

COMPENSATION REPORT ¹⁾ 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.

RESPONSIBILITY ASSIGNED TO GENERAL COMMITTEE In accordance with its Rules of Procedure, our Supervisory Board has assigned all matters relating to the structure and appropriateness of the level of Executive Board compensation to its co-determined General Committee. [▶ see Supervisory Board Report, p. 020](#) This committee considers all compensation elements to be appropriate, both individually and in total. Criteria for the appropriateness of the compensation are the Group's size and global orientation as well as its financial position. In addition, the tasks and contribution of each Executive Board member to the Group's success, his individual performance as well as the performance of the entire Executive Board are taken into consideration.

EXECUTIVE BOARD TOTAL COMPENSATION IN 2007

€ in thousands

	Non-performance-related components		Performance-related components		Share-based component [MSOP]	Total
	Fixed annual salary	Other benefits	Performance Bonus	LTIP Bonus 2006/2008 ¹⁾		
Herbert Hainer (Chairman and CEO)	1,120	23	1,680	1,360	515	4,698
Glenn Bennett ²⁾	438	238 ³⁾	657	680	0	2,013
Robin J. Stalker	500	11	680	680	0	1,871
Erich Stamminger	600	35	1,230	680	0	2,545
Total	2,658	307	4,247	3,400	515	11,127

1) Payment of this bonus will be made only upon achievement of LTIP targets and after approval of the consolidated annual financial statements for the period ending December 31, 2008.

2) In accordance with Glenn Bennett's contract, the following compensation components were granted in US dollars: fixed annual salary \$ 600,000, other benefits \$ 326,595, Performance Bonus \$ 900,000. An exchange rate of 1.3709 \$ / € (annual average rate 2007) was used as the basis for calculation.

3) Also contains a tax adjustment due to different tax rates in Germany and the USA.

EXECUTIVE BOARD TOTAL COMPENSATION IN 2006

€ in thousands

	Non-performance-related components		Performance-related components		Share-based component [MSOP]	Total
	Fixed annual salary	Other benefits	Performance Bonus	LTIP Bonus 2006/2008 ¹⁾		
Herbert Hainer (Chairman and CEO)	1,120	23	1,500	800	343	3,786
Glenn Bennett ²⁾	468	214 ³⁾	637	400	0	1,719
Robin J. Stalker	485	12	600	400	260	1,757
Erich Stamminger	600	54	1,100	400	0	2,154
Total	2,673	303	3,837	2,000	603	9,416

1) Payment of this bonus will be made only upon achievement of LTIP targets and after the approval of the consolidated annual financial statements for the period ending December 31, 2008.

2) In accordance with Glenn Bennett's contract, the following compensation components were granted in US dollars: fixed annual salary \$ 588,000, other benefits \$ 269,000, Performance Bonus \$ 800,000. An exchange rate of 1.2562 \$ / € (annual average rate 2006) was used as the basis for calculation.

3) Also contains a tax adjustment due to different tax rates in Germany and the USA.

OUTSTANDING STOCK OPTIONS EXERCISED IN FULL IN 2007 In 2007, current members of our Executive Board held a total of 2,800 options within the scope of the Management Share Option Plan (MSOP). All options were exercised. Compensation resulting from the exercise of these options totaled € 514,840. As of December 31, 2007, our Executive Board members no longer hold any stock options which could still be exercised.

COMMITMENTS TO EXECUTIVE BOARD MEMBERS UPON END OF TENURE Individual agreements have been concluded with our Executive Board members for severance payment provisions in case of non-continuation of their employment agreements. With one Executive Board member, compensation for a post-contractual competition prohibition has also been agreed.

⇒ Employment contracts with our Executive Board members contain individual provisions governing severance payments. These amount to 100%²⁾ of the annual fixed salary as a one-time payment in the event that adidas AG decides not to renew the respective contract although the Executive Board member would be willing to continue his function as Executive Board member under the existing conditions. If an Executive Board member dies during his term of office, his spouse will receive a one-time payment amounting to 25% of his annual fixed salary.

⇒ A post-contractual competition prohibition period of six months has been agreed upon with Executive Board member Glenn Bennett. adidas AG will pay compensation of 100% of the annual fixed salary for this period unless adidas AG decides not to insist upon enforcing this prohibition.

PENSION COMMITMENTS GRANTED When members of our Executive Board reach the individually agreed retirement age of 65 years and resign from their Executive Board position, they are entitled to receive a retirement pension. In addition, each is entitled to receive a disability pension should he become incapacitated before reaching retirement age. Further, when an Executive Board member dies, a widow's pension will be paid.

⇒ *Retirement pension:* The pension allowance is calculated as a percentage of the pensionable income, which currently equals the annual fixed salary. Starting from a base amount totaling 10% of the pensionable income, the pension entitlement increases by 2% for each full year of tenure as an Executive Board member of adidas AG³⁾ and can reach a maximum level of 40% of pensionable income. In the event of the retirement of an Executive Board member prior to reaching the statutory retirement age, the non-forfeiture of the pension entitlement will be in line with the legal provisions. The increase of current pension payments or pension entitlements is index-linked in accordance with German law.

⇒ *Disability pension:* The disability pension amounts to 100% of pension entitlements.

⇒ *Widow's pension:* When an Executive Board member dies, his surviving spouse receives an annuity amounting to 50% of his pension entitlements.

PAYMENTS TO PENSION FUND/PENSION TRUST FUND

€ in thousands

	2007	2006 ¹⁾
Herbert Hainer (Chairman and CEO)	240	4,490
Glenn Bennett	82	925
Robin J. Stalker	120	848
Erich Stamminger	103	2,412
Total	545	8,675

1) This contains a one-time payment into the pension fund for all future pension entitlements which arose through December 31, 2006.

COSTS FOR ACCRUED PENSION ENTITLEMENTS¹⁾

€ in thousands

	2007	2006
Herbert Hainer (Chairman and CEO)	215	238
Glenn Bennett	68	70
Robin J. Stalker	161	161
Erich Stamminger	96	108
Total	540	577

1) This also includes service costs which have arisen with regard to the provisions for pension obligations in the Consolidated Income Statement.

PENSION FUND AND PENSION TRUST FUND USED TO COVER PENSION ENTITLEMENTS For the settlement of the pension entitlements acquired by our current Executive Board members through the end of 2006, adidas AG made a one-time payment of € 8.675 million into a pension fund in 2006. This reflected the cash value of future pension entitlements and shall be split among our Executive Board members in proportion to the existing provisions for pension obligations as at that date. adidas AG made payments for pension entitlements arising as of 2007 into an external pension trust fund and plans to continue this practice in the future. In 2007, a total contribution of € 545,219 was made. For future pension entitlements of our Executive Board members, adidas AG has established pension reserves. In the Consolidated Balance Sheet, plan assets which have arisen from the payments into the pension fund or pension trust fund are reported on a settled basis with assets offset against accruals.

PENSIONS FOR FORMER EXECUTIVE BOARD MEMBERS In 2007, former Executive Board members received pension payments totaling € 1.727 million (2006: € 1.906 million). Total pension provisions for pension entitlements of this group of persons amount to € 37.576 million (2006: € 42.105 million).

NO LOANS TO EXECUTIVE BOARD MEMBERS No members of the Executive Board were granted loans in 2006 and 2007.

SUPERVISORY BOARD COMPENSATION

COMPENSATION IN 2007 Supervisory Board compensation consisted of a fixed annual payment amounting to € 21,000 for each member. Twice this amount was paid to the Chairman and one and a half times this amount was paid to each Deputy Chairman. In addition, all costs and expenses related to attending Supervisory Board meetings were reimbursed. Supervisory Board members who were not in office for the entire fiscal year received a pro rata payment based on the number of days served. This also applied for the Chairman of the Supervisory Board and his Deputies.

COMPENSATION REDEFINED IN ARTICLES OF ASSOCIATION AS OF 2008 Supervisory Board compensation was resolved upon and newly structured by a resolution of the Annual General Meeting on May 10, 2007. The new regulation becomes effective in 2008. Fixed annual payments will be increased to reflect increasing supervisory functions of the Supervisory Board. The regulation also provides for additional compensation for membership in and chairmanship of particular Supervisory Board committees. With this change, we follow an additional recommendation of the German Corporate Governance Code.

COMPENSATION FOR ADVISORY CONTRACTS adidas AG had a project-related, fixed-term advisory contract with Dr. Hans Friderichs, which ended on June 30, 2007. Under this contract, Dr. Hans Friderichs received remuneration amounting to € 195,000 (2006: € 213,386). Henri Filho, who was paid € 285,100 in 2006, did not receive any remuneration for project-related advisory services in 2007 following the expiration of his advisory contract at the end of 2006.

NO LOANS TO SUPERVISORY BOARD MEMBERS No members of the Supervisory Board were granted loans in 2006 and 2007.

SUPERVISORY BOARD MEMBERS' COMPENSATION

in €

	2007	2006
Dr. Hans Friderichs ¹⁾	33,046	31,500
Igor Landau ²⁾	22,546	21,000
Fritz Kammerer	31,500	31,500
Sabine Bauer	21,000	21,000
Dr. Manfred Gentz	21,000	21,000
Roland Nosko	21,000	21,000
Hans Ruprecht	21,000	21,000
Willi Schwerdtle	21,000	21,000
Heidi Thaler-Veh	21,000	21,000
Christian Tourres	21,000	21,000
Klaus Weiß	21,000	21,000
Dr. Stefan Jentzsch ³⁾	3,092	0
Henri Filho ⁴⁾	35,816	42,000
Total	294,000	294,000

1) Dr. Hans Friderichs was elected Chairman of the Supervisory Board on November 7, 2007 for the remaining term of office until the Annual General Meeting of adidas AG in May 2009.

2) Igor Landau was elected additional Deputy Chairman of the Supervisory Board on November 7, 2007 for the remaining term of office until the Annual General Meeting of adidas AG in May 2009.

3) Dr. Stefan Jentzsch, previously a substitute member of the Supervisory Board, became a full member on November 7, 2007 for the remaining term of office until the Annual General Meeting of adidas AG in May 2009.

4) Henri Filho retired as a member and Chairman of the Supervisory Board on November 7, 2007.

2) For Robin Stalker, the severance payment amounts to 50%.

3) Herbert Hainer and Erich Stamminger were both appointed on April 1, 1997. Robin Stalker was appointed on January 1, 2001. For Glenn Bennett, January 1, 2000, instead of his appointment date (April 1, 1997), is used for the calculation of his pension entitlement. The base amount totals 20% of the pension entitlement.