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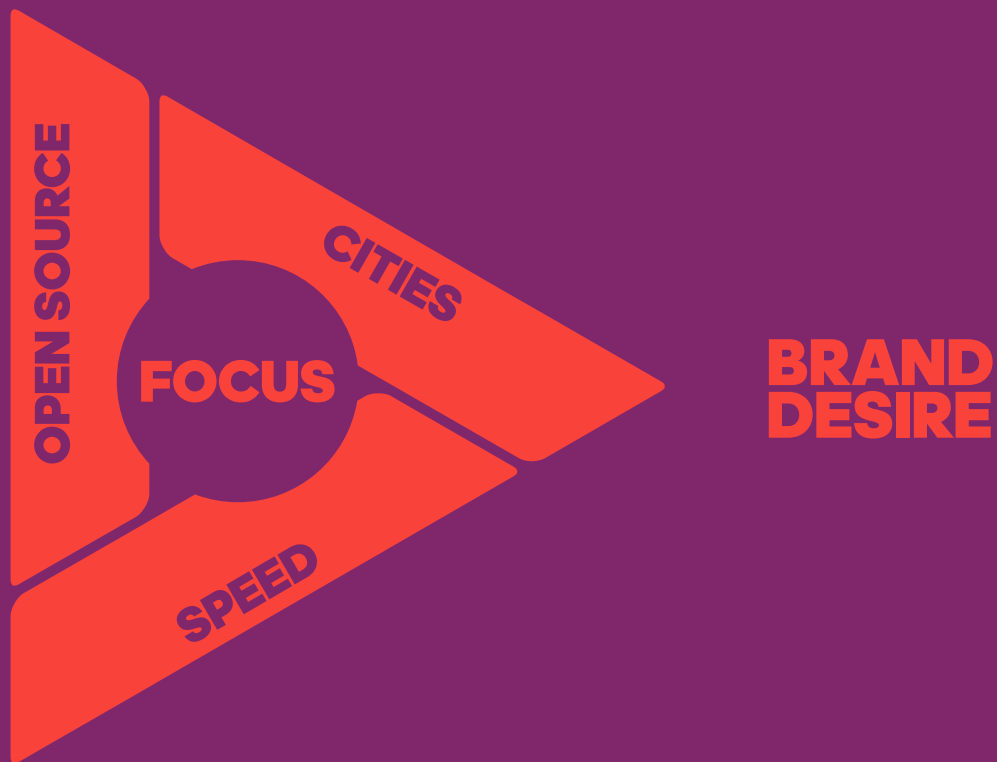
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THE

**ADIDAS GROUP
MAGAZINE**



OUR STRATEGY: 'CREATING THE NEW'

Our brands are at the core of our strategy 'Creating the New' as they connect us with our consumers. All rooted in sport, our brands fulfil the needs and desires of more consumers than any of our competitors. 'Creating the New' will bring us closer to our consumers than ever before and increase our brands' desirability. Three strategic choices will support us on our way: Speed, Cities and Open Source.

HOW

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**CREATING SOMETHING NEW STARTS WITH
DEFINING WHERE YOU WANT TO GO, WHAT YOU
WANT TO ACHIEVE. IT STARTS WITH WHY YOU
DO WHAT YOU DO AND WITH AN IDEA, A VISION
YOU EMBODY FOR SOMETHING BETTER, AN
OBSESSION YOU HAVE.**

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**AND FOR US, IT ALL STARTS WITH SPORT. SPORT
IS OUR VERY PURPOSE. THROUGH SPORT WE
HAVE THE POWER TO CHANGE LIVES. WE ARE
OBSESSED WITH INSPIRING PEOPLE TO
HARNESS THE POWER OF SPORT IN THEIR LIVES.
WE ARE COMMITTED TO HELPING ATHLETES
MAKE A DIFFERENCE.**

**FOR US, IT ALSO STARTS WITH THE ASPIRATION
TO BE THE BEST. WE WANT TO BE THE BEST
SPORTS COMPANY IN THE WORLD. THIS IS
WHAT WE ARE HERE FOR. THIS IS WHAT WE
WANT TO ACCOMPLISH. WE WANT TO WIN.
WE MAKE THE RULES. WE ARE THE CREATORS.
AND: WE ARE CREATING THE NEW.**



NEW

WE

CREATE

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CREAT- ING

DISRUPT YOUR- SELF!

**INTERVIEW WITH
ROLAND AUSCHEL (RA)
AND ERIC LIEDTKE (EL)**

With its new 2020 strategic business plan 'Creating the New', the adidas Group is focusing on brand desire, creation and open innovation more strongly than ever before. But how does the company's newly defined focus translate into successful products and higher margins? Roland Auschel, Executive Board member responsible for Global Sales, and Eric Liedtke, Executive Board member responsible for Global Brands, elaborate on the Group's strategic business plan, the empowerment of their teams and the art of 'failing cheap'.

adidas has been innovating since the very first days of the company. What made you choose 'Creating the New' as the leading theme for your five-year strategy?

RA For us, 'Creating the New' is a declaration of intent as well as an empowering statement. We enjoy a very long tradition. It was our founder who invented our industry. And now we have committed ourselves to bringing 'the new' to the world of sport, our industry and to consumers. We empower ourselves constantly to do and invent things that haven't existed before.

EL We believe that, through sport, we really have the power to change peoples' lives. We want to use this power to create something big. So we continue to drive the new – be it in product, concepts or processes. By doing this, we will leverage the power of sport.

Where do you see adidas' specific strengths in 'Creating the New'?

EL In 2015, you already saw a number of different areas where we have shown our ability to create the new. Take UltraBOOST, which is not only the best running shoe ever made, but is foremost an innovation which could make EVA – the industry's synthetics material standard for 35 years – obsolete. Ultimately, UltraBOOST is one good example of many which show how we turn unequalled innovations into absolute premium products. We're also looking at new ways of how we design – taking 3D design and ocean plastic to create shoes the world hasn't seen before. And, we want to radically change the way we market our product and bring our product to the market.

THE

NEW

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Where do you spot the challenges for the company until 2020?

EL One major challenge will be to maintain the current operational trajectory of growth while investing in the new. Take the 'creator farm' we're building in Brooklyn, with more to follow: While radically new to our industry, we believe in its long-term power. But to get there, it requires quite some attention and investment. At the same time, we're continuing our successful mode of creation, production and distribution. So, metaphorically speaking, the question is how to maintain the existing bridge while building the new ones.

RA I think it's a great moment to launch our new strategy, because the company is enjoying great momentum. So when pushing the plan forward we can build on our strength – and the great support of our partners and employees. We have more than 55,000 people out there, who are open to the new and immediately showed their unrestrained support for our new strategy.

One crucial element of your strategy is the 'creator'. Please tell us what exactly you have in mind.

EL Traditionally, the entire world of sport is talking about its physicality: 'Work hard, play hard, win' – that's been the nature of sport so far. Looking forward, we consider the mental attributes of sport as crucial. When we talk about creating something, we're talking about triggering a new whitespace in our industry: the imagination of what can be. We want people to look at adidas as a brand that creates something new every day. We know that we can't have all the answers – but we can open platforms on which great answers will be found. And we want to call creators to our brand and also call these creators in the marketplace to cooperate with us.

Who is actually a creator and who is not? And how do you identify them?

EL We answer that question differently in every market, category and sport. Generally speaking, creators are people who are never satisfied with the status quo, always striving to do something bigger and better. As Kanye West said, who is a great creator himself: Those are the people we will give oxygen to. With our creator farms, we're opening spaces where we will collaborate consistently with all sorts of creators. The idea is to really go out and co-create with the community.

Another focal point of your strategy for 2020 is brand desire. How do you generate brand desire – and why is it so crucial?

RA In recent years, we had been focusing very much on figures and financial results. The logic was that, if the finances were right, we could afford the investment to drive top-line momentum. With 'Creating the New', we are radically reversing that logic: create radically new products and concepts for our consumers to drive brand loyalty, the rest will follow. We're constantly measuring how good we are

at it. Implementing this philosophy into the whole company by making people not only responsible for financial results, but also for the Net Promoter Score, a KPI measuring how satisfied our consumers are with our brand, is probably the clearest change we have taken. We're tying everybody in the company together and measuring everybody, from management to market, by the same standards.

»WE WILL
CREATE
SOMETHING
NEW
EVERY DAY.«

You're trying nothing less but to change the mindset of a whole company – and empirically, that takes time.

RA Definitely, and it will not be an easy process. We are about to change our routines, culture and thinking, and that's of course a massive change for the entire organisation. But at the end of the day everybody is convinced that if we bring brand desire to new levels, consumers will really be going after our products like never before. And the rest will follow. So we have turned up brand heat to accelerate growth, produce better margins, leverage costs, increase our profitability and ultimately generate significant returns for our investors.

Starting in 2014, you've reorganised the adidas marketing organisation. What results have been achieved so far?

EL First of all, we started with an analysis of where we stood. We realised that we were not as connected as an organisation as we thought we were and we need to be. So as a Board, we decided to create a new organisational model called brand leadership, which empowers people to move fast and win consumers' hearts.

So what is different today?

EL To win consumers' hearts, everybody in the organisation has to move in the same direction. So for each of our major sports categories, we grouped everybody under a General Manager who takes over full responsibility for his or her category. In a second step, we defined a seamless handover from headquarters to the nine markets, with clear

specifications and open feedback channels, making sure we get unfiltered consumer feedback on what we do and deliver. To empower our teams to move fast, we lowered escalation levels within the organisation and created clear roles and responsibilities for everyone. We want a bias for action, where our teams are encouraged to make the right decisions on their own. We want to create an organisation which constantly keeps searching for the new and thereby achieves rising market shares and world-class profitability.

But trying out uncharted territory inevitably means failing from time to time.

EL Definitely, but we move forward with our eyes wide open. And we tell our people that if they fail, they should fail fast. And if they do, they should fail cheap, get up quickly and try again. That's all part of stimulating the team atmosphere. For the first time, we brought end-to-end teams together which work on common tasks. Where in the past there had too often been an 'us' and 'them' thinking within the organisation, today it's 'us' versus the enemy. And the enemy is clearly outside of the adidas Group.

Roland, in what way has the new brand leadership approach influenced the work of your team?

RA We clearly understand that planning and creating goes hand in hand with the execution side of our business. So, from the very beginning, we involved our market teams in our reorganisation process. The same goes for Eric and me, we now work much more closely together, on a day-to-day basis. As a result, we're driving a faster decision process than ever before. And although not every decision can be right, being proactive and acting agile is definitely better than just sitting and waiting to see what happens.

EL A perfect example of our new approach can be seen in the way we range our products today. In the past, we often developed and tried a lot of products to see what sticks. Those that didn't, just disappeared. And of the products the consumer liked we tried to produce a lot more and to get them into the market as quickly as possible. Now we take a much more determined approach by building 'hero product concepts', so-called franchises. Developed with very clear consumer insights and tailored to the needs of these consumers – products like UltraBOOST or Tubular, for example.

... although it has to be admitted that Tubular was not a runaway success in the beginning.

RA Exactly, but this is a good example of how differently we act today. In the past, if a product like Tubular hadn't been successful within the first four to six weeks, we would have dropped it and moved to the next. Today, we recognise that we probably oversold it, maybe put it into the wrong distribution or with the wrong price point. But we're committed to Tubular, because it's a collected memory from our past which we want to develop over the next couple of years. So we took it out of distribution, relaunched it and started again. And what

happened? During the record winter blizzard in New York at the beginning of the year, people were lining up in front of stores for three blocks to get their pair of the latest Tubular version!

EL And although we don't celebrate failure, we do celebrate the fact that we don't give up. We're not hitting everything perfectly – nobody does – but we move forward and take chances. That's what a good franchise is about: You launch it, incubate it, iterate it, incubate it, reiterate it and finally commercialise it. We have a very different market approach today and completely different conversations with key accounts and consumers. And that makes our future look very bright.

RA Our new openness brings a new quality to the conversation, e.g. with our key accounts. Today we openly admit that, for example, a display unit might have looked pretty great on paper but didn't perform that brilliantly in reality – so let's try a new one! This honest approach wins us a lot of credibility with our partners and customers. We encourage people to accept that not everything is perfect and, of course, imperfection costs us a bit of money. But that's the price of exploring the new.

» OUR GOAL IS
SIMPLE:
WE WANT TO BE
THE
BEST
SPORTS
COMPANY
IN THE
WORLD.«

EL This goes together with our new way of testing products. Today, we're able to put perfect 3D models in front of consumers that look like a real product to let them judge if and how they like it. This way, we can bring consumers closer to our brand, having a stronger influence on products earlier in the process than ever before. We're testing faster, iterating quicker, improving more profoundly. We're reaching better solutions in a shorter amount of time and with less invest.



**»WE WANT
TO USE
THE POWER
OF SPORT
TO CREATE
SOMETHING
BIG.«**

**ERIC LIEDTKE
EXECUTIVE BOARD MEMBER,
RESPONSIBLE FOR GLOBAL BRANDS**

**ROLAND AUSCHEL
EXECUTIVE BOARD MEMBER,
RESPONSIBLE FOR GLOBAL SALES**



» **WE EM-
POWER
OURSELVES
CONSTANTLY
TO INVENT THINGS
THAT HAVEN'T
EXISTED BEFORE.** «

While starting a lot of new initiatives, you also got rid of some old things, such as parts of your product portfolio.

EL It's quite simple: we want to be the best sports company in the world. This also implies that we need to mean more by doing less. And that means really editing what we do. For years, due to our decentralised model, our global teams served a huge buffet for the markets to choose from. Today, with deeper insights upfront and a centralised organisation, we're able to serve more markets better with less products. That sounds simple, but is a major change considering where we come from.

How do you want to win on those battlefields today?

EL With a centralised point of view, we brainstorm together and incorporate the strategic insights from our teams around the globe. As a consequence, we can reduce our range of models by 25% but still serve our consumers better. This will automatically lead to increased efficiency and higher leverage in almost everything we do. Less products mean less costs in creation, less procurement costs and less piloting – it's just a matter of focusing on what we really want to stand for. And it also helps us with the consumers who, when they spot consistency in what we do, automatically develop trust.

»IF YOU DON'T
DISRUPT
YOURSELF,
SOONER
OR LATER
SOMEBODY
ELSE WILL
DO IT.«

adidas' newly gained focus not only refers to fewer models, but also to a zeroing in on key franchises. What effect do you expect from this refocusing?

RA As Eric pointed out earlier, concentrating on key product franchises will definitely create a much more sustainable model. It allows us to create something which works everywhere. Up to now, the markets' foremost thinking was about the product and marketing support they needed exclusively for their consumers. Only in a second step did

they consider what commonalities might make sense. We're reversing that logic now and challenging everybody to first think globally and then about those last 20% of the products which have to be adapted to local market needs.

EL From a consumer's point of view, franchise is about product icons which the consumer can trust and come back to. They allow our consumers to become part of a community. If you change that model every six or twelve months, you break the trust you've just started to build up.

Moving over to the distribution side of the business, you've announced plans that by 2020 you want to control 60% of your distribution space. Why do you want to take over more from your partners?

RA With our own stores, we are constantly learning a lot about how to tell our story and win consumers. In a shop-in-shop environment, we are bringing a bespoke version of what we've learned there into the stores of our partners to make them more successful. We want to tell a consistent story across all the doors in the cities we're present in. Wherever the consumer comes into contact with our brands along his journey, the impression he gets from brands and products needs to be the same. And that of course includes online.

Is adidas' omni-channel approach an expression of that dedication to tell the same story consistently wherever the brand is approached?

RA Definitely. We are one of the most versatile players in the industry when it comes to channel coverage. We have the highest number of own stores in our industry, we are a leader in ecom and we're rolling out franchise models in markets like China or Latin America. When we look down the road, we clearly still see the opportunity to create more touchpoints. But more important is how we are connecting them more consistently so that consumers experience our brand in a coherent way, no matter where they encounter it.

Traditionally, adidas has been big in sports marketing. With the new strategy, you announced that you are shifting funds to brand marketing. What exactly is the logic behind that move?

EL We have a healthy marketing budget which is currently split in half between brand marketing and sports marketing. The latter is important, we definitely need a certain number of world-class assets. But as we concentrate on footwear within our new strategy, we have to look at marketing activities which drive our footwear market share. If you then look at the NBA, you might ask yourself: How is that helping us to win footwear market share? I think we can allocate our funds more efficiently. And here our strategy is helping a lot, because it says footwear, franchises, speed, key cities and open source – things that we live every day; and with those in mind we have to challenge everything we do. So apart from having signed one of the most iconic clubs in the world with Manchester United, we made some decisions to exit other club deals which are not helping our strategy that much.

Can you elaborate a bit on where you intend to focus your marketing activities and spending going forward?

EL We will clearly shift our spending to people who drive footwear and inspire new consumer groups by creating the new. We will use it to build a permanent presence with key communities in key areas, showing people that we are different. We are no marketing tourists, but deeply committed to the places we're in, where together with local creators we're really making a difference. Sure, this redirection of funds may compromise our ability to be a bigger part of the traditional marketing circus. But that's alright with me, because I believe that our future is in communities and advocacies, and further development will prove us right. —

»IT'S A MATTER OF
FOCUSING
ON WHAT
WE
REALLY
WANT
TO
STAND FOR.«

Why is — apart from its sheer size — the North American market of such importance to you?

RA Well, the US is simply the biggest sports market in the world. In addition, a lot of trends were and are born in North America. Wearables got started in the US. Athleisure started there. And the whole idea about 'Tough Fitness' was born in the US, just to name a few examples. The US is still the trendsetting culture that consumers from around the world are looking at. That's why we're focusing on winning market share in the US. To do so, we have deployed significantly more funds there. —

Any visible results so far from these efforts?

RA Absolutely. We started our conquest at the beginning of 2015 with a focus on certain categories, customers and cities, and all three are already showing significant momentum after this short period of time – be it from a sales standpoint or a Net Promoter Score standpoint. So we're on the right track, and now it's about scaling it to more categories, customers and cities. Last year was the year of resetting, 2016 will be the year of acceleration, especially in the US. —

New York is one of the six Key Cities the adidas Group has chosen to concentrate its activities on since 2015. What has been attained here so far?

RA The objective of our Key City plan for New York is to create a halo effect for the rest of North America. All this starts with deep consumer insights and an understanding of how a city is connected. Where are the runner communities? Where do people play basketball in this city? And how can we reach them with a differentiated merchandising approach that is unique to this place and this specific community? —

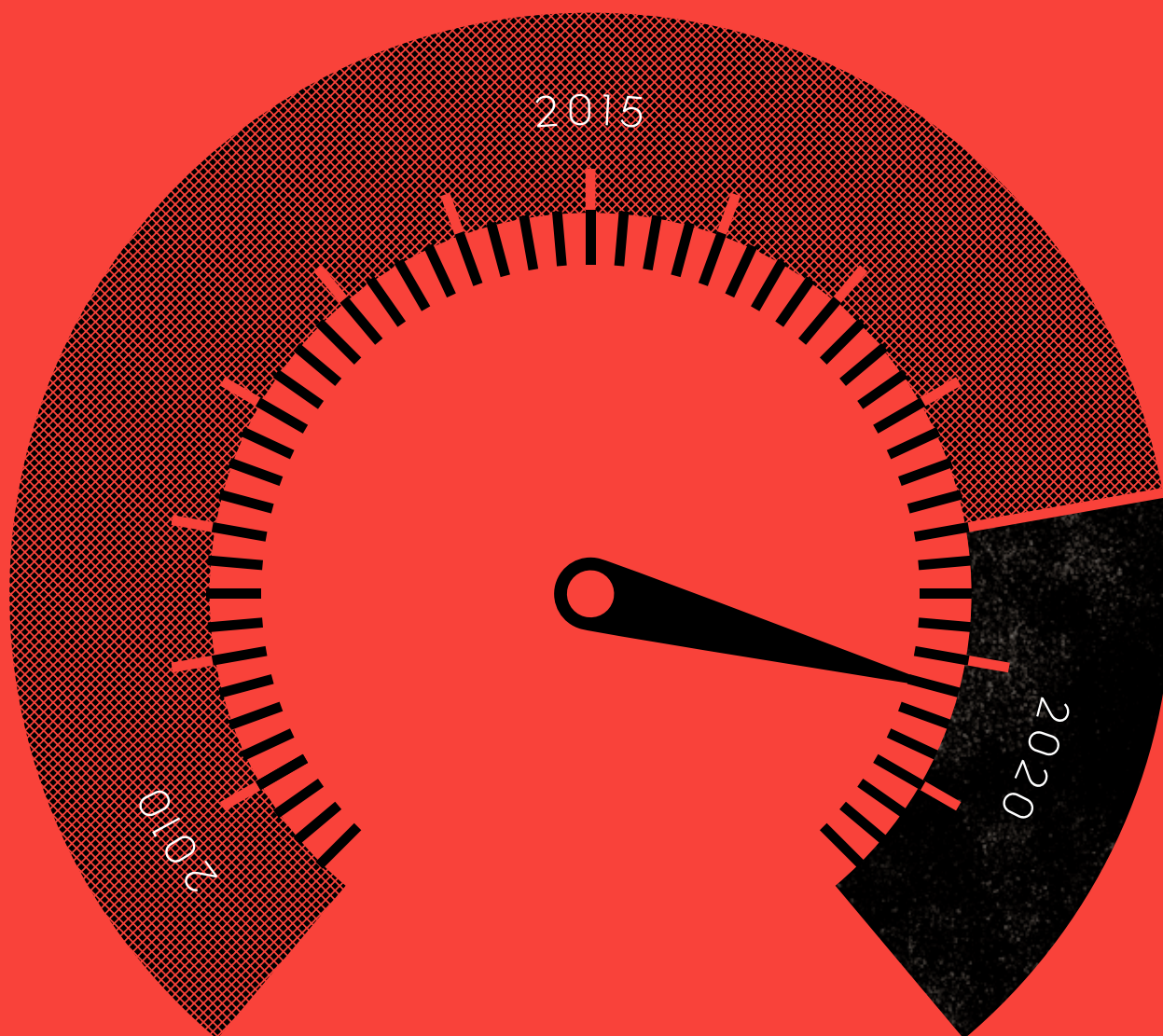
Sounds like a lot of basic work on the ground.

RA It definitely is, and this will keep us busy over the next few years. But we firmly believe that when you win New York as well as Los Angeles and some other places, over time you'll also win the rest of North America. And in our first year of the Key Cities initiative, we've already made great progress in New York. We opened a number of new stores in 2015 and will soon be opening a really cool Originals store in Spring Street, Soho, followed by our first stadium store worldwide on Fifth Avenue. With close to 4,000 square metres, it is going to be our biggest store worldwide. Those stores will have an enormous impact not only on sales, but also by defining our flight level in distribution, raising the standards of other stores in the country and creating a network of very consistent touchpoints for our consumers. —

Imagine we'd meet again in five years' time: What would be the most visible sign that 'Creating the New' really has been successful?

RA I don't think our success will be reflected purely by numbers or KPIs, although it will definitely have translated into higher market shares and improved profitability levels. But the major difference will be visible by walking into our headquarters, any adidas store or creator farm around the world. All those places will be even more vibrating and resonating than they are today. They will be full of people telling you that this is a cool place to work at, that our brands are the best brands to do sport with, to embrace. —

EL One thing is for sure, and this is true for individuals as well as for companies like the adidas Group: If you don't disrupt yourself, sooner or later somebody else will do it. You only need to look at what Netflix did to the traditional TV channels within a short period of time. They disrupted the whole industry. And that's exactly what we are about to do in our industry with 'Creating the New'. —



ACCELERATION

**THE BEST ATHLETE IS THE ONE WHO CROSSES THE FINISH LINE FIRST.
SPEED IS NECESSARY FOR WINNING. THE STRATEGIC PILLAR OF SPEED
WILL MAKE US FASTER AND ACCELERATE OUR SPEED TO MARKET.
WE WANT TO BECOME THE FIRST FAST SPORTS COMPANY IN THE WORLD.**

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» SPEED CHANGES EVERY- THING.«

FRANCK DENGLOS



THE SPEED IS ON

SPEED LEADER FRANCK DENGLOS (FD) ON HOW ADIDAS IS ABOUT TO LEADFOOT ITS BUSINESS MODEL

Franck, why is speed so crucial for the adidas Group?

FD Because today's consumers want to be sure that they find the products they love in the sizes they need and the colours they prefer in the stores. Currently, for the major part of our business, it often takes us 12 to 18 months to design, produce and deliver a product. This is the standard lead time in our industry. If we want to stay a leader in trends, we have to be much quicker. That's why Speed is one of our strategic choices. Speed will change the way we create our products and ranges, the timelines in which we plan our purchases and manufacture our products as well as the ways we distribute them. It's nothing less but a complete transformation of our business model. Delivering the right products faster not only means higher volumes but also increased profits.

How does increased speed translate into increased profits?

FD By producing exactly the products consumers are looking for, we will realise a higher percentage of sales at full price. Today, if demand is not as high as expected, we have to discount at the end of the season. With faster, demand-driven production processes, we can make sure that we have the right inventory with exactly the right volumes at hand without having to build inventory.

Sounds logical, but what are the exact targets you want to achieve?

FD Our goal is to generate 50% of our net sales through speed-enabled products by 2020. That's quite a bold target, but in consequence it will increase our full-price share of sales by 20 percentage points. My team's job – hand in hand with the entire organisation – is to identify very early in the creation process which products should be speed-enabled.

What exactly are speed-enabled products?

FD That's a product for which the creation, production, transportation and sell cycle are accelerated. So, for a product to be speed-enabled it requires some pervasive decisions on our side. One example is on the type of materials we use, as some materials have a longer development and purchasing time than others. An example: our decision for the type of zipper we use can expedite or decelerate production time significantly.

With adidas neo, you implemented a new business model that is characterised by shorter lead times and in-season creation capabilities. You have shown how fast the company can operate. How can this be translated to other parts of your business?

FD adidas neo offers a lot of learnings for us, but we also have other product categories in which we need no more than four months from creation to shelf. The challenge lies in the scaling and roll-out of this target for a huge number of products and categories globally.

So how do you plan to accomplish this goal?

FD With Speed, we have a global concept which we will roll out for every channel, every product category and every market. And we are going to achieve this by applying three models. In-season creation allows us to create and produce very close to trends and consumer preferences. With planned responsiveness, we read sell-through of seasonal products shortly after introduction and react to produce another batch of a specific product. And ultimately, never-out-of-stock means exactly what is implied in its name: we constantly reproduce these long life cycle products in exactly those numbers the consumers demand.

What are the biggest challenges when trying to accelerate speed?

FD We want to be the first fast sports company and thereby not only revolutionise our business model but the industry as a whole. To be able to do so requires examining and optimising every single element of the creation, supply chain and go-to-market processes – from the first sketch of a product to its delivery to the store. And we've given ourselves less than five years to complete this revolution. So our transformation process is an example for speed in itself!



**» WITH ADIDAS NEO,
WE'VE NOT ONLY
INCREASED OUR
REACTION SPEED,
WE'VE ALSO
DEEPEINED
OUR
CON-
NECTIONS
WITH OUR
TARGET
AUDIENCE. «**

With adidas neo, Claire Midwood, General Manager Style, has proven how fast 'Speed' leads to success. Despite being only seven years old, the brand has already notched up annual sales of €1 billion.



»WE ARE CURRENTLY
**REDEFINING
PRODUCTION** IN
THE SPORTING
GOODS INDUSTRY.«



With the establishment of 'Speedfactories', Gerd Manz, Vice President Technology Innovation, is distinctly stepping up the pace. In future, Speedfactories will be able to produce exactly what the customer wants, on site and on demand.

BACK TO THE FUTURE

STEPPING UP THE PACE: ADIDAS NEO AND SPEEDFACTORIES LEAD THE WAY

About one hundred years ago, Adi Dassler made his first pair of sports shoes in his workshop in Herzogenaurach, going on to develop a global product that is today manufactured and worn all around the world. adidas footwear production now seems to be taking a step back to its roots — or at least to Ansbach, just 50 kilometres away from Herzogenaurach. Together with development partner Oechsler AG, adidas is currently creating a totally new kind of footwear production facility in this picturesque Bavarian town. The prototype of 'Speedfactory' is nothing less than an astonishing feat of technological innovation. If larger-scale production starts as planned next year, it could revolutionise the way in which sports shoes are designed, manufactured and then experienced and purchased by customers — and not just because of the much faster rates of production that the Speedfactory promises to deliver.

"Speed is obviously a crucial factor in sport," says adidas Vice President Technology Innovation Gerd Manz, who is leading the Speedfactory project. "For us as a company, it offers a crucial competitive edge as well." Generally, the industry is still geared to relatively slow product cycles — even though we have been working for many years with 3D product creation tools that have made the creation process significantly faster. But still, a huge amount of time elapses between the design of a new shoe and its eventual arrival in stores. At present, adidas has a large network of experienced manufacturing partners, 95% of whom are located in the Far East. This arrangement is the only efficient way to maintain and grow annual production levels of hundreds of million units. But there are major disadvantages of centralised manufacturing away from the markets. It takes at least

40 days to transport the finished items from the Far East to Europe by ship — long enough for fashions to become outdated, and for dramatic changes to occur both in weather conditions and in customer demand.

Against this backdrop, production experts like Gerd Manz are currently searching for new ways of speeding up the process. One option is the strategic pillar 'Speed', which adidas will use in the coming years to 'turbocharge' its design, production and logistics processes (for more details, see the interview with Franck Denglos on page 15). A further, hugely visionary option is the adidas Speedfactory.

For a recent and striking example of how efficiently and effectively adidas can increase its production speeds and product cycle rates, we only have to look to adidas neo. Despite being only seven years old, this fast sports brand has already notched up annual sales of €1 billion. Yet adidas neo is still as agile as any start-up. "With neo, we've not only increased our reaction speeds, we've also deepened our connection with our target audience," explains Claire Midwood, General Manager Style. Using a wide range of social media, neo creators keep close tabs on what products and styles are inspiring young people, what they miss from the past and what they currently want to buy. This information is combined with historical sales analysis, weather data analytics, retailer feedback and the Net Promoter Score to help neo predict future customer preferences and hence probable sales volumes with a fair degree of accuracy. "Thanks to this data," says Claire Midwood, "we find out faster what the market really wants. So we're able to respond faster too. Ultimately, that means selling faster — and at the full retail price."

In order to meet this demand with minimal delay, the adidas neo team has created a whole new production set-up. The creative team in Herzogenaurach translates the latest trends into new product designs; these go to a production team in the Far East, which works with the manufacturer to integrate the new designs in the production process. Since neo works with a limited range of materials and colours, the manufacturers can implement new designs immediately using existing tools and resources. If there is a sudden surge in demand from the target market, the finished items can in exceptional cases be forwarded by air rather than sea. "Air freight is of course significantly more expensive, but it does give us an extra couple of weeks in which a shoe or T-shirt can be there on sale in stores," says Claire Midwood.

The bottom line is that, for a significant portion of its business, adidas neo has reduced the time between the initial design of a model and the finished product leaving the factory to 45 days, which was previously

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unheard of in the footwear industry. Since this keeps the brand much more up to speed with current trends, its share of full-price sales — i.e. products sold at the full retail price — is well above the industry average. In other words, neo is translating higher speed into higher revenues, happier customers and fewer discounts. How did adidas neo manage to achieve that speed? “As in sport: to achieve exceptional goals in business, you first have to believe it’s possible,” says Claire Midwood.

This belief is also what drives Gerd Manz and his team. In an open innovation model together with an academic, industrial and public partnership, they have spent the past three years laying the foundations for bringing shoe production closer to the consumers. At the heart of the Speedfactory there is a manufacturing technology that is nearly fully automated and almost entirely emission-free. As the Speedfactory concept is scalable, products could then be deployed at any number of new locations, including sporting events and adidas retail stores. Customers could visit these so-called store factories, specify products, watch them being manufactured and pick them up from the checkout a bit later.

For consumers, says Gerd Manz, this would be a totally new brand experience: “Whatever the customer wants

can be made on site and on demand.” For the industry, it represents a complete departure from the complex logistics, time delays and overproduction that inevitably occur when products are ordered and manufactured on spec. It might also change the whole approach in retail stores. Previously, the trick has been to sell products ordered a long time in advance. In the future, the new adidas Speedfactories will only produce the items needed here and now.

Naturally, the Speedfactories will not initially be able to produce every item from every product group in the adidas range. It is also clear that Gerd Manz and his team have a lot of work to do before large-scale production can begin. “At the moment, we’re coming up with new solutions on pretty much a daily basis,” laughs Gerd Manz. “That also means every day brings fresh surprises, both positive and negative.” If the project keeps progressing well, the plan is to set up a second Speedfactory in the USA by the end of next year.

“At one point,” says Gerd Manz enthusiastically, “many adidas shoes could be labelled ‘Made in Germany’ or indeed ‘Made Anywhere’.” For adidas, that means being closer to the consumer and closer to current trends. Clearly, the company’s return to its roots is also a giant leap into the future.

»AT THE MOMENT,
WE’RE COMING UP
WITH NEW
SOLUTIONS ON
PRETTY MUCH
A DAILY BASIS.«

HOW WE CREATE THE NEW

Driving brand desirability begins with putting our consumers at the heart of everything we do and serving them in the best possible way. This means we need to ensure that consumers always find fresh and new products where and when they want them. Speed is a very critical and powerful lever for our Group. **We have therefore set ourselves the goal to become the first true fast sports company by 2020.** This means that we aim to increase the share of 'speed-enabled' products from less than 15% of our net sales in 2015 to 50% by 2020. As a result, our full-price share of sales is forecasted to improve by 20 percentage points by 2020.

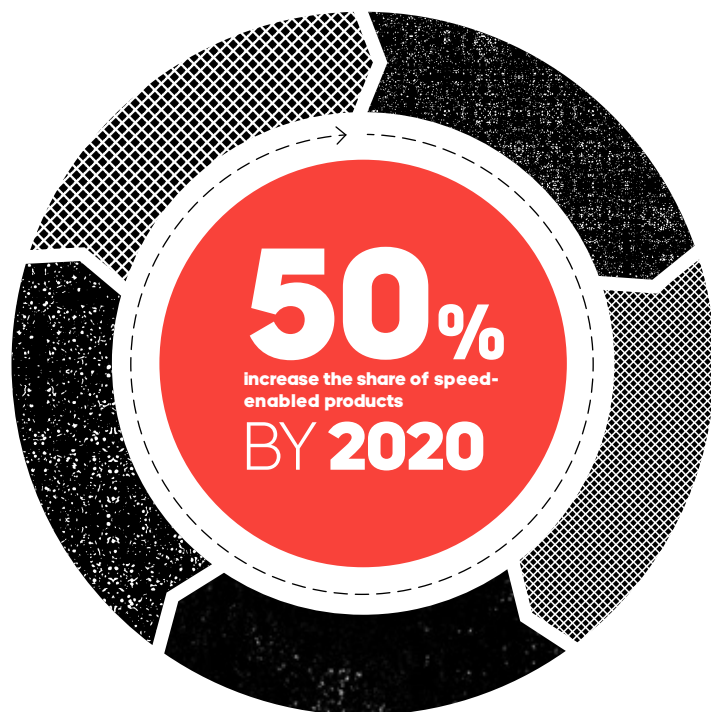
adidas neo



adidas neo is a pioneer in speed production. By offering permanent freshness with a focus on speed and value for the consumer, the young label has shown the adidas Group how to change the game. Having implemented speed capabilities from the very beginning, adidas neo, through consumer interactions, trend monitoring and competitor analysis as well as sell-in and sell-out data, understands consumer needs better than any other brand in the business and is flexible in capturing trends and identifying additional business opportunities. Key learnings of adidas neo in the area of fast business models and speed-to-market will now be transferred to other major adidas categories.

SPEED-ENABLED PRODUCTS

Speed-enabled are products for which the creation, production, transportation and sell cycle are accelerated. They are running on so-called 'Speed programmes'. A speed product is therefore either enabled with an accelerated creation model or with a fast/reactive supply chain model. Often, fast creation and fast supply chain models are combined. The adidas Group will focus on improving and optimising the Group's Speed programmes in order to increase the share of speed-enabled products by 2020 to 50%.



ACHIEVEMENTS & AMBITIONS FOR SPEED

SPEED-FACTORY

In 2015, adidas set up a pilot Speedfactory production facility — featuring revolutionary automated production concepts that not only offer high-performance quality to consumers but also render unique design to the product. Speedfactory combines the design and development of sporting goods with an automated, decentralised and flexible manufacturing process. This flexibility opens doors for the adidas Group to be closer to the market and to where its consumer is. Mid 2016 will see the inaugural concept shoes comprising 500 pairs of running footwear hit the ground.



FIRST SPEED RANGE FOR TRAINING APPAREL

For training, which is the largest category for us in most of our markets, we have developed the first global Speed range for apparel. The 120 articles represent more than two-thirds of the overall training merchandise an average-sized brand concept store usually carries. To reflect the different needs by store size, the range is made of packages covering all price points.



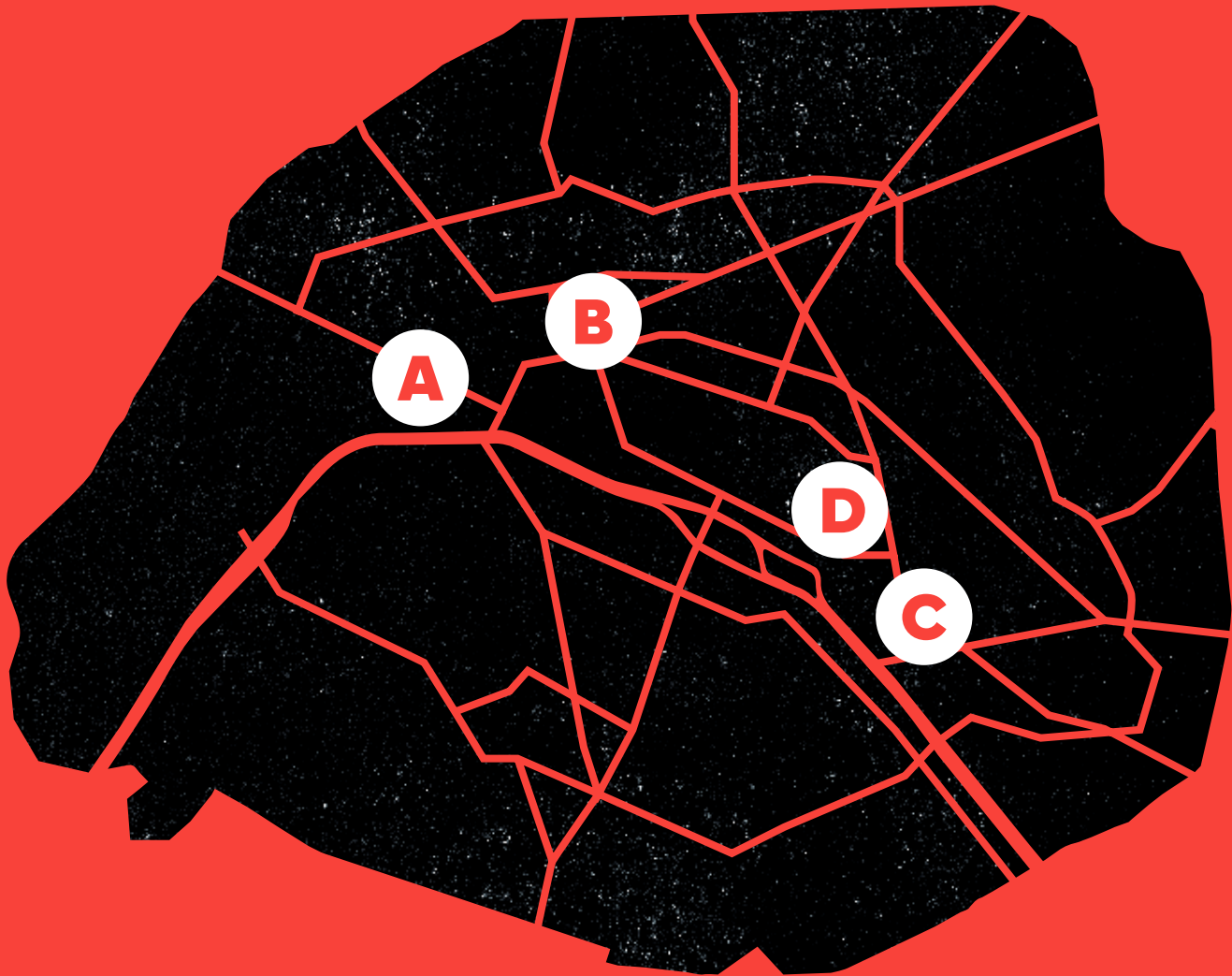
PARIS

A — ADIDAS FLAGSHIP STORE / CHAMPS-ÉLYSÉES

B — ADIDAS SHOP-IN-SHOP AT CITADIUM / RUE DE CAUMARTIN

C — BATTLE RUN / BASTILLE

D — INDOOR SOCCER / MARAIS



CITY CONQUEST

**TRENDS ARE BORN IN CITIES, THE NATURAL HABITAT OF CREATORS OF ALL KIND.
BY CAPTURING KEY CITIES, ADIDAS LOCATES ITSELF AT THE CORE OF UNLIMITED
CREATIVITY THAT HAS THE CHANCE TO SPREAD ACROSS THE ENTIRE WORLD.
WE WANT TO CONQUER METROPOLISES AROUND THE GLOBE. PARIS IS ONE OF THEM.**

CITIES CITIES CITIES
CITIES CITIES CITIES
CITIES CITIES CITIES

CITIES TIES



3 QUESTIONS ON KEY CITIES

1

adidas has been present in major cities around the globe for many years. What is new about the Key Cities initiative?

We have identified Los Angeles, New York, London, Paris, Shanghai and Tokyo as the most important epicentres to focus deeply on. From here we will scale the learnings and the approaches elsewhere. Trends are born in megacities. With this focus comes a more systematic process as well as a more dedicated investment approach. We are much more focused, not to say obsessed with consumers, sports communities and trendsetters in each city and relentless in tailoring solutions to their needs — across products and innovations, marketing and activation, distribution and experiences at retail. Also, we have applied talent, organisation and investment to what really matters. In short: we are much more multi-dimensional and more integrated than ever before.



2

Why did you launch your initiative in just these six cities?

Because you have to focus if you want to achieve extraordinary results. We focused on the cities that could best drive our brands' desirability, visibility, influence and loyalty — but, of course, also revenue and market share growth. We focused on the most influential cities in terms of cultural influence, macroeconomic impact, sports participation and media influence. We wanted places where we could learn about and work with creators, the most influential consumers. As so many consumers around the globe look at these six cities, we can touch more sports-minded people if we show up on these platforms. At the same time, these cities are macroeconomic supercentres in themselves and uniquely offer extraordinary commercial potential for us.

3

Will there be more Key Cities in the future?

Definitely, and we're currently discussing which ones are the next to start with. What we know for sure is that our next focus points will get a headstart, as they'll profit from the learnings and the capabilities of the first six.

**CHRISTOPHER
WILLIAMS**

Joined the adidas Group in spring 2015 as Vice President Commercial Planning & Development. He is heading up the adidas Group's strategic choice Cities.

A CHAMPS-ÉLYSÉES

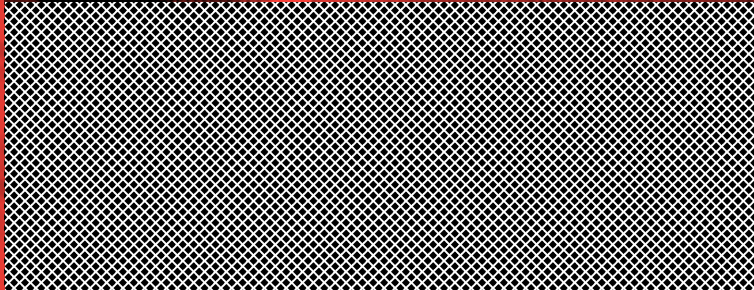
09:58 AM

The adidas brand ambassadors are just as agile and connected as the brand itself. Romain Prigent, 33, is threading his way through the megacity on his scooter. "Not the safest mode of transport, but definitely the fastest," says the adidas Key City Manager.



PUREBOOST X

adidas' increased focus on women is also visible in Paris. The PureBOOST X, a running shoe tailored to the specific needs of women, can be seen throughout the city: on the streets and squares, in the flagship store on the Champs-Élysées as well as in the 'Merci' concept store.



© BAS – TILLE

05:45 PM

With the banks of the Seine and more than 400 parks, Paris offers ideal conditions for runners. More than 25,000 runners have already registered for the Boost Battle Run.



With the UEFA EURO 2016 being hosted in France, adidas is omnipresent on all football pitches. At the beginning of June, the best teams of all key cities will compete against each other in Paris.

**OMA-
RAIS**
07:12 PM



WIN — NING IN PARIS

PARIS IS ONE OF SIX KEY CITIES WITH A HALO EFFECT THAT HAVE BEEN SELECTED AS MAJOR FOCAL POINTS AS PART OF THE ADIDAS GROUP'S NEW STRATEGY 'CREATING THE NEW'. USING HIGHLY VISIBLE CAMPAIGNS, UNIQUE PRODUCTS, ENGAGING NEW STORE FORMATS AND DOZENS OF ACTIVE COMMUNITIES THROUGHOUT THE CITY, THE AIM OF THE KEY CITIES INITIATIVE IN PARIS IS TO WIN THE MARKETPLACE AND PRESENT THE ADIDAS BRAND MORE COHERENTLY AND STRONGER THAN EVER BEFORE. MANAGING IT ALL IS THE ADIDAS KEY CITY MANAGER PARIS, ROMAIN PRIGENT.

09:58 AM

A CHAMPS-ÉLYSÉES

On an icy winter morning, Romain Prigent parks his chic black scooter outside the adidas flagship store on the Champs-Élysées, Paris. Romain Prigent is dressed in a black motorcycle helmet, blue down jacket and sneakers. He is 33 years old, an experienced marketing specialist at adidas France and an avid amateur footballer. Last year, Prigent was given a new role involving a whole new set of challenges. As a Key City Manager, his task is to help adidas conquer Paris. "It's a mega job," he says with a smile as he enters the store. "Really, you'd need to cram 48 hours into each day. But it's also a fantastic challenge — and a completely unique one too."

This, however, is not entirely true: there are in fact another five Key City Managers — in London, Tokyo, Shanghai, Los Angeles and New York — all working to integrate the adidas brand into the fabric of their respective cities, just like Romain Prigent. According to the adidas Group's 'Creating the New' strategy, these six key cities are essential in the race for brand desirability and market share, and hence profit and growth. As global trend centres, each Key City creates halo effects that extend deep into the respective market and country — and beyond. Which is why Key City Managers like Romain Prigent are constantly on the move, visiting stores and restaurants, indoor soccer centres and running groups, seeking out influential and creative people and winning them over for the adidas brand.

This morning, for example, Romain Prigent is at the 2,200 square metre flagship store to meet adidas brand manager Nicolas Favre and prepare for the upcoming launch of the PureBOOST X. Favre is a staunch supporter of the Key Cities initiative: "Paris is not only the fashion capital of the world, it's also a true economic powerhouse," he says. "19% of the French population live here, but they generate more than 30% of our economic output. If we as a company and brand want to win, we've got to win here."

The targets adidas has set itself for Paris are therefore pretty ambitious: a two-fold increase in both market share and net sales by the year 2020, with the Key Cities initiative playing a pivotal role. The initiative aims to create a premium brand experience across all available touchpoints, using a combination of powerful campaigns and product concepts, local brand ambassadors and communities as well as systematic management of the city. In other words, the Paris Key City team has a lot to do.

11:52 AM

B RUE DE CAU-MARTIN

Two hours later, Romain Prigent is on his scooter and threading his way through the heavy traffic of central Paris. His destination is the Citadium retail complex

in the Rue de Caumartin, one of the most important shopping venues in Paris when it comes to sportswear and youth fashion. He heads up to the second floor to meet with the store manager. Business is good, says the manager, but the store will soon undergo a refit as it gears up for the 2016 UEFA European Championship. After the refit, the adidas shop-in-shop will have doubled its retail floor space. The flagship store on the Champs-Élysées will also close its doors for a thorough upgrade and renovation. "Because rents are so high, there are not a lot of sports shops in central Paris right now," says Romain Prigent. This year, adidas will open five new stores in the city centre and another three in the Greater Paris area.

In addition, Romain Prigent and his team have identified more than 60 strategically important stores across the city — including the concept stores Colette and Courir, the French equivalent of Foot Locker — which they are aiming to bring on board with some tailored in-store concepts. According to Romain Prigent, the goal with these stores is more than just better brand presence. "We want to connect these points of sale actively with our existing communities, developing them into genuine platforms for brand experiences." Some stores will offer advisory events with professional trainers, others will serve as the start and finish lines for races and training events organised by the city's growing community of runners. As anyone who has been here recently knows, runners can be seen on the city streets at any time of the day or night.

05:45 PM

BAS— TILLE

"Over the past few years, Paris has become a stronghold for running," says Romain Prigent as he heads off into the Bastille quarter. With the banks of the Seine and more than 400 parks, the city has an almost endless network of running routes. Many of those who use them are also competing in the Boost Battle Run challenge managed by Romain Prigent and the Running team. This community initiative brings together runners of one arrondissement to compete

against others in neighbouring districts, both in terms of training performance and with regard to social media activity. For example, the Bastille training group that Romain Prigent is accompanying this afternoon is competing against runners from Châtelet, Abbesses, Pigalle and other districts of Paris. The Boost Battle Run final was held at the National Institute of Sport and Physical Education (INSEP) in Bois Vincennes at the end of February. This event was the perfect opportunity not only for adidas to launch the new PureBOOST X running shoe, but also for the team to look back on some impressive achievements. The first year of the campaign has seen more than 25,000 runners registering for the Boost Battle Run. It is also a powerful illustration of the halo effect that a Key City can have. In recent months, the mayors of Lyon, Bordeaux and four other French cities have invited adidas to start similar communities there.

07:12 PM



MA— RAIS

Romain Prigent and his team had to reject these requests — initially, at least — in order to focus on their Key City, where there is more than enough to do. In addition to the thriving running community, Romain Prigent looks after an expanding network of indoor soccer teams, who compete against each other in various tournaments. One league is reserved for athletes, while another has teams made up of influential people in the arts, such as DJs, photographers, film producers and designers. "This ensures that our brand is closely connected with creative, trendsetting individuals," says Romain Prigent. As part of this approach, the new PureBOOST X shoe will also be presented in the concept store Merci, which is housed in a converted factory building in the Third Arrondissement. The general rule is that wherever creatives are to be found in Paris, adidas should also be present.

As such, the Key City Manager's tasks also include providing staff at fashionable venues and restaurants with adidas apparel, as well as regularly hosting events at these locations. This is why Romain Prigent's working day often extends well into the evening, when this global fashion capital finally starts to wind down. It also explains why Key City Managers share at least one key attribute with many top-level athletes: exceptional stamina and passion.

HOW WE CREATE THE NEW

Given the megatrend of urbanisation and the continued influence of cities, the adidas Group has defined **Cities as one of its strategic choices**. In 2015, we set the foundation for this strategic choice. **We focused on creating visions and plans for each city, enabling them via tailored organisations and investment in systems and processes**. At the same time, we started to execute on the strategy, with the first results of these efforts becoming visible. **It is our goal to achieve a leading position within these cities by 2020**. This overview introduces some of our key highlights that were executed in our six global key cities in 2015.

PARIS

UNDERGROUND FOOTBALL CLUB

Over a period of six months, adidas set up an unprecedented football experience at the Underground Football Club in Saint-Ouen, Île-de-France, Paris. Football players of all levels had the opportunity to compete against each other as in a real championship. The highlight of this tournament was the big final that was attended by more than 1,600 football enthusiasts and fans. With this activation, the adidas brand ruled the pitch and gave young athletes an unforgettable sports event and brand experience in which they were the creators of the game.



LOS ANGELES

WOMEN'S SUPERSTAR SHOWCASE

In August 2015, adidas Originals celebrated the Year of the Superstar with the Women's Superstar showcase campaign. This social campaign was supported by three influencers from the fashion and photography industry, encouraging female consumers to become creators themselves by motivating consumers to develop creative stylings with the adidas Originals Superstar shoe. The highlight of the campaign was a showcase held at a gallery in Los Angeles where all works from the participants were on display.

NEW YORK CITY

ALL-AMERICAN CAMP AT RUCKER PARK

In July 2015, adidas hosted a basketball grassroots camp at Rucker Park in New York City. 90 of the best basketball athletes in the 2016-2018 classes were invited to this event where they had the opportunity to perform in front of NCAA coaches and scouts. The event is one example of how adidas steps up its grassroots and local activation efforts in order to win the locker rooms and urban basketball courts, where loyalty is built and earned.



ACHIEVEMENTS & AMBITIONS FOR CITIES

LONDON

ADIDAS CITY PACK HACKNEY

After revolutionising its football footwear offer by introducing X and Ace in May 2015, adidas went a step further and launched the adidas City Pack. The game-changing football boots have now been reimagined for the cages and courts of the cities where street football lives. Three different editions have been released for districts in the hottest cities in the world. Hackney in London is one of them. Now, for the first time, players are able to play a game with football boots that represent the area where they come from.



SHANGHAI

RUNBASE

In spring 2015, adidas opened the adidas Runbase near Xuhui River in Shanghai. From now on, enthusiastic urban runners have the opportunity to experience the joy of running in the heart of the pulsing metropolis. The Runbase not only serves athletes of all levels as an information hub regarding the latest adidas products and technologies but also hosts exclusive running events on a regular basis such as the half marathon in May, in which more than 7,000 runners participated.



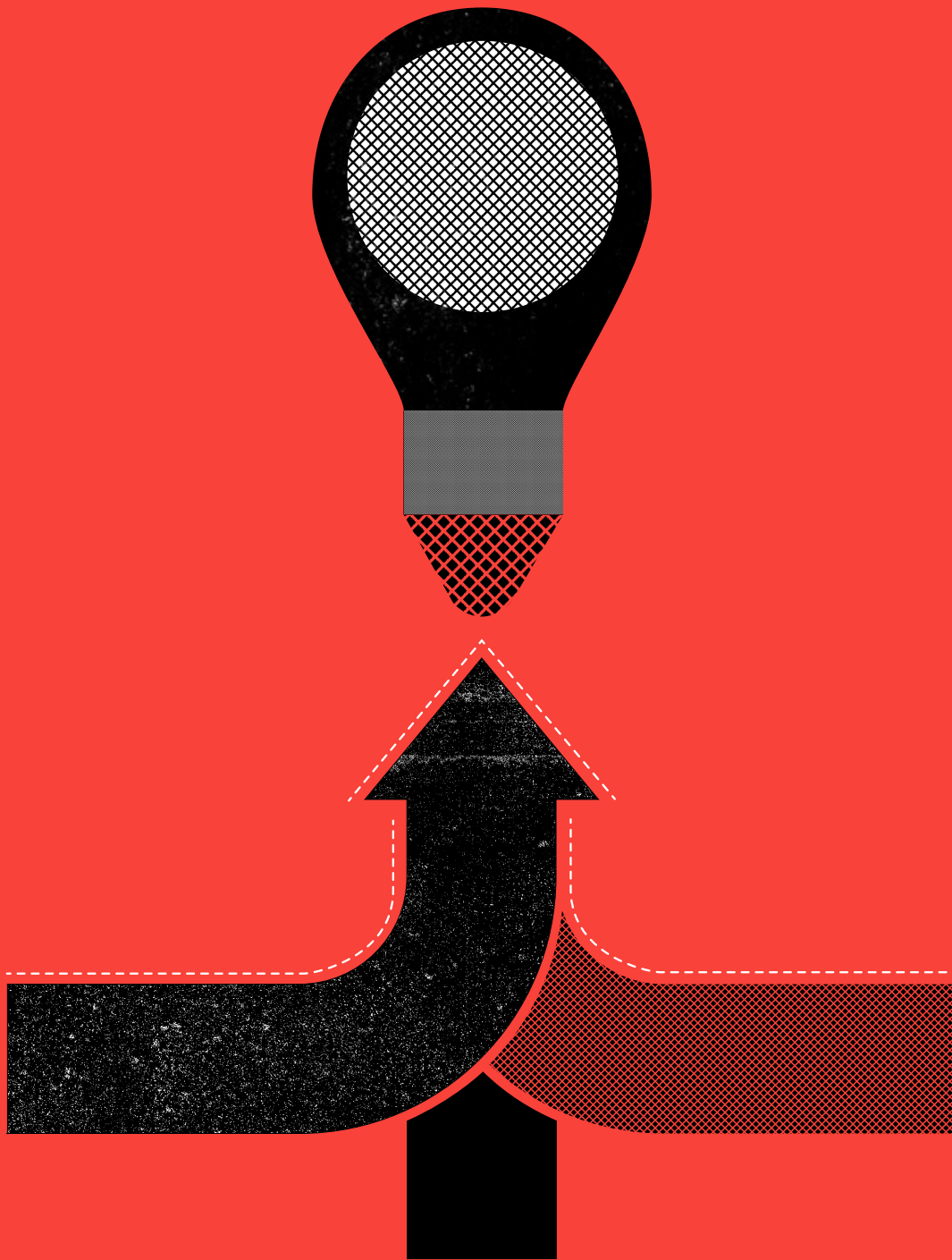
7,000

SPORTS
ENTHUSIASTS

TOKYO

ADIDAS ORIGINALS FLAGSHIP STORE

Since spring 2015, there is a new destination for all streetwear hounds in Tokyo: the adidas Originals Flagship Store. The opening of the new hub for streetwear fashion was celebrated with an event to which numerous fashionistas, bloggers and people from the scene were invited. This store opening supports adidas' endeavours to conquer the most relevant spots in the city and to build hubs where consumers experience the brand in unprecedented ways.



COLLABORATION

CREATING SOMETHING NEW

**IS A JOURNEY OF GOING INTO THE UNKNOWN, TRYING SOMETHING
UNCONVENTIONAL, EXPLORING NEW IDEAS AND PERSPECTIVES. WE WANT
TO INVITE ATHLETES, CREATORS, SPORTS ENTHUSIASTS AND
DESIGNERS TO JOIN US IN SHAPING THE FUTURE OF OUR BRANDS AND SPORT.**

OPEN SOURCE
OPEN SOURCE
OPEN SOURCE

PEN SOURCE



ADIDAS FUTURECRAFT TAILORED FIBRE ENABLES UNIQUE FOOTWEAR DESIGNS THAT CAN BE MODIFIED TO THE INDIVIDUAL NEEDS OF ANY ATHLETE.

TOTALLY NEW POSSIBILITIES



An age-old craft but completely new to the footwear industry: A few years ago, James Carnes (left) and Alexander Taylor (right) came up with the idea of using knitting for sports footwear. They continue to evolve the technology and are taking the benefits of knitting to the next level with the Futurecraft Tailored Fibre.



» **OPEN SOURCE
IS A JOURNEY
WHERE NO ONE
KNOWS
EXACTLY WHERE
IT ENDS.** «

JAMES CARNES



CREATING A SPARK

INTERVIEW WITH JAMES CARNES (JC) AND ALEXANDER TAYLOR (AT)

WHEN LAST YEAR A TEAM OF ADIDAS DESIGNERS TURNED AN ILLEGAL FISHING NET INTO A REVOLUTIONARY NEW SHOE CONCEPT, IT WAS A COMPELLING DEMONSTRATION OF HOW UNCONVENTIONALLY THE BRAND ADAPTS NEW PERSPECTIVES. JAMES CARNES, VICE PRESIDENT STRATEGY AT ADIDAS, AND INDUSTRIAL DESIGNER ALEXANDER TAYLOR, WHO HAS HIS ROOTS IN FURNITURE DESIGN AND HAS BEEN CO-CREATING WITH ADIDAS, TALK ABOUT HOW THE OPEN SOURCE APPROACH HAS CHANGED THE COMPANY — AND MIGHT DO SO EVEN MORE IN THE FUTURE.

Originally, the term Open Source was coined in the software industry. What made you capture it for adidas' design work?

JC 99% of what most companies call collaboration today is sort of planned out and controlled. It starts with the number one question: What exactly will we get in the end? Our approach is different. For us, Open Source is more of a journey, where no one knows exactly where it ends and a maximum of freedom is granted to people's creativity. That's exactly what we are looking for: going beyond traditional collaboration, trying something unconventional and going into the unknown.

Why do you take that risk?

JC Because we know that if you approach projects in an open, risky, uncertain way and don't try to control everything upfront, you get something unprecedented — something which creates extra value for the consumer, something that didn't exist before. This is how innovation is born. It's quite simple: turn over tools to work with, open free spaces for collaboration and bring in new perspectives from athletes,

consumers and partners, and you'll almost automatically get different results. Our idea of Open Source is to create a spark first — and then co-create and collaborate with the right partners to turn it into a product and production process. —

Alex, you are one of those right partners, what attracted you as an experienced designer to this unconventional form of collaboration?

AT A few years back, James invited me to work with adidas. With my background in industrial and furniture design I like to work on something that is much bigger than just a shoe design. We started an exploration together and we didn't know where it might take us, but we were quite sure we would come back with new ideas that might change the industry. And so we did.

JC Alex tends to explore on the very outskirts of design as well as innovative materials and come back with ideas we could never have thought of. What we discovered together, in one of our first projects, was not totally unheard of. In fact, it was the well-known technology of knitting, which has been used for ages in garments but was completely new to the footwear industry when we introduced it in 2012 for the Olympic Games in London. It was probably the steepest learning curve we have ever experienced. But look where it took us: This year, we'll already be one of the biggest knitted footwear suppliers in the industry. So with an open approach you can get much further than you'd come with a well-defined target corridor — that was our key take-away and learning back then. And this is also what helped us achieve our latest little stroke of genius last year, when we succeeded in producing our first shoe made from ocean plastic ... —

» **THAT'S EXACTLY
WHAT WE ARE
LOOKING FOR:
GOING
BEYOND
TRADITIONAL
COLLABORATION,
TRYING
SOMETHING
UNCONVENTIONAL.** «

»WE WANT TO FUEL THE ENERGY AROUND SPORTS.«

... which was also presented at the United Nations last year. Tell us about this shoe and how it all came together.

AT Well, we experimented with knitting a lot to bring it to the next level and also experimented with new materials and production processes. This brought me to a small company in a town outside Stuttgart that was using the technique of fibre placement, which the machine manufacturer used in the construction of car seats and in creating technical carbon fibre parts for aeroplanes. No one had ever used it for shoe production, but I discovered it would open up completely new ways of designing, constructing and producing components. So, again, unexpected questions led to a new technique which hadn't been used in the industry ever.

JC I remember Alex coming back from Stuttgart with a prototype, which was made of electrical wire as this was the only material available. The shoe looked like a strange bird's nest, so we didn't know whether it would look cool in the end, or even work properly. But when we showed it to our team, people went crazy. Pharrell Williams, with whom we had a meeting at that time, was relentless: "That's really different and cool! That's something I definitely want to work with." —

And then, together with Parley for the Oceans, you turned this 'bird's nest' into an actual shoe using gillnets from the ocean ...

JC Our partners from Parley for the Oceans told us about a 72-kilometre nylon gillnet that the environmentalist organisation Sea Shepherd had obtained from poachers in the Arctic Sea. They also knew the foremost green chemist in the US, who was capable of turning the net into large-scale fibres. So we quickly started working on this using the process Alex had been developing.

AT It all happened extremely fast. Only through the support of our network of chemists, engineers, environmentalists and designers could we turn part of the net into a thread from which we were able to produce shoes within six days. Together with our partner Parley for the Oceans, we presented them at the United Nations headquarters in New York in June. It was a joint effort where just everything fell into place. Of course, exploring new ways means failing from time to time – that's just part of the process. But failure often makes things better, unless you allow yourself to give up.

What makes Open Source a strategic choice for the adidas Group today?

JC We observe a growing desire from consumers to create their own identity. And we're not talking about projecting or fabricating an identity, but about really believing in what they're doing. There's a large audience today that wants to be brought in and to be given tools to create something unique. Take the UltraBOOST, which we launched last year: People immediately posted online how to take pieces off to make it look simpler or how to paint the midsole – they were doing things that we hadn't considered. It was great, and we wanted to bring them in, to make them part of our culture. —

AT The pace at which you can change things has accelerated immensely. People nowadays have this 'can-do attitude', which wasn't even bubbling ten years ago. But now it has just exploded.

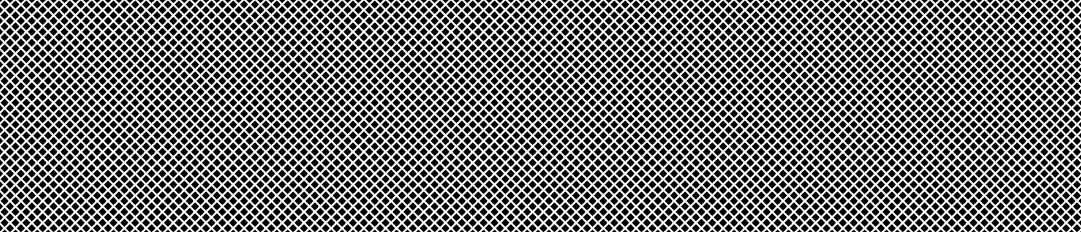
You plan to take this approach even further by opening so-called creator farms.

JC Remember, we're not just here to sell shoes and shirts, but to fuel the energy around sport. With the creator farms, we want to open permanent spaces for collaboration. Later this year, we will open the first one in Brooklyn, which will focus on design. We are also considering opening additional creator farms with different focuses, in areas where creativity is happening. We want to explore completely new ways of creativity – from apps and tools to entirely new business models. And, of course, all farms will interact in multiple and yet unforeseeable ways and thus come up with ideas and products we can't even dream of today. It's all about interacting, exchanging ideas and inviting people to work with us.

What is it that the company has to offer them?

JC We can give them access to our tools and archives, our culture and expertise, the freedom to work and explore. The world is changing and creatives can contribute ideas and perspectives that help the brand to master this change. Seeing that come to life is extremely fulfilling for me, as it not only has an impact on us and the industry, but also on consumers' lives. You just have to keep the fire of creativity burning, even when you don't know where it'll lead you. You only know it has value, which is magnified exponentially by the power of our network. That's the elusive power of Open Source.

»PHARRELL SAID:
»THAT'S SOMETHING
I DEFINITELY WANT
TO WORK WITH.«



Alexander Taylor and James Carnes have been successfully working together for several years. Alexander's external perspective and know-how as industrial designer together with James' extensive experience in the sporting goods industry provide the ideal basis for new shoe concepts and groundbreaking innovations.





» REAL INNOVATION STARTS WITH UNEXPECTED QUESTIONS.«

ALEXANDER TAYLOR

What was an illegal gillnet yesterday is a game-changing shoe concept today: The upper of the Parley for the Oceans shoe is made of 100% recycled plastic ocean waste. The first collection of this innovative shoe will be introduced onto the market in 2016.

HOW WE **CREATE** **THE NEW**

OUR 2020 TARGETS FOR OPEN SOURCE

With Open Source, our 2020 goal is to embed external creative capital in our processes to extend our possibilities in creating the future of sport. For the initial phase of Open Source until 2017, we have identified two key targets. The first is to drive brand heat and advocacy by inviting consumers to become part of our creative culture. 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 will generate from these sources, we will craft better products and services for our consumers, driving increases in Net Promoter Score and market share.



FUTURE- CRAFT – 3D- PRINTED PERFOR- MANCE FOOTWEAR

adidas unveiled the future of performance footwear with Futurecraft 3D, a unique 3D-printed running shoe midsole which can be tailored to the cushioning needs of an individual's foot. The 3D concept is part of the 'Futurecraft series', a forward-looking initiative that places open source collaboration and craftsmanship at the heart of design to drive innovation across all elements of production. The production breakthrough that was developed together with the 3D printing specialist Materialise will take the running shoe standard to the next level, offering unprecedented individualised support and cushioning for every foot, to enable athletes to perform at their best.

ACHIEVEMENTS & AMBITIONS FOR OPEN SOURCE

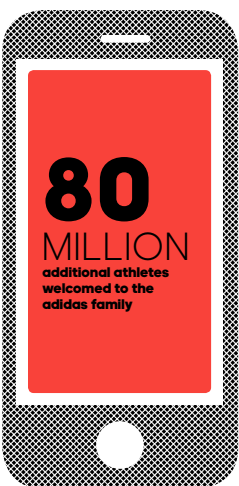
KANYE WEST AND PHARRELL WILLIAMS

In 2015, adidas gave two of the world's most famous creators the oxygen to create unprecedented brand momentum: Kanye West and Pharrell Williams. With the creative influence of Pharrell Williams, adidas launched several editions of the Supercolor that brought the iconic Superstar franchise back loudly to the shelves. The launch of the Yeezy Boost, which originated out of the work with Kanye West, became the Footwear News 'Shoe of the Year 2015', the industry's Oscars. It also redefined the standards of brand heat, creating unprecedented social media hype, long queues in front of the stores and immediate sell-out.



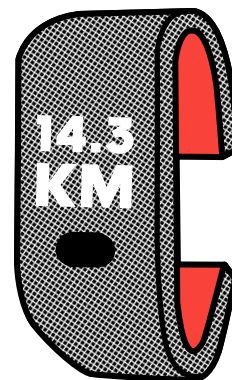
ADIDAS + BASF = BOOST

In 2015, adidas launched the best running shoe ever, the UltraBOOST. Once again, adidas broke the limits of running footwear in terms of design, energy return and foot protection. Athletes such as Yohan Blake, David Villa and Sammy Watkins pledged their allegiance to the Ultra Boost right from the beginning. The midsole of the shoe is made of Boost material, which has been developed together with the world's leading chemical company BASF.



RUNTASTIC

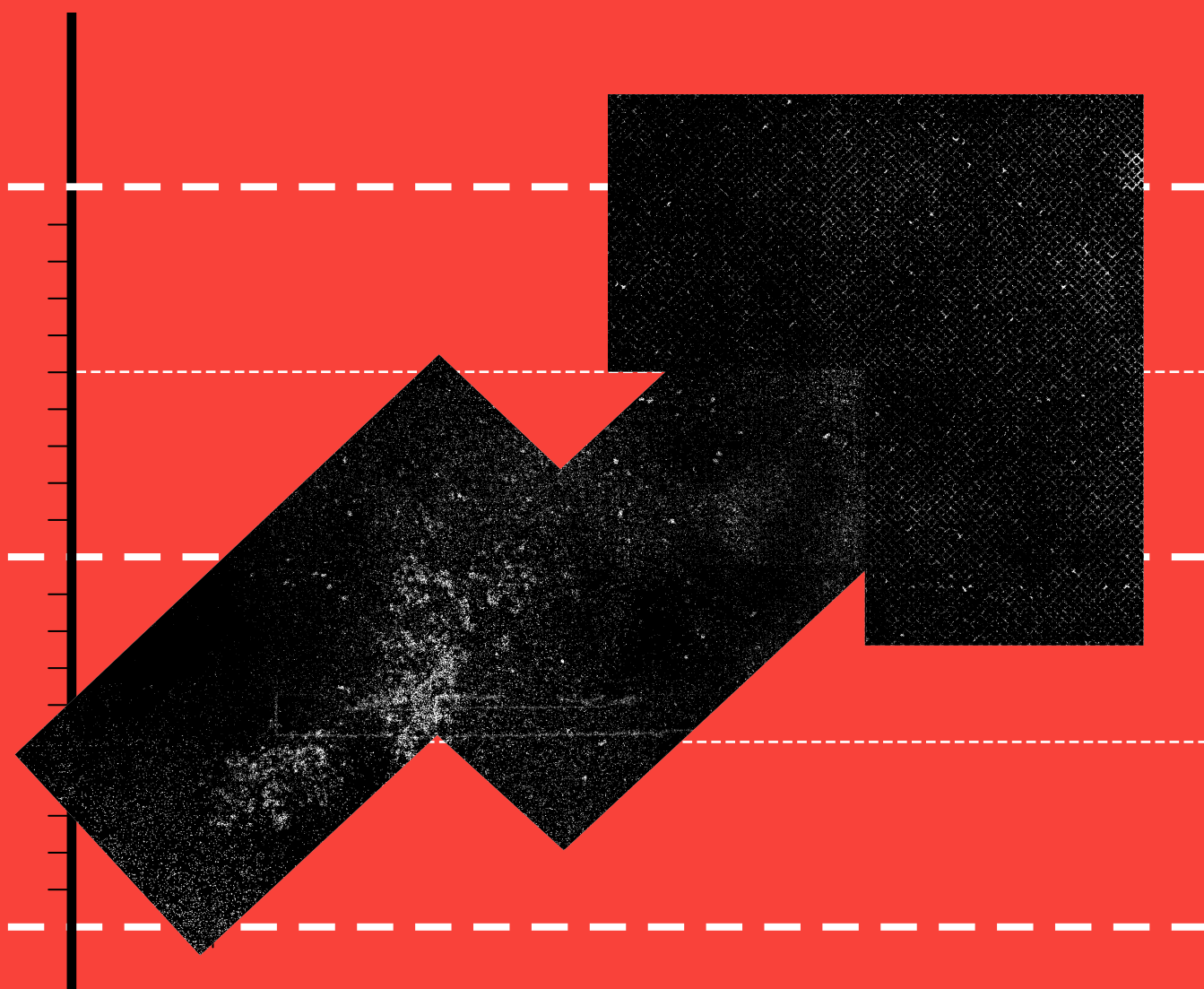
With the acquisition of Runtastic in August 2015, adidas confirmed its intention to invest into digitalisation and welcomed 80 million additional athletes to its family. Later in the year, Runtastic launched a new app called 'Runtastic results'. This mobile application aims to function as a real personal trainer, guiding users through their health and fitness routine and pushing them beyond their limits.



HEALTHY TOGETHER

adidas was the first in the industry to comprehensively bring data analytics to the athlete. With decades of continuous investment in sports science, sensor technology, wearables and digital communication platforms, adidas has already taken a leading role

in terms of changing the sporting goods industry through technology. Together with Team EXOS, the world's leader in sports science and athlete training, adidas is working to develop its future digital and experience innovations.



+56%

**THE ADIDAS AG SHARE REACHED A NEW ALL-TIME
HIGH DURING THE COURSE OF THE YEAR
AND CLOSED 2015 AS THE TOP PERFORMER OF THE
DAX-30 WITH AN INCREASE OF 56%.**



FACTS & FIGURES

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CORPORATE MISSION STATEMENT

adidas
GROUP

**THE ADIDAS
GROUP STRIVES
TO BE THE
BEST SPORTS
COMPANY IN
THE WORLD,
WITH BRANDS
BUILT ON A
PASSION FOR
SPORT AND
A SPORTING
LIFESTYLE.**

1

We are committed to continuously strengthening our brands and products to improve our competitive position.

2

We are innovation and design leaders who seek to help athletes of all skill levels achieve peak performance with every product we bring to market.

3

We are consumer-focused and therefore we continuously improve the quality, look, feel and image of our products and our organisational structures to match and exceed consumer expectations and to provide them with the highest value.

4

We are a global organisation that is socially and environmentally responsible, that embraces creativity and diversity and is financially rewarding for our employees and shareholders.

5

We are dedicated to consistently delivering outstanding financial results.

OUR BRANDS



FOR MORE INFORMATION ON OUR BRANDS:
WWW.ADIDAS-GROUP.COM

ADIDAS

adidas is a truly global brand with German roots.

ADIDAS SPORT PERFORMANCE

The guiding principle of adidas Sport Performance is helping athletes to make a difference. In their game, in their world and in their life. The main focus is on key categories, such as football, running, basketball and training.

ADIDAS ORIGINALS

adidas Originals is the authentic, iconic sportswear label for the street.

ADIDAS SPORT STYLE

adidas Sport Style includes the labels adidas neo, Y-3 and Porsche Design Sport by adidas.

€13.939 BN
NET SALES IN 2015

+12%
SALES DEVELOPMENT
CURRENCY-NEUTRAL IN 2015

HIGHLIGHTS 2015

— 2015 is the year of the UltraBOOST, the best running shoe ever. After its introduction, the white version of the shoe is sold out within three days.

— In 2015, adidas Originals defines new limits for brand desirability. The launch of major franchises such as the Superstar (Supercolor and Supershell), Yeezy, Tubular and NMD sees consumers waiting for days in front of the stores to get a pair of these lifestyle sneakers.

— In 2015, adidas changes its football approach and says goodbye to the traditional silos. From now on, two new football boots rule the pitch: Ace and X.

— Award-winning marketing campaigns like 'There will be haters', 'Unfollow' or 'Create your own game' are viewed several million times and excite consumers all over the world.



REEBOK

Reebok is an American-inspired global brand with the clear objective to become the leading fitness brand in the world. Reebok believes that fitness is a way of life. And Reebok's version of fitness — Tough Fitness — can prepare all who are willing to join in for the unknown obstacles of life.

Reebok 

€1.751 BN
NET SALES IN 2015

+6%
SALES DEVELOPMENT
CURRENCY-NEUTRAL IN 2015

HIGHLIGHTS 2015

— Reebok and CrossFit celebrate five years of partnership and innovation with the launch of the Reebok CrossFit Nano 5.0 that has been developed together with the CrossFit community.

— For its marketing campaign 'Be More Human', Reebok wins two silver Cannes Lions, the most coveted award in advertising.

— Reebok and the UFC unveil the first UFC fight kit. The launch of this kit marks a cornerstone moment for both the sport of UFC and the Reebok brand.

— In 2015, more than one million pairs of shoes are sold across Reebok Classic's Fury franchise, including the Instapump Fury and the Furylite.





TAYLOR MADE- ADIDAS GOLF

TaylorMade-adidas Golf comprises four brands: TaylorMade, adidas Golf, Adams Golf and Ashworth. Each brand's strategy is to develop and commercialise innovative, technologically advanced stylish products at a faster pace than the competition, and to build awareness and demand for these products through high-level visibility on the world's professional golf tours.



HIGHLIGHTS 2015

— The brands and products of TaylorMade-adidas Golf shine on the 2015 PGA Tour and enable top athlete Jason Day to temporarily take the number one spot in the official world golf ranking.

— In June 2015, TaylorMade-adidas Golf announces a partnership with Microsoft that launches a golf tile on the Microsoft Band which helps to enhance the golfer's performance and overall experience through advanced analytics and statistical tracking.

— In 2015, TaylorMade launches the M1 driver that after a short time becomes the #1 driver on tour and in retail. M1 is inter alia played by top athletes such as Jason Day and Justin Rose.

€ 902 M
NET SALES IN 2015

-13%
SALES DEVELOPMENT
CURRENCY-NEUTRAL IN 2015



REEBOK- CCM HOCKEY

Reebok-CCM Hockey is a leading designer and marketer of ice hockey equipment and apparel, with two of the world's most recognised ice hockey brand names: Reebok Hockey and CCM.

€ **317 M**
NET SALES IN 2015

+8%
SALES DEVELOPMENT
CURRENCY-NEUTRAL IN 2015

Reebok | **CCM**

HIGHLIGHTS 2015

— In the second quarter of the year, CCM releases the Ribcor skate line featuring Reebok's legendary Pump technology.

— CCM launches its new brand platform 'Made of Hockey' that is used to promote hockey as a sport and also includes an online shop.

— For the first time, in 2015, CCM has three stick and three skate families. CCM now has a product to meet the needs of all player types.



FACTS &
FIGURES

SUSTAINABILITY

SPORT INFINITY

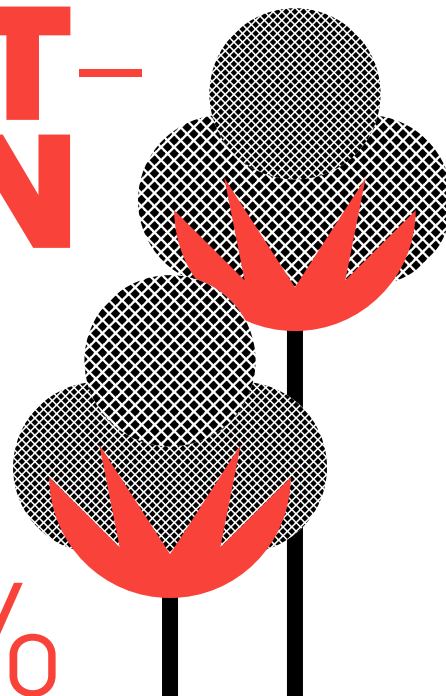


The adidas Group introduced Sport Infinity, a research project funded by the European Commission which focuses on sporting goods that can be fully recycled. The project aims to identify and develop innovative recyclable materials which will enable the production of easily customisable sporting goods. Worn sportswear will be broken down and recycled into a 3D-shapeable material to be remoulded again in a waste-free, adhesive-free process.

HUMAN RIGHTS

In July 2015, the adidas Group organised a high-level stakeholder dialogue in London, with key stakeholders such as FIFA, Amnesty International, Transparency International, the Institute for Human Rights and Business and UNICEF. This gathering focused on exploring the role of corporate sponsors in major sporting events with respect to upholding human rights. The dialogue identified both immediate short-term actions, as well as long-term opportunities for sponsors to engage with sporting bodies and other stakeholders with regard to the human rights impacts of mega sporting events.

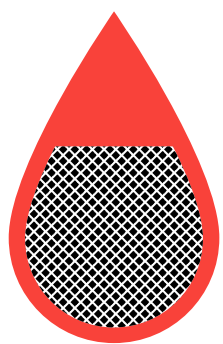
BETTER COTTON



43%

In 2015, the adidas Group sourced 43% of all its processed cotton as Better Cotton. With this achievement, the Group exceeded its originally set goal of 40%. The Better Cotton Initiative (BCI) aims to make global cotton production more sustainable. To do so, BCI works with organisations from across the cotton supply chain and with interested stakeholders to address the negative social and environmental impacts of mainstream cotton farming, such as excessive pesticide and water use, while also promoting fair working conditions for the cotton farmers and their workers.

CHEMICAL MANAGEMENT



65%
of dyestuffs are
bluesign® approved

In 2015, the adidas Group further strengthened its focus on chemical input management and overachieved its targets, with 25% of auxiliaries and 65% of dyestuffs now bluesign® approved. As part of the partnership with bluesign technologies, the leading Swiss provider of assessment tools for chemistry in the textile industry, the adidas Group records the chemical inventory of its strategic apparel material suppliers. In order to track the positive development, the adidas Group has started to set targets for the use of bluesign® approved chemicals.

HIGHLIGHTS 2015

PARLEY FOR THE OCEANS

In 2015, the adidas Group partnered up with 'Parley for the Oceans', a thought leader in ocean conservation and eco innovation that creates awareness to end the destruction of the oceans. This collaboration will accelerate the creation of innovative products and the integration of materials made from ocean plastic waste into products. In addition to the creation of the world's first shoe made of yarns and filaments reclaimed and recycled from ocean waste and illegal deep-sea gillnets, the adidas Group presented a 3D-printed ocean plastic shoe midsole and has committed to phase out the use of plastic bags in its own-retail stores in 2016.



SUSTAIN – ABILITY

The adidas Group ranked **third in the 'Global 100 Index'** in 2015 and was recognised as **one of the 100 'Most Sustainable Corporations in the World', as best European company and as leader in its industry.** This ranking by Corporate Knights is one of the most extensive data-driven corporate sustainability assessments in existence.

DOW JONES

In 2015, for the 16th consecutive time, adidas AG was selected to join the Dow Jones Sustainability Indices (DJSI), the world's first global sustainability index family tracking the performance of the leading sustainability-driven companies worldwide. In the sector 'Textiles, Apparel & Luxury Goods', adidas AG scored industry-best ratings in the category Innovation Management and also received far above-average scores in other categories.

FACTS & FIGURES

FINANCIAL HIGHLIGHTS

OPERATING HIGHLIGHTS — € M

Net sales¹
2015: **16,915**
2014: **14,534**

EBITDA¹
2015: **1,475**
2014: **1,283**

Operating profit^{1,2,3}
2015: **1,094**
2014: **961**

Net borrowings
2015: **460**
2014: **185**

Net income from continuing operations^{1,2,3}
2015: **720**
2014: **642**

¹ Figures reflect continuing operations as a result of the divestiture of the Rockport business.
² 2015 excluding goodwill impairment of € 34 million.
³ 2014 excluding goodwill impairment of € 78 million.

KEY RATIOS — %

Gross margin¹
2015: **48.3**
2014: **47.6**

Operating margin^{1,2,3}
2015: **6.5**
2014: **6.6**

Average operating working capital in % of net sales¹
2015: **20.5**
2014: **22.4**

DATA PER SHARE — €

Basic earnings^{2,3,4}
2015: **3.32**
2014: **2.72**

Dividend
2015: **1.60⁵**
2014: **1.50**

Share price at year-end
2015: **89.91**
2014: **57.62**

¹ Figures reflect continuing operations as a result of the divestiture of the Rockport business.
² 2015 excluding goodwill impairment of € 34 million.
³ 2014 excluding goodwill impairment of € 78 million.
⁴ Includes continuing and discontinued operations.
⁵ Subject to Annual General Meeting approval.

NET SALES BY BRAND — %

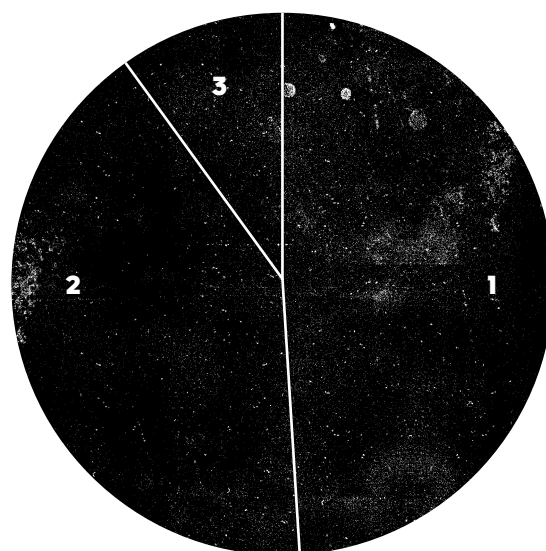
Rounding differences may arise.



1 adidas **82%**
2 Reebok **10%**
3 TaylorMade-adidas Golf **5%**
4 Reebok-CCM Hockey **2%**

NET SALES BY PRODUCT CATEGORY¹ — %

Rounding differences may arise.



1 Footwear **49%**
2 Apparel **41%**
3 Hardware **9%**

¹ Figures reflect continuing operations as a result of the divestiture of the Rockport business.

ADIDAS GROUP OUTLOOK FOR 2016

CURRENCY-NEUTRAL SALES DEVELOPMENT

INCREASE AT A RATE OF

10% – 12%

GROSS MARGIN

47.3% – 47.8%

OPERATING MARGIN

TO REMAIN AT LEAST

STABLE

VERSUS PRIOR YEAR LEVEL

NET INCOME FROM CONTINUING OPERATIONS

TO INCREASE AT A RATE OF

10% – 12%

TO AROUND

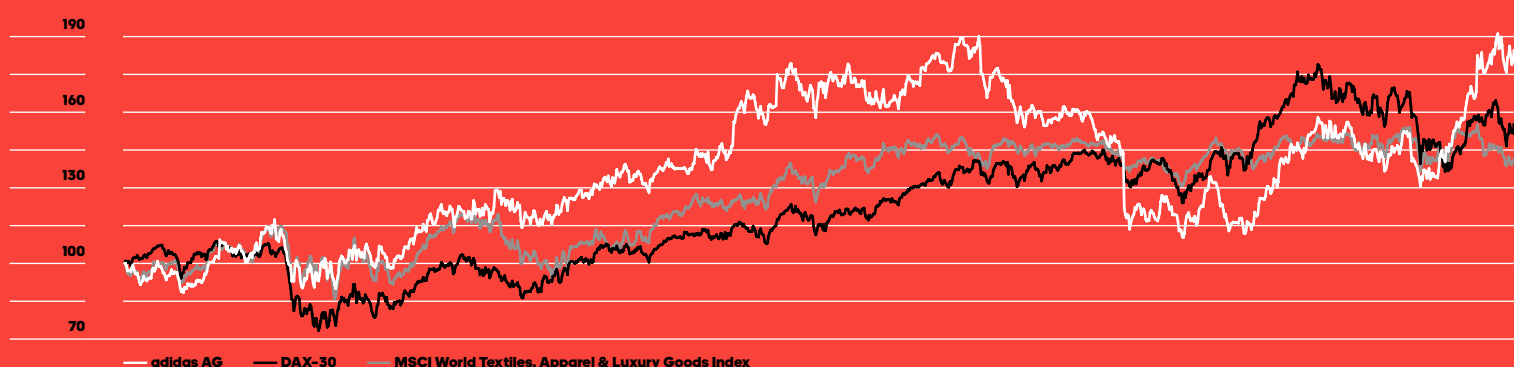
€ 800 MILLION

FIVE-YEAR SHARE PRICE DEVELOPMENT

Index: December 31, 2010 = 100.

December 31, 2010

December 31, 2015



ADIDAS AG SHARE INFORMATION

- YEAR-END PRICE
- NUMBER OF SHARES OUTSTANDING¹
- ISIN
- MARKET CAPITALISATION²
- STOCK SYMBOL

€ 89.91

200,197,417

ISIN DE000A1EWWO

€ 18,000 M

ADS, AD SGn.DE

¹ All shares carry full dividend rights.

² Based on number of shares outstanding at year-end.

21%

**NORTH
AMERICA**

**LOS
ANGELES**

**NEW YORK
CITY**

11%

**LATIN
AMERICA**

SIX GLOBAL KEY CITIES

Paris / France // Europe

London / UK // Europe

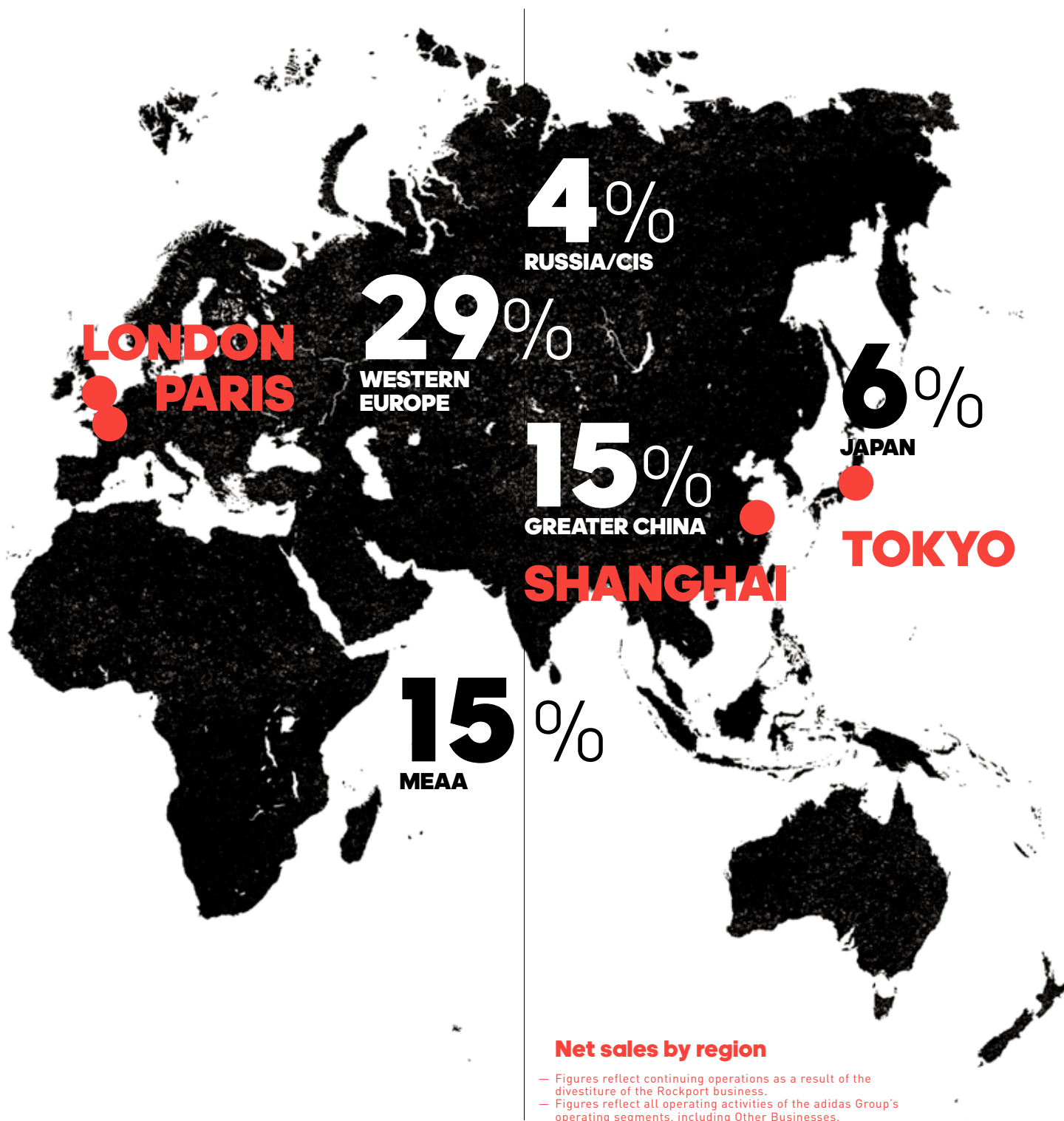
Tokyo / Japan // Asia

Shanghai / China // Asia

Los Angeles / USA // North America

New York City / USA // North America

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Concept and Design

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Photography Design
MATTHIAS HASLAUER

— Stuttgart / Berlin

Printed by

EBERHARDT

MATTHIAS HASLAUER



