

COMPENSATION REPORT¹⁾ In our Compensation Report, we summarize the principles relevant for determining the compensation of our Executive Board and outline the structure and level of Executive and Supervisory Board compensation. Furthermore, this report contains information on benefits which the members of our Executive Board will obtain if they resign from office or retire. This report was prepared in accordance with the requirements of German commercial law and the Executive Board Compensation Disclosure Act (Vorstandsvergütungs-Offenlegungsgesetz – VorstOG). Further, it is based on the recommendations of the German Corporate Governance Code.

EXECUTIVE BOARD COMPENSATION

THREE COMPONENTS OF COMPENSATION In 2007, the total Executive Board compensation amounted to € 11.127 million. In accordance with German Corporate Governance Code recommendations, compensation for members of our Executive Board consists of fixed and variable components. The latter have risk character and a long-term incentive effect. Compensation is comprised of (1) a non-performance-related component, (2) a performance-related component, and (3) a share-based component. The individual components are structured as follows:

⇒ The non-performance-related component includes a fixed annual salary and other benefits. The fixed annual salary is paid in monthly installments and is regularly reviewed with regard to prevailing market standards and appropriateness. The review also takes the financial position of the Group into consideration. Other benefits mainly comprise the use of a company car, the payment of insurance premiums and, in exceptional cases, an adjustment amount paid to equalize tax treatment of personal income between the USA and Germany. Executive Board members receive no additional compensation for mandates held within the adidas Group.

⇒ The performance-related component, which comprises the largest portion of Executive Board compensation, consists of a Performance Bonus as well as a bonus paid on the basis of the Long-Term Incentive Plan (LTIP). Both bonus systems are designed to provide a direct incentive for Executive Board members to achieve their defined targets and to support sustainable value-oriented management.

-- The amount of the Performance Bonus is linked to the fixed annual salary and is determined by individual performance of the respective Executive Board member as well as by the Group's financial results based on the development of profits considering the budget. The Performance Bonus is payable at the end of each year upon determination of target achievement.

-- The amount of the bonus from the Long-Term Incentive Plan 2006/2008 (LTIP Bonus 2006/2008) depends upon the attainment of certain cumulative earnings improvements based on income before taxes (IBT) during the three-year period from 2006 to 2008. If targets are met, payment will be due following the approval of the annual consolidated financial statements for the period ending December 31, 2008.

⇒ The share-based component is comprised of compensation from the Management Share Option Plan (MSOP). Option rights, which were issued in annual tranches in the years 1999 to 2002, are exercisable over a period of five years following a two-year vesting period, provided that at least one of the two performance targets, absolute performance or relative performance, has been attained. ⇨ see Note 32, p. 189 Shares are issued with a performance discount depending on target achievement. Subsequent changes to plan conditions are not possible. No new share option program was proposed at the Annual General Meeting in 2007 and it is not planned to submit a new proposal in this respect at the Annual General Meeting in May 2008.