

Employees

We know that our people are crucial to our success. Becoming the global leader in the sporting goods industry depends on the performance, potential, enthusiasm and dedication of our employees. We strive to create a working environment that stimulates team spirit, passion, engagement and achievement. We promote a performance culture based on strong leadership and therefore link employee compensation to Group and individual achievements. We aim to continuously develop our employees with opportunities for career progression, while upholding a culture that celebrates diversity and encourages global mobility.

Global employee base continues to grow

On December 31, 2008, the Group had 38,982 employees, which represents an increase of 24% versus 31,344 in the previous year. This development is primarily related to new employees in adidas and Reebok own retail, mainly on a part-time basis. Personnel expenses increased 8% to € 1.283 billion in 2008 from € 1.186 billion in 2007, see Note 25, p. 187, representing 30% of the Group's total operating expenses (2007: 30%) and 12% of Group sales (2007: 12%).

Emerging markets and own retail drive employee growth

The development of our employee numbers varied significantly from a brand perspective. The number of employees at the adidas brand increased 24% to 23,202 at the end of 2008 (2007: 18,678), mainly driven by the brand's strong expansion, especially in own retail and in the emerging markets of Eastern Europe (e.g. Russia), Asia and Latin America. Staff at Reebok increased 31% due to the expansion of own-retail activities in emerging markets. Hence, the Reebok segment comprised 8,836 employees at year-end (2007: 6,751). At TaylorMade-adidas Golf, the number of employees increased by 33% to 1,852 (2007: 1,393) mainly due to the acquisition of Ashworth, Inc.

The number of employees working in our Group functions increased by 13% to 5,092 (2007: 4,522). The main reason for this development was the expansion of our sourcing function.

At the end of 2008, 52% of our staff were employed in Europe (2007: 47%), 28% in North America (2007: 31%), 15% in Asia (2007: 18%) and 5% in Latin America (2007: 4%). As a global company with less than 10% of our employees located in Germany, we actively encourage global mobility and offer our employees the opportunity to go on international assignments. To support relocating professionals and their families in new living and working environments, we provide, for example, relevant language and cultural training.

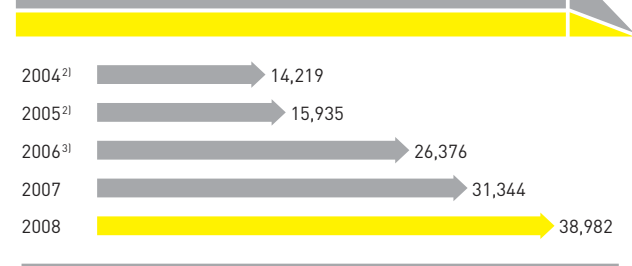
Three-pillar human resources strategy

We strive to have the right team in place by focusing our activities on the implementation and execution of our Group's Human Resources strategy, which is based on three pillars:

- Creating a working environment that stimulates team spirit, passion, engagement and achievement
 - ▣ see "Engagement drives performance", p. 071
 - ▣ see "Internal communication activities further enhanced", p. 071
- Expanding our performance culture based upon strong leadership
 - ▣ see "Fit for today and tomorrow", p. 071
 - ▣ see "Performance-driven remuneration system", p. 072
- Being an "Employer of Choice"
 - ▣ see "Employer of choice: creating an attractive work environment", p. 073

Measures taken in order to implement our strategy are explained in the subsequent sections.

Number of employees¹⁾

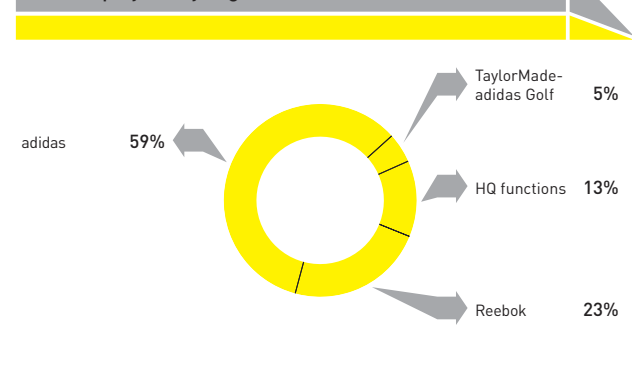


1) At year-end.

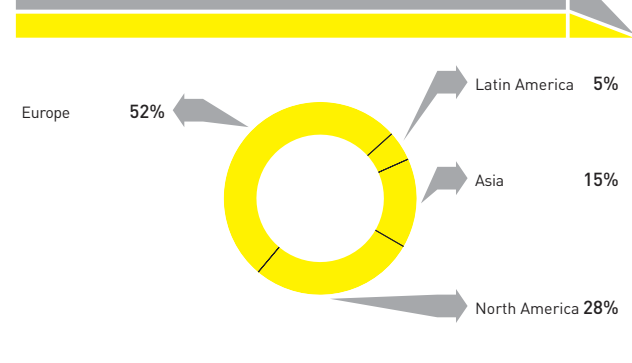
2) Figures reflect continuing operations as a result of the divestiture of the Salomon business segment.

3) Including Reebok business segment from February 1, 2006 onwards.

2008 employees by segment



2008 employees by region



Engagement drives performance

We believe that engagement drives performance. Therefore it is important for us to collect regular employee feedback. To measure engagement we carry out engagement surveys which enable us to maintain a regular dialogue with our employees, evaluate our progress internally and also to benchmark ourselves externally. The employee survey system was developed and rolled out with Hewitt Associates, a leading human resources consulting company. It has a standardised approach with consistent methodology and definition of employee engagement and is aligned with our strategic pillars. In 2008, we conducted engagement surveys in most business units around the globe and are now in the process of translating the feedback into action. In 2010 we plan our first truly global survey to measure our progress.

Internal communication activities further enhanced

To foster employee engagement, we offer our employees the opportunity to exchange ideas directly with senior management and raise questions via our intranet (through our "Ask the Management" application). In addition, we regularly hold all-employee meetings at our major locations around the world where our staff have the opportunity to openly share their views with senior management and gain an overview of current and future business developments. The last one in 2008 took place at the adidas Group Headquarters in Herzogenaurach in December and was broadcast to all our employees worldwide via the intranet. To continuously strengthen communication with our employees, we are further aligning and consolidating internal communication tools across all regions and brands, for example through an electronic and interactive version of our employee magazine.

Fit for today and tomorrow

To reach their personal best, our Group's employees need a training plan to build on their strengths, improve their technique and overcome their own challenges. In this process, joining individual aspirations to our organisational needs is the highest priority. Our "Competency Model" clearly defines a set of competencies to ensure consistent and transparent performance and talent management. It is our goal to support our employees in delivering their best performance by focusing our efforts on three key success drivers.

Success drivers for performance



— Leadership Excellence: We believe that leaders should act as role models. In addition to gearing all activities towards the success of the adidas Group in the marketplace, leaders have a central role in actively shaping the Group's corporate culture.

— Performance Management: Through our global PEP (Performance Evaluation and Planning) tool we not only aim to measure our employees against the required competencies of their job level and their performance, but also to set individual business targets and plan appropriate training and development activities as necessary. We offer targeted training under our Fit for Today programme (e.g. basic skills training or business coaching) for both individual and team performance improvement.

— Talent Management (Fit for Tomorrow): With specifically designed talent management tools and processes, we identify employees at all levels of our company who have the potential to become future leaders in our organisation. Actively managing internal succession contributes to our competitive position and ensures that we are "fit for tomorrow". In order to prepare employees for new and more complex future roles, they participate in targeted development programmes for various levels within the organisation:

- Executive Development Programme (EDP): A centrally managed cross-brand and cross-region programme for employees who show potential for the Executive Level.
- Management Development Programme (MDP): Run decentrally by our regional Development & Training teams, this programme is tailored for employees from different functional areas and brands who show potential for the management level.
- Business Management Programme (BMP): A 24-month international cross-functional and cross-brand programme aiming at attracting professionals with MBA degrees and three to five years' work experience to prepare them for future management positions within our Group. At year-end 2008, 7 employees were participating in the BMP globally (2007: 7).

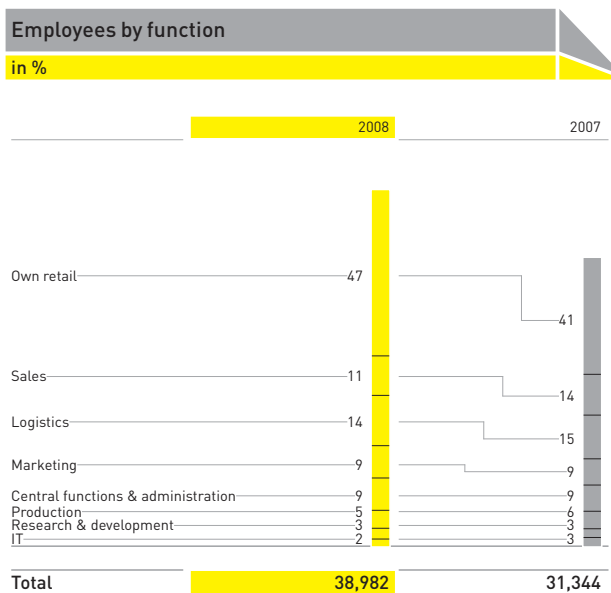
— **Functional Trainee Programme (FTP):** A 12- to 18-month programme giving graduates with international backgrounds and excellent educational credentials the opportunity to start a functional career with the adidas Group. The programme comprises six three-month assignments in varying departments. At least one of these assignments takes place abroad. At year-end 2008, we employed 29 participants in our global FTP (2007: 23).

Our “Fit For Tomorrow” programmes are complemented by apprenticeship programmes and internships. The adidas Group apprenticeship offers young people who want to join our Group straight out of school the opportunity to gain business experience in a three-year rotation programme. These programmes include vocational training in retail, industrial management and IT as well as integrated study programmes. At the end of 2008, we employed 54 apprentices in Germany (2007: 45).

Our global internship programme gives students four to six months’ work experience within the adidas Group. For “best-of-class” interns, we initiated a “ReBounce” programme to remain in close contact with them after their internship and foster potential future employment. At the end of 2008, we employed 396 interns in Germany (2007: 189).

Performance-driven remuneration system

We are committed to rewarding our employees with effective compensation and benefit programmes that are competitive in the marketplace. Remuneration throughout the Group comprises fixed and variable monetary compensation, non-monetary rewards, as well as other intangible benefits. The cornerstone of our rewards programme is our Global Salary Management System (GSMS). It is used as a basis to set the value of employees’ positions and salaries in a clear, market-driven and performance-oriented way. GSMS provides the global framework for managing base compensation in the adidas Group and for making performance-related base salary adjustments. In addition to a fixed base salary, we also offer our employees various variable compensation components.



— **Bonus programme:** Within the adidas Group, certain employees are eligible for a bonus based on their respective job grade level as specified in GSMS. Our Group’s bonus programme combines individual performance (measured in the PEP process) and corporate performance (actual financial results measured against Group, brand, division and/or business unit targets).

— **Profit sharing:** For employees who are not eligible for the bonus programme, profit sharing is used as an incentive to reward the achievement of the Group’s profit target. In 2008, for example, we again paid a one-time gratification to employees in Germany (Champions Bonus) honouring their performance in the past year.

— **Additional compensation components:** For senior management and Executive Board members we offer Long-Term Incentive Programmes (LTIP) and a Management Share Option Plan (MSOP) see Compensation Report, p. 030.

Other benefits include our 401-K pension plans in the USA and the adidas pension plan for our employees in Germany. In 2008, 1,712 employees (2007: 1,396) participated in the latter, which represents an increase of 23% compared to the previous year. Other Group subsidiaries also grant a variety of additional benefits to employees depending on locally defined practices and country-specific norms such as discount allowances that provide our employees with the possibility to purchase discounted products in our own stores.

Employer of choice: creating an attractive work environment

To become and remain an “Employer of Choice”, we strive to consistently enhance our employer branding. Our attractiveness as an employer is clearly shown by our representation in several external rankings such as Vault, Trendence or Potential Park. But as much as our organisation is result-driven, we also know that top performance can only be achieved in a work environment that recognises the individual needs of our employees.

Diversity: As a truly global company, diversity is one of our Group’s core values. We believe that the diversity of our workforce helps us to sustain a competitive advantage. As part of our training and development programme, for example, we offer specific modules on diversity management. This helps us to ensure our company’s success and stability. The high degree of diversity is also reflected in our workforce. At our corporate headquarters, for example, we have employees from more than 50 countries. In 2008, we signed the Diversity Charta (Charta der Vielfalt) in Germany, an initiative that facilitates best practice exchange and embraces diversity as an active contributor to business success.

Work-Life Balance: We aim to harmonise the commercial interests of the adidas Group with the private and family needs of our employees, thereby assuring the mutual benefit of both. The programme includes family-oriented services, flexible work time and place, people development and leadership competence related to work-life balance.

In addition, we offer our employees a wide range of sports activities at our major sites. Employees in Herzogenaurach, Portland and Canton and other subsidiaries have access to a company gym. Our Company Sports department in Herzogenaurach also organises several sports activities such as mountain biking, kayaking or ski tours. Special events such as a one-week sports camp for employees’ children, trans-alpine mountain bike tours and the yearly Berlin Marathon weekend (with a suitable training programme prior to the event) are also available. In 2008, the Company Sports department in Germany offered about 130 courses and more than 30 events which were attended by more than 2,800 participants.

2008 key employee statistics

	adidas	Reebok	TaylorMade-adidas Golf	Group functions	Total
Total employees					
(in %)					
Male	50	53	53	45	51
Female	50	47	47	55	49
Management positions (in %)					
Male	71	73	73	73	72
Female	29	27	27	27	28
Average age of employees (in years) ¹⁾	28	26	38	37	29
Average length of service (in years)	3.3	4.1	5.6	6.2	3.9
Annual training hours by employee	13.6	5.6	6.2	8.5	10.8

1) At year-end.

Future challenges

The adidas Group faces increasing competition for highly qualified personnel in the international labour market. In this respect, we constantly strive to improve our Human Resources service and delivery model, adapting it to evolving business needs and benchmarks. Through integrated Human Resources solutions, we proactively approach these challenges, focusing on relevant performance-related Human Resources tools and processes. Our “Team Line Up” helps us to identify employees based on their performance and potential to become future leaders in our organisation. In addition, we are also extending our targeting programmes to attract external candidates. Although we benefit from our excellent reputation, a key tenet of our strategy is to continuously refine our branding as an employer of choice. For example, in 2008 we started a “key university strategy roll-out” where members of the Executive Board and other senior executives of the Group shared their business insights at 13 top universities worldwide and engaged in discussions with students. In addition, we’re also adapting to new trends in the interaction of employers and employees. This includes the shift from traditional job board advertisement and static company information towards a more individual approach facilitated by the Internet. In 2008, we started a more personalised approach, for example by creating a special community for potential adidas designers and by using Web 2.0 technologies and the social networking scene.