

**adidas Group provides further details on its three strategic choices
'Speed, Key Cities and Open Source'**

Herzogenaurach, Germany – At an investor event today in Herzogenaurach, the adidas Group provided a status update and detailed its ambitions for its three strategic choices Speed, Key Cities and Open Source. The choices build the foundation of the Group's 2020 strategic business plan, which was introduced in March 2015. By 'Creating the New', the Group aims to achieve sustainable and profitable growth over the next five years by significantly increasing brand desirability.

Speed

Serving the consumer in the best way possible is a key driver of increasing brand desirability. As a result, the adidas Group will ensure that consumers always find fresh and desirable products at any given place and point in time. By re-shaping its entire business model end-to-end, from range planning to product creation, sourcing, supply chain, go-to-market and sales, the adidas Group expects to significantly improve its speed-to-market. As part of these efforts, the adidas Group will significantly enhance its capabilities to reproduce seasonal best-sellers to fulfil higher consumer demand (Planned Responsiveness) and improve its ability to create or capture the latest industry trends (In-Season Creation). In addition, the company will expand its programmes for products that are replenished on a constant basis to ensure the most iconic and desired products are permanently available (Never Out Of Stock). Driven by these 'Speed' initiatives the Group expects to significantly reduce the risk of overbuying stock, capture additional revenues and notably increase margins: By 2020, the company forecasts to generate 50% of its net sales with speed-enabled products. In addition, the Group's share of full-price sales across all speed ranges is forecasted to improve by 20% over the next five years.

"Our goal is to give consumers what they want when they want it. Speed is one of the most powerful levers for our Group to do so. It will change the way we create, manufacture and distribute our products. It will revolutionise our current business model," said Franck Denglos, Vice President Speed. "Speed will be a key competitive advantage for us as we transform the adidas Group into the first true fast sports company."

Key Cities

With 50% of the global population living in cities and 80% of global GDP generated in metropolitan areas, these urban centres play a key role in creating trends, shaping global brands and building brand desirability. As a result, based on their global influence, their commercial relevance and their relevance for sports and street culture, the adidas Group defined six global key cities that it will focus its efforts on and that will serve as role models for the rest of the world: Los Angeles, New York, London, Paris, Shanghai and Tokyo. Across these cities, the adidas Group will disproportionately invest in marketing and retail experiences with the goal of maximising brand experiences. By creating an integrated brand and business ecosystem designed to elevate the brand presence across all relevant consumer touch points, the adidas Group aims to outperform its major competitors in these cities both in terms of market share development and brand advocacy. In addition, driven by a strong focus on key categories, the company expects to double its business in each of these urban centres over the next five years.

“The influence of global metropolitan areas on trends and brands cannot be overstated. The fate of global brands is decided in global cities. If we want to be successful in the future, we need to win in key cities,” said Christopher Williams, Vice President Commercial Planning and Development. “Our focus on key cities enables us to activate our categories in the right areas and engage with communities in the most relevant neighbourhoods. All of this ensures that our brands shine where they have the biggest impact to drive brand heat. That is both within and – through the halo effects created – also beyond city borders.”

Open Source

In order to leverage the full potential of its brands and their DNA, the adidas Group aims to build a unique collaborative network and invites athletes, creatives, consumers and other partners to help shape the future of sport and sports culture. To increase its own creative capital and gain new perspectives, the adidas Group is providing these externals with access to internal tools, including the archive, materials, factories and data. The collaboration with Kanye West, which, in 2015, translated into unrivalled reach of the Yeezy Season 1 fashion show and an unprecedented global sell-through rate of all Yeezy Boost sneakers since then, is a prime example of how the Group started to bring this aspect to life. The collaboration was just recently brought to the next level, making it the most significant partnership ever created between an athletic brand and a non-athlete. Another example of a game-changing Open Source initiative will be the opening of the first ‘Creator Farm’ in New York City in the fall of 2016. The design studio and

creation centre will invite urban creative talent to fuel creativity and innovation in sports, outside the regular seasonal product creation calendars. In addition, as part of its Open Source efforts, the adidas Group will be collaborating with the best partners in other fields and will exchange core competencies to create unique brand value. The touchpoints reach from the core field of sport, sports health and monitoring to entertainment experience, manufacturing and sustainability. The award-winning partnership with Parley for the Oceans is as a very positive proof point for the early success of these initiatives.

“We are the first sports company that invites athletes, consumers and partners to be part of our brand,” said James Carnes, Vice President Brand Strategy Creation. “Our portfolio of creative influencers and innovative partners such as Kanye West, Stella McCartney, Disney, Parley for the Oceans, Red Bull Media House, BASF and Google offers incredible opportunities for us to leverage our brands, showcase our creative potential and inspire consumers more than any other sports company. Together, we will co-create the future of sports.”

SPEEDFACTORY

All three strategic choices are supported by the Group’s industry-changing SPEEDFACTORY initiative, which heralds a new era in footwear creation. This flexible model challenges the idea of centralised production and makes product close to where the consumer is. It opens doors to creation of product completely unique to the fit and functional needs of consumers, through a combination of the craft of shoemaking and cutting-edge technology. The new SPEEDFACTORY facility is all set to go commercial in Germany and will begin large-scale production in mid-2017. The addition of a second SPEEDFACTORY facility in the US at the end of next year will bring the total annual capacity up to 1 million pairs, with further acceleration of the rollout possible for the years thereafter.

“With SPEEDFACTORY, we are challenging conventions and disrupting the status quo of our industry,” said Gerd Manz, Vice President Technology Innovation. “The consumers of today live in a constantly changing world. This shapes their behaviour and expectations. They demand newness and immediacy without compromise. SPEEDFACTORY will allow us to fulfil the consumer’s demand for speed, aesthetics and performance better than ever before and better than anyone else.”

adidas Group

The adidas Group is a global leader in the sporting goods industry, offering a broad portfolio of footwear, apparel and hardware for sport and lifestyle around the core



brands adidas, Reebok, TaylorMade and CCM Hockey. Headquartered in Herzogenaurach, Germany, the Group employs more than 55,000 people across the globe and generated sales of around € 17 billion in 2015.

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