

# Compensation Report

## Compensation of the Executive Board

The compensation of the members of the IDS Scheer Executive Board consists of non-success-based (fixed) and success-based (variable) elements and of components of a long-term incentive nature. The Personnel Committee is responsible for determining the structure of the compensation systems and compensation for the individual members of the Executive Board. The Supervisory Board regularly discusses and reviews the compensation structure. The compensation of the Executive Board is performance-based and consisted of three components in fiscal year 2007:

- ▶ fixed compensation
- ▶ variable compensation
- ▶ and share-based compensation.

The fixed compensation is paid monthly as a salary.

The variable compensation is dependent upon the attainment of certain personal goals and goals related to the company's success in the respective fiscal year. A target compensation is agreed for the fixed and variable compensation. 70% of the attainment of company-specific targets relates to the operating performance figure EBITA and 20% to revenue growth goals. There is also a fixed component to be determined by the Supervisory Board at its discretion amounting to a maximum of 10% of variable compensation. All goals are both capped and dependent upon the attainment of a minimum target. These goals were fixed by the Supervisory Board at the beginning of the fiscal year.

The members of the Executive Board were granted a non-recurring gratuity as a compensation component of a long-term incentive nature. This is linked to fiscal 2010 and requires a defined revenue increase as against 2005 revenues, a defined EBITA increase as against 2005 EBITA and a defined share of product revenue to consolidated sales for 2010.

The third component of Executive Board compensation consists of share-based compensation determined by the Supervisory Board, the content of which is regulated by option conditions resolved by the Supervisory Board. In line with these conditions, the beneficiary members of the Executive Board receive bearer bonds with option rights with a term of ten years. On fulfillment of various conditions, each option authorizes the bearer to subscribe to ten shares in IDS Scheer AG. The option rights are secured by contingent capital resolved by the annual shareholders' meeting of IDS Scheer AG on May 20, 2005 (§ 3 (4) of the bylaws). The beneficiary Executive Board members are Thomas Volk, Dr. Wolfram Jost and Dr. Dirk Overmann. A value of 80% of the market price of shares of IDS Scheer AG at the close of XETRA trading the day before the issuance of the option rights was determined as the reference price. The performance targets or comparative parameters cannot be subsequently amended. There is a cap on exercising options issued to the Executive Board. If a member of the Executive Board leaves the company within a blocking period of three years all options expire.

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More detailed information on the compensation of the members of the Executive Board of IDS Scheer AG can be found in the following table for fiscal year 2007:

Compensation of the Executive Board for 2007 K€	Fixed compensation	Performance-based compensation	Share-based compensation	Non-cash compensation, Other	Total
Thomas Volk	350	312	240	28	930
Dr. Wolfram Jost	242	208	84	18	552
Dr. Dirk Oevermann	200	156	60	11	427
Herbert Kindermann* (until April 18, 2007)	200			5	205
<b>Total</b>	<b>992</b>	<b>676</b>	<b>384</b>	<b>62</b>	<b>2,114</b>
Previous year	975	583	90	165	1,813

\* The fixed compensation of Herbert Kindermann relates to the term of his service agreement prior to December 31, 2007.

Expenses for pensions 2007	K€
Thomas Volk	29
Dr. Wolfram Jost	6
Dr. Dirk Oevermann	9
<b>Total</b>	<b>44</b>

In 2007, K€ 293 was paid to the former member of the Executive Board Helmut Kruppke, which was included in the compensation report for 2006 and recognized as a provision in the annual financial statements for 2006.

In 2007, pensions of K€ 27 were paid to one former member of the Executive Board (previous year: K€ 0). No pension expenses were recognized for former members of the Executive Board in 2007 (previous year: K€ 1). One former member of the Executive Board waived his pension agreement rights in his Executive Board service agreement.

The amount of and changes in pension provisions as of December 31, 2007 can be found in the notes to the annual financial statement.

Members of the Executive and Supervisory Boards control the following stocks as of December 31, 2007:

	Number of shares	In % of total shares	Number of convertible bonds <sup>1) 2)</sup>	Number of option bonds <sup>3)</sup>
<b>Executive Board</b>				
Thomas Volk, CEO and President	17,541	0.05	0	20,000
Dr. Wolfram Jost	190	-	605	5,000
Dr. Dirk Oevermann	0	-	0	5,000
<b>Supervisory Board</b>				
Prof. Dr. Dr. h.c. mult. August-Wilhelm Scheer	13,200,680	41.05	0	
Prof. Dr. Alexander Pocsay	2,295,011	7.14	0	
Uwe Brach	2,991	0.01	1,204	
Thomas Bruch	7,000	0.02	0	
Peter Gérard	1,000	-	0	
Susanne Schmidt	0	-	645	

<sup>1)</sup> Each convertible bond entitles the bearer to conversion to ten bearer shares of IDS Scheer AG stock.

<sup>2)</sup> Includes 2,454 options of the employee participation program, issued at the time of the IPO on May 12, 1999.

<sup>3)</sup> Stock option program, issued as of September 29, 2006.

No loans were granted to the members of the Executive Board.

The current number of IDS Scheer AG shares outstanding as of the reporting date December 31, 2007 is 32,158,390.

## Compensation of the Supervisory Board

- (1) In addition to the reimbursement of cash expenses, each member of the Supervisory Board receives:
  - a) fixed compensation of € 5,000.00 per fiscal year payable after the end of the fiscal year.
  - b) Variable compensation of € 500.00 per financial year for each € 0.01 of distributed dividend per share in excess of € 0.10 per share for the past fiscal year though not more than € 5,000.00 per fiscal year. The variable compensation is payable on the first working day after the ordinary annual shareholders' meeting that resolves the use of the net profit for the fiscal year in question.
- (2) The compensation as described in (1) above is double for the Chairman and one-and-a-half times the above amounts for the Deputy Chairman. Each member receives an amount of € 1,000.00 per fiscal year in addition to his or her compensation for each Supervisory Board committee of which he or she is a member. The members of the Supervisory Board committees are listed in the Report of the Supervisory Board.
- (3) Supervisory Board members who were not in office for the full fiscal year receive one-twelfth of compensation for each month commenced in office.
- (4) Any value added tax incurred on compensation is paid by the company in the respective statutory amount if and to the extent that this is invoiced by a member of the Supervisory Board or reported in a credit note replacing an invoice.

The compensation for the work of the members of the Supervisory Board of IDS Scheer AG breaks down as follows:

Compensation of the Supervisory Board for 2007 K€	Fixed compensation	Performance-related compensation	Total
Prof. Dr. Dr. h. c. mult. August-Wilhelm Scheer	12	10	22
Prof. Dr. Alexander Pocsay	10	7	17
Uwe Brach	7	5	12
Thomas Bruch	5	5	10
Peter Gérard	6	5	11
Susanne Schmidt	5	5	10
<b>Total</b>	<b>45</b>	<b>37</b>	<b>82</b>
Previous year	45	37	82

As of December 31, 2007, there were no guaranties or warranties made by IDS Scheer AG to the members of its governing bodies.