Score (NPS) is a sophisticated tool to drive consumer centricity and act directly on consumer feedback. It is a way of measuring how well adidas treats customers and how good the brand is at generating

relationships. NPS is based around one very simple question: "How likely are you to recommend this brand to a friend?"

An independent research institute was commissioned to put this question to consumers in 27 countries. The results provide Bögle, his colleagues in the markets as well as the brand and category heads with an extremely accurate image of the adidas brand's strong points and weak points, helping them see which initiatives work and which do not while highlighting where the brand is progressing and where further work is needed. They also help the team gain insights into how well competitors are performing from the perspective of the consumer. This is because the 'ultimate question' – as the core question is sometimes called – encapsulates a very wide range of consumer experiences and emotions. Ultimately, people will only recommend a brand if it has genuinely won them over. The NPS also makes it possible to draw some highly detailed conclusions.

"The NPS shows us exactly how our brand is performing among, say, young women in southern China, or young people on the US West Coast or male consumers in Moscow," says Bögle. "We can see whether the sum of all of our marketing activities and our product offering, such as our partnership with Kanye West, or the Stan Smith shoe, is helping boost our desirability. We can also trace how the brand has gained in traction around the world over the past 24 months." Like a global seismographic network, the NPS registers the slightest change in brand perception. For a company that is aiming to systematically increase the loyalty of its consumers and strengthen the desirability of its brands, the NPS is an invaluable tool.



# LISTENING TO WHAT CONSUMERS SAY

■ But what is it that actually interests consumers most? What irritates them or turns them off? How, most importantly, can we win over people who have never been adidas consumers?

■ These are some of the questions currently being addressed by Alexandra Meier, Senior Director Consumer Operations at adidas. Meier is responsible for the Experience NPS Panel, another important analytical tool that helps adidas listen to what its – actual and potential – consumers are saying. This, she says, is more important today than ever before: “More than one out of two millennials judges a brand by how it treats consumers. That’s why it’s vital to understand exactly how they want to be treated.” Meier and her colleagues invite all consumers to share their experience of the brand, either online or in-store. Respondents range from satisfied customers to those who have left stores disappointed and empty-handed. “Input from dissatisfied customers can be particularly instructive,” says Meier. “We’re getting a lot more feedback, positive and negative, than we originally expected.”

■ In the USA, for example, some customers complained that they’d had to wait too long for a refund after returning items purchased online. Others were annoyed about getting all the way to the checkout before being told the model they’d chosen was out of stock. Many customers were happy with the in-store support they’d experienced in certain locations, while others requested new editions of specific products, or new product features such as dirt resistance for white soles.

■ In the past year alone, the team received more than one million consumer feedbacks in 14 different languages, letting Meier, Bögle and their colleagues know what they like about the adidas brand and what they felt could be improved. This has now been systematically evaluated and channelled into the optimisation process. The refund process for returned adidas products in the USA has been improved. And the online store has also been modified to show the availability of items at the selection stage. In short, customer feedback is rich

in potential for improvements and even innovation. Many comments are genuinely eye-opening, says Meier: “Quite often they’ll be minor, unexpected matters that hadn’t even occurred to us but had stuck in the consumer’s mind.”

# GENERATING SUSTAINABLE MOMENTUM

■ The Net Promoter Score is also used as a compass, helping chart future progress. What is special about it is that almost all employees can access the feedback directly through a global system that lets them track the desirability of the adidas brand in real time. In addition, after a short training course, they can hold in-depth conversations with adidas customers who have left their phone number while providing feedback and agreed to be contacted.

■ These customer callbacks are now an integral part of adidas corporate culture. Employees from all areas of the company – and even Board member Eric Liedtke and CEO Kasper Rorsted – are now using these opportunities to speak directly to customers about how they view the adidas brand and what the company can do to meet their needs even better. Not only are these insights beneficial for adidas and its consumers, they also feed directly into the bonus system for most employees. The bottom line is that the NPS has tremendous potential to improve the company as a whole.

■ “Take discussions between store managers,” says Meier. “They’ve already changed quite a bit. Previously, it was mostly about revenue and sell-through. Now managers are sharing knowledge and insights gained from callbacks, and looking at how they can work together to effect improvements.”

■ The ultimate question, therefore, is not really whether a consumer might recommend a brand, or why. It’s what the brand does with that knowledge that counts – translating it into tangible improvements, converting critics and ‘floating consumers’ into long-term fans and, ultimately, generating sustainable momentum for the brand.

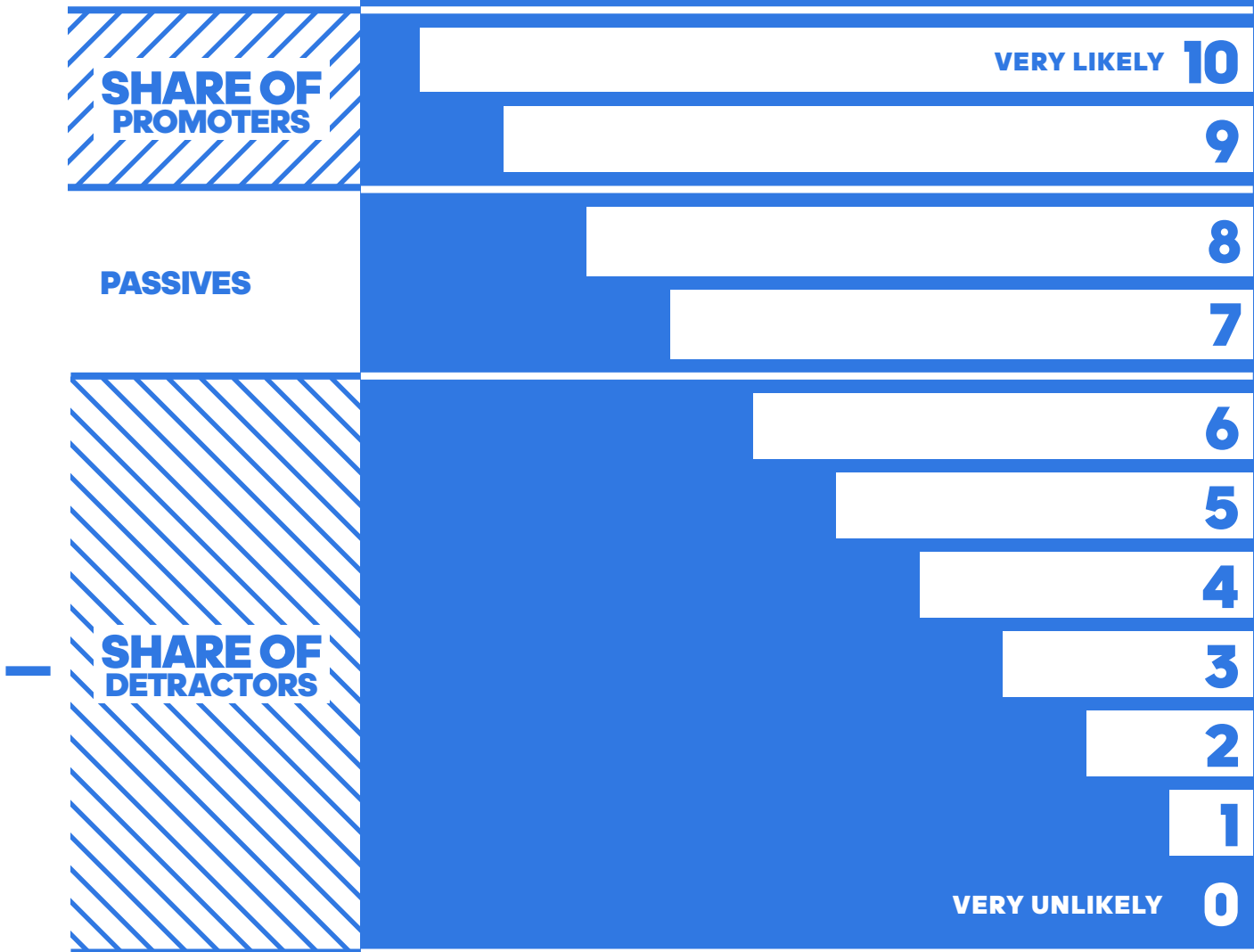
■ To such questions and more besides, adidas now has an exceptionally powerful response.





The Net Promoter Score is a key metric that condenses the full range of consumer brand experiences and impressions into one key question:

HOW LIKELY  
ARE YOU TO  
**RECOMMEND**  
THE **ADIDAS**  
**BRAND**  
TO A FRIEND



= **NPS**

Possible answers range from 0 (very unlikely) to 10 (very likely). Respondents in the 0-6 range are classed as 'Detractors', and those in the 9-10 range are 'Promoters'. The difference between the two values – that is, the percentage of promoters minus the percentage of detractors – is the Net Promoter Score, a valuable indicator of a brand's advocacy.



## STREET STYLE

They are at the very heart of NPS: consumers. Understanding them and knowing how they want to be treated by a brand is crucial for a sustainable customer/brand relationship.





THE CONSUMER WHISPERERS



NAME

**DANIEL ADJEI**  
&  
**LUCAS SIQUEIRA**  
&  
**ROBERT FOX**

JOB

**GLITCH**  
AMBASSADORS

Daniel, Lucas and Robert from London are passionate footballers, social media experts, social just three of the many creative minds behind 'GLITCH'. The revolutionary football boot concept is exactly right for them. For the simple reason that it is made by them.

# THE GAME CHANGERS



**THE GAME CHANGERS**



# GLITCH!

At first glance, it's an unusual new take on football boot design. A second look reveals huge hype and massive interest. Essentially, however, GLITCH is a revolutionary concept that could turn the industry upside down.

■ Daniel Adjei and Lucas Siqueira first heard of GLITCH while on their way to a football tournament. Daniel is 23 years old and passionate about the game. Lucas is three years younger, and a sports science student at Brunel University in London. In many ways they're chalk and cheese, but they do share a few key attributes: they both live in London and they're both totally mad about football. And when they heard about GLITCH, they both knew right away: this is what I've been waiting for.

■ "A football boot with interchangeable skins? I was blown away," says Daniel. The essence of GLITCH is simple: a basic inner shoe, which is a one-off purchase; this can then be combined with a potentially limitless range of outer 'skins'. The inner shoe and outer skin slot together neatly, wrapping themselves securely around the foot thanks to the flexible, innovative material – no laces required. A new set of skins is, of course, much more affordable than a whole new pair of boots – a major plus for younger players, who can now afford multiple looks to match different kits. Another unique feature of this world-first product is that GLITCH is only available via a dedicated app and can only be purchased in the UK with a focus on London, where it was originally launched in early November 2016.

■ Lucas uses his smartphone to show how easy it all is: open the GLITCH app, choose a size and model, enter your address, pay – and you're done. Orders ship from a specially rented London warehouse to any address in town, arriving within four hours. "If need be, we can even deliver directly to the pitch," says Marc Makowski, Director Business



» WE FEEL  
LIKE  
ADIDAS  
AMBASSADORS.«

LUCAS SIQUEIRA  
@LUCASFOOTBALL3

Development at adidas. Which means a player can order a set of skins in the morning and be wearing them in time for kick-off the same afternoon.

■ GLITCH is currently available only to players in possession of an exclusive digital code. This can be obtained – through Instagram, for example – from GLITCH insiders such as Lucas, Daniel or Robert Fox, a 21-year-old student and amateur footballer who is also a member of the GLITCH community. "We choose people who are about our age, who love the game as much as we do and live in London," he says.

■ Dedicated followers of football like Robert are the real heroes of the GLITCH

project. Around 90 young players were invited by the adidas brand to help pre-test the product, critiquing and improving it at every stage right up to the launch. Approximately two dozen players are now working for the project either at customer service or fitting sessions or are involved in content and product creation. "GLITCH is a perfect example of our 'open source' philosophy," says Marc Makowski. "We believe you can only create genuinely cool products if you bring in creative thinkers from a whole range of different fields, letting them influence the product by giving them scope to develop their ideas. For example, the guys on this project know exactly what it takes to make a really good boot. But they also excel at inspiring others."

Robert, for example, runs the chat function on the GLITCH app and answers questions from the GLITCH community. Daniel participates in co-creation sessions, helping to shape the design in ways that reflect what the players actually want. Lucas, the team communicator, uses his smartphone to create key elements such as videos for the GLITCH app. The first of these

has already racked up more than 100,000 views, while his Instagram following grew from 15,000 to over 23,000 in the space of a few days.

"Forget everything you knew about the process of launching a brand-new football boot" – that's how the 'SoccerBible' football blog described the GLITCH revolution. The scale of the revolution is clear from social media, where GLITCH is attracting the same level of interest and response as conventional product launches backed by big-budget media campaigns. For a product currently available in only one location and worn by fewer than 2,000 players, that's a huge achievement – and a sign of things to come.

"What really surprised us was how the community turned GLITCH into their own product," says Makowski. For him and his colleagues, the project is an equation with lots of variables. A revolutionary product. An untested marketing model. Extremely close customer contact. External creatives working with the adidas brand

to define every aspect of the product. All this plus a trial run in London – a city regarded as one of the most important in the game. According to Makowski, "it's like a baptism of fire."

That said, the home city of Robert, Daniel and Lucas offers a clearly defined playing field. The 'London lab' is ideal for testing, developing and modifying new ideas in real time before rolling them out on a global scale. If something doesn't work, it hasn't cost the earth. And if it does work, it can be scaled up quickly and easily.

The model will soon be rolled out in other major cities. "We're also thinking about subscription models – allowing customers to receive new skins at regular intervals. This would give us a much closer customer/brand relationship than is currently possible with conventional sales channels," says Makowski. One thing is certain: new styles will continue to be developed in collaboration with the GLITCH community, although the location, mechanics and regularity have yet to be decided.

Ultimately, it depends on those who use and design these outstanding products: GLITCH co-creators such as Lucas, Daniel and Robert.

» GETTING THE  
**RIGHT PEOPLE IN**  
 AND BEING  
 ALLOWED TO  
**ACTIVELY SHAPE**  
 THE GLITCH  
**COMMUNITY**  
 – THAT'S WHAT  
 MAKES THIS SO  
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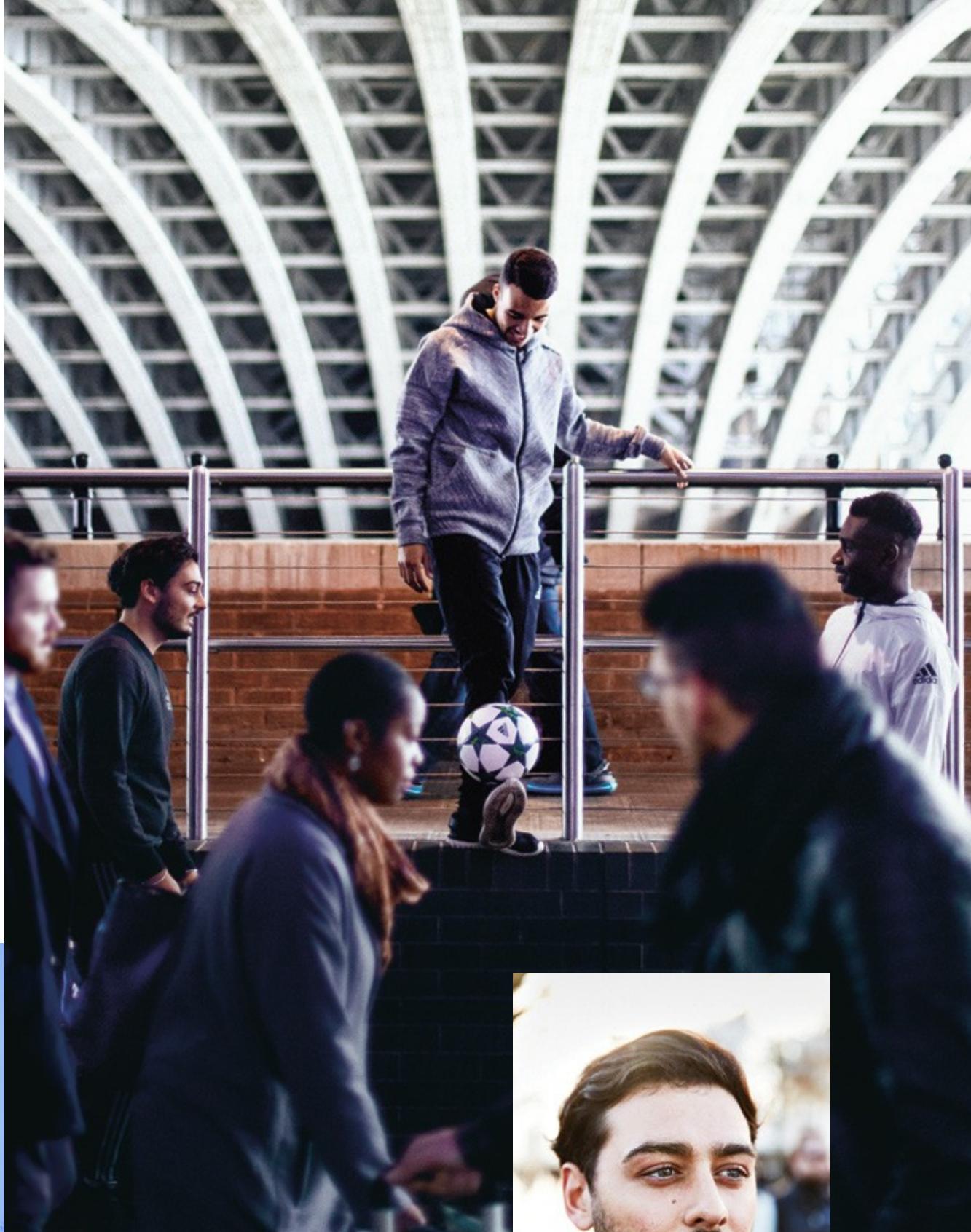
**DANIEL ADJEI**  
**@DANIELB\_93**

» THESE BOOTS  
**AREN'T**  
**AVAILABLE TO**  
**EVERYONE,**  
WHICH IS  
EXACTLY WHY  
SO MANY  
**PEOPLE ARE**  
**DESPERATE**  
TO HAVE  
THEM.«

DANIEL ADJEI  
@DANIELB\_93







### STREET FOOTBALLERS

Daniel, Lucas and Robert are at home in the streets of London – both with and without a ball. And that makes them the best creative thinkers imaginable for a revolutionary shoe that is currently available exclusively in the home of football.







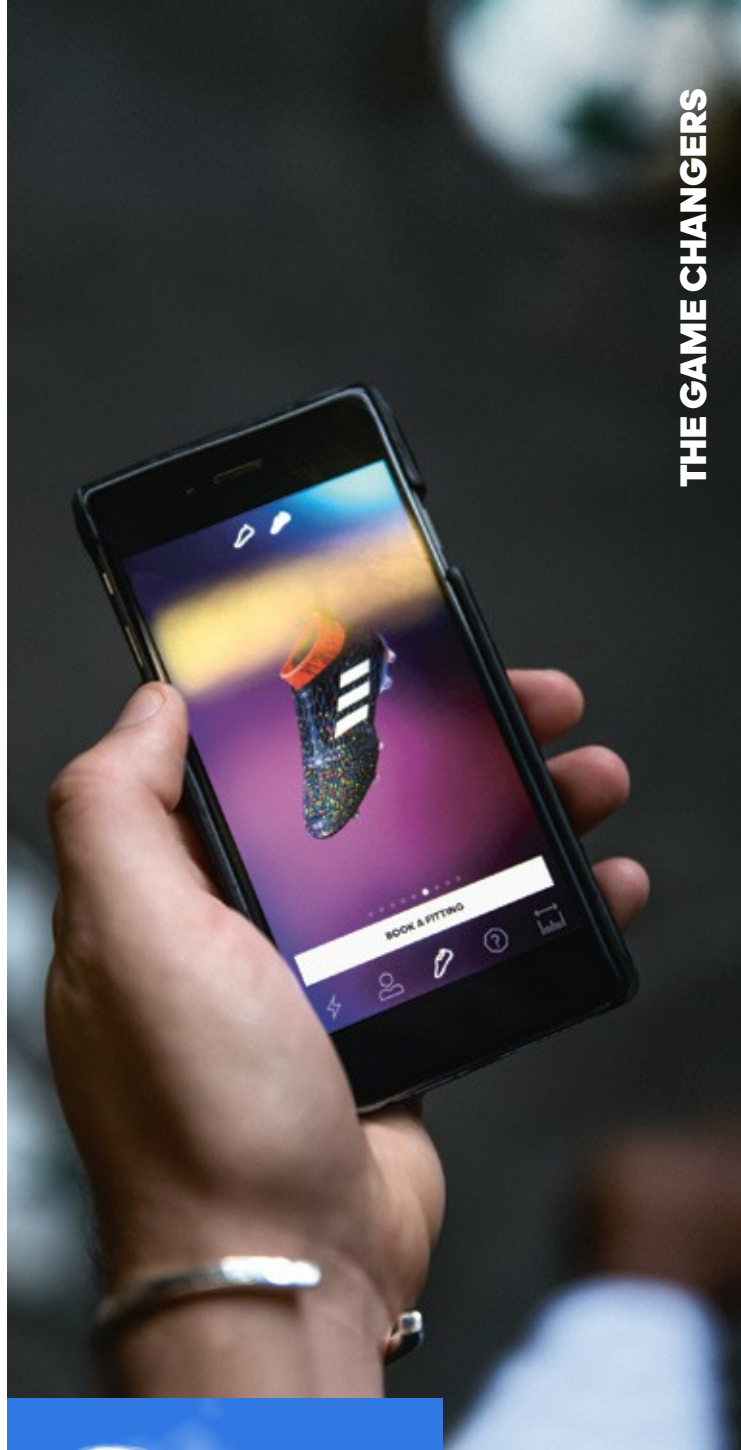
## DEDICATED FOLLOWERS OF FOOTBALL

Since becoming the faces of the GLITCH community, Lucas, Robert and Daniel are experiencing a new facet in their lives: being spoken to on the streets. The most frequent question they hear: how can I get my hands on a pair of GLITCH?

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» **NO** ÖZIL,  
**NO** POGBA,  
**NO** MESSI.  
PLAYERS  
LIKE US –  
**WE'RE**  
**THE FACES**  
OF  
**GLITCH.**«

ROBERT FOX  
@ROBERTJAMESFOX



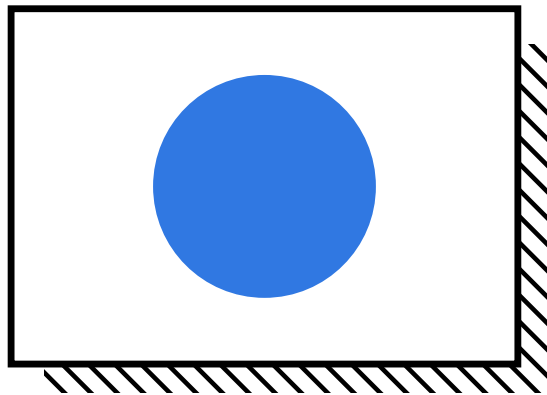
THE GAME CHANGERS



# 2016 HIGHLIGHTS CITIES

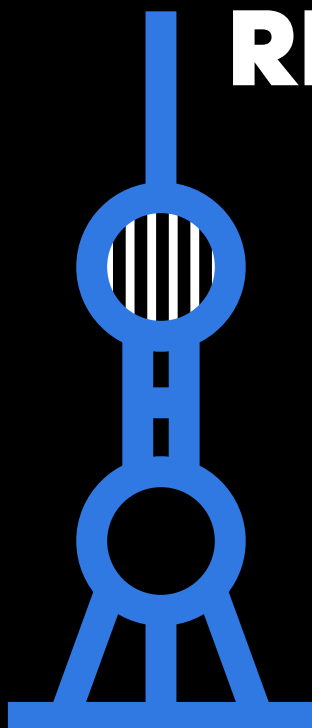
Top priorities for the strategic pillar **CITIES** by 2020: Our ambition is to conquer the cities, the places where trends are born and free minds of all disciplines come together. Our strategic business plan 'Creating the New' therefore focuses on six global cities: **London, Los Angeles, New York, Paris, Shanghai and Tokyo.**

We are convinced that succeeding in these cities is fundamental for achieving outstanding performance. Therefore, we have set ourselves the goal to **double our business in these six cities** by 2020. Our aspiration to be the best sports company in the world will continuously be tracked with the help of relevant Key Performance Indicators such as **Net Promoter Score, net sales and market share.**



## FIRST BRAND ADIDAS WOMEN'S STORE IN TOKYO

As the female athlete is an integral part of the brand's success, the adidas brand opened the first concept store in the capital of Japan that focuses on **a unique shopping experience especially for women.** One of the key features of the store is the wide range of sports products and services that have been tailored to the needs of the female target group.

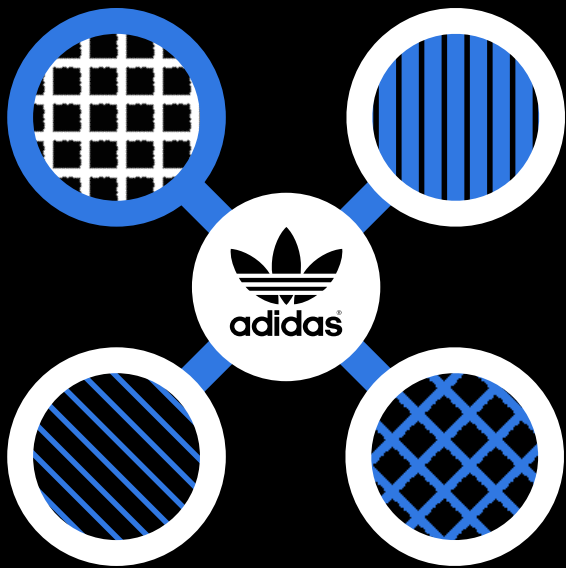


## REPUBLIC OF SPORT SHANGHAI

In summer 2016, the adidas brand hosted the biggest event ever that was initiated by a sports brand in Shanghai. The four-week multi-sports event was held at the Century Park in an area of 4,500 square metres where sports enthusiasts could compete and give their best in four interactive sports zones. Alongside football, basketball, running and training, adidas offered the more than 21,000 participants the opportunity to connect with the brand in a unique way by joining adidas UrbanTri, a creative multi-sport work-out consisting of spinning, running and yoga.



# THE HUB FOR **SNEAKERHEADS** AND **STREETWEAR** **ENTHUSIASTS**



In August 2016, adidas Originals opened the doors to its new flagship store on Spring Street in New York City. The store celebrates the New York street culture and showcases the very best products adidas Originals has to offer at street level. This flagship store will serve as a hub for sneakerheads and streetwear enthusiasts.

## **CONQUER-** **ING** THE DOORS OF **NEW YORK** **CITY**

Winning the consumer with great products and premium experiences at every touchpoint, in every door and on every street is essential for conquering cities. In August 2016, the adidas brand opened the first flagship shop-in-shop together with Foot Locker in New York City. Just like its very own flagship on 5th Avenue, this store provides adidas with another opportunity to present the brand in a mega-city in a consistent and powerful way.

## FURTHER **DEVELOPMENT** IN **RUNNER** **COMMUNITIES**

In 2016, adidas further strengthened its connection to sports enthusiasts in the major metropolises of this world. For instance, the adidas brand launched 'adidas Runners London', an ongoing community programme that gives runners the opportunity to run with like-minded people and experience the brand at its best every time. What's special about the offered running meetings is that the participants only know the meeting point. The run itself is always a surprise and leads the runners to places they have probably never been before.

NAME  
**MARKUS  
BISCHOFF**

JOB  
**OECHSLER  
MOTION  
MANAGING  
DIRECTOR**

Markus Bischoff is a master of speed. Together with his team and adidas, the Managing Director of a globally operating medium-sized company is working on the future of sports manufacturing.

# THE SPEED

# ERBL







# FAST, FASTER, SPEED- FACTORY

The days of having to wait months for the latest trends are at an end. The SPEEDFACTORY project sees adidas trying out revolutionary concepts in smart manufacturing, designed to provide athletes with high-quality, high-performance products combined with the option of personalised design. The first SPEEDFACTORY is located in Ansbach, Germany, another one is currently being built up in Atlanta, USA. An important partner in this context is Oechsler Motion GmbH, also based in Ansbach, who will run the SPEEDFACTORY. Oechsler's Managing Director, Markus Bischoff, explains how they brought production up to speed in record time.

**Together with adidas, you and your team are creating the world's first SPEEDFACTORY in record time. How does one suddenly become a factory designer?**

There's a very simple answer to that: experience. Our factory in China has already been producing footwear components for adidas for some years now. Then a short while ago, adidas asked whether we thought we'd be able to manufacture complete shoes instead of just parts, right here in Germany – and in a way that had never been tried before.

**And ...?**

Of course we said yes. After all, we see ourselves as problem solvers.

**Tell us a bit about your company.**

Oechsler Motion GmbH, a subsidiary of Oechsler AG, is specialised in the development, production and distribution of sporting goods. Oechsler AG is a Bavarian company founded in 1864, and now has more than 2,500 employees at sites in Germany, China, Mexico, Romania, Singapore and the USA. We supply assemblies and components to a range of sectors including medical technology manufacturers, automotive suppliers and, of course, adidas. So we're very much used to collaborations – but the SPEEDFACTORY project was an exceptional challenge in virtually every respect.

**Why?**

Because co-creation with adidas means one thing above all: maximum speed. In fact, SPEEDFACTORY lives up to its name in two distinct ways. Firstly, it makes shoes at an unprecedented rate. Secondly, the SPEEDFACTORY itself was created remarkably quickly. It's part of a project that's absolutely unique.

**Can you put that speed into context?**

We first began talking to adidas at the end of 2014, and the pilot factory commenced operations shortly afterwards. We will soon be working with three production lines in the SPEEDFACTORY, covering a total area of 3,600 square metres. In 2016, the first 500 pairs of running shoes were produced. The adidas Futurecraft M.F.G. (Made for Germany) was launched at the

time of the Berlin Marathon – barely 24 months after the initial discussions about the SPEEDFACTORY project. We're quite proud of that.

**Just to clarify: how exactly would you describe the SPEEDFACTORY concept?**

SPEEDFACTORY is all about producing footwear locally, within the target market, with a high degree of local value creation and significantly shorter production times of only a few hours per pair. In other words, SPEEDFACTORY is revolutionising the way that sports shoes are produced. It's a real paradigm shift for the sportswear and footwear industries, where products have usually had to travel thousands of kilometres to reach the market.

**How do you bring about that kind of paradigm shift?**

Well, for a start, we keep the list of 'ingredients' fairly short and manageable. If you're using a wide range of different materials, you're going to need a complex supply chain, and that'll drive your lead times right up. Our first SPEEDFACTORY product requires far fewer materials and components. It's also put together without glue. That saves both time and weight – plus, production is easier to control and more environmentally friendly. The same goes for logistics: if you're no longer shipping from the Far East, you've substantially cut your lead times and your storage costs.

**How does production in a SPEEDFACTORY benefit athletes and customers?**

We have a clear vision: in a SPEEDFACTORY, consumers could specify exactly what kind of shoe they want made. They could also input their own specific data to come up with a shoe that's precisely tailored to who they are and what they do. What we are talking about here is footwear crafting completely unique to the consumers' fit and functional needs, but at top speed. The whole system is geared towards a high level of personalisation.

### Can you elaborate on that a little?

Well, for example, I personally do a lot of cross-country, so I need a shoe with more lateral stability. That's something I can apply in the SPEEDFACTORY. So, when it's finished, my shoe might well have 20 lateral reinforcements instead of 15. Plus, I can order it in whatever colour takes my fancy. And once 3D printing becomes more readily available, we'll obviously be able to offer a lot more personalisation options.

### Thinking back over the past two years, how would you describe your partnership with adidas?

It's been characterised by tremendous depth and intensity. Over the past 24 months, there hasn't been a single day without meetings, surprises, innovations. But our relationship with adidas is also different from those we have with other clients. It's a genuine partnership, with each side learning from the other.

### And what have you learned from adidas as a partner?

First and foremost, 'be bold'. As technicians and engineers, we're used to working with proven, reliable solutions. It's in our DNA. The SPEEDFACTORY project has taught us to be a bit more daring. To try things out. Not just to say "no" right off the bat when we think something can't be done. Experience has shown that sometimes it can. Sometimes, of course, it really can't, but that's all part of the process.

### To coin a phrase: "Losers quit when they fail. Winners fail until they succeed." Do you agree?

Absolutely. Our partnership on the SPEEDFACTORY project took us into totally uncharted territory, so the only way to forge ahead was to create our own paths. Of course, as an experienced supplier across a diverse range of sectors, we were in a position to import technologies from other industries. That was a big plus. But the way we worked with adidas, bringing together all these technologies and processes to create a SPEEDFACTORY for shoes – that was revolutionary, and it was driven by adidas' sporting ambition to constantly overcome barriers.

### What models did you follow on the SPEEDFACTORY project?

There weren't any. Everything had to be custom-made. Not only were we creating a brand-new product together, we were also creating a new factory to make it. And we did all that using structures that also didn't exist before. It was, so to speak, real pioneer work.

### And what was your greatest challenge? What kept you awake at night?

Well, the speed was a massive challenge. This is a sports-related sector, so we simply didn't have the development cycles we were

» WELL,  
THE SPEED  
WAS  
A  
MASSIVE  
CHALLENGE. «

used to from other projects. Another was the sheer scale of the mission. For us and for adidas, the only way to jump that particular hurdle was to bring in a diverse range of skills, experts, departments and project partners.

### Does a SPEEDFACTORY still need people?

Of course it does. Sewing, for example, is still done manually, even in the SPEEDFACTORY. It also needs engineers, quality planners, process engineers and other specialists to control, monitor and develop the production process. In each of the two SPEEDFACTORIES, we will create 160 new jobs, which currently don't exist in these markets.

### So where do you go from here?

SPEEDFACTORY works – we've already proved that. Now we have to successfully launch serial production and to scale the whole thing up further in 2017. In the medium term we will then produce around 500,000 pairs of shoes in each of the two SPEEDFACTORIES. And if you can make half a million pairs, you can also make a lot more.

### What's the best thing about an amazing project like this?

The fact that you end up with a wonderful product you can hold in your hand. As you can well imagine, it feels totally different to making anonymous cogs for some industrial concern. And this excitement is shared by everyone who's involved in the project or hears about it. A YouTube video showing how SPEEDFACTORY works has already notched up more than 330,000 views. That's a good illustration of the sheer magical power of the concept.



»WHAT WE'RE  
**TALKING**  
**ABOUT** HERE  
IS **FOOTWEAR**  
**CRAFTING**  
AT **TOP SPEED.**«

**MASTER OF SPEED**

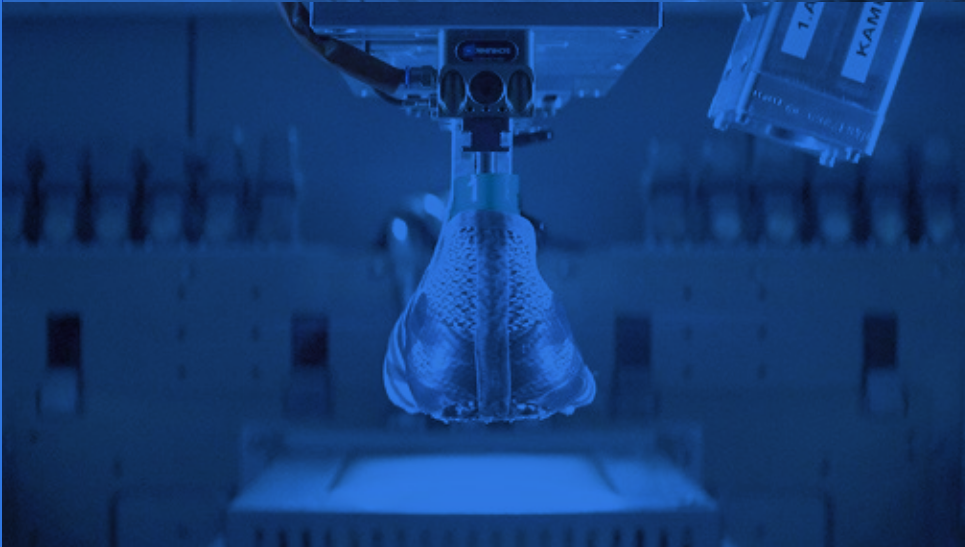
Markus Bischoff and his colleagues have designed many a production facility. But none as fast as SPEEDFACTORY.











## INDIVIDUALISTS

With SPEEDFACTORY, adidas is reversing the classic logistics of production. No longer manufacturing for stock, and in large quantities, it's all about producing locally and close to the consumer.





### WAITING WAS YESTERDAY

When SPEEDFACTORIES start manufacturing in serial production, athletes will be able to get their products in record time.



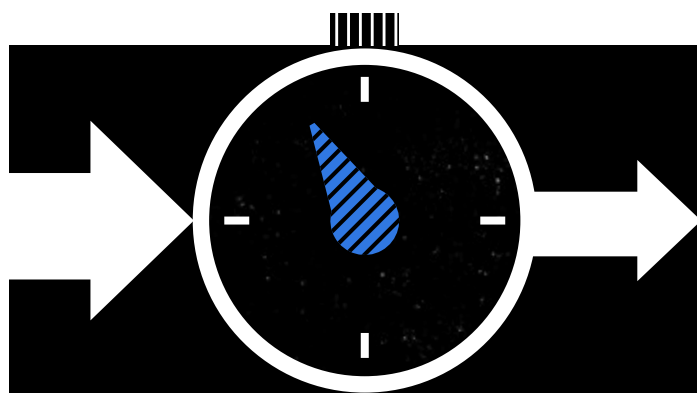
# FUTURECRAFT M.F.G.



# 2016 HIGHLIGHTS SPEED

Top priorities for the strategic pillar **SPEED** by 2020: In sport, speed is essential to become the best and win the medals. This is also true for us and our business. We strive to win consumers with fresh and desirable concepts that provide them with the products that they want at the right place and at the right time.

Therefore, it is our ambition to **increase the share of speed-enabled products to at least 50% of our net sales by 2020, with all key categories contributing to this development (2016: 15% of net sales)**. Our initiatives will put us in a position to provide consumers with appealing and up-to-date products. As a result, we expect this part of our business to achieve a **20% higher share of full-price sales** by 2020 compared to the regular range, which will also positively affect the average markdown on our products.

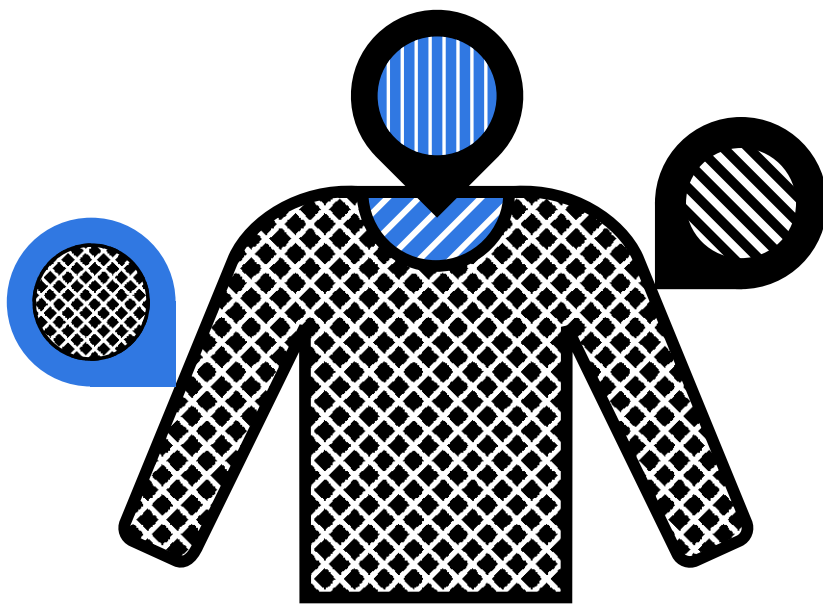


## ADIDAS & ZALANDO — FASTER THAN EVER

In June 2016, adidas and Zalando, one of Europe's biggest online retailers, partnered up for a pilot programme that elevated consumer experience to a new level. Consumers in Berlin were able to place orders for adidas brand products on Zalando's app and received the delivery on the same day. With the launch of this pilot, adidas and its partner meet the needs of today's consumers faster than ever.

## FURTHER ROLL-OUT OF SPEED

2016 was a successful year for the strategic choice Speed. We went a step further towards our goal to expand our products on the so-called 'Speed programmes'. We have continued to adapt the learnings from adidas neo and have built Speed capabilities across additional categories, including Running, Football, Training and Originals. Furthermore, the roll-out of Speed has continued as most of our markets are now able to participate in the Speed programmes.



## KNIT FOR YOU

One of our priorities is to provide consumers with an unprecedented shopping experience when they get in touch with our brands. The launch of 'Knit for You' even elevates consumer experience to a new level. 'Knit for You' is a pop-up store that opened in Berlin in autumn 2016. It offers a first-of-its-kind consumer journey in stores that takes the consumer through the different steps in the design and production process. The result is amazing: an individual, tailored sweater that has been produced directly in the store.

## SPEED-FACTORY GOES USA

In August 2016, adidas announced the expansion of its SPEED-FACTORY project for 2017. The successful and groundbreaking innovation will be made available to a broader audience as the next facility will be opened in the Atlanta area. SPEEDFACTORY is an industry-defining, state-of-the-art facility that will allow adidas to create products more quickly and closer to the consumer.



## FIRST SUCCESSES WITH SPEED PROGRAMMES

In 2016, we achieved first successes with our Speed programmes. With the help of our Planned Responsiveness programme, that enables us to meet consumer demand in the most efficient way, we were able to record a significant improvement in our full-price share of sales in our key markets. This was enabled by delivering only part of our seasonal volumes and accurately replenishing based on consumer demand. Furthermore, we benefited from our In-Season Creation business model. In order to be able to always provide consumers with the latest fashion trends, we created products extremely close to the consumers' needs. By doing so, we experienced great sell-through at our key accounts.

NAME

**SAHMEWEE  
BOLTON**

JOB

**ADIDAS  
FLAGSHIP  
DIRECTOR**

# STARTER

# TRENDS

Sahmewee Bolton is helping to ensure that adidas continues to grow strongly in North America. With the Flagship Store in New York, she has her finger on the pulse of the world's most important sports market. Her mission: to fuel creativity, sport and the brand, all at the same time.





**THE TREND SELLER**

# TOUCH — DOWN IN CENTRAL PARK

With its Flagship Store, adidas has heralded a new era in how consumers experience creativity, sport and the adidas brand in one place. Located in the heart of Manhattan, the new store is part of the adidas strategy 'Creating the New'. And yet it is only one of many places in New York City from which adidas wants to conquer the US.

At first glance, the building, which has 4,325 carefully designed square metres of space and more than 400 employees, is simply a superlative store. 'adidas NYC' is located directly on the corner of 5th Avenue and 46th Street, one of the most sought-after shopping addresses in the world. Refurbishment took place for twelve months before the store's opening in December 2016. Today, up to 6,000 people a day come and experience a highly creative brand environment on four floors. From the entrance of the store, it is only a few metres to Central Park, which is practical because, at second glance, the biggest adidas store in the world is more than just a place to shop. In reality, adidas NYC is a top-class playing field where creatives and athletes from all over the world can come together to make a difference in their game, in their life and in their world.

## A STADIUM AS A STORE

This is visible in the new 'Stadium' retail concept, which is inspired by high school stadiums. Shoppers are immersed in this new concept from the moment they pass through the stadium-style tunnel at the entrance to the store.

Stands with large screens invite people to live-game viewing, and the fitting rooms are designed to resemble stadium locker rooms. An athletics track gives visitors the opportunity to try products in-store, and running groups embark from the store several times a day for training sessions in Central Park. "Of course, the purpose of the store is to sell adidas products," says Flagship Director Sahnwee Bolton. "But our main message to our customers is: we will supply you with everything you need to elevate your game out there, on the pitch of your life."

That includes a well-stocked snack and smoothie bar on the ground floor that sells locally produced juices and snacks. A knowledgeable concierge informs athletes where in New York they can find the best yoga studios, running tracks and health food restaurants. At the 'Stadium Kiosk', customers can buy posters, T-shirts, pennants and stickers with New York motifs that were specially designed for the flagship store and are exclusively available at adidas NYC. The store offers fitness advice and a personalised shopping experience – for example, the 'Run Genie' gait analysis tool. Were it not for shelves filled with adidas shoes and gondolas with 3-Stripes apparel, or a terminal at which customers can design their own training shoes, visitors could easily believe they were in a sports club, and not in a brand store.

# THE PLACE TO BE

That adidas created this concept right here, in one of the most desirable yet most expensive cities in the world, is everything but a coincidence. Niels Rossow, General Manager at adidas, explains: "The United States is the largest sports market in the world – with New York as its epicentre. If we want to attack, then this is the place to do it."

Following Rossow through Manhattan it's immediately clear what he means. In the lively adidas Originals Store on SoHo's Spring Street, for example, there is currently an exhibition on the subject of 'Nomads' by six New York photographers. While they are on the move across the city, the photographers send their latest pictures to a digital printer in the basement of the store, where they are immediately printed and placed on display. "We see our store as a place for people in the neighbourhood who want to be inspired," explains Rossow. And there is always lots to be inspired about. Only the day before, the Originals Store presented an NMD edition that was developed in collaboration with a local label. The result: more than 500 customers thronged the store to get one of the limited-edition pairs.

For Niels Rossow, this is a further sign of how the US market is shifting in adidas' favour. "When people talk about a 'hot brand' today, they're talking about adidas. Recently, at a high school, a student happened to hear that I work for adidas. His comment: 'Man, you really hacked our code.'"

## A FARM FOR IDEAS

Responsible for 'code hacking' are around a dozen men and women who work in a spacious loft in west Brooklyn. The large windows offer a view of the Hudson River, the Statue of Liberty and the Manhattan skyline on the horizon. The loft itself is full of 3D printers, sewing machines, large-format printers and mood boards. Long tables are laden with fabrics, samples, prototypes and handmade models: welcome to 'Designers' Disneyland', as Marc Dolce, Creative Director at adidas, affectionately calls it. Welcome to the future.

The 'Brooklyn Creator Farm', where Dolce and his colleagues work, is a creative platform for pioneering concepts, ideas and talents. "We're currently designing for 2019 and beyond," explains Dolce. "But we're not doing it in an isolated design studio in some corporate HQ, but here in the middle of Brooklyn. We are part of the community here: we meet artists, athletes, musicians, creatives, we test our ideas in real time and this makes us faster, better and more successful."

The adidas designers are constantly in touch with young designers and start-ups, who are developing new business models in the former manufacturing district. Athletes and even entire high school classes stop by for a few hours – with some staying on for work experience. This way, the Brooklyn Creator Farm ensures a constant supply of that essential nutrient for successful growth: ideas.

## THE NBA STARS OF TOMORROW

Another vital partner in the process is Lincoln High School, located on the south side of Brooklyn. As Niels Rossow walks through the neon-lit corridors of the school one afternoon, he passes dozens of wooden plaques with the names of Lincoln alumni who have achieved national fame as athletes. It is entirely possible that one day they will be joined by the names of students who are currently playing basketball in the gym. In recent years, the school has produced no less than four NBA professionals as well as various other players whose basketball skills were rewarded with college scholarships. Now, explains the deputy head of the school, students come from as far as Queens just to play on the school's basketball team. "Sport is their opportunity."

These students are supported by adidas. For some time, the brand has equipped the Lincoln basketball team in its role as sponsor. In return, according to Niels Rossow, the brand gets a wealth of ideas from the players, which are used by the designers at the Creator Farm and elsewhere. Many of them could find their way into an adidas product and, ultimately, into the new flagship store. Because while Brooklyn and 5th Avenue might seem like different worlds, they are actually part of the same mission: 'Creating the New'.



# 5TH AVENUE STORE

In December 2016, adidas opened a new Flagship Store in the heart of Manhattan, at the very epicentre of the world's biggest sports market. What at first glance resembles a fully equipped high school stadium is in reality a top-class playing field for creatives and athletes from all over the world.







### FINGER ON THE PULSE

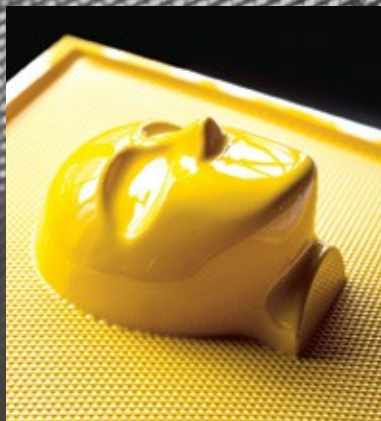
Sahmewee Bolton and her more than 400 colleagues make sure that a visit to the adidas Flagship Store is an experience. On four floors, customers can enjoy live-game viewing and also try products in-store.





# CREATOR FARM

For all those who want to help shape the future of the sports industry, a former factory loft in Brooklyn has become the place to be. The first adidas Creator Farm is a creative platform for the sports products of tomorrow. Creators' imagination knows no limits.



## DESIGNERS' DISNEYLAND

Concepts and prototypes for the future originate here in the Creator Farm. The ideas are developed together with artists, athletes and other creatives.





**TRENDSETTER**

Creative Director Marc Dolce and his colleagues work on trends that will set out from Brooklyn to conquer the world.

# 2016 HIGHLIGHTS

## OPEN SOURCE

Top priorities for the strategic pillar **OPEN SOURCE** by 2020: The overall goal for us is to **embed external creative capital in our processes** to extend our possibilities in creating the future of sport. By inviting creative minds to become part of our culture we will **drive brand heat and advocacy** to new heights. By the end of 2017, our goal is that **30% of shared content** on our brands through social media and other channels is user-generated content. Our second target is to **grow the number of users in our digital ecosystem to over 250 million**. This will ensure we are at the pulse of the consumer journey at key moments and touchpoints in their lives. By using the insights we generate from these sources, we will craft better products and services for our consumers, driving improvements in Net Promoter Score and market share.

**ADIDAS**  
**+ KANYE**  
= **STRONGER**

In 2016, the collaboration between the adidas brand and Kanye West grew stronger than ever before. Recognising the influence, success and global brand power that began with the YEEZY for adidas Originals, the launch of adidas + KANYE WEST, a YEEZY branded entity, disrupts the industry. In the future, footwear, apparel and accessories for both genders across street and sport style will be available.

## ATHLETE COLLABORATION AT ITS BEST

Open Source means to us that we are open to creativity and inspirational ideas from outside our company. The collaboration with NBA star James Harden is one of the best examples of this. The signature line that was launched in autumn 2016 was created together with James Harden rather than for him. The products that have arisen from this partnership embody James' creativity and sense of style on and off the court.



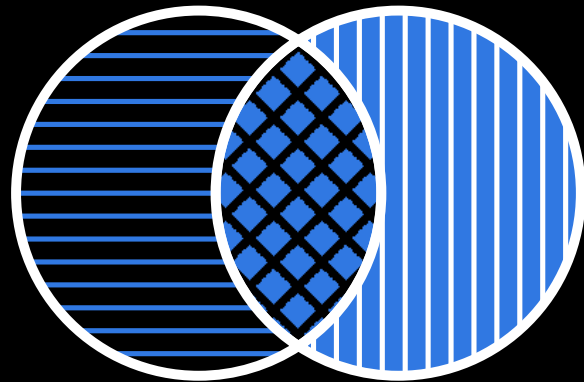
# THE FUTURE OF FOOTWEAR — **FUTURE- CRAFT BIOFABRIC**

With the adidas Futurecraft Biofabric, the brand celebrated another successful partnership and yet another game-changing move in the industry. Futurecraft Biofabric is the world's first 100% biodegradable upper in footwear. Knitted with a high-performance protein-based yarn of Munich head-quartered biotech company AMSilk, the upper bio-dissolves completely in water if a specially created enzyme is added. With this revolutionary innovation, adidas is again leading the change through eco-innovation.

# INSPIRED BY FANS: **ULTRA BOOST UNCAGED**

The launch of UltraBOOST Uncaged in June 2016 indicated how successful product creation with trendsetters can be. The running shoe was inspired by real fans and combines the performance and innovation of the original UltraBOOST with the unique flair of the adidas brand's creative fan base. Thereby, adidas can offer athletes a product that came alive with the input of runners from around the world.

# OPEN DOORS FOR **CREATIVITY**



In order to give creativity the space that it deserves, the adidas brand opened two creative spaces in 2016 where people can come together and exchange their ideas: the Brooklyn Creator Farm in New York City and the MakerLab at the adidas headquarters in Herzogenaurach, Germany. Designers as well as local creators and employees are asked and encouraged to use the facilities as a playground of innovation. In this way, fresh and unprecedented ideas can be generated from a whole new, untapped pool of talent.

# **SHARING A COM- MON IDEA**

In February 2016, the adidas brand and Wanderlust, producer of the largest yoga lifestyle events in the world, announced a multi-year partnership with a focus on the US market. What's special about this collaboration is that both partners share the idea of creating a community around sport and mindful living.



Cyrill Gutsch has taken up the battle against a mighty enemy: millions of tonnes of plastic waste that are polluting our oceans. With 'Parley for the Oceans', the designer and environmental campaigner has achieved remarkable success in only a short space of time. His most important partner: adidas.

NAME

**CYRILL  
GUTSCH**

JOB

**DESIGNER &  
ENVIRONMENTAL  
CAMPAIGNER**

**THE  
PIONEER**



**THE PIONEER**

# TEAMING UP TO SAVE THE OCEANS

**The world's oceans are under mortal threat from millions of tonnes of plastic waste. But what if it were possible to collect all that waste and use it as a raw material? One New York-based environmental organisation decided to do just that, teaming up with adidas to develop a highly promising solution.**

■ Cyrill Gutsch sinks into the sofa in his New York office as dusk descends on the streets outside. It's been a long, tiring day for the designer and founder of the environmental organisation Parley for the Oceans. Just a few hours earlier he got back from a special trip to Madrid, where he attended a football match featuring one of the world's most successful teams, Real Madrid. What made the occasion truly remarkable was not so much the actual victory, more the kit worn by the team: all-white adidas jerseys made from a special new material, with the words 'For the Oceans' woven into the collar. Alongside the sporting success for the 'Royals' from Spain's capital, the match was a resounding victory for the global marine environment. That's because Madrid were wearing jerseys made out of plastic waste recovered from remote Maldivian shorelines in the Indian Ocean. Although it was Cyrill Gutsch who came up with the idea, the jerseys were made with the help of the club's kit brand sponsor, adidas. The initiative was supported by the Real team, who lined up before the match with a special 'For the Oceans' banner.

■ "On that evening," says Gutsch, "everything we'd been dreaming of all these years finally came together. We showed what could be accomplished with a partner like adidas. In just one year, that collaboration has already passed a number of key milestones."

■ In fact it will take many more such initiatives to halt the continuing pollution of the world's oceans with plastic waste. In the northern Pacific alone, there is a giant vortex with around 100 million tonnes of highly durable microplastic particles, a large percentage of which will be ingested by sea birds, fish and other marine animals. Many of our planet's rivers now contain more microplastics than fish roe. Around the world, more than 100,000 whales die each year after being caught up in fishing gear and nets. As to the impact of man-made plastic waste on other marine life in the unexplored depths of the oceans, to date we can only speculate.

■ Cyrill Gutsch first realised the extent of the crisis a few years ago when he was introduced to marine life activist Paul Watson. This was the moment when the successful designer Cyrill Gutsch became an environmental campaigner and his design agency turned into an environmental organisation, Parley for the Oceans. "Plastic is a design failure with devastating consequences," says Gutsch. "It's essential to correct this failure as quickly as possible, cut our production of plastics and develop alternative materials." The Parley strategy is encapsulated in the acronym AIR (Avoid, Intercept, Redesign). The aim is to avoid the use of new plastics, replacing them with alternative eco-innovative materials and, to the greatest extent possible, reusing the existing plastic that pollutes the world's oceans and beaches today.

■ Instead of just protesting, Parley has opted to drive change actively through cooperation, vision and innovation. In the process, they made a striking discovery: a large percentage of the plastic that is hauled from the ocean in fishing nets or washes up on beaches is surprisingly easy to recycle. The resulting 'Ocean Plastic', as Gutsch calls his raw material made from waste, can be used instead of new plastic in a range of applications. After making this discovery, he quickly contacted adidas. Having worked with the brand before, Gutsch knew that their corporate culture, which is remarkably open to innovation, made them the ideal cooperation partner: "Helping others achieve exceptional results is an integral part of the adidas brand DNA. Athletes, of course, but also fashion designers and other creatives. And now Parley and the oceans of the world."

■ For adidas, the partnership with Parley is part of the brand's ongoing dialogue with customers, consumers and employees. "We'd like to invite everyone to join us on this journey to clean up the oceans," says Eric Liedtke, adidas Executive Board member and member of the Parley for the Oceans Steering Committee. Just one year after the initial discussions between adidas and Parley for the Oceans, the partnership began to bear fruit. In June 2015, at a climate change event at the UN headquarters in New York, the partners presented the 'adidas x Parley' – the first-ever shoe with an upper made from illegal deep-sea gillnets



and plastic waste collected from marine environments. The joint presentation at the UN was a major gamble for both parties. As a company that uses a lot of plastics in its products, adidas is partly responsible for the problem it is now working with Parley to help resolve. And Parley for the Oceans, initially, met with little understanding among environmentalists for cooperating with an industrial concern.

■ One year on, that criticism has been silenced for a very simple reason: the obvious success of the partnership. Parley for the Oceans now has its first comprehensive cooperation agreement with an island state, the Maldives, and a scalable model for its Remote Island Coastal Interception Programme. In a collaborative system, Parley staff, local hotels, clubs, fishermen and volunteers collect and sort washed-up plastic waste, which is then taken to Taiwan to be spun into yarn for a viable replacement for virgin, fossil-fuel-based plastic: Parley Ocean Plastic.

■ Each of the jerseys worn by the Real Madrid team was made from the equivalent of 28 plastic water bottles collected in the Maldives and recycled, as were the 'adidas Parley' jerseys worn several weeks earlier by Bayern Munich in the German Bundesliga.

■ Recognising it's not enough simply to recycle materials, Parley has made educating and empowering local communities to better respond to the threat of plastic pollution a crucial pillar of the Parley AIR strategy. Through Parley Ocean School, local schoolchildren in especially vulnerable coastal regions are encouraged to become Ocean Guardians, learning how to reduce plastic use and also how to appreciate the surrounding marine environment through immersive experiences on and in the water.

■ These are tremendous results, achieved within a short space of time by a relatively new environmental organisation in partnership with a major global brand. Yet they are only a foretaste of what the coming months and years will bring. So far, more than 400 other companies have contacted Parley with a view to similar partnerships. "adidas were the ones who showed the way – the environmental innovators," says Gutsch. "Now others want to follow."

■ Parley has also entered into an agreement with the government of Grenada to develop a programme for marine plastic pollution interception, and in partnership with the United Nations has formally invited all other 37 small island member states to emulate the Maldives in adopting and implementing the Parley AIR strategy. Gutsch and his associates aim to increase production from 250 tonnes of

» WE INVITE  
EVERYONE TO  
JOIN US ON  
THIS JOURNEY  
TO CLEAN UP  
THE OCEANS.«

ERIC LIEDTKE,  
ADIDAS EXECUTIVE BOARD MEMBER

Ocean Plastic in 2015 to 30,000 tonnes per annum by 2018. This makes Parley the world leader in the fight against plastic pollution on coastal shores and beaches.

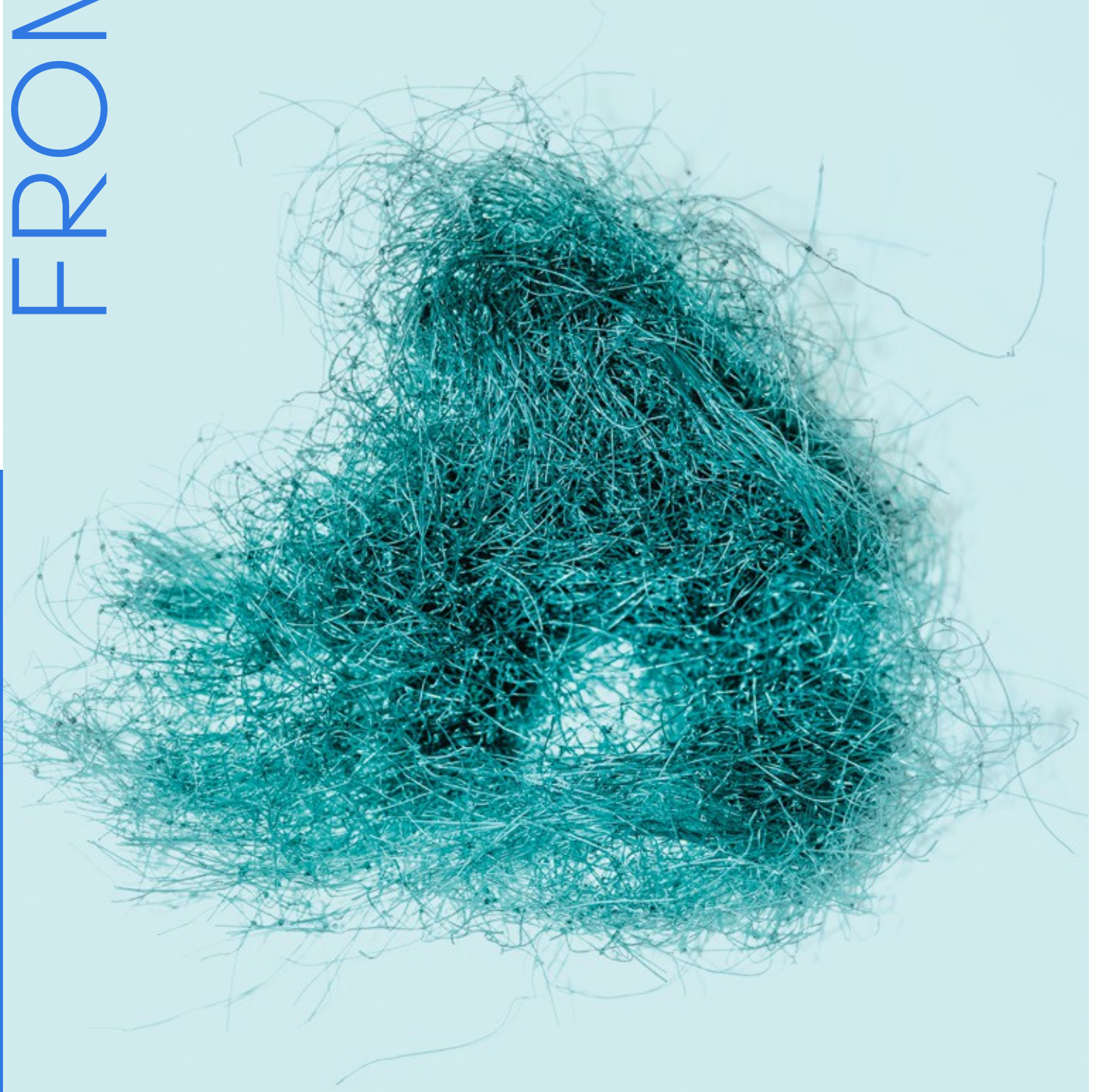
■ adidas is the principal customer for Parley Ocean Plastic, which it is now also using to make its in-store mannequins and hangers in the adidas brand Flagship Store in New York. Other products will be added in due course. "adidas has long been a leader in sustainability," says Eric Liedtke. "This partnership allows us to tap into new areas and create innovative materials and products for our athletes." The ultimate aim is to eliminate the use of new plastic altogether as quickly

as possible. As early as 2017, adidas plans to make one million pairs of shoes from Parley Ocean Plastic, each pair containing the equivalent of eleven plastic bottles.

■ Encouraging though these figures certainly are, Gutsch cites one that's even more impressive: seven billion. That's the number of impressions garnered through the press surrounding the adidas x Parley shoe, made from deadly fishing nets. "It's an incredible number," says Gutsch, "and one that clearly demonstrates how enormously receptive people are to the idea. They want change. It's up to us to listen. The time is ripe."

# THREAT

# FROM





**A VIABLE ALTERNATIVE**

In its former life, this thread was an illegal deep-sea gillnet that environmentalists fished out of the waters off the Maldivian shorelines. Now it is being turned into sustainable sneakers.

**THREAD** **TO**



# HOW LONG WILL IT TAKE TO DISINTEGRATE ?

Pollution of the world's oceans is having devastating consequences. It can take several hundred years for material to completely disintegrate in water.

<b>600</b> YEARS	<b>FISHING LINE</b>
<b>450</b> YEARS	<b>PLASTIC BOTTLE</b>
<b>200</b> YEARS	<b>ALUMINIUM CAN</b>
<b>50</b> YEARS	<b>STYROFOAM CUP</b>
<b>10 - 20</b> YEARS	<b>PLASTIC BAG</b>
<b>1 - 5</b> YEARS	<b>CIGARETTE STUB</b>
<b>1 - 5</b> YEARS	<b>WOOLLY SOCKS</b>
<b>2 - 5</b> MONTHS	<b>COTTON SHIRT</b>
<b>3</b> MONTHS	<b>MILK CARTON</b>
<b>6</b> WEEKS	<b>NEWSPAPER</b>

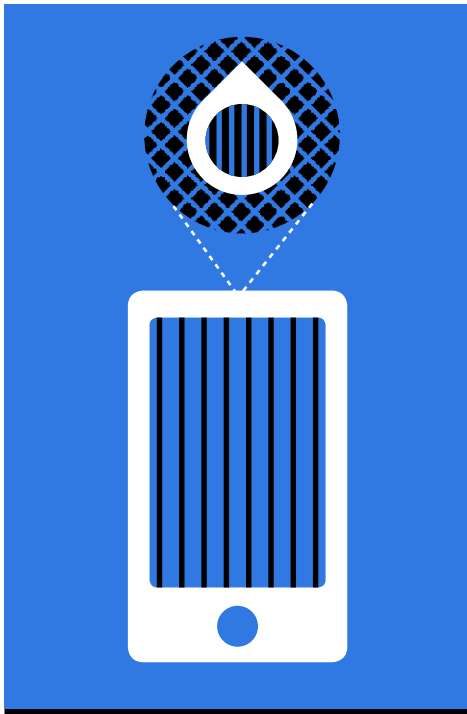
Source: National Ocean Service | NOAA | U.S. Department of Commerce



# 2016 HIGHLIGHTS

# SUSTAINABILITY

As a global player in the sporting goods industry, we bear a responsibility to create in the right way, a responsible way, at our own sites as well as across our entire supply chain. Therefore it is our **goal to be a sustainable company**. We are continuously working towards that goal, and our sustainability strategy 'Sport needs a space' pushes the limits of our own ambitions further than ever before.



## PARLEY FOR THE OCEANS VIDEO CONTEST

In June 2016, adidas and Parley for the Oceans announced the release of a limited number of the iconic 'adidas x Parley' running shoe. This shoe was showcased at the 2015 Parley Talks 'Oceans. Climate. Life.' hosted at the United Nations in New York City. People from around the world had the chance to win one of 50 available pairs via a creative Instagram video contest. The results were tremendous: creators from all over the world submitted their ideas to the contest and many highly engaged consumers commented on them.

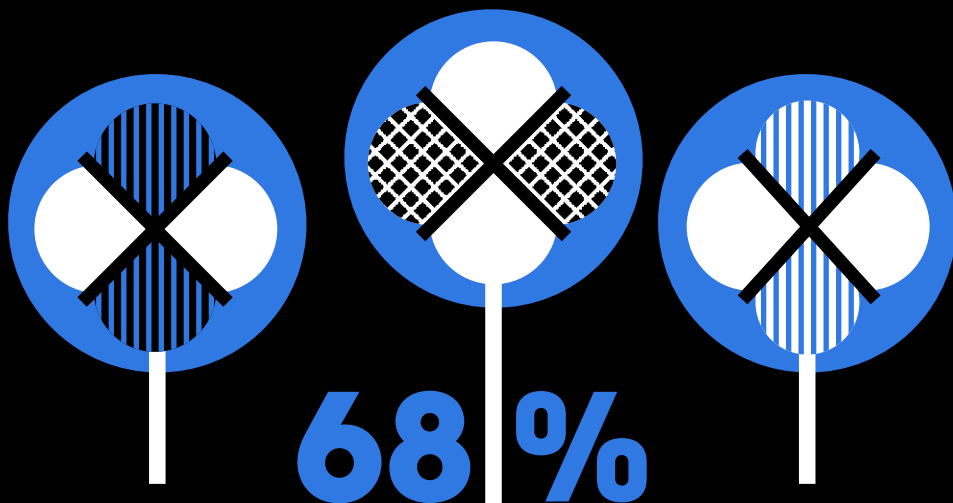
## DOW JONES SUSTAINABILITY INDEX

adidas is confirmed as a member of the Dow Jones Sustainability Indices (DJSI) World and Europe, the most recognised global sustainability benchmark. As one of few companies worldwide, adidas has remained in this index for 17 consecutive years. The DJSI evaluates the sustainability performance of the largest 2,500 companies listed in the Dow Jones Global Total Stock Market Index.

## GLOBAL 100 INDEX

adidas was listed in fifth place among the Global 100 Most Sustainable Corporations in the World (Global 100 Index) in 2016 and was recognised as the industry leader. 2016 was the third consecutive year that adidas was included in the top ten of the Global 100 Index.





# BETTER COTTON

In 2016, adidas again took a major step towards more sustainable production. As a supporter of the Better Cotton Initiative (BCI), adidas sourced 68% of all its processed cotton as Better Cotton. This marks the highest volume in sustainable cotton used in the company's history. The expectations of achieving the target of 60% in 2016 have therefore been exceeded. adidas aims to source 100% of its cotton as Better Cotton by 2018.

# PLASTIC-FREE SHOPPING EXPERIENCE



In 2016, adidas identified huge potential to reduce the impact on the environment from its retail footprint. Therefore the company decided to eliminate all plastic shopping bags from its own-retail stores. By doing so, approximately 70 million plastic shopping bags will be saved per year across more than 14,000 retail stores globally.

## SUSTAINABILITY STRATEGY

»SPORT NEEDS A SPACE«

In April 2016, adidas launched its Sustainability Strategy 'Sport needs a space'. Deeply rooted in our core belief that through sport we have the power to change lives, the strategy translates the company's sustainability efforts into tangible goals and measurable objectives until 2020. The new Sustainability Strategy is a holistic strategy framework that follows the entire life cycle of sport, from the spaces where sport is made (all places where products are created, designed, manufactured and shipped), sold (own retail, wholesale and e-commerce) and played (from the indoor court to the outdoor pitch all over the world).

**FACTS**

FACTS & FIGURES

**OUR  
MISSION**

**ADIDAS BRAND  
REEBOK BRAND**

FINANCIAL  
HIGHLIGHTS

**OUR COMPANY  
WORLDWIDE**

**UR  
&  
RE  
S  
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G**

# OUR MISSION

ADIDAS

**TO BE THE BEST  
SPORTS COMPANY  
IN THE WORLD.**

ADIDAS BRAND

**TO BE THE BEST  
SPORTS BRAND  
IN THE WORLD.**

REEBOK BRAND

**TO BE THE BEST  
FITNESS BRAND  
IN THE WORLD.**



# ADIDAS

## BRAND



The adidas brand has a long history and deep-rooted connection with sport. Its mission is to be the best sports brand in the world.

The guiding principle of adidas is to help athletes of all levels to make a difference – in their game, in their lives, in their world. The main focus is on key categories such as football, running, training and basketball.

adidas is the original sports brand and was the first brand to bring sport to the street. adidas Originals embodies brand credibility and heritage that are important prerequisites to win the discerning streetwear hound consumer.

## 2016 HIGHLIGHTS

- adidas Football releases the world's first high-performance laceless boot: ACE 16+ PURECONTROL.
- adidas announces its contract extension with the German Football Association (DFB) until 2022.
- adidas introduces UltraBOOST Uncaged, a shoe inspired by sneaker fans.

€ **16.334**  
BN  
NET SALES  
IN 2016

**+22%**  
SALES DEVELOPMENT  
CURRENCY-NEUTRAL  
IN 2016

- adidas announces the launch of its adidas Athletics range, designed to deliver a fresh take on traditional pre- and post-match outwear.
- With Sport 16, adidas continues its successful marketing campaign. The videos such as 'Sport needs Creators' or 'Football needs Creators' featuring top athletes like Paul Pogba, Von Miller and Aaron Rodgers are watched several million times.



# REEBOK BRAND

Reebok 

Reebok is an American-inspired global brand with the clear ambition of being the best fitness brand in the world. Reebok believes that fitness is a way of life. And Reebok's version of fitness is inspiring people to be their absolute best physically, mentally and socially.

€ **1.770**  
BN

NET SALES  
IN 2016

+**6%**

SALES DEVELOPMENT  
CURRENCY-NEUTRAL  
IN 2016

## 2016 HIGHLIGHTS

— Reebok launches Reebok Classic Leather, a shoe created in collaboration with US rapper and songwriter Kendrick Lamar.

— Reebok is awarded with the ISPO Communication Award 2016 in the multi-channel category for its 'Be More Human' campaign.

— Reebok launches '25,915 Days', a striking campaign reminding people that they have, on average, 25,915 days to live up to their fullest potential.

— Reebok and three-time Defensive Player of the Year J. J. Watt announce the release of the JJ I, the ultimate training shoe which was developed in close collaboration with the American football star.

— Reebok launches its #PerfectNever campaign with the first iteration featuring UFC fighter Ronda Rousey and second iteration featuring global style icon Gigi Hadid.

— Reebok launches its new CrossFit training shoe Nano 6.0. It offers athletes strength and comfort to overcome every obstacle in the CrossFit box and beyond.



# FINANCIAL HIGHLIGHTS

## OPERATING HIGHLIGHTS / € M

**Net sales<sup>1</sup>**  
2016: **19,291**  
2015: **16,915**

**EBITDA<sup>1</sup>**  
2016: **1,883**  
2015: **1,475**

**Operating profit<sup>1,2</sup>**  
2016: **1,491**  
2015: **1,094**

**Net borrowings**  
2016: **103**  
2015: **460**

**Net income from continuing operations<sup>1,2</sup>**  
2016: **1,019**  
2015: **720**

## KEY RATIOS / %

**Gross margin<sup>1</sup>**  
2016: **48.6**  
2015: **48.3**

**Operating margin<sup>1,2</sup>**  
2016: **7.7**  
2015: **6.5**

**Average operating working capital in % of net sales<sup>1</sup>**  
2016: **20.2**  
2015: **20.5**

## DATA PER SHARE / €

**Basic earnings<sup>2,3</sup>**  
2016: **5.08**  
2015: **3.32**

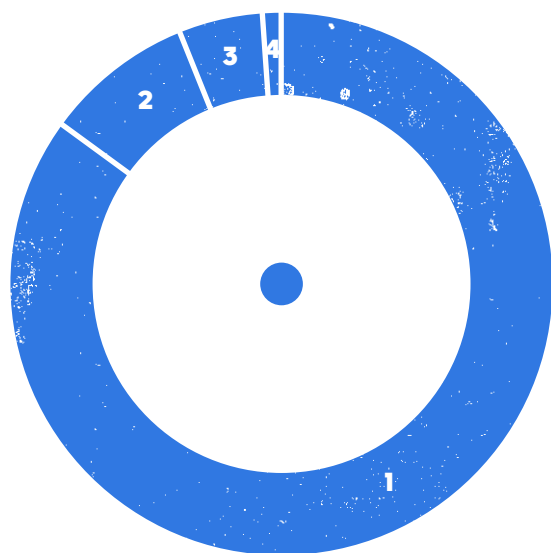
**Dividend**  
2016: **2.00<sup>4</sup>**  
2015: **1.60**

**Share price at year-end**  
2016: **150.15**  
2015: **89.91**

<sup>1</sup> Figures reflect continuing operations as a result of the divestiture of the Rockport business.  
<sup>2</sup> 2015 excluding goodwill impairment of € 34 million.

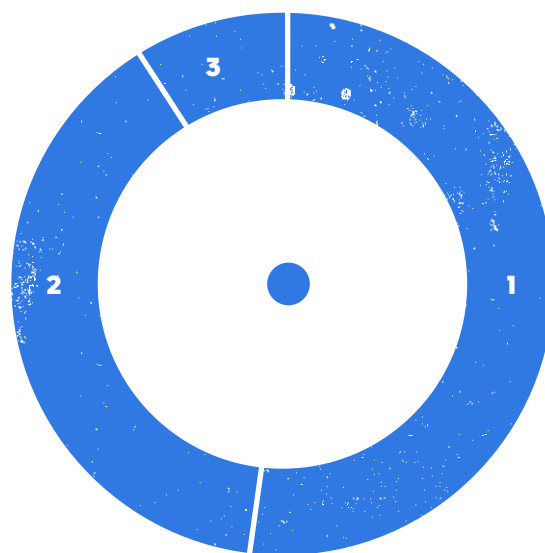
<sup>1</sup> Figures reflect continuing operations as a result of the divestiture of the Rockport business.  
<sup>2</sup> 2015 excluding goodwill impairment of € 34 million.  
<sup>3</sup> Includes continuing and discontinued operations.  
<sup>4</sup> Subject to Annual General Meeting approval.

## NET SALES BY BRAND / %



**1 adidas brand** 85%  
**2 Reebok brand** 9%  
**3 TaylorMade-adidas Golf** 5%  
**4 CCM Hockey** 1%

## NET SALES BY PRODUCT CATEGORY<sup>1</sup> / %



**1 Footwear** 53%  
**2 Apparel** 39%  
**3 Hardware** 9%

<sup>1</sup> Figures reflect continuing operations as a result of the divestiture of the Rockport business.



## ADIDAS OUTLOOK 2017

CURRENCY-NEUTRAL  
SALES DEVELOPMENT

INCREASE AT A RATE BETWEEN

**11% AND 13%**

## GROSS MARGIN

INCREASE TO A LEVEL OF UP TO

**49.1%**

## OPERATING MARGIN

INCREASE TO A LEVEL BETWEEN

**8.3% AND 8.5%**NET INCOME  
FROM CONTINUING  
OPERATIONS

INCREASE AT A RATE BETWEEN

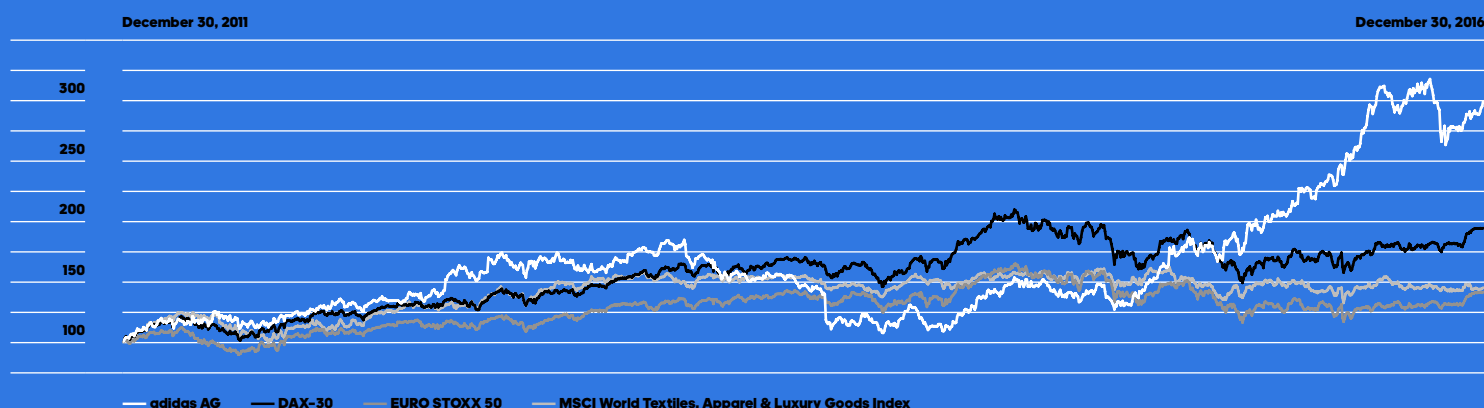
**18% AND 20%**

TO A LEVEL BETWEEN

**€ 1.200 AND 1.225 BN**

## FIVE-YEAR SHARE PRICE DEVELOPMENT

Index: December 30, 2011 = 100.



## ADIDAS AG SHARE INFORMATION 2016

- YEAR-END PRICE
- NUMBER OF SHARES OUTSTANDING<sup>1</sup>
- ISIN
- MARKET CAPITALISATION<sup>2</sup>
- STOCK SYMBOL

**€ 150.15**  
**201,489,310**  
**ISIN DE000A1EWWWO**  
**€ 30,254 M**  
**ADS, ADSGn.DE**

- <sup>1</sup> All shares carry full dividend rights.  
<sup>2</sup> Based on number of shares outstanding at year-end.

# OUR COMPANY WORLDWIDE

**21%**

**NORTH  
AMERICA**

**LOS ANGELES**

**NEW YORK  
CITY**

**9%**

**LATIN  
AMERICA**

## SIX STRATEGIC CITIES

**Paris** / France // Europe

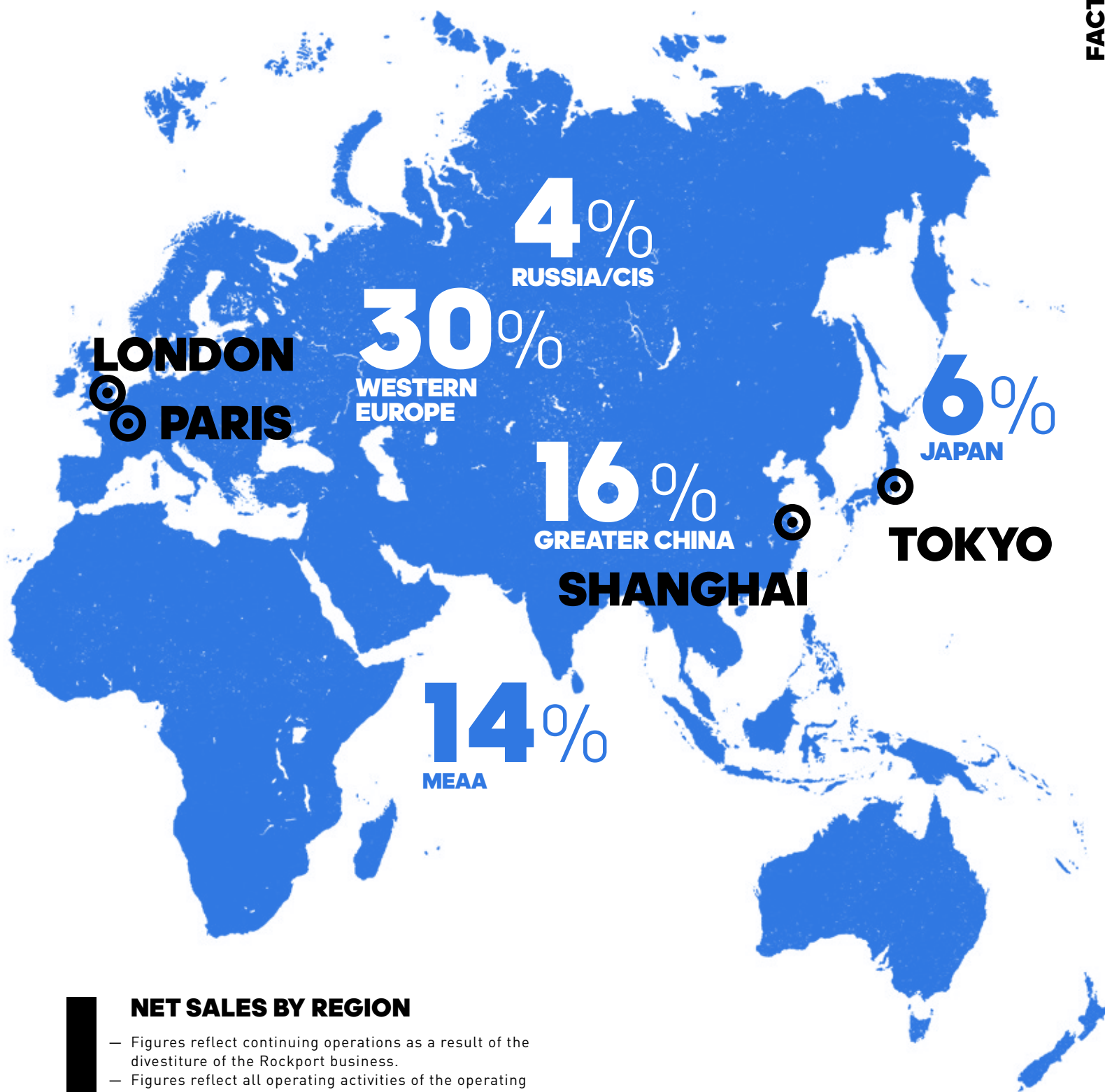
**London** / UK // Europe

**Tokyo** / Japan // Asia

**Shanghai** / China // Asia

**Los Angeles** / USA // North America

**New York City** / USA // North America



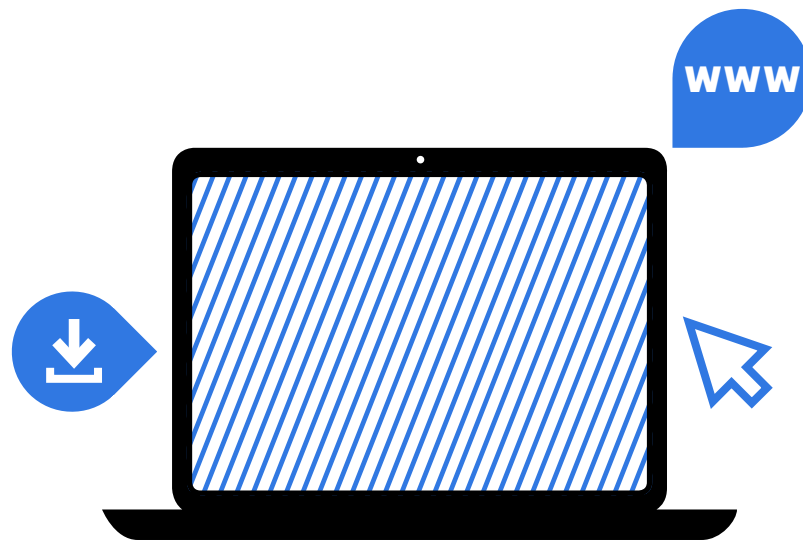
**NET SALES BY REGION**

- Figures reflect continuing operations as a result of the divestiture of the Rockport business.
- Figures reflect all operating activities of the operating segments, including Other Businesses.



FURTHER **DOWNLOADS**  
AVAILABLE:

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**INVESTORS**



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This Magazine is part of the 2016 Annual Report and is also available in German. For further publications, please see our corporate website or download our Investor Relations and Media App from the App Store.

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