

adidas Group Investor Relations Tutorial Workshop

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Q&A sessions: adidas Football, adidas Running, adidas Originals

adidas Group participants:

Markus Baumann / General Manager adidas Football

Adrian Leek / General Manager adidas Running

Arthur Hoeld / General Manager adidas Originals

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Q&A session part 1: adidas Football

Andreas Riemann – Commerzbank

Two questions from my side. First question on sponsoring deals. Last year you signed Manchester United, but today it feels like sponsor players is more important than sponsoring teams. So what is the strategy with regard to sponsorship deals related to soccer teams? Question two: what are the price tags for the three new football franchises? Because I'm just wondering that the urban soccer players may not be able to afford to pay € 150. So what is the pricing strategy when you want to address the urban soccer players?

Markus Baumann

Let me start with the second question. So, the premium boots, the same boots all our professional players are playing with, they are above € 200. However, and as in the past, we always have had a take-down strategy. The same looks will be available at an entry price level of € 60, they will be available at € 80, at € 100 or € 110, so that we allow all consumers to be part of the “NEW”, no matter how much money they have available.

The first question, yes, we signed Manchester United and we are very proud of that one. Manchester United is a symbol which on the one hand side, drives brand image and on the other hand also revenues. But it's not only that, what is also very important are the social communities Manchester United has globally, how many people are engaged and how much of the consumer data we can utilize for our purposes. So we will continue to focus on premium top assets but, nevertheless, we will focus much more going forward on players. Again, we have a very premium, top-notch asset portfolio when it comes to clubs and federations, probably unmatched in the industry.

Volker Bosse – Baader Bank

Two questions. First, just for clarification, you mentioned the double-digit demand increase from retail partners, does it mean double-digit preorder increase year-on-year for the second half?

Markus Baumann

That means, that for the new launch in a couple of weeks, we have a double-digit order increase from our customers and the highest order volume we've ever achieved in football footwear.

Volker Bosse

Okay, great. Thank you. Second question then, regarding these new football styles or brands, the radical change. In the past you had Nitrocharge, Predator, F50 - all these brands are gone now. I mean, in the past you spent a lot of money to create these franchises. Now these franchises are gone and you are going to create new franchises. So what was the background for this decision? What are the benefits out of just having something new, what comes with this? Does it mean also streamlining the product assortment? Does the reduction from four franchises to two franchises mean less inventory? What are the advantages? Thank you.

Markus Baumann

On the one side it was definitely a very bold move, for sure. We also had a lot of discussions internally. But we felt, taking the insights from the game, from the sport, that the game has changed, that we as the number one football brand need to lead this change, how we approach it from a product point of view. And then it was pretty obvious that we need to approach football footwear in a completely different way.

So the insight came really from the sport, from all the conversations, from all the research we had with all the people rooted in sport, and when we analyzed the game, it clearly showed us there are only two types of players in modern football in order to be successful.

The benefit is, of course, that we have also more impact when it comes to the execution in the store. We have more impact when it comes to the execution on the field of play with two franchises instead of four. But the real driving force came out of the sport and not based on internal business reasons.

Sebastian Steffen

Maybe to add on that point. This is right in line with what we've told you as part of our strategic business plan to really focus on key franchises. So it's going to be two or three in football, you're going to hear more, about that from Adrian and Arthur later this afternoon for their specific categories. What we have said is, by 2017 we actually want to create 30% of our footwear revenues through those major franchises. This is going to give the Group as a whole much more impact and is going to make us much more efficient, as Markus just said.

Jürgen Kolb – Kepler Cheuvreux

Three questions. Any specific campaign you're launching for women's football, because that was not part of your presentation. But obviously, right now we see that tournament going on and obviously growing in importance.

Secondly, how far into the future do you have your product launches lined up? So we're seeing these products to launch on 1st of July and at retail you see already some displays. But how quickly do you plan to have updates in terms of colours, in terms of maybe new innovations that are coming there?

And then what shall we think about these bigger contracts you have with FIFA, UEFA and such contracts. Will they fall by the wayside or maybe you do not focus on addressing the referee or whatever, but rather want to see the players wear it. So, if those marketing contracts come to renewal, you would probably rather be inclined to say goodbye to these contracts?

Markus Baumann

Starting with the last question. We have long-term contracts with FIFA and UEFA. There is no intention to change it over the next couple of years. But of course, with every contract which is up for discussion, we will look very carefully and we'll look how important it is for our football creator. So how influential those kinds of things are, but we have long-term contracts and that's why I think I'm not willing to start speculation about those kinds of things.

The other question with the product line-up. I can confirm that we have a pipeline full of innovations coming in the next couple of seasons. We will increase the frequency of when we change product colourways, because this is coming also from our consumer insight. The influencer is looking always for something new.

Therefore we will also accomplish that one by changing things more often. So we have everything in the pipeline, how we approach that one from life cycle management going forward. So that's for sure.

And now the first question regarding the Women's World Cup. The Women's World Cup is an initiative which we are driving mainly through social channels, in social media, via Facebook, via Twitter. So those are the initiatives because we clearly have to focus. Focus is a key word in the new Strategic Business Plan. So what do we focus on, is it the ACE and X coming next week or is it the Women's World Cup? We decided to go big with Ace and X and to approach the Women's World Cup more on social media. But we are definitely doing activities for the Women's World Cup in order to engage with the female community and the fans following this event.

Jürgen Kolb

One follow-up: The miCoach chip, which you can put in the football shoes. Is that history gone?

Markus Baumann

For the time being the miCoach platform still exists. We have decided not to put it in a shoe anymore because there are other ways where you can place the chip in the jersey. We have the miCoach Elite Team System, which can measure everything that a player does, which is much more simple. Which is also independent of what kind of footwear you are wearing. So we have decided to go more down that road to place it into the base layer instead of putting it in a shoe.

Sebastian Steffen

Before we continue with the questions in the room maybe we'll give the colleagues that are somewhere around the world the chance to ask questions.

Webcast question

The first question is on the outlook that you've given. Is the mid-single-digit increase in footwear only or across all the different product categories?

Markus Baumann

Across the entire category.

Webcast question

Okay. There are two more questions on recent sponsorship deals. How do you measure return on investment on contract relationships like Manchester United? Do you expect them to pay for themselves or are they justified by brand-halo impacts?

Markus Baumann

I think it's not just measured by the return on investment, by looking into the net sales we generate, because as I tried to outline on the Manchester deal there is first of all a brand component involved. Manchester United is the biggest global football symbol for the biggest followership in social channels, but also I think we can utilize the consumer database from Manchester United in the next couple of years. And this gives us, of course, much more leverage and that's why you cannot just link it to the return on investment we will generate based on directly related revenues coming out of the Manchester United business.

Webcast question

When will we see the first licensed product in the stores and thus the first positive impact on your business from sponsorship deals like MANU and Juve?

Markus Baumann

Manchester United launches August 1st, and Juventus will be in store from next Wednesday (July 1) onwards as well.

Sebastian Steffen

Okay. I think we had more questions here in the room. Jamie?

Jamie Bajwa – Goldman Sachs

Just one in terms of the split of the business. Now that you are being more focused on footwear. Could you just give us a bit more information on that, how that's going to change over time?

The second one just in terms of distribution. What's the strategy particularly on the new footwear silos? How are they going to be distributed in terms of retail versus wholesale and are some only going to be available in the retail channel?

Markus Baumann

Starting with the second question, distribution has not changed. So we will distribute the new franchises via our wholesale partners, via sport specialty stores all over the world, but also in our own channels and on our eCom platforms. So this has not really changed.

The other question regarding the split between the businesses. As I said in 2014, the business is 50% driven by licensed as well as Teamwear and the other 50% driven by footwear. Of course this will slightly change, so that the footwear numbers will grow. But we will retain a very strong footprint in licensed with all our top assets, which are driving the maturity of the revenues. But also we see huge growth potential on the Teamwear side. So that's why I assume the business split will be almost the same, at 50%-50%. Probably a little bit more towards the footwear, like we have it today, but not radically different.

Piral Dadhania – Royal Bank of Canada

You spend a lot of time talking about social media, and we've heard this for the last year or two. But of course, your competitors aren't standing still, and during the Brazil World Cup whilst we appreciate your "All in or Nothing" campaign was very successful, you could argue that Nike's "Risk Everything Campaign" was equally successful with arguably more Facebook likes. So we just want to really know what's going to be different from here going forward and how are you going to really differentiate versus your competitors and get that growth rate of over and above the market growth rate and take incremental share from here?

Markus Baumann

I think one example I mentioned in the presentation is definitely the news room approach, where we are closer and more real-time with the consumers compared to just posting things and launching ads and then hoping that people see it. So we are really engaging with the consumer much more going forward than we have done in the past. But we also approach the consumer in a more emotional way. So really connecting with them emotionally and through personal interaction that brings them on an eye-to-eye level into gradual programs in order that they turn from consumers into brand ambassadors going forward. So that will be the approach going forward.

Adrian Rott – Deutsche Bank

At the beginning of your presentation, you mentioned the challenges you have at the moment. Could you point out those and whether footwear market shares in Western Europe are among those challenges? Secondly on sponsoring deals; I understand that Manchester United and those sorts of deals give you the reach which is kind of invaluable. But if we talk about the

local symbols, so Leverkusen or Nuremberg, is there a risk that you're losing the credibility locally when you give up those deals and focus on the bigger symbols.

Markus Baumann

So the challenges I mentioned at the beginning are footwear related in Western Europe, yes. When it comes to market share, there is no official data existing which covers the entire market. I would say, it's definitely a two-horse race between the two big brands and they cover between 80% and 90% of the entire business in the markets. But football footwear is definitely something where we want to increase our efforts and our focus. That's why we have chosen the strategy, which is also coming from the consumer insights. Because footwear is the only area where the football creator can really express himself and this is also what kids focus on. It is also in line with the overall brand strategy to focus on footwear to drive net promoter score. So again, footwear is a key priority for us going forward.

Secondly, I don't see a big risk with less local activities with regard to losing relevance or momentum. Because, we will still have presence in the markets as we have federations, key club symbols. As we know, kids are following players and they follow the big leagues. So I think with our symbols we will be as present as in the past.

Adrian Rott – Deutsche Bank

Just a follow-up on the market share topic; so did you lose market share last year in footwear in Western Europe?

Markus Baumann

That depends on which kind of existing market share information you are looking at. If you look at the consumer panel in Germany, we are still the number one brand. Yes, we lost a little bit of momentum. If we look at other sources, you get a slightly different picture. If you speak to specialty stores, you get another picture. So that's why it's very tricky to just focus on one statement here. But it's definitely an area of focus where we want to improve our overall situation in the market.

Sebastian Steffen

Maybe to add on that, Adrian. There is no secret that we had some pressure on that 12-18 months ago. But I think what we've seen, especially with the "There will be Haters" campaign, we see strong support there. We had some headwinds in 2013 and maybe 2014, but we are definitely seeing the momentum coming back and market share on the positive trend in the most important markets.

Adrian Rott

Thanks.

Sebastian Steffen

So I think we have time for one or two more questions. I'm going to give Bibi the chance to ask her questions before we take a few questions from the internet again.

Bibi Choa – Janchor Partners

In transition to X and ACE, did you need to give support to your wholesale partners to return stock or other incentives like that? Or did you manage to turn the inventory from the old product to the new product in a smooth way?

Markus Baumann

What we did on purpose is that we didn't bring new products into the marketplace. So the last big push we brought to the marketplace was with the 'Haters'-campaign and normally after two or three months we would have launched another colourway or another proposition to the marketplace. So purposely we skipped that one in order to make sure that also the market and our retail partners have enough time to sell the product. I was just recently with retailers in Berlin and that seems to work quite well, because they were almost at a very low level and they were desperately waiting for our new products to arrive, as the consumer demand was already there.

Sebastian Steffen

Okay. We have more questions from the web.

Webcast question

Can you please talk about which regions outside Europe you expect to be major growth drivers going forward? Including what you think about the US football market going forward?

Markus Baumann

You've mentioned the US, which is without any doubt a key territory for us, based on its size, or based on the fact that the US is the biggest single football country. So in that region, we definitely see big improvements and big momentum coming in the next couple of years. But also Latin America, which is a football-mad region, is definitely pushing and contributing big time to the numbers.

Q&A session part 2: adidas Running

Adrian Rott – Deutsche Bank

Hi, thanks, it's Adrian from Deutsche Bank. On Ultra Boost, as you say 'the greatest running shoe ever': I know quite a few people who think this shoe is great, but wouldn't consider it as a performance running shoe. They see those fashion makeovers and some limited editions and collaborations with designers. So I'm a bit unclear about the positioning of the shoe as the price tag is clearly one of a performance running shoe.

And the second question is related to the collaborations in Originals because you're saying you're creating tomorrow's Originals. For me it seems like Boost has been proprietary to the Running business unit. I think the Pure Boost for example didn't get the sort of lifestyle attention in the beginning it could have gotten. I think it's been sort of unsuccessful, relatively, would you agree?

Adrian Leek

I would say the consumer today is different than the consumer in the past. There is a merger between performance and style, and what you see with the Ultra Boost is that manifestation. We had the same feedback on Energy Boost when we launched it. Energy Boost was our number one shoe at running specialty stores and Kayne West wore it a month or so ago, the white version of it, and it sold fantastically. I don't think we should put those kinds of barriers around ourselves going forward. There is no reason why great performance shoes can't look this well. And we're bringing in innovations like Ultra Boost. We're bringing in 'knit', so seamless uppers provide this comfort, really important, whether you are a serious runner or whether you're a style person, comfort is a key pillar of that, and I think comfort comes from Boost as well. And it's on us to make the Boost story relevant to both consumers.

Suzsanna Pusz – Berenberg

Just two questions from me, please. First of all your focus during your presentation was a lot on footwear, but how about apparel for running? Are there any innovations that we could expect to be launched? And secondly, you mentioned problems of selling Boost in the US. What do you see as the biggest reasons or challenges with that, is it how you communicate that technology to the consumers or is it maybe the price positioning?

Adrian Leek

So regarding apparel: The footwear-apparel split for us is about 80-20. And our performance apparel, which I would put up against anybody's in the industry, we will always look to innovate: for example Climachill was a key technology for us. In the past, we've had Formotion.....Whether it is footwear or apparel – we talk about three things when it comes to product: fit, feel and transition. Does it fit, does it feel good and when you work out or when you run, does it transition well. If we focus on that, whether it's footwear or apparel, I think we gain the consumer. So the mindset is very similar on both of those.

With regard to the US, honestly, I think we over distributed it. We had a strategy of a little bit of hope, instead of looking at sell-through rates and putting in the right amount of pairs in the market place and that was a key learning from that. And we're determined not to go down that road going forward, and that's why we're going to focus the franchises down to two key ones, not try and go wide.

Suzsanna Pusz

If I can just ask one follow-up question. In terms of Bounce, what will be the kind of price positioning of that franchise compared to Boost?

Adrian Leek

So, Ultra Boost is at € 180 and when we do iterations it can drop down a little bit or it can go up. So depending on how we execute the product it can go up or down, but € 180 is sort of the centre point. With Pure Boost, € 120 is the centre point and we can go up or down depending on how we iterate. The key price points for Bounce are € 80 and € 100. So we're going to create two franchises, one at € 80, one at € 100, because we know that's the corridor where our key competitors are very strong, and there is something that we haven't addressed. We want to launch Boost first and then take that energy message down to the lower price points.

Jamie Bajwa – Goldman Sachs

How should we think about the growth of this business going forward in terms of price points? And you mentioned that you want to double the business by 2020. How should we think about the mix of the product in terms of the price points? Should it still be driven by top-end products or is it coming more through the volume part of the market?

The second point is on your choice of addressable market for running as well. Could you give us more colour in terms of how you see the addressable market? And then also, in terms of how you market products. Would you ever think of taking on, like we had from football the social aspects of marketing. Would you consider using that more for the running business?

Adrian Leek

Yes. So that last one, because I can remember that question is totally relevant and it's part of the communities. The run-bases are the centre, but the whole social part of that as well in connecting the consumers, and the example of that was what happened in Paris and what happened in Berlin, and we're going to transfer that and take that to the other markets.

And, on price points: Obviously, it's sort of a pyramid, as you go down in price point the volumes get higher. We have missed that middle pillar and that's why Bounce is so important to us. So we'll have a good-better-best approach to the market. Boost being the top of the pillar, Bounce being the middle part of the pillar, and what I haven't put in my presentation was Supercloud which will be the opening price point. All of these things then will address and come into the energy messaging.

Jamie Bajwa

How do you see the addressable market for the running business? How do you break in terms of the actual number of consumers you're targeting?

Adrian Leek

Well, we know that 35% to 40% is US. We're addressing that. We have pretty high-teen market share in Europe already. If you look at a highly technical market like Japan we are 20%. So we're even higher in the tech markets. And even in China, where we don't have any sort of consumer data, we know from our key customers that we are neck and neck with Nike.

Jürgen Kolb – Kepler Cheuvreux

In terms of the numbers of units sold, could you give us an indication or at least an idea Boost versus Bounce? And then also obviously the Supercloud that you just mentioned here?

Adrian Leek

In 2015, we will do in running approximately 11 million pairs of Boost. Bounce hasn't hit the market yet, it's a new concept. So there won't be that many pairs, we will have to grow that responsibly and not get into the same situation as we did in the US. So it will be less to begin with. Supercloud will be the innovation that replaces adiPRENE and adiPRENE+ and we have significant pairs already in that sort of area, between 10 and 15 million pairs for adiPRENE, adiPRENE+, and that's this year.

Jürgen Kolb

The Supercloud is an EVA foam or is that Boost foam?

Adrian Leek

It's an EVA foam, the Supercloud, yes. We've had that in the past in slides. So it's a comfort story, and we're going to bring that comfort story into running.

Sebastian Steffen

Just to avoid confusion, because some of you might have a different Boost number in the back of your mind: You always need to think that we've also introduced Boost in other categories. So the number that you've heard before, the 13 million for 2015, is actually a number that includes all Boost products. So that would be in basketball, that would be in golf, that would be in outdoor and the other categories where we have it.

Jürgen Kolb

And just one quick follow-up. The current market share that you think you have in running on a global basis and where do you think you can take it?

Adrian Leek

Well, right now, I would estimate that we are around 15%. And that's because of us being under-indexed in the US. So where we can take it, I would hope and believe that we can get to

between 25% and 30%. If we want to be the best we have certainly got to have a more dominant footprint in the marketplace.

Piral Dadhania – Royal Bank of Canada

Focusing on the US, you talked about over-distributing the Boost product. But as you bring Bounce to market, which is where you suggest that you were missing that core price point, surely in the US, with your wholesale partners, that is the product that you want to over-distribute, to try and capture more of that market share. Because in my view and I think some investors share this view, the product is as good, if not better than your competitors, but it just doesn't have the share of shelf space and it doesn't necessarily have the right communication into consumers in that market to really capture their imagination.

So how do you envisage the Bounce volumes growing from zero over the next two to three years, and then on the back of that market share in that market?

Adrian Leek

Yes, I think it has to over-index our overall growth. It has to be stronger than that and we're really focused on that. But what we don't want to do is a strategy of hope. We don't want to say: okay Mr. Retailer use 100,000 pairs. We want to have a notion and then a know-how and we'll do that through research, we will take the product out, talk to our consumers, as we iterate and as we develop those products in Brooklyn and on the West Coast. So we'll know through focus groups, are we hitting that consumer. We'll have the background information; we'll put the stories together to make sure with more storytelling and less just focused on a thing. So that's important.

And I think the other thing is to have a lot more presence on the shelf. If you look at our shelf presence, it's one or two items and it's poorly displayed. Those are the things that we're focused on and making sure, if we're going to sell these concepts, we sell the story and we have the right pairs. I would rather sell in a hundred doors and do it right than sell in a thousand doors and do it the way we've done it in the past.

Sebastian Steffen

Maybe to add to that, what Adrian just described is not really exclusive to running. That's what Mark King said at our Investor Day already: We need to get more shelf space for running, but also for other products. And this is why we are increasing investment for the company as a whole. And you all have seen our Q1 numbers, where we actually stepped up our marketing spend in the US by 65% in Q1 alone. So we already said that we increased the overall marketing spending for the Group by one percentage point in 2015 and 2016 from between 12% and 13% to between 13% and 14% and the majority of that is actually going to the US market and the investment is going into the brand as a whole, it is going into point-of-sale execution. So really into telling our story because people need to understand what Boost is about and if they

understand what Boost is about they are actually going to buy it. And it is going to be in our own retail presence.

We opened five new stores in the first quarter in New York alone this year, where we're actually going to be able to present our products, to present our stories, to present energy running in the way that we think the consumer actually needs to see it and, if we do that, we are convinced that we have a much better position to talk to the retailers and tell them: you know, if you present it like this, then we actually can make sure that the product also sells through.

Okay. Let's see what kind of questions we have from the internet.

Webcast question

Can you remind people when Bounce will actually be launched this year. The second question would then be on the 'boosters' you talked about. So, can you please explain what you mean by those 100 boosters in North America and Europe?

Adrian Leek

So Bounce, you will see the first iterations of Bounce in the marketplace in fall of this year. It's the first time we've introduced Bounce into the marketplace and that was developed with us here in Herzo. As we go forward in fall '16, those products will be developed within the Portland group. With a real focus on what amplifies our consumer in the US we are transitioning that innovation from Herzo to Portland as we speak. The manifestation of what Bounce potentially is will really take off, I believe, as we go into fall/winter '16.

The booster program is built to get 100 boosters in North America, 100 boosters in Western Europe. Being in store, having people try the shoes on. And we will be more focused, obviously around London, Paris, Berlin in Europe as well as New York and Los Angeles, but it will be a little wider than that. We will concentrate as well on some of the other key cities in those markets, but it's all about trying on and it's about conversion.

We know from the data that we have, it's a 50% conversion rate through trying it on and experiencing the comfort of Boost.

Webcast question

Talking about the design studios, how will the responsibilities be split between the teams in Portland and Brooklyn?

Adrian Leek

I think as part of open source, we have got to look at the opportunities. And if the Brooklyn team hones in an opportunity, obviously we'll talk about it, but it's an opportunity that they will create. So we're not looking to put barriers around how we create. We obviously can't let everyone go

off and be at chaotic state, but by the same token, we need to get that Northeast Corridor. If we talk about the United States, the Northeast Corridor is extremely important.

I mean, all the way from Boston to New York, Washington, Philadelphia, the big majority of the population in the United States is in that Northeast Corridor. So having that creation studio in Brooklyn is a great thing for us.

Sebastian Steffen

Do we have any more questions?

Webcast question

How much of the extra € 1.5 billion you want to generate until 2020 will come from the US and what market share in the US does that imply by 2020?

Adrian Leek

The US is obviously a key market as it represents 35% to 40% of the overall market, therefore it needs to generate a lot of the growth for us. We need a double-digit market share in the US. If we don't have that we may struggle to get over the € 3 billion barrier. I'm confident that we're going to put everything we can in place to make that happen.

Webcast question

The other one would be on the 2015 outlook that you gave. Was that the US alone or the category overall? You mentioned the high-single-digit growth as the outlook for the remainder of the year.

Adrian Leek

For 2015. The growth in 2015 will not come from the US. So, the high-single-digit growth this year will be compensated by other markets. We'll grow faster in other markets while we re-create a foundation in the US. In fact, the US won't grow in 2015.

Sebastian Steffen

More questions for Adrian from the room?

Piral Dadhania – Royal Bank of Canada

Can I just confirm that you said you have 5% of market share in the US during the presentation?

Adrian Leek

It's close to 5%, yes.

Sebastian Steffen

Okay. If we don't have any further questions we will have a coffee break now and I'm sure there are going to be more questions for Adrian during that one. We're going to see each other back

here in the room at 4:30, so in 20 minutes, and then we'll move into the other part of the room in order to look at the Originals presentation.

Q&A session part 3: adidas Originals

Andreas Riemann – Commerzbank

Two questions. First one, it seems that direct-to-consumer is quite relevant in your category. So what is the revenue share of direct-to-consumer to start with. And then the second one, you mentioned 25 new flagship stores in the next two or three years. Would that imply that a Foot Locker cannot present the whole range or the message well enough or why so many flagship stores?

Arthur Hoeld

Let me start with the second question. No, Foot Locker can of course present a wide part of the Originals collection and we are very happy to have them as a key partner around the globe, not just in Europe but in all other continents of course as well. But Originals has a pretty broad spectrum to offer. And we are quite distinct in terms of what we try to offer where, and there are parts of the collection, there are parts of the business which we would like to have displayed in its entirety and engaging with consumers in our own stores. We have a pretty wide fleet already around the globe and the flagship stores are so to say the icing on the cake. That's where we provide not just an entire product experience but the real cultural engaging spins with consumers and we want to make sure Originals is going to be seen in the right way around the globe, hence the ambition to create those 31 flagship stores in total. Regarding your question about our direct-to-consumer business, it's round about a bit more than a third of our entire business right now actually, spread around the globe.

Jürgen Kolb – Kepler Cheuvreux

Two questions from my side. Again we heard over-distribution. What are you trying or how can you prevent further over-distribution in that marketplace, because that seems to be a little bit of a line that we heard today. So what will you do in the future to prevent that?

Arthur Hoeld

Our approach to focus on franchise means also we have a very significant life cycle management plan in place for each of those franchises, i.e. we trickle certain products down and we have a pretty strict volume control in terms of which markets and accounts are receiving per season and per year. We didn't have that measure in place in the past, hence some of the what we call 'unpleasant surprises' we had to encounter in the years '09, '10 or '11.

And the second part is the distribution adjustments we have made in those years will stay in place. We're not going to widen the distribution of Originals and the Trefoil; we are rather going to be limiting that even further in the years to come.

Jürgen Kolb

And the second part on the share apparel/footwear. When you talk about 50% by 2020, the majority is coming from footwear, I assume. But how important is apparel?

Arthur Hoeld

Apparel is right now about a third of our business and yes, right now the growth momentum in '14 and probably in '15 is higher on footwear. But we have the ambition to retain that share of apparel also in 2020. What will help is, of course, an increased roll-out of DTC and growth of the e-commerce business as well, where the apparel share is naturally significantly higher than in wholesale channels.

Jamie Bajwa – Goldman Sachs

Just touching on e-commerce. I don't know if you could expand on DTC in terms of how much comes from e-commerce and how much of that 50% growth is going to come from e-commerce going forward?

Arthur Hoeld

The growth will certainly be over-proportional, we have only started to embark on the very interesting journey and I think quite a few of the examples that I've shared indicated that the interlinking of our commercial and social activities on our platform will be key for us moving forward. So we will engage with our consumers on the .com platform and therefore not just trying to create some sort of brand experience, but we certainly have a very commercial focus in mind as well. Hence, of the 50% growth, an over-proportional part will also come by our .com activities.

Sebastian Steffen

This shouldn't surprise you because the same is true for the company as a whole, when we said that we're going to quadruple our e-com sales by 2020.

Adrian Rott – Deutsche Bank

You've just mentioned that around two thirds of merchandise is still distributed via wholesalers, who love getting some sort of exclusive ranges and lines, which have been modified a little bit just for them, and I think some retailers have complained in the past that you haven't been offering that to all of them. So how much focus are you putting on that going forward? And also on the collaboration with Running for example? Would you be keen to have a sort of Boost franchise in your Originals portfolio as well? So how is that collaboration working from your view?

Arthur Hoeld

Okay. I'll start with the second question, again. So yes, Adrian's and my business will be collaborating very closely in the future. Actually there is already a product in the market that we've launched, which is the ZX 8000 Boost which has a Boost drop-in, and we're working along those lines together for the next seasons to come, to make sure we are going to complement each other, but cover a better and a wider spectrum from what we've done so far. And there will be a tandem together across the creation centres in the US and Europe.

Back to your first question, I think our retail partners are quite happy with the kind of exclusivity that we're giving them right now. What we're changing however versus the past is that we give them exclusivity on key footwear franchises. We don't create new and totally bespoke models for them anymore, which some of the retailers had in the past. But if we're honest to ourselves, that is quite often a pretty short-lived success.

So with a Superstar or a Stan Smith you see iterations in some of the retailers in an exclusive manner. But they all pay into the same overall global franchise that is relevant in all key markets around the globe. I haven't seen too many unhappy retailers recently.

Volker Bosse – Baader Bank

Where do you see the current average price points of the Originals shoe products, and looking at the new innovations with price points of € 200 you mentioned, how do you see their price points develop going forward. And if you speak about 50% growth, what is coming from volume, what is sales, just to get an idea of your parameters behind your calculations.

Arthur Hoeld

The sweet spot of Originals right now is between € 80 and € 110, that's where the large chunk of the volume is happening. That's where pretty much all of the Franchises ZX FLUX, Stan Smith, Tubular are playing. But as Adrian has also said, then it depends on material executions. Some of them then can go up to € 200, maybe even more than that, if it's a very specific material or a very specific collaboration. But the sweet spot will be between € 80 and € 110. Our clear goal will be within that sweet spot to increase the share of product that will be at the higher end, towards the € 100, € 110 and beyond. So a significant chunk of the 50% will come also from higher retail pricing or higher average prices from a retailer perspective.

And the € 200 of course will remain an exception, but these are the icing on the cake. Quite a few consumers are actually keen to pay for exclusivity in that market, which is still a very strong thing and you can definitely measure this specific in those limited products when you look at after-sales value. There is a ton of sites where people are trading box-fresh products an hour after they've gotten them, for pretty interesting figures.

Sebastian Steffen

So, I don't see any more questions here in the room. Let's give our internet guests the chance to ask some questions.

Webcast question

Arthur mentioned a fifth footwear franchise to be launched in 2016. Can you elaborate a bit more on price points, distribution, target consumer, etc.?

Arthur Hoeld

The price point is above € 100, so it's at the higher end of our sweet spot. Therefore it's in line with what I just answered in the previous question. The distribution will be narrow with a clear

launch cadence from the sneaker boutiques, the influential retailers, our direct-to-consumer network being own retail and e-com and a very selected model distribution will also very much control the volumes of that franchise in 2016. So the numbers will definitely, from a volume perspective, stay well below our established franchises in the first year.

Webcast question

Can you talk a little bit about the US. How important is this market for you?

Arthur Hoeld

The US is like for any of us absolute priority number one. The US is the biggest sneaker and streetwear market, but it's not just the biggest in terms of size, which no one would be surprised about, it's also the most influential one. Hence the majority of our collaborations, the majority of our projects, are coming from US artists, US entertainers and also have the US retailer focus. And that's certainly where we, from a growth perspective, see a significant upside potential for us in the years to come.

Webcast question

As you mentioned, there is a huge hype around Pharrell Williams and Kanye West and the products you have launched around them. Can you talk a bit about volumes for Supercolor and the Yeezy Boost? Any upcoming product launches you are thinking of?

Arthur Hoeld

Supercolor was a limited launch, but limited in the sense of that we put a bit more than half a million pairs into the market around Easter this year and we're pretty much sold out. The Yeezy Boost, of course, has much lower volumes. They are in the four-digit volume area for the Yeezy 750, the product which launched in February, the mid-cut. The one which we're launching now, the low-cut, Yeezy 350, will go beyond into the five-digit numbers for 2015.

Sebastian Steffen

So any more questions here in Herzo? That doesn't seem to be the case. Do we have more questions from the internet? We have time for maybe one more question.

Webcast question

Why is the Yeezy 350 a Boost when the running presentation suggested that Boost was going to be increasingly focused on performance?

Arthur Hoeld

Because Boost is a great brand platform and a great brand story and Adrian has perfectly explained it. It drives our performance credibility, it drives our energy story forward, but it's certainly a platform that we think has a lot of validity in the streets and in the sneaker scene as well.

Hence we have applied Boost into those products in a very selective and in a very credible manner, expanding the performance appeal of our brand onto the street.