2005 ANNUAL REPORT

PUMA

puma.com

PUMA Year-on-Year Comparison

	2005 € million	2004* € million	Deviation
Sales			
Brand sales	**2,387.0**	2,016.6	18.4%
Consolidated sales	**1,777.5**	1,530.3	16.2%
Result of operations			
Gross profit	**929.8**	794.0	17.1%
Earnings before interest and tax (EBIT)	**397.7**	359.0	10.8%
Earnings before taxes (EBT)	**404.1**	364.7	10.8%
Net earnings	**285.8**	258.7	10.5%
Profitability			
Gross profit margin	**52.3%**	51.9%	0.4%pt
Return on sales before tax	**22.7%**	23.8%	-1.1%pt
Return on sales after tax	**16.1%**	16.9%	-0.8%pt
R O C E (Return on capital employed)	**102.0%**	156.5%	-54.5%pt
R O E (Return on equity)	**32.6%**	47.0%	-14.4%pt
Balance sheet information			
Shareholders' equity	**875.4**	550.2	59.1%
- Ratio of equity to total assets	**66.3%**	58.4%	7.9%pt
Working capital	**255.7**	148.4	72.3%
- in % of Net sales	**14.4%**	9.7%	4.7%pt
Cashflow and investments			
Gross cashflow	**432.9**	384.8	12.5%
Free cashflow (before acquisition)	**152.3**	256.6	-40.6%
Investments (before acquisition)	**61.9**	43.1	43.5%
Acquisition investment	**17.9**	0.0	0.0%
Value management			
Cashflow return on invest	**32.0%**	42.1%	-10.1%pt
Absolute value contribution	**227.2**	222.6	2.1%
Employees			
Employees on yearly average	**4,425**	3,475	27.3%
Sales per employee (T€)	**401.7**	440.4	-8.8%
PUMA Share			
Stock exchange rate at year-end (in €)	**246.50**	202.30	21.8%
Average outstanding shares (in million)	**16.066**	16.025	0.3%
Shares at year-end (in million)	**15.974**	16.062	-0.5%
Earnings per share (in €)	**17.79**	16.14	10.2%
Free cashflow per share (in €)	**9.48**	16.01	-40.8%
Equity per share (in €)	**54.80**	34.25	60.0%
Stock market value	**3,937.6**	3,249.3	21.2%
Average trading volume (amount/day)	**159,285**	141,753	12.4%

*restated

PUMA Group Development

Business phase		Momentum			Investment				Restructuring				
	2005	2004*	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales													
Brand sales[1]	**2,387.0**	2,016.6	1,691.5	1,380.0	1,011.7	831.1	714.9	647.4	622.5	594.0	577.2	554.2	541.3
- Change in %	18.4%	19.2%	22.6%	36.4%	21.7%	16.2%	10.4%	4.0%	4.8%	2.9%	6.6%	2.4%	
Consolidated sales	**1,777.5**	1,530.3	1,274.0	909.8	598.1	462.4	372.7	302.5	279.7	250.5	211.5	199.5	210.0
- Change in %	16.2%	20.1%	40.0%	52.1%	29.3%	24.1%	23.2%	8.1%	11.7%	18.4%	0.7%	-5.0%	
- Footwear	**1,175.0**	1,011.4	859.3	613.0	384.1	270.9	209.0	202.5	193.8	176.2	154.4	143.5	141.9
- Apparel	**473.9**	416.0	337.0	238.5	169.5	163.5	139.0	85.8	73.1	64.4	50.3	49.9	59.8
- Accessories	**128.6**	102.9	77.7	58.3	44.5	28.0	24.7	14.2	12.9	9.9	6.8	6.2	8.4
Result of operations													
Gross profit	**929.8**	794.0	620.0	396.9	250.6	176.4	141.7	108.2	102.3	94.0	79.0	69.5	62.8
- Gross profit margin	52.3%	51.9%	48.7%	43.6%	41.9%	38.2%	38.0%	35.8%	36.6%	37.5%	37.4%	34.8%	29.9%
License and commission income	**55.7**	43.7	40.3	44.9	37.2	28.9	23.9	24.5	25.9	25.5	26.0	27.1	21.4
Operating result / EBIT	**397.7**	359.0	263.2	125.0	59.0	22.8	16.3	4.7	36.3	33.3	31.0	23.1	-26.2
- EBIT Marge	22.4%	23.5%	20.7%	13.7%	9.9%	4.9%	4.4%	1.5%	13.0%	13.3%	14.7%	11.6%	-12.5%
Result before taxes on income / EBT	**404.1**	364.7	264.1	124.4	57.4	21.2	14.4	3.4	37.4	33.2	26.5	17.3	-35.4
- EBT Marge (Return on sales before tax)	22.7%	23.8%	20.7%	13.7%	9.6%	4.6%	3.9%	1.1%	13.4%	13.2%	12.5%	8.7%	-16.8%
Consolidated group profit	**285.8**	258.7	179.3	84.9	39.7	17.6	9.5	4.0	34.6	42.8	24.6	14.9	-36.9
- Marge (Return on sales after tax)	16.1%	16.9%	14.1%	9.3%	6.6%	3.8%	2.6%	1.3%	12.4%	17.1%	11.7%	7.5%	-17.6%
Expenses													
Expenses for marketing and retail	**272.0**	214.6	163.9	125.1	86.9	67.0	61.0	47.9	29.0	-	-	-	-
Costs of product development and design	**42.0**	36.9	29.9	24.2	19.9	18.2	15.2	15.2	7.3	-	-	-	-
Personnel expenses	**199.4**	163.4	126.6	103.0	81.1	64.4	51.5	41.3	35.2	-	-	-	-
Balance sheet ratios													
Total assets	**1,321.0**	942.3	700.1	525.8	395.4	311.5	266.6	222.9	176.6	147.7	106.5	100.0	121.9
- in % of total assets	**66.3%**	58.4%	54.7%	48.0%	44.7%	42.1%	42.1%	43.8%	54.7%	41.7%	-12.8%	-38.1%	-43.5%
Net working capital	**255.7**	148.4	155.7	114.0	110.3	78.8	76.6	70.6	69.6	21.2	17.8	6.6	34.1
- thereof: inventories	**238.3**	201.1	196.2	167.9	144.5	95.0	85.1	63.4	58.4	41.9	36.9	33.3	44.0
Cashflow													
Free cashflow	**134.4**	256.6	107.4	100.1	3.0	9.1	0.8	-12.1	-8.6	39.5	17.7	39.7	-4.6
Net cash position	**430.4**	356.4	173.8	94.3	-7.8	4.8	1.1	7.8	22.0	34.5	4.7	2.5	-50.7
Investment (incl. Acquisitions)	**79.8**	43.1	57.3	22.5	24.8	9.4	14.3	15.7	4.1	2.9	1.8	1.4	2.9
Profitability													
R O E (Return on equity)	**32.6%**	47.0%	46.8%	33.7%	22.5%	13.4%	8.5%	4.1%	35.8%	-	-	-	-
R O C E (Return on capital employed)	**102.0%**	156.5%	120.7%	81.1%	32.8%	20.6%	17.8%	6.8%	41.4%	-	-	-	-
C F R O I (Cashflow return on invest)	**32.0%**	42.1%	43.5%	32.2%	20.3%	13.8%	11.1%	4.6%	18.3%	-	-	-	-
Additional information													
Orders on hand on Dec. 31	**1,069.1**	822.6	722.0	531.1	360.1	232.1	187.2	133.5	130.8	111.4	90.9	94.4	85.2
Number of employees on Dec. 31	**5,092**	3,910	3,189	2,387	2,012	1,522	1,424	1,145	1,078	807	745	703	714
Number of employees on yearly average	**4,425**	3,475	2,826	2,192	1,717	1,524	1,383	1,149	1,041	795	728	725	1,012
PUMA Share													
Price of the PUMA share on Dec. 31	**246.50**	202.30	140.00	65.03	34.05	12.70	17.20	11.25	18.61	26.29	18.41	14.93	7.75
Earnings per share (in €)	**17.79**	16.14	11.26	5.44	2.58	1.14	0.62	0.26	2.25	1.98	1.76	1.06	-2.63
Average outstanding shares (in million)	**16.066**	16.025	15.932	15.611	15.392	15.390	15.390	15.390	15.390	15.390	14.000	14.000	14.000
Number of shares on Dec. 31 (in million)	**15.974**	16.062	16.059	15.846	15.429	15.390	15.390	15.390	15.390	15.390	14.000	14.000	14.000
Stock market value	**3,937.6**	3,249.3	2,248.2	1,030.5	525.4	195.5	264.7	173.1	286.4	404.6	257.7	209.0	108.5

*restated

[1] including sales of licensees

Letter to Shareholders 06

Mission 08

Management Report 11
- Early Achievement of Phase III Targets 13
- General Economic Conditions 14
- Strategy of the PUMA Group 15
- Sales 18
- Results of Operations 21
- Dividend 23
- Regional Development 24
- Net Assets and Financial Position 26
- Cashflow 28
- Value-Based Management 30
- Product Development and Design 32
- Sourcing 33
- Employees 34
- Risk Management 36
- Orders Position 40
- Outlook 41

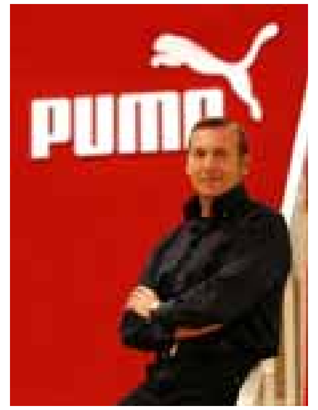
Share 44

Marketing 48
- Brand Strategy 48
- Marketing 50
- Hello 52
- New Stuff 54
- SOoo Fast 56
- Moto 58
- Golf 60
- Football 62
- Retail 64

Consolidated Financial Statements 68
- Consolidated Balance Sheet 68
- Consolidated Income Statement 69
- Consolidated Cashflow Statement 70
- Changes in Equity 71
- Development of Fixed Assets 72
- Notes to Consolidated Financial Statements 73
- Auditors' Report 106

Supervisory Board Report 107

Board of Management 109



Dear Fellow Shareholder,

2005 was both an exceptional year for PUMA as well as a continuation of the PUMA story. PUMA once again set financial records across the board and continued to outperform the industry. Global brand sales were up by 18% to 2.4 billion Euro and consolidated sales increased 16% reaching 1.8 billion Euro, while our earnings grew almost 11%. Since the beginning of Phase I in 1993, we have demonstrated 11 years of growth, marking the ninth straight year of double-digit growth and record earnings. Meanwhile, PUMA continued to ascend as one of the world's most desirable brands, and we continued to improve our operations and talent to build a strong organization engineered for future growth.

Since the beginning of Phase III, consolidated sales nearly tripled, our gross margin climbed from 42% to over 52%, and EBIT grew around 600% to 398 million Euro, which translates into an EBIT margin of well above 22%. Just as in Phases I and II, we were able to significantly exceed our original Phase III targets well ahead of schedule, allowing us to close Phase III one year earlier than initially expected. Shareholder value and market capitalization increased in kind, by over 3,500% to nearly 4 billion Euro since we started the long term development plan in 1993.

Among our biggest achievements in Phase III, however, was a strategic transformation that has positioned the company and brand for long-term success. We made the crucial jump from a brand desirable for a few, to a premium, global brand desirable for a broader audience. We made a shift to operate more like a vertical retailer, with the opening of 52 Concept stores in Phase III and more to come. And we developed into a multi-dimensional brand; not only did we become the clear leaders in Sportlifestyle, but our performance running, football and motorsport businesses had a CAGR growth in the double-digits.

Now just a few months into Phase IV, we have already made progress towards meeting our next challenge – to become the most desirable Sportlifestyle company in the world. We started things off earlier this year with our African Football campaign, which highlighted not only the spirit of the game in that region, but also the technology of our V-Series football boot, one of the world's lightest and most aerodynamic. This campaign and product launch was the perfect springboard to this summer's World Cup, where we will be the top supplier at the championship, with 12 teams being sponsored and therefore more than any other company. In fact, well over half of the first round games will feature at least one PUMA-sponsored team, which should provide a signal to the world that we're serious about increasing our market share as well as leadership among the top three football brands in the world.

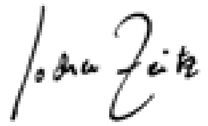
Also, as I write this, we are in the middle of launching both PUMA Golf - our first new sports category entry in several years - as well as a new partnership with world-renowned designer Alexander McQueen this spring. In February we introduced PUMA co-branded premium denim in our Concept Stores and to do so we are partnering with one of the world`s top premium brands – Evisu. Meanwhile, we are once again ahead of our original schedule by taking steps towards unlocking further brand potential around the world, with new joint ventures in Argentina, Canada, China, Hong Kong, Korea, Taiwan and Japan, as well as establishing wholly owned subsidiaries in India and the Middle East.

Looking further down the road, we believe that there is a even greater untapped potential remaining to be explored in the world of Sportlifestyle, and in Phase IV we will begin to expand PUMA to be a true multi-category player. Just as our imagination, creativity and innovation created Sportlifestyle, they are the key drivers to our future growth. We will try to maintain our first-mover advantage and powerful brand to achieve both deeper growth in our existing categories, as well as extend the brand to new ones.

Following a similar pattern to Phase II, the beginning of Phase IV will be marked by increased investment in the brand and our regional expansion to kickstart our road to fully explore the potential of the PUMA brand and company. As always, our focus will remain on brand and earnings growth sustainability as well as outperforming the industry in the long run.

Without doubt, the road ahead will be challenging. We have set ambitious goals for Phase IV, and, as in Phases I, II, and III, we are determined to reach them. Fortunately, we are working off a strong foundation and platform that we have been carefully building since 1993. The PUMA brand, with its strong roots and constantly increasing global brand awareness, still holds many attractive global opportunities to increase penetration throughout the world - without compromising brand equity. And by relentlessly innovating to address the real needs of our consumers, by creating new markets, by pushing the boundaries, and by defining the culture of Sportlifestyle – we aim to make Phase IV our next success.

Best regards,



Jochen Zeitz

Mission Statement

„The most desirable Sportlifestyle company"

Letter to Shareholders 06

Mission 08

Management Report 11
- Early Achievement of Phase III Targets 13
- General Economic Conditions 14
- Strategy of the PUMA Group 15
- Sales 18
- Results of Operations 21
- Dividend 23
- Regional Development 24
- Net Assets and Financial Position 26
- Cashflow 28
- Value-Based Management 30
- Product Development and Design 32
- Sourcing 33
- Employees 34
- Risk Management 36
- Orders Position 40
- Outlook 41

Share 44

Marketing 48
- Brand Strategy 48
- Marketing 50
- Hello 52
- New Stuff 54
- SOoo Fast 56
- Moto 58
- Golf 60
- Football 62
- Retail 64

Consolidated Financial Statements 68
- Consolidated Balance Sheet 68
- Consolidated Income Statement 69
- Consolidated Cashflow Statement 70
- Changes in Equity 71
- Development of Fixed Assets 72
- Notes to Consolidated Financial Statements 73
- Auditors' Report 106

Supervisory Board Report 107

Board of Management 109

Early Achievement of Phase III Targets

In the 2005 financial year PUMA followed up on its success story with a new record high in sales and earnings. The initial targets set for Phase III of the company's long-term development plan were not only achieved, but also significantly exceeded in 2005. This marks yet another successful conclusion of a phase in the company's long-term development ahead of schedule. Overall, PUMA succeeded in strengthening and further expanding its position as desirable Sportlifestyle brand.

Worldwide brand sales climbed by over 18% to € 2.4 billion in the financial year. Consolidated sales rose by 16% to nearly € 1.8 billion. At 52%, the gross profit margin peaked to a new record high not only for PUMA, but also for the entire sporting goods industry. For the first time, pre-tax earnings leapt over the € 400 million hurdle and the year 2005 closed with record high results for the fifth consecutive time. Earnings per share climbed from € 16.14 to € 17.79, significantly exceeding all expectations.

Overall, the Company posted growth for the eleventh consecutive year since the launch of the long-term corporate planning program initiated in 1993, including double-digit growth in earnings in nine of these years. During this period, market capitalization and shareholder value grew by more than 3,500 percent to nearly € 4 billion.

General Economic Conditions

According to a value assessment of the "Kiel Institute for the World Economy" (Institut für Weltwirtschaft an der Universität Kiel) in the autumn of 2005, the global economy continued to expand despite the rise in oil prices. The dampening effect of higher prices for crude oil and other raw materials were countered by the added impetus offered by the expansive monetary policy, low capital market interest rates, strong increases in property values and companies' very favourable financial performances. The real domestic product in the USA and China growth centers continued on its steady upward course at a fast pace in the first six months of the year, and Japan followed suit with significant improvements following the preceding period of stagnation. This process created an additional imbalance in the world economy.

Economic dynamics in the Euro zone remained weak. The rise in oil prices will continue to depress consumer demand for some time. On the other hand, the mood in the industry is slightly more positive, not least because of a growing intake of new orders. In addition, the devaluation of the Euro during the year and the low, long-term interest rates had a stimulating effect. Overall, the gross domestic product in the Euro zone is expected to rise only slightly in 2005.

The effects of the high oil prices were also felt in the sporting goods industry. Nevertheless, the industry saw a perceptible upturn in 2005, due mainly to the continued growth of the Sportlifestyle segment. Great hopes are being placed in the World Cup, which will be held in Germany in the coming year and initial effects were already felt in 2005. Today, soccer is no longer just a performance category; instead, it is an important element of Sportlifestyle. Therefore, PUMA is very well positioned in all regions through its orientation as a Sportlifestyle brand and is excellently prepared for the upcoming World Cup.

Its clear brand strategy enabled PUMA to exert a decisive influence on the market and to adapt to the constantly changing conditions of the market. Sportlifestyle has meanwhile become a widely recognized and established market and is part of a global culture with appeal to a broad spectrum of consumers. Through its strategic orientation as a Sportlifestyle company and the ongoing development of creative designs, PUMA will continue to set new trends and explore the brand's potential even further.

Strategy of the PUMA Group

The course for long-term corporate development was charted in 1993. With drive and perseverance, Management has led the company through various phases and has transformed PUMA into a highly desirable brand and a highly profitable company. The strategy, which is divided in sequential phases of development, can be summarized as follows:

PHASE I – 1993 to 1997 – "Mission: Return to Profitability and a Solid Business Base"

When PUMA launched Phase I of the long-term corporate development strategy in 1993 – after seven years of recording a loss following stock market flotation in 1986 – the initial goal was to return the company to profitability and to create a solid business foundation for the future. PUMA did not only achieve the DM 1.00 in profit, but went on to post record high profits in the years 1994 to 1997.

PUMA's key area of concentration in Phase I was not primarily on growth. The focus was set on extensive restructuring and optimization of the global organizational structure, with the goal of generating profitability and a solid financial base for the future. Nonetheless, sales rose from € 210 million to € 280 million. The gross profit margin climbed from less than 30% to just under 37%. Shareholders' equity improved from minus € 53 million to € 100 million, with an equity ratio of 55%. Net bank debts totalling € 50 million were converted into a cash position of € 22 million. During Phase I, shareholder value and market capitalization were nearly tripled.

PHASE II – 1998 to 2001 – "Mission: Become One of the Most Desirable Sportlifestyle Brands"

Following effective restructuring and the creation of a solid financial base, PUMA launched Phase II, which involved disproportionately high investments in the brand aimed at making PUMA one of the most desirable Sportlifestyle brands. To this end, marketing expenses were raised from 10% to 15% of sales and investments in design and product development were more than doubled to 5%.

In this phase, PUMA developed many of the foundations for the present success of the PUMA brand. PUMA concentrated on building brand equity, achieving the unique positioning as a Sportlifestyle brand and creating a system of selective distribution to support the brand strategy. All objectives of Phase II were achieved or significantly exceeded. Consolidated sales more than doubled, peaking from € 280 million to € 598 million. The gross profit margin climbed from less than 37% to 42%. Operating profit rose from € 36 million to € 59 million, and shareholder value increased by more than 80% to € 525 million.

PHASE III - 2002 to 2005 – "Mission: To Become the Most Desirable Sportlifestyle Brand in the World"

After achieving or exceeding Phase II targets ahead of schedule, PUMA launched Phase III in 2002 with the object of making PUMA the most desirable sportlifestyle brand and exploring the newly assessed brand potential of € 2 billion. During Phase III, the PUMA brand grew into one of the most influential brands in the world, as confirmed by many market research studies. At the end of the year 2005, PUMA had already achieved and exceeded the Phase III targets. Thus, Phase III of the long-term corporate development plan was also completed one year ahead of schedule.

Consolidated sales tripled from € 598 million to € 1.8 billion. The gross profit margin climbed from 42% to more than 52%, which is a record high level for the sporting goods industry, and earnings before taxes jumped over the € 400 million hurdle for the first time. Shareholder value grew seven-fold from € 525 million to approximately € 4 billion.

Summary Phase I – Phase III

In all, since the beginning of the long-term corporate planning in 1993 the company has grown during 11 consecutive years, posting double-digit growth and record results in nine of those years.

Phase I - Phase III	Phase I 1993	Phase III 2005
sales	€ 210 million	€ 1,778 million
gross margin	< 30%	52.3%
EBIT margin	loss	22.4%
market capitalization	€ 109 million	€ 3,938 million

PHASE IV – 2006 to 2010 – "Mission: To Be the Most Desirable Sportlifestyle Company"

Phase IV of long-term corporate development planning is being launched at the beginning of 2006 with the aim of establishing PUMA as one of the very few true multi-category brands, and as a brand which will make effective use of the many possibilities offered by the Sportlifestyle market in all categories and regions. Being a multi-category brand requires that the company fill those categories and business segments that will offer PUMA the possibility of achieving sustained value increases through utilization of its unique brand positioning.

The continued goal is to create long-term shareholder value. To this end, PUMA will concentrate exclusively on those growth possibilities which offer high potential for sustained value creation. Value-based management will be used to undertake investments which offer a suitable return on investment and thus contribute to a sustained increase in corporate value.

PUMA will also examine other selected growth possibilities that could arise outside the PUMA brand. Phase IV will therefore be characterized by expansion with the aim of becoming the most desirable sportlifestyle company. The priority will be on brand appeal, not on growth at any price.

Expansion is planned in three areas:

- Expansion of product categories
- Regional expansion
- Non-PUMA brand expansion

Expansion of Product Categories

The expansion of product categories in Phase IV will involve growth in already existing business segments as well as entry into new product categories. Expansion of the existing product portfolio will be driven by a strong product offensive covering the entire spectrum of Sportlifestyle from sports to fashion. In addition, PUMA will also expand into new, promising categories. These will mostly be product categories which distinguish the PUMA brand from the market and the competition in a unique manner. In addition to Golf and Moto (motorcycle sport), five new product categories are to be added to the existing portfolio. Moreover, PUMA will continue to strengthen and further develop the business with product licenses with both its current partners and new associates worldwide.

Regional Expansion

In addition to the expansion of product categories, regional expansion will be accelerated both in the wholesale trade as well as in PUMA's own retail business. Expansion of the shop-in shop systems and other sales instruments will improve business relationships with existing trading partners and will further increase the presence and visibility of the PUMA brand. In particular in the already strongly developed markets, PUMA's retail stores will not only be a unique window for the brand but will also provide for the possibility to offer new products on the market at an early stage as well as the opportunity to swiftly react to new trends.

Beginning in the year 2006, new shareholdings in Japan, China and Hong Kong, Taiwan, Argentina and Canada will be integrated into the PUMA Group. The newly founded joint ventures and subsidiaries are an important element of the regional expansion, as PUMA is now represented directly in the major core markets. The take back of these license markets at the beginning of Phase IV, possibly followed by other countries in coming years and their organic growth, will lead to the creation of additional significant growth potential.

Expansion with Non-PUMA Brands

For the first time, PUMA also plans a selective expansion with non-PUMA brands, which must fulfil a set of clear criteria. On this basis, the Tretorn brand, which had been purchased in 2001, was repositioned with an expanded product range. Further acquisitions could follow if, after a comprehensive examination and the fulfilment of further criteria, they can contribute to increases in the cash flow return on investment and thus to the added value of the company.

Phase IV will thus introduce another decisive step in the long-term development of the company with a view to establishing PUMA as one of the three leading brands in the sporting goods industry and to pursue the long-term objective of becoming the most desirable sportlifestyle company.

As one of the co-founders of the sporting goods industry, PUMA will lead the brand to its rightful position through effectively developing the brand potential. According to a current statistic published by Sporting Goods Intelligence, PUMA has already developed from a "small" company to the Number 3 sporting goods company worldwide with a market share of approximately 7%. However, what is even more important is the fact that many observers consider PUMA to be the company which has brought about a basic transformation in the industry because it has successfully created the sportlifestyle concept while also establishing it as a broad new market.

Through the measures included in Phase IV, PUMA is to be clearly positioned as Number 3 in the sporting goods industry on a sustained basis. The company's potential is currently estimated at € 3.5 billion. Significant portions of this potential are to be transformed into consolidated sales within the next five years.

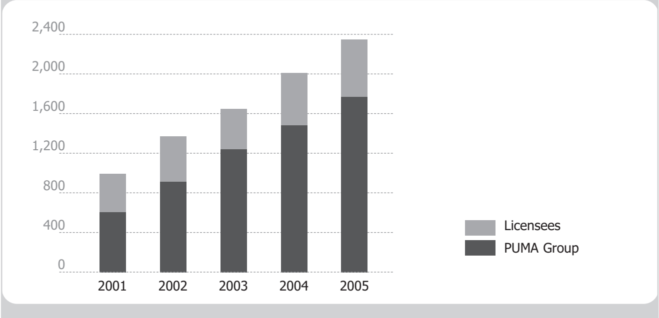
Sales

Global Brand Sales at € 2.4 billion

The worldwide PUMA brand sales, comprised of consolidated and license sales, rose significantly by 18.4% to almost € 2.4 billion. Currency-adjusted sales were up by 18%.

Worldwide sales

(€ million)

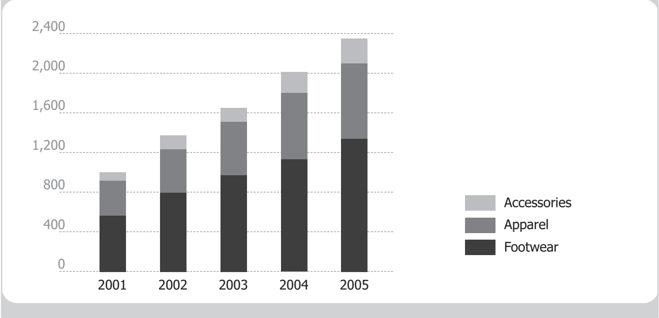


Footwear sales improved by 17.7% to € 1,326 million. Apparel sales were up by 16.5% to € 828 million and Accessories jumped by as much as 30.2% to € 233 million.

The individual segments contributed to worldwide branded sales as follows: Footwear 55.6% (55.9%), Apparel 34.7% (35.2%) and Accessories 9.8% (8.9%).

Worldwide sales by product segments

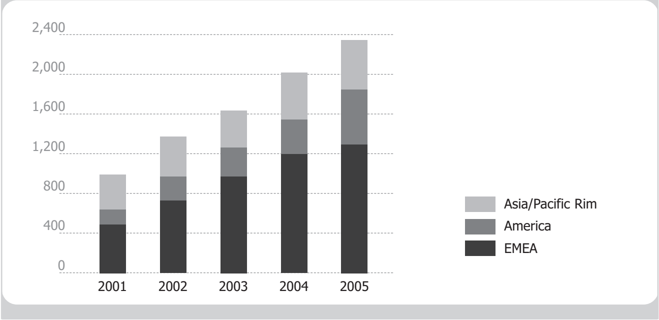
(€ million)



By regions, worldwide branded sales are allocated as follows: EMEA 54.1% (59.8%), America 23.4% (17.8%) and Asia/Pacific 22.5% (22.4%).

Worldwide sales by regions

(€ million)

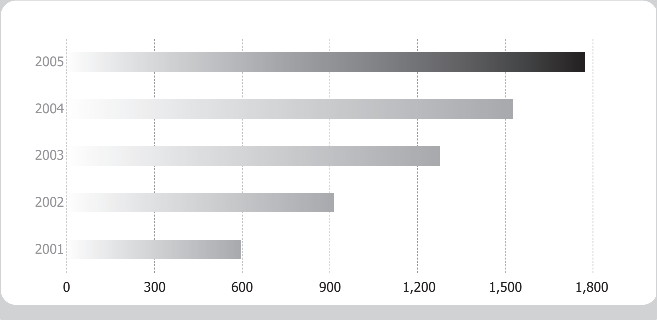


Consolidated Sales at € 1.8 billion

Sales in the year 2005 were marked by yet another record high. After eleven years of growth, consolidated sales reached the € 1,778 million mark. This corresponds to a rise of 16.2% from the previous year's level of € 1,530 million. Currency-adjusted, sales were up 15.8%, which was significantly above the original expectations.

Consolidated sales

(€ million)



Strong Growth in all Segments

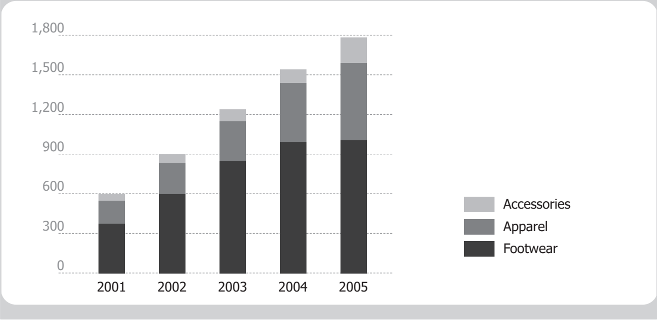
The **Footwear** segment posted a 16.2% increase in sales, from € 1,011 million to € 1,175 million. As the largest product segment, Footwear continued to contribute 66.1% to consolidated sales. The sales increase was attributable mainly to the core segments: Motorsport, Teamsport and Running. Thus, PUMA was able to significantly expand its leading position in the Motorsport segment. Teamsport (mainly soccer) contributed to further successes and helped bring the PUMA brand to the Number 3 position. The positioning in the Running segment became even more firmly established.

Apparel sales were up by 13.9%, rising from € 416 million to € 474 million. The share of consolidated sales was 26.7% compared to 27.2% in the previous year. Nearly all product groups achieved sales increases and contributed to the overall performance.

Accessories sales, consisting mainly of bags, balls and sport accessories, posted an increase of 25% bringing sales up from € 103 million to € 129 million. This enabled the Accessories segment to increase its share in consolidated sales from 6.7% to 7.2%. Thus, growth could be realized in the Sport as well as Sportlifestyle areas.

Consolidated sales by product segments

(€ million)

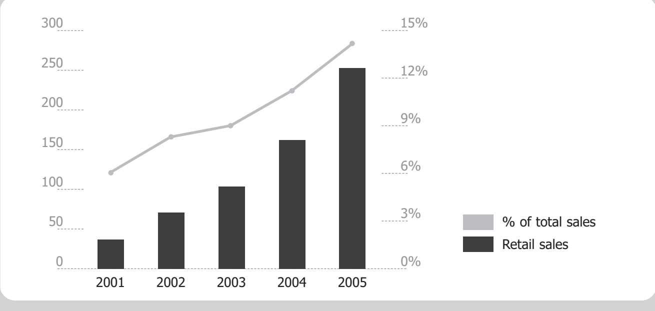


Expansion of Retail Operations

The Group's own retail stores are a significant element of the brand strategy and will continue to gain in importance. Direct sales accelerate the speed with which products appear on the market (speed-to-market), while also creating a unique brand experience which enables the consumer to be presented with innovative products in a brand-conformant atmosphere.

The strategic expansion of the Group's own retail operations was continued in the financial year, as a total of 20 concept stores were opened worldwide. Thus, at year-end, PUMA had 66 concept stores including seven stores operated by licensees, which enables PUMA to position itself as a Sportlifestyle brand. In addition to the concept and PUMA stores, the Group also operates factory outlets as part of its retail operations in the respective countries. This ensures the regional availability and controlled sales of PUMA products. In 2005, sales from the retail stores were up by 47.2%, rising to € 247 million. The share of consolidated sales rose from 11% to 13.9%.

Retail sales
(€ million)



Extremely Positive Development in the License Business

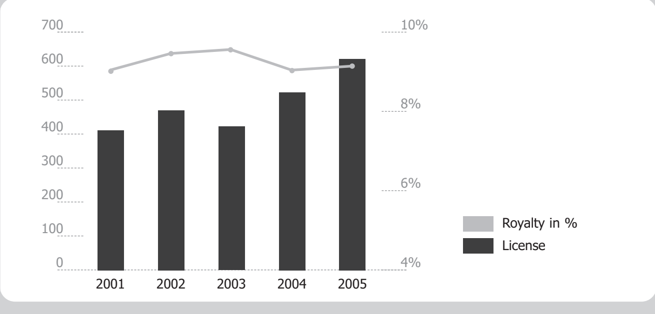
PUMA issues licenses for a number of product segments to independent partners who are responsible for the design, development, sourcing and distribution of special products (such as perfume, bodywear and watches). Moreover, PUMA distribution licenses are also issued for PUMA core products in various markets, particularly in Asia and Latin America. Together with consolidated sales, these license sales are included in worldwide branded sales. Since the licensed sales are realized outside the PUMA Group, they are not consolidated.

Overall, License sales were up significantly by 25.4% climbing from € 486 million to € 610 million, or 24.7% after currency adjustment.

Royalty and commission income earned with license sales totalled € 56 million and compared to € 44 million in the previous year. This corresponds to an increase of 27.4%.

As already announced in Phase IV of the long-term corporate development planning, beginning in 2006, PUMA distribution licenses will be increasingly recalled and transferred to subsidiaries or joint venture companies which will then become integrated into the PUMA Group.

License sales, Royalty in %
(€ million)



Results of Operations

Management Income Statement	2005		2004*		+/- %
	€ million	%	€ million	%	
Consolidated sales	**1,777.5**	100.0%	**1,530.3**	100.0%	**16.2%**
Cost of material	**847.8**	47.7%	**736.4**	48.1%	**15.1%**
Gross profit	**929.8**	**52.3%**	**794.0**	**51.9%**	**17.1%**
Royalty and commission income	**55.7**	3.1%	**43.7**	2.9%	**27.4%**
Selling, general and administrative expenses	**563.5**	31.7%	**459.4**	30.0%	**22.7%**
EBITDA	**421.9**	23.7%	**378.3**	24.7%	**11.5%**
Depreciation	**24.3**	1.4%	**19.3**	1.3%	**26.0%**
EBIT	**397.7**	22.4%	**359.0**	23.5%	**10.8%**
Financial result	**6.4**	0.4%	**5.7**	0.4%	**13.0%**
EBT	**404.1**	22.7%	**364.7**	23.8%	**10.8%**
Income taxes	**117.2**	6.6%	**104.4**	6.8%	**12.3%**
Tax rate	29.0%		28.6%		
Minority interests	**-1.1**	-0.1%	**-1.7**	-0.1%	
Net earnings	**285.8**	16.1%	**258.7**	16.9%	**10.5%**
Weighted average shares outstanding (million)	16.066		16.025		0.3%
Weighted average shares outstanding, diluted (million)	16.163		16.350		-1.1%
Earnings per share in €	17.79		16.14		10.2%
Earnings per share, diluted in €	17.68		15.82		11.7%

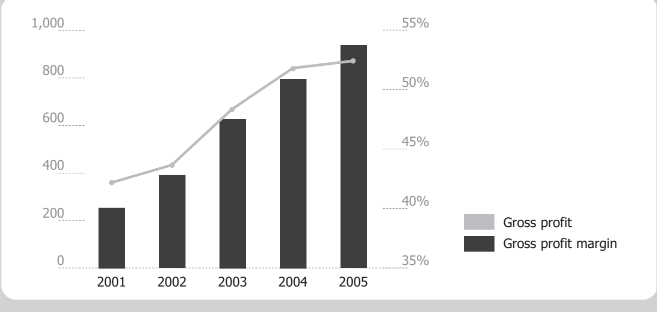
*restated

Gross Profit Margin Exceeds 52%

The desirability of the brand is also reflected in the gross profit margin, which positions the company at the upper end of the margin spread within the sporting goods industry. As a percentage of sales, the margin in the 2005 reporting year climbed to a new record high of 52.3% from the previous year's level of 51.9%. This corresponds to a margin improvement by 40 basis points. Both the product mix and regional effects were more than compensated for by favorable exchange rates. In absolute figures, gross profit was up by a total of 17.1%, rising from € 794 million to € 930 million.

According to product segments, the margin in Apparel rose from 49.7% to 51.8% and that in Accessories from 49% to 50.4%. The Footwear margin decreased slightly from 53.1% to 52.7%, which was attributable exclusively to the regional distribution of sales.

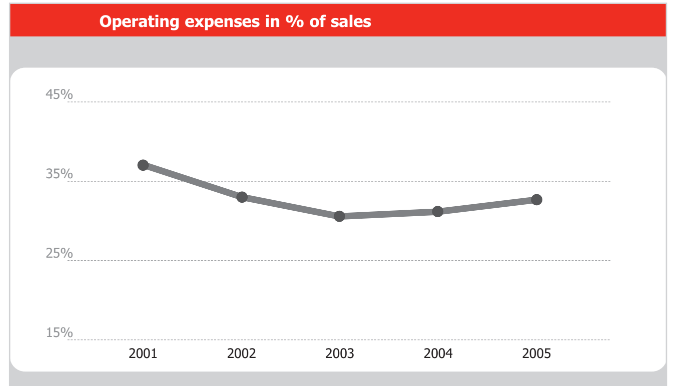
Gross profit/Gross profit margin
(€ million)



Cost Structure Increases as Planned

Operating expenses for financial year 2005 consisting of selling, general and administrative expenses rose steadily by 22.7% to € 564 million. Due to further investments in company-owned retail operations and the related higher operative expenditures, the cost structure increased from 30% to 31.7% of sales.

Investments in marketing/retail totalled to € 272 million or 15.3% of revenue, compared to the previous year's level of € 215 million or 14%. This corresponds to a 26.8% or € 57 million increase in brand image building expenses. Product development and design expenses rose by 13.8% from € 37 million to € 42 million, remaining constant at 2.4% of sales. Other selling, administration and general expenses were up by 20% to € 250 million. As a percentage of sales, this corresponds to an increase from 13.6% to 14%. The increase is partly due to the balance sheet recognition of the share-based compensation system for management.

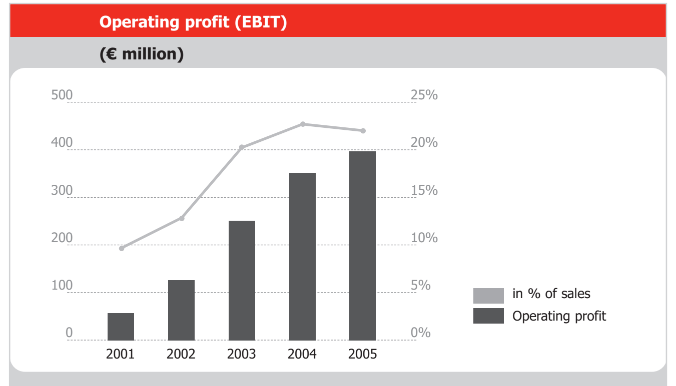


Depreciation

Depreciation rose by 26% from € 19 million to € 24 million. This increase is mainly due to the expansion of own retail operations and the related investments.

Operating Profit Above 22%

Despite the higher expenses, absolute profitability continued to increase due to significant sales expansion and the higher gross profit margins. Operating profit (EBIT) improved by 10.8%, rising from € 359 million to € 398 million. As a percentage of sales this corresponds to an operating margin of 22.4%, compared to 23.5% in the previous year.



Pre-Tax Profit Exceeds € 400 million

Net interest income rose from € 5.7 million to € 6.4 million and earnings before taxes (EBT) were up by 10.8%, climbing from € 365 million to € 404 million. Thus, for the first time in the company's history, the € 400 million mark was passed. As a percentage of sales, this corresponds to a gross return of 22.7%, compared to 23.8% in the previous year.

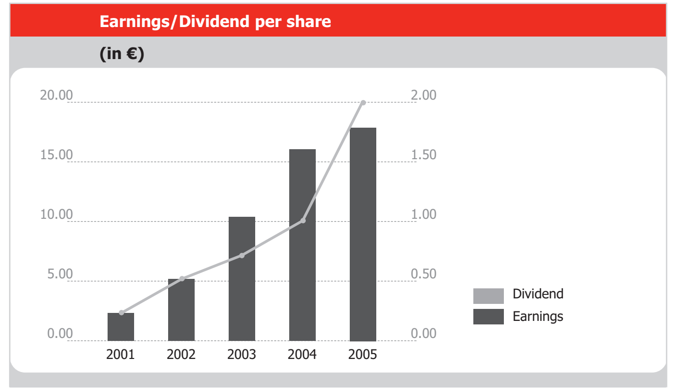
Tax expenses rose from € 104 million to € 117 million. The average tax rate was at 29%, compared to 28.6% in the previous year.

Net Earnings above Expectations

Net earnings grew significantly by 10.5% from € 259 million to € 286 million, thus showing double-digit growth for the seventh consecutive year. Once again, this result clearly exceeded management's expectations. The net rate of return expressed as a percentage of sales was 16.1%, compared to 16.9% in the previous year. Earnings per share were up 10.2%, climbing from € 16.14 (restated) to € 17.79, and diluted earnings per share rose from € 15.82 to € 17.68 or by 11.7%.

Dividend Doubled

Due to the continuous increases in earnings and in connection with the already announced increase in the pay-out ratio, the Board of Management will propose at the Annual Meeting on April 27, 2006 to double the dividend. The retained earnings of PUMA AG are to be used for the payment of a dividend of € 2.00 per share (previous year: € 1.00 per share) or a total of € 32 million for the financial year 2005. Thus, the dividend pay-out ratio on net earnings is up from 6.2% to 11.2%.
PUMA plans a dividend pay-out ratio of between 20% and 25% for the long-term.



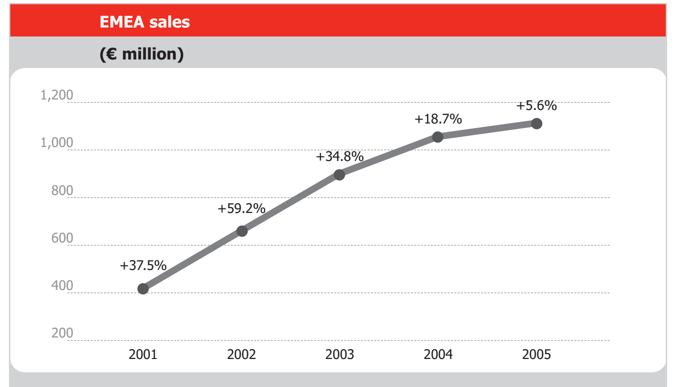
Regional Development

Good Results in All Regions

Sales in the **EMEA** were up by 5.6%, rising from € 1,047 million to € 1,105 million, and were thus clearly above initial expectations. Despite the difficult economic environment in a number of European core markets, overall, sales developed positively in the financial year. The EMEA region currently accounts for 62.2% of consolidated sales, compared to 68.4% last year.

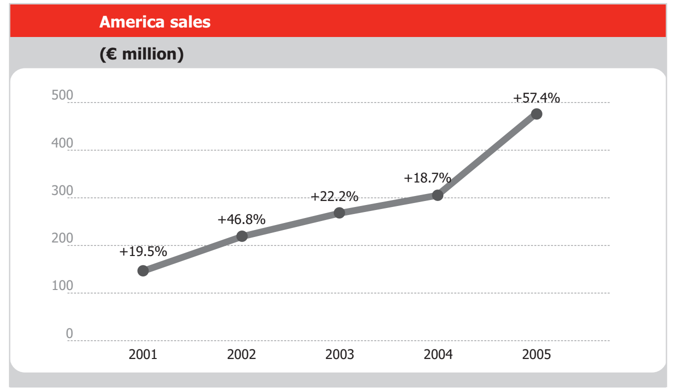
Divided into segments, Footwear rose by 1.5%, Apparel by 11%, and Accessories by as much as 26.2%. In particular, the continued expansion of the Group's own retail operations impacted positively on sales.

Once again, the gross profit margin was improved despite the difficult market environment, which reflects the desirability of the brand. The gross profit margin reached 54.3%, compared with 53.3% in the previous year. As a percentage of regional sales the operative margin (EBIT) reached 27.4% after 27.8% in the previous year. The orders volume developed very positively and, after two quarters of falling orders, closed the year at € 624 million or a 3.5% increase in comparison with the previous year.



Sales in **America** showed impressive growth at 57.4%. Sales in the 2005 financial year climbed from € 303 million to € 476 million. This corresponds to an increase of 55.9% in US dollars. Thus, the share of consolidated sales was significantly increased from 19.8% to 26.8%. All product segments contributed to the growth with double-digit growth rates: The Footwear segment grew by an impressive 70.2% (currency adjusted: 68.9%), Apparel was up by 27.6% (26%) and Accessories grew by 40.1% (37%). The US market in particular contributed significantly to the overall performance in this region with currency-neutral sales growth of over 50%, which brought sales from USD 308 million to USD 472 million.

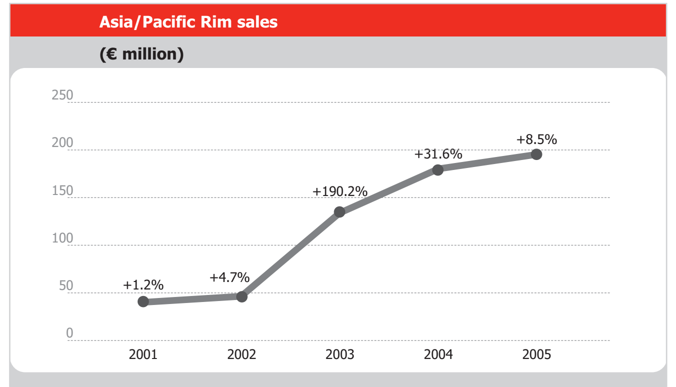
The gross profit margin in the America region showed a slight decrease of 40 basis points from 49.3% to 48.9%. The operating margin remained constant at the previous year's level of 19.6%. After currency adjustments and including the acquisition in Argentina and Canada, orders on hand at the 2005 year-end were up significantly by 85.7% in the overall region. Growth continued to accelerate on the US market. As of December 31, 2005 orders on hand amounted to USD 262 million, which corresponds to an increase of 63.6%. There was also a doubling of orders in Latin America.



Asia/Pacific sales rose by 8.5% from € 181 million to € 196 million, which corresponds to a currency-neutral increase of 11.1%. Overall, the Asia/Pacific region contributed 11% to consolidated sales. Divided into product segments, Footwear revenues rose by 6.2% (currency-adjusted 8.7%), Apparel improved by 5.9% (2.2%) and Accessories grew by 17.6% (20.3%). Next to Japan (Footwear and Accessories), Australia, New Zealand and the Pacific Islands also contributed to consolidated sales. The other markets of this region, as well as Apparel sales in Japan are reflected in license sales.

The gross profit margin improved by 150 basis points from 48.1% to 49.5%. The operating margin was at 21.0%, compared to 21.9% in the previous year.

For the first time, the Apparel business in Japan as well as the PUMA business in China, Hong Kong and Taiwan will be consolidated with effect as of January 1, 2006. Mainly due to the conversion of license businesses into consolidated business, orders on hand in this region increased to € 159 million as of December 31, 2005, or nearly 100% up on the previous year's level. Thus, the share of consolidated sales is expected to rise to approximately 25% over the medium term.



Net Assets and Financial Position

Consolidated Balance Sheet Structure	2005		2004*		+/- %
	€ million	%	€ million	%	
Cash and cash equivalents	475.5	36.0%	369.3	39.2%	28.7%
Inventories	238.3	18.0%	201.1	21.3%	18.5%
Trade receivables	277.5	21.0%	168.1	17.8%	65.0%
Other current assets	80.1	6.1%	34.4	3.7%	132.5%
Current assets	**1,071.4**	81.1%	**773.0**	82.0%	38.6%
Deferred income taxes	48.6	3.7%	51.6	5.5%	-5.8%
Other non-current assets	201.0	15.2%	117.7	12.5%	70.8%
Non-current assets	**249.6**	18.9%	**169.3**	18.0%	47.4%
Total assets	**1,321.0**	100.0%	**942.3**	100.0%	40.2%
Current bank liabilities	45.1	3.4%	12.9	1.4%	248.4%
Tax provisions	24.2	1.8%	33.7	3.6%	-28.3%
Other current liabilities	315.2	23.9%	286.3	30.4%	10.1%
Current liabilities	**384.5**	29.1%	**333.0**	35.3%	15.5%
Deferred income taxes	20.0	1.5%	9.6	1.0%	108.3%
Pension provisions	22.6	1.7%	21.2	2.2%	6.9%
Other non-current liabilities	18.5	1.4%	28.4	3.0%	-34.8%
Non-current liabilities	**61.2**	4.6%	**59.2**	6.3%	3.4%
Shareholders' equity	**875.4**	66.3%	**550.2**	58.4%	59.1%
Total liabilities and shareholders' equity	**1,321.0**	100.0%	**942.3**	100.0%	40.2%
Working capital	**255.7**		**148.4**		72.3%
- in % of sales	**14.4%**		**9.7%**		

*restated

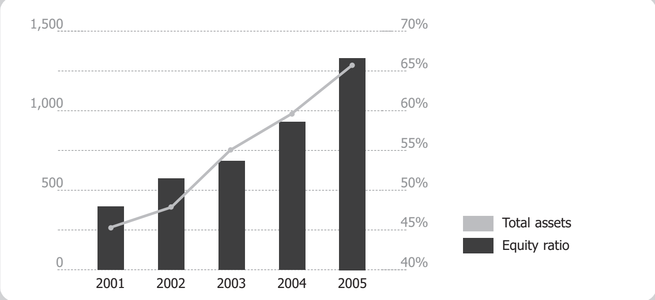
Equity Ratio in Excess of 66%

As of December 31, 2005, the PUMA Group's shareholders' equity amounted to € 875 million, compared to € 550 million in the previous year. This corresponds to an equity ratio of 66.3% compared to 58.4%. The balance sheet total in the period under review rose by 40.2% from € 942 million to € 1,321 million.

A renewed rise in the equity ratio reaffirms the strength of the Company's net assets, financial position and results of operations.

Total assets/Equity ratio

(€ million)



Perceptible Improvement in Liquidity

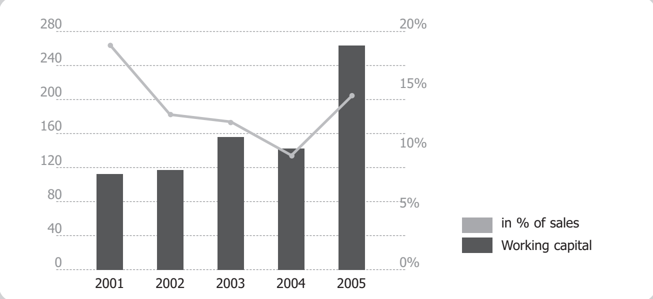
Liquid assets rose from € 369 million to € 476 million while liabilities to banks increased from € 13 million to € 45 million. Thus, net liquidity improved significantly and rose from € 356 million to € 430 million, despite the investment activity and utilisation of funds for the repurchase of treasury stock in the reporting year.

Regional Expansion Impacts Working Capital

Inventories were up 18.5% to € 238 million and trade receivables increased by 65% to € 278 million. In particular, regional expansion contributed to a disproportionately high increase in current assets. Due to the only minor increase in liabilities, working capital (net current assets) as of December 31, 2005 was up from € 148 million to € 256 million, reaching 14.4% of sales compared to 9.7% in the previous year. Excluding the expansion of the consolidated group, working capital grew by 44%. The effects on the net assets and financial position at the time of initial consolidation are presented in the Notes to the Financial Statements.

Working capital

(€ million)



Increase in Other Assets

Other current assets were up by 132.5% to € 80 million. This increase mainly resulted from advance payments for acquisitions (€ 10 million), a change in the fair values of derivative financial instruments (€16 million) and tax refund claims.
Other long-term assets rose by 70.8% to € 201 million. The ongoing expansion of the Group's own retail operations led to increases in property, plant and equipment (€ 37 million), and an increase in goodwill (€ 25 million) from acquisitions. Other effects resulted from the change in fair values of long-term derivative financial instruments (€ 13 million).

Cashflow

Cashflow	2005	2004*	+/- %
	€ million	€ million	
Earnings before taxes on income	404.1	364.7	10.8%
Non cash effected expenses and income	28.8	20.1	43.5%
Gross cashflow	**432.9**	**384.8**	**12.5%**
Change in curent assets, net	-71.0	1.2	-
Taxes and other interest payments	-160.2	-100.3	59.7%
Net cash from operating activities	**201.6**	**285.7**	**-29.4%**
Net cash used in investing activities	**-67.3**	**-29.2**	130.6%
Free cashflow	**134.4**	**256.6**	-47.6%
Free cashflow before acquisition cost	**152.3**	**256.6**	-40.6%
- in % of sales	**8.6%**	**16.8%**	-
Net cash used in financing activities	**-40.8**	**-70.8**	-42.4%
Effect on exchange rates on cash	12.6	-7.0	-278.7%
Change in cash and cash equivalents	106.2	178.8	-40.6%
Cash and cash equivalents at beginning of financial year	369.3	190.6	93.8%
Cash and cash equivalents at year-end	**475.5**	**369.3**	28.7%

*restated

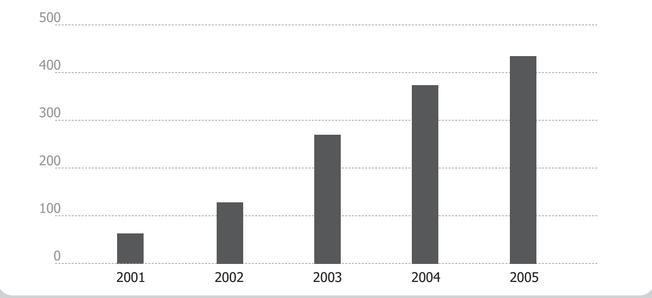
The gross cash flow in the reporting period totalled € 433 million and was up by a significant 12.5% on the previous year's level of € 385 million, due to the strong growth in pre-tax earnings.

Cash out-flow for working capital was € 71 million compared to the net in-flow of € 1.2 million posted in the previous year. The change was due mainly to regional expansion. Taxes, interest and other payments increased significantly from € 100 million to € 160 million. Overall, cash provided by operating activities was € 202 million, compared to € 286 million in the previous year.

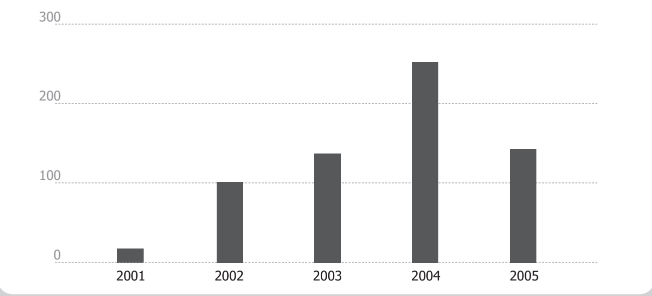
Cash used for investment activities was up as expected, rising from € 29 million to € 67 million. The increase was mainly due to expansion of the Group's own retail operations. The total also includes € 18 million of investments made in connection with the regional expansion. In consideration of these effects and the shift in inventory purchases from December 2004 to January 2005, the free cash flow in financial year 2005 amounted to € 134 million, compared to € 257 million in the previous year. The free cash flow before investments for acquisitions is € 152 million or 8.6% of sales.

Cash used for financing activities includes the divided distribution and investments for the acquisition of the company's treasury stock to the amount of € 59 million, compared to € 79 million in the previous year.

Brutto cashflow
(€ million)



Free cashflow
(€ million)

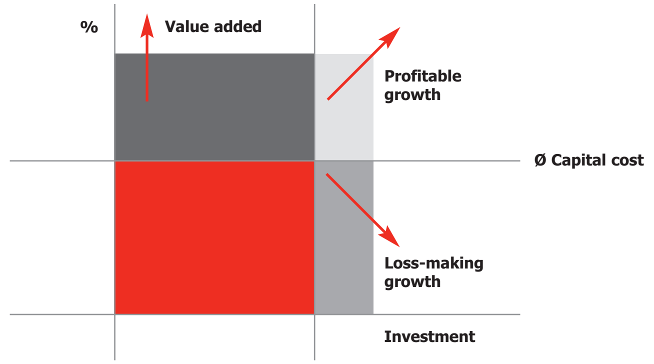


Value-Based Management

Profitable growth ensures a competitive edge in international competition. The goal of the company is to achieve sustained profits above and beyond the weighted average cost of capital ("WACC").

Value Contribution

The cashflow return on investment ("CFROI") is a measure of profitability which is calculated as the internal interest rate of a company or business unit. In simplified terms, calculation of the CFROI is based on two variables: the gross investment base and gross cashflow. The gross investment base is the total amount of available funds and assets before accumulated depreciation and amortization.
Under the simplified assumption of a perpetual useful life, the CFROI is calculated as a quotient of the gross cashflow and gross investment base.
The absolute value contribution or cash value added ("CVA") corresponds to the difference, multiplied by the gross investment base, between the return on capital (CROI) and cost of capital (WACC). A positive value contribution is earned in the period under assessment when the return on capital is greater than the cost of capital, otherwise the value has been destroyed. Despite the high costs of capital, PUMA has succeeded in achieving a significant value contribution in recent years. The value added in 2005 amounted to € 227 million.



Calculation CFROI and CVA	2005	2004*	2003	2002	2001
€ million					
Earnings after tax	286.9	260.4	179.9	84.7	40.2
+ Depreciation and amortization	24.3	19.3	20.1	12.5	8.4
+ Interest expenses	5.1	1.3	1.4	2.5	3.6
Gross cashflow	**316.2**	**281.0**	**201.4**	**99.6**	**52.1**
Monetary assets	818.2	559.9	367.8	250.0	156.0
- Non interest-bearing liabilities	340.8	275.8	253.0	225.9	154.4
Net liquidity	477.4	284.1	114.9	24.1	1.6
+ Inventory	238.3	201.1	196.2	167.9	144.5
+ Fixed assets at prime cost	193.0	135.8	107.6	88.1	77.0
+ Intangible assets at prime cost	80.3	46.1	44.6	29.2	28.2
Gross investment basis	**989.1**	**667.1**	**463.3**	**309.3**	**251.3**
Cashflow return on investment (CFROI)	**32.0%**	**42.1%**	**43.5%**	**32.2%**	**20.7%**
CFROI - WACC	**23.0%**	**33.4%**	**35.9%**	**23.2%**	**12.1%**
Cash value added (CVA)	**227.2**	**222.6**	**166.3**	**71.7**	**30.4**

*restated

Cost of Capital

The weighted average cost of capital (WACC) of companies is comprised of the cost of borrowed capital and equity, weighted according to their respective share of total capital. It represents the minimum rate of return that must be earned by invested capital in order to create value. The basis for the cost of borrowed capital after tax is the risk-free interest rate, the credit risk premium and the average tax rate. The cost of equity results from the risk-free interest rate, the market premium and the Beta factor.

The weighted average cost of capital (WACC) is calculated in order to simulate an adequate market rate of return. The cost of capital is calculated as the weighted average of the cost of equity and borrowed capital. Due to the high equity component, the average cost of capital is currently 9%.

Calculation of weighted average capital costs (WACC)	2005	2004*	2003	2002	2001
Calculation					
Riskfree interest rate	3.4%	4.3%	4.3%	4.3%	4.9%
Market premium	5.0%	5.0%	5.0%	5.0%	5.0%
Beta (M-DAX, 24 months)	1.1	0,9	0,7	1.0	0.9
Cost of stockholders' equity	**9.0%**	**8.8%**	**7.6%**	**9.3%**	**9.4%**
Riskfree interest rate	3.4%	4.3%	4.3%	4.3%	4.9%
Credit risk premium	1.5%	3.0%	3.0%	3.0%	3.0%
Tax shield	29.0%	28.6%	31.9%	32.0%	30.1%
Cost of liabilities after tax	**3.5%**	**5.2%**	**4.9%**	**5.0%**	**5.6%**
Calculation					
Market capitalization	3,938	3,249	2,248	1,030	524
Share of equity	**100.0%**	**100.0%**	**99.0%**	**93.7%**	**79.5%**
Calculated liabilities	0	0	22	69	135
Share of liabilities	**0.0%**	**0.0%**	**1.0%**	**6.3%**	**20.4%**
WACC after tax	**9.0%**	**8.7%**	**7.6%**	**9.0%**	**8.6%**

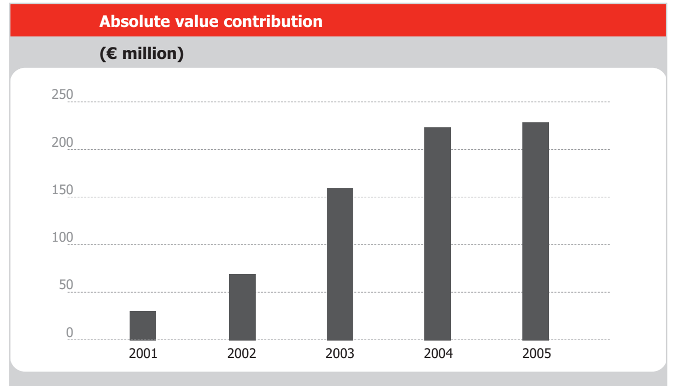
*restated

Sustained Value Increase

PUMA achieved yet another sustained increase in corporate value in the 2005 reporting year. Following another record year of sales and earnings, the gross cashflow (after taxes) climbed from € 281 million to € 316 million, or 12.5%.

The gross investment base (capital employed) rose from € 667 million to € 989 million, which corresponds to growth of 48.3%. Net liquidity, which was up by 68%, was successfully stocked up from € 284 million to € 477 million.

In 2005, the cashflow return on investment (CFROI) was 32%, compared to 42.1% in the previous year. Taking the cost of capital into consideration, the absolute value contribution, or cash value added, rose to € 227 million in 2005.



Product Development and Design

PUMA's Product Philosophy

The PUMA brand has developed beyond the sport segment. The key to PUMA's success lies in the successful interplay of sport and fashion. The strength of the brand is a prerequisite for further growth. The independent and unique product philosophy of PUMA enables it to combine creative influences from the world of sport, lifestyle and fashion and to reach the consumer in the sports arena, at the club, or on the street.

In order to satisfy the different needs of our customers, PUMA develops products in its development and design centres at Herzogenaurach/Germany, Boston/USA, London/UK, Taipei/Taiwan and Tokyo/Japan. The creativity of the PUMA Design Team is supplemented by external know-how through cooperation with top designers such as Yasuhiro Mihara, Philippe Starck, Neil Barett, Jil Sander, Christy Turlington and Alexander McQueen, who develop product concepts that are mainly in the higher-priced segment.

Higher Importance of Product Development and Design

Early identification of the needs and wishes of consumers and their inclusion in the development of innovative concepts enable PUMA to set trends and thus ensure sustained success.

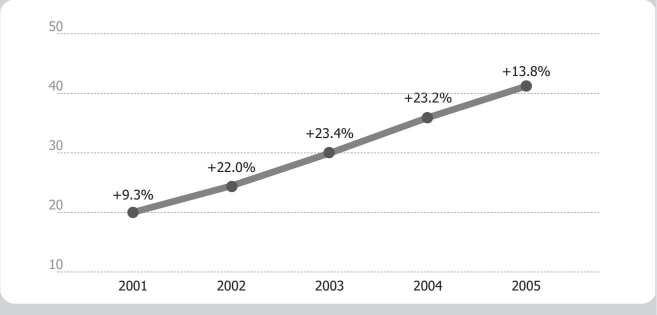
This approach, which is focused on the customer and the consumer, governs PUMA's actions and finally leads to the creation of a desirable brand with a culturally relevant and meaningful brand message, in which product development and design play an important role.

In order to satisfy the constantly growing requirements, the team grew from 344 to 402 employees (16.9%).

Expenses for product development and design increased from € 37 million to € 42 million. This corresponds to an increase of 13.8%. Thus, at 2.4%, expenses remained constant at the previous year's level.

Expenses for product development and design

(€ million)

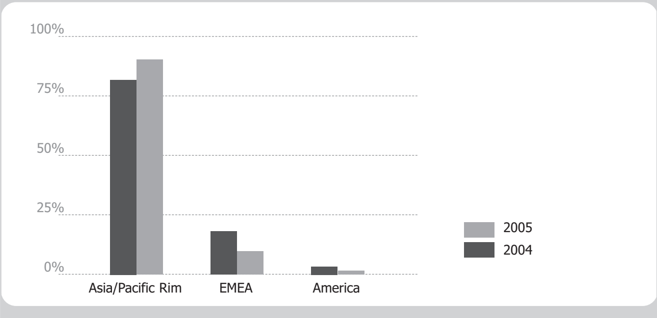


Sourcing

Sourcing Organization

The focus of PUMA's sourcing organization, World Cat, is on the Asian procurement market. In addition to Footwear, Asia has also been gaining importance in Apparel compared to other sourcing regions. Today, Footwear and Accessories are manufactured almost exclusively in Asia. Overall the share of sourcing in Asia increased from 81% to 89%.

Sourcing markets/Units



Ethical and Social Standards

PUMA acknowledges the principle of Sustained Development. This principle is aimed at the optimization and integration of the three fields of economy, ecology and society. Accordingly, all of PUMA's dealings are oriented towards meeting the demands of today's generation without impairing the opportunities of the generations of tomorrow.

Realisation of the sustainability idea is supported by a code of conduct which is binding for management, employees and manufacturers. PUMA's S.A.F.E. Team (**S**ocial **A**ccountability and **F**undamental **E**nvironmental Standards) provides the necessary training and monitors compliance with the integrity code at international level.

As a "graduating" member of the Fair Labor Association (FLA), PUMA subjects a certain percentage of manufacturers of PUMA products to external audits (without prior notification) on an annual basis. The results of these audits are published on the FLA homepage. In conformity with the S.A.F.E. principle of "Transparency", PUMA AG has decided to publish the names of its manufacturers. A list of manufacturers can be obtained from the FLA.

PUMA organizes annual meetings for all interest groups and issues periodic sustainability reports. The current report "Momentum" is available on the Internet at about.puma.com and was prepared in accordance with the guidelines of the "Global Reporting Initiative (GRI)".

The various efforts of PUMA AG in the environmental and social areas are increasingly being evaluated and acknowledged by specialized experts and sustainability analysts. In the year 2005, for example, PUMA became a member of the FTSE4Good Index and qualified for the store brand "BEST IN CLASS STATUS" for pioneering achievements in the environmental and social sectors.

Employees

Rising Employee Numbers

PUMA created a large number of new jobs domestically and internationally in financial year 2005. On an annual average, the total workforce of 4,425 employees increased by 27.3% from the previous year's level of 3,475 employees. The total increase included 176 employees hired in connection with the expansion of the consolidated group.
Personnel expenses rose from € 163 million to € 199 million, or by 22%. The average expense per employee decreased from T€ 47 to T€ 45.
The continued expansion of the Group's retail operations was reflected in the sales per employee, which decreased from T€ 440 to T€ 402 in 2005.

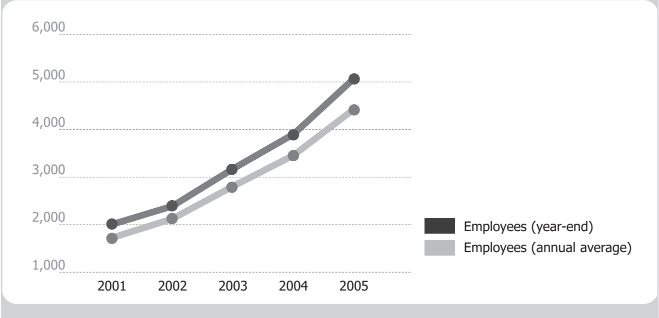
As of December 31, 2005 PUMA employed 5,092 employees worldwide, compared to 3,910 employees as of the 2004 balance sheet date. This corresponds to an increase by 1,182 employees, or 30.2%.

Classified according to activity areas, the largest number of new hires was in the sales & distribution area, which grew by 45.6%, from 2,080 to 3,029 employees. In addition to the continued expansion of the company's own retail operations, the take-over of distributors also contributed to this development.

The marketing staff grew by 29.6%, which brought the number of marketing employees from 152 to 197. The number of employees in the area of product management/product development and design increased 16.9%, from 344 to 402 employees. The number of sourcing and logistics staff increased by 4.6%, from 802 to 839 employees. In the central departments, the increase was 17.5%, from 532 to 625 employees.

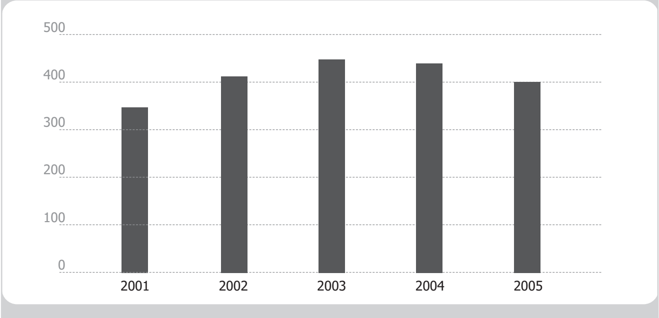
Employees development

(€ million)

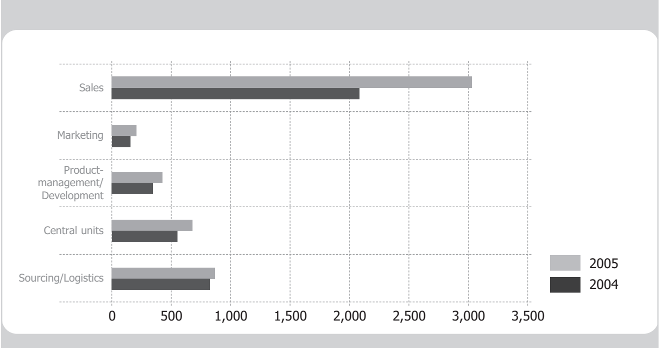


Sales per employee (on average)

(T€)



Employees by function (year-end)



Corporate Culture

PUMA promotes a corporate culture in which processes are used only as means to an end, where traditional conceptual approaches are combined with the unconventional, and where work is meant to be fun.

PUMA strives to further develop the company through the advancement of shared values which are in concert with the brand personality and can be summed up in four concepts: Passion, Openness, Self-belief and Entrepreneurship. PUMA supports and promotes communication beyond cultural borders and creates the preconditions which foster creativity, understanding, social awareness and flexibility. With the help of a decentralized system of corporate management, PUMA can react flexibly to changes on the market and thus continue to follow its guiding corporate mission of being "the first truly virtual Sportlifestyle company". Moreover, the internal and external networking of employees and customers is effectively expanded through the use of state-of-the-art technology, thus creating the foundation for further growth.

Our goal is to recognize and promote the performance and achievement potential of each employee. To this end, periodic performance appraisal meetings are held between supervisors and employees for evaluating work performance, with discussion and agreement on the goals for the future

Management Incentives and Bonus Programs

In 1996, PUMA introduced a Management Incentive Plan for the Board of Management and the Management of PUMA AG and its subsidiaries in order to enable Management to participate in the added corporate value. Today, in addition to bonus agreements, share-based compensation systems with long-term incentives provide for a variable component of the management remuneration system. Details on the Management Incentive Programs are provided in the Notes to the Annual Financial Statements.

Risk Management

As a globally operating company, PUMA is exposed to a number of different risks in the course of its business activities. These risks are inseparably linked with any entrepreneurial activity. Potential risks must be recognized early, the consequences must be estimated and appropriate preventive and security measures must be undertaken. The early recognition of risks, as well as their recording, valuation and monitoring provide the foundation for successful corporate management.

The guidelines and organization of the risk management system ensure a methodological and systematic approach within the Group. Direct responsibility for risks is transferred to operational employees who report on any detected risks in a "bottom-up" procedure. This ensures that risks can be detected early and flexibly and reported to the "Risk Management Committee" (RMC).
The risk areas to be reported on, as well as any new findings in the risk portfolio, are defined by RMC and evaluated in accordance with a guideline. Any changes are promptly communicated to the Board of Management.

The central, corporate-wide controlling and reporting system is an integral component of PUMA's risk management. The opportunities and risks involved in all business activities are analysed in annual planning meetings with those responsible in the individual corporate units and regions. The meetings are followed by the formulation of targets and measures which are included in strategic planning and the annual budget.

Compliance with the targets and measures is monitored continuously through a reporting system directed towards the special requirements of PUMA, and the degree of fulfilment and any deviations are reported to the Board of Management and Supervisory Board on a monthly basis. In effect, the decision-making bodies in the company are in a position to detect adverse developments early and to initiate the necessary measures at an early stage. In addition, the company has cross-departmental instruments as well as special projects such as margin control and process optimisation in addition to process- or risk-specific systems, in particular for supplier checks and the hedging of currency fluctuations.

Risk Areas

On January 1, 2006, PUMA will enter Phase IV of the long-term corporate development which will be characterized by expansion of the existing product categories and the addition of new ones, as well as by regional expansion. Moreover, to the extent the defined criteria are met, opportunities for investing in non-PUMA markets will be examined. This will offer PUMA a chance to expand the present sales potential and to achieve its goal of becoming the most desirable Sportlifestyle company. This approach is also expected to result in a further increase in shareholder value.

While the future growth potential is great, as with entrepreneurial activity, growth is also associated with risks.

General Economic Risks

Although PUMA has demonstrated in recent years that it can counter adverse economic developments through suitable concepts, it cannot be ruled out that, as a global company, PUMA will also be affected by general economic developments that could have an impact on consumer behaviour. This could have an indirect effect on the business development of PUMA. PUMA addresses these risks through geographic diversification and a well-balanced product range.

Brand Image

Continuous successful development is inseparably connected with the PUMA brand image. Therefore, PUMA operates a system of brand management and conducts extensive research for the early prevention of brand right violations.

Grey market activities, product piracy and brand right violations can lead to economic losses and negatively influence the brand and brand image. PUMA addresses these risks through its brand management system as well as through extensive market research. In addition, internal resources are increasingly deployed for intensive detection and court persecution of such cases. Seized falsifications are taken from the market and consistently destroyed. In addition, PUMA has a long-term marketing strategy which includes marketing research activities and studies on the design, image and pricing of products, with the object of minimizing the risk of image loss.

Personnel Risks

Human capital is one of the most important intangible assets of a company. It harbours significant opportunities and risks. A crucial element of PUMA's success is therefore to be found in the commitment and performance of PUMA's employees worldwide. To ensure lasting success, the company has developed external and internal training measures, employee participation programs, and attractive remuneration systems with a view to building up, developing, and motivating qualified employees to remain with the company on a long-term basis.

Sourcing Risks

PUMA's suppliers must satisfy high standards of quality and deliverability as well as the required social and environmental standards. PUMA ensures compliance with these social and environmental standards through a corporate process and an internal control management system (S.A.F.E. = Social, Accountability, Fundamental, Environmental), which audits all manufacturers of PUMA products worldwide in accordance with guidelines that are stricter than legally required. Most production facilities of the suppliers are located in the emerging markets of Asia. Business activities with these countries are associated with various risks for the PUMA Group. Thus, for example, currency fluctuations, changes in tax and customs regulations, trade restrictions, natural disasters and political instability can lead to certain risks. In particular, the anti-dumping duties regarding imports from China and Vietnam into the EU zone as well as quota regulations could place the industry and PUMA under additional cost constraints which cannot be passed on to the final customers in all cases. Moreover, risks relating to strong dependencies on suppliers could also arise.

Established instruments such as procurement market analyses and targeted country-specific supplier selection are deployed for the limitation and management of sourcing risks. This enables appropriate diversification of procurement sources with a view to ensuring a suitable response to changed framework conditions. An associated objective is the continued diversification of the sourcing countries.

Financial Risks

As a multinational company, PUMA is exposed to currency risks. Business activities are associated with delivery and payment flows in different currencies. Asia is PUMA's largest sourcing market and the sourcing volume is therefore largely USD-denominated and is based on a system of worldwide distribution. However, USD currency requirements are provided for only in part by sales in the USD zone. PUMA manages the risk of currency fluctuations in accordance with an internal guideline and through the use of primary and derivative financial instruments (hedging), and ensures its net requirement and net surplus of the relevant currencies on a rolling basis with cycles of 12 to 24 months (see No. 25 of the Notes). Only foreign exchange transactions in line with market conditions are concluded to hedge existing or pending contracts with renowned international financial institutions. As of the balance sheet, the hedging transactions related mostly to forward exchange contracts for the purchase of USD and sale of JPY.

Product and Market Environment

Sportlifestyle has become a well-established prestigious market and is a part of global culture which appeals to a broad spectrum of consumers. In today's society, sport has become a philosophy of life representing a certain lifestyle, which bears a direct connection to individual values, distinctive aesthetic values, and the personal goals of many people. In society, the border between sport and lifestyle is increasingly dissolving, and Sportlifestyle offers the possibility of reinterpretations in the most diverse ways. Sportlifestyle appeals to different consumer groups: The athletes who use a product in exercising their sport, the fans, active people, or simply those individuals who are characterized by spontaneity and individualism. Dissolution of the border between sport and lifestyle opens up the market to competitors from traditional sporting goods companies and fashion companies with a sporty orientation. This has the effect of increased shortening of collection cycles in the industry, which also necessitates a general shortening of reaction times that ranges from the lead times for production planning to making the products available on the retail market.

PUMA products must satisfy the customer's functional as well as optical and high qualitative expectations. Through its successful global positioning in a competition-intensive market and in conjunction with strengthening of the brand image through international marketing concepts, PUMA strives to set new trends and accents worldwide in order to accelerate the growth of the brand and the company and expand its own market share.

Despite the growth achieved through targeted diversification of the product range, care is taken to ensure that every new product conforms with the corporate strategy and thus reduces the existing business risk. Through extensive laboratory testing and cooperation with PUMA athletes in the design and development of PUMA products, it is guaranteed that products are up to the highest quality standards. To ensure this, external manufacturers observe stringent technical material and design specification. In this connection and with a view to the prevention of potential risks, PUMA has established a worldwide procurement organization that defines responsibilities for all product-manufacturing tasks.

Growing consolidation in the retailing industry and the related changing market environment could have an added impact on business development with negative effects on revenue and profitability. PUMA addresses this risk through its selective distribution strategy in an attempt to avoid dependencies on only one distribution channel.

Retail Operations

The international expansion of retail operations, i.e. distribution through the Group's own retail stores, enables PUMA to present all product lines extensively and effectively in its own shops. On the one hand, the speed with which new products come onto the market is increased, while also creating a unique brand experience and presenting the most innovative products in a brand-conformant atmosphere on the other. Extension of the value chain also leads to a higher gross profit margin. On the other hand, the Group has to deal with investment risks, higher fixed costs, and long-term rental commitments. In the event of negative business development, these fixed costs would impact negatively on profitability and this could be associated with shop closings, special write downs, and provisions for pending losses. PUMA addresses these risks through careful selection of retail locations, the recruitment of personnel with years of experience in the retail business and a system of daily revenue reporting and controlling.

Organizational Challenges

The virtual organizational structure built up over the years drives global orientation and ongoing decentralization forward. However, it is associated with growing coordination requirements for coping with technical, logistical and personnel challenges. An added factor is the growing complexity within the organization structure caused by the growth of the Group. Many structures have grown in keeping with the increasing requirements. Now these structures are to be given a strategic orientation with a view to the generation or consolidation of resources.

Strategic planning enables the implementation of growth targets into functions and regions and the realization of the overall objectives. In the future, PUMA will achieve even higher levels of efficiency. This is associated with an increase in speed and efficiency along the value chain, which is in focus of new product development. Therefore, the search for additional possibilities to adapt the decentralized organization structure to the challenge posed by the operative implementation of corporate strategy will continue in the future.

The present team of employees is constantly being supported by new staff in order to bring additional experience and know-how into the company. PUMA will continue to invest in personnel and to expand the existing capacities and adapt them to different corporate functions and regions.

Summary

PUMA's risk management enables it to fulfil the legal requirements for control and transparency in company operations. Management believes that, in the overall assessment of the risk situation, the risks are limited and manageable and do not represent a hazard to the going concern of the PUMA Group.

Orders Position

Record Orders with Over € 1 Billion at the Start of Phase IV

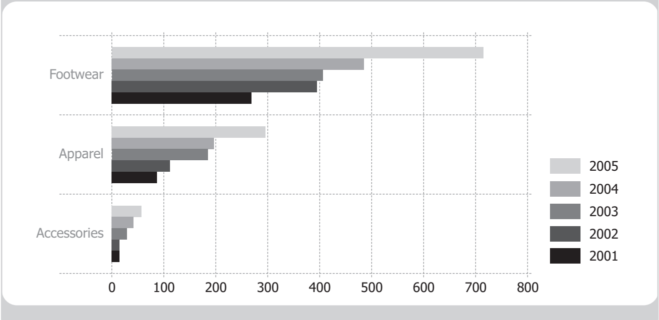
Orders on hand at the end of the year pointed, for the tenth consecutive time, to an increase, and topped the € 1 billion mark for the first time. Total orders jumped from € 823 million to € 1.069 million in a significant 30% increase over the previous year's level, representing a substantial acceleration of growth. The record high orders at the start of Phase IV of the long-term corporate development showed double-digit growth for the seventh consecutive time. The orders on hand mainly relate to deliveries for the first and second quarter of 2006. Currency-adjusted orders were up by 25.7% from the previous year.

The order books also contain orders of the new subsidiaries and joint ventures which are consolidated for the first time as of January 1, 2006. Even without the change in the consolidated group, the orders increase of 16.6% is also significantly in the double-digit range.

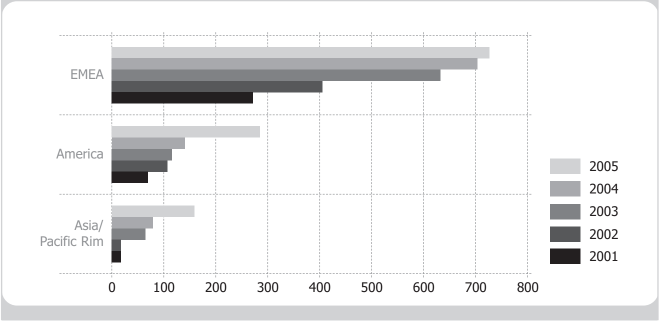
Classified by segments, Footwear accounted for € 714 million of consolidated orders from € 580 million in the previous year. This corresponds to growth of 23%. Apparel orders showed a significant increase by 50.1%, and thus jumped significantly from € 196 million to € 295 million. Orders in the Accessories segment were up 31.5%, rising from € 46 million to € 61 million.

By regions, orders in the EMEA region were up 3.5%, rising from € 602 million to € 624 million. This is a significant increase over the last two quarters. The largest growth of more than 100% was achieved in the America region, where orders on hand increased from € 137 million to € 287 million as of December 31, 2005. In local currency, the orders in the America region grew 85.7% and those in the USA by an extraordinary 63.6%. Even Asia orders, including orders from expansion of the consolidated group, rose significantly by nearly 100% from € 83 to € 159 million.

Orders on hand by segment
(€ million)



Orders on hand by region
(€ million)



Outlook

For the year 2006 PUMA again expects a very successful year. The Soccer World Cup offers PUMA an ideal platform for heightening the brand presence while also impressively highlighting its product capabilities. With a total of 12 teams and numerous individual players, PUMA has the largest World Cup portfolio and is therefore the leading outfitter of this tournament. In addition to the three-time World Champion, Italy, eleven more teams will contribute to a strengthening of the brand presence. Through the use of new technologies, innovative designs and creative concepts as well as the biggest advertising campaign in the company's history, PUMA will set strong accents at the World Cup with the aim to further consolidate its position as one of the leading soccer brands worldwide.

Further Expansion of the Global Economy in 2006

According to a report of the "Kiel Institute for the World Economy" (Institut für Weltwirtschaft an der Universität Kiel) under the present general political and economic conditions and assuming that oil prices and exchange rates will remain largely constant, global economic expansion will continue in the year 2006, although at a somewhat slower pace than in the first half of 2005. In the oil-importing industrial and emerging nations, the oil price will continue to have a dampening effect for some time. However, the world economy should remain highly dynamic since the stimulating factors will also remain effective.

Overall economic demand could expand more gradually in the USA. Private consumption is expected to flatten out, since the stabilization of real estate prices tends to encourage saving. In Japan, where the adjustment processes could bear fruit in the corporate and banking sector, the overall economy should continue on an upward course. Due to growing demand, a slight economic recovery is expected in the Euro zone. In particular, the progress in the restructuring of the corporate sector will result in a more pronounced increase in investment activity. The mood in the overall economy is expected to remain cautious, however.

The world economic forecasts should also make themselves felt in the sporting goods sector since global economic development can significantly influence general consumer behaviour. Particularly in the year of the World Soccer Championships, an upswing in the sporting goods industry is to be expected in Europe.

In the 2006 Word Soccer Championships year, PUMA will present new product innovations in typical PUMA style. The products will have an authentic brand design, high functionality and unmistakable marketing. The year 2006 will also see the largest marketing campaign in the company's history.

The aim is to achieve a high market presence through the soccer products and the global marketing campaigns, and therefore to strengthen the brand image even further.

Management raises Sales Forecast to New Record-high for the First Year of Phase IV

Due to a significant improvement in the orders position for the EMEA region, a stronger than expected orders volume in America and the accelerated integration of six license markets into the Group, as early as at the beginning of the year, Management raised the original sales target for the first year of Phase IV. On a currency neutral basis, a growth of approximately 30% on consolidated sales, and thus a new record high of approximately € 2.3 billion is expected.

Sales Increases in All Regions

The planned sales growth will extend throughout all regions. Due to the takeovers of individual license markets, the regional distribution of sales will improve as planned. The share of Asia/Pacific should grow from 11% to 20% of consolidated sales. America will continue to yield 27%, while the EMEA region is expected to decline from 62% to approximately 53% according to plan.

Operating Profit Raised to € 350 Million

As already announced in the publication of Phase IV measures, the regional change will impact the average gross profit margin. Overall, the gross profit margin in 2006 is expected to fluctuate within the range of 50% and 51%. The takeover of six license markets into the consolidated business will lead to a corresponding reduction in royalty and commission income. Selling, general and administrative expenses will be impacted in particular by disproportionately high marketing expenses for the World Cup and other PUMA campaigns, as well as by planned expansion of the Group's retail operations and higher expenses for product development, design and distribution. Overall, however, due to the higher sales expectations, operating expenses will rise to only approximately 35% of sales, compared to the expected 37%. The operating margin is expected to decrease to approximately 15% as a result of brand-building investments in 2006 and conversion of the license businesses into consolidated business. Based on the very positive orders position and the rapid implementation of Phase IV measures, Management now expects operating profit of at least € 350 million, compared to the original expectation of between € 300 million and € 330 million. The tax rate is expected to be in the 31% to 33% range.

Despite the planned strategic expenditure, consolidated earnings are expected to fall only 10% to 15% below the previous year's level, compared to the announced level of 20%. Thus, in absolute figures, consolidated earnings are expected to significantly exceed the original expectations.

Expansion of the Consolidation Group in 2006

Beginning in financial year 2006, the consolidated group will be expanded by companies in Japan, Taiwan, China, Hong Kong, Argentina and Canada. The effects on the net assets, financial position, and results of operations are presented in the Notes. The structuring of contracts with some joint venture companies is such that a disclosure of minority interests is not required since, in economic terms, these companies are fully allocable to PUMA as of January 1, 2006.

Capital Expenditures

The investment planning for 2006 provides for capital expenditure of between € 130 million and € 150 million. Investments in intangible assets will be necessary, primarily for continued expansion of the Group's own retail operations. Capital expenditure of approximately € 70 million for the acquisition of new subsidiaries and joint venture companies is included in this calculation.

The targeted investments at the start of Phase IV of the long-term corporate development will lead to introduction of the steps required to strengthen PUMA's position as one of the three leading companies in the sporting goods industry, with the long-term objective of becoming the most desirable Sportlifestyle company.

Management is Optimistic

Management is optimistic that the PUMA brand will take yet another large and successful leap in international competition in the year of the Soccer World Cup and during the first year of Phase IV. New sales records are expected for the year 2006. The high level of planned investment activity and an associated increase in the cost ratio at the start of Phase IV should impact profits to a significantly lesser extent than originally expected. Therefore, the operating profit in the current year is expected to be at the high level of € 350 million, despite the large amount of investments planned. Beginning from 2007, the cost ratio is expected to decline, and Management is confident that yet another record high result can be achieved in addition to continuing record sales. This positive development should lead to at least full exploitation of the calculated sales potential of € 3.5 billion in Phase IV of the long-term oriented business plan.

Herzogenaurach, January 25, 2006

The Board of Management

Zeitz **Gänsler** **Bock**

The PUMA Share continues to move ahead by 22%

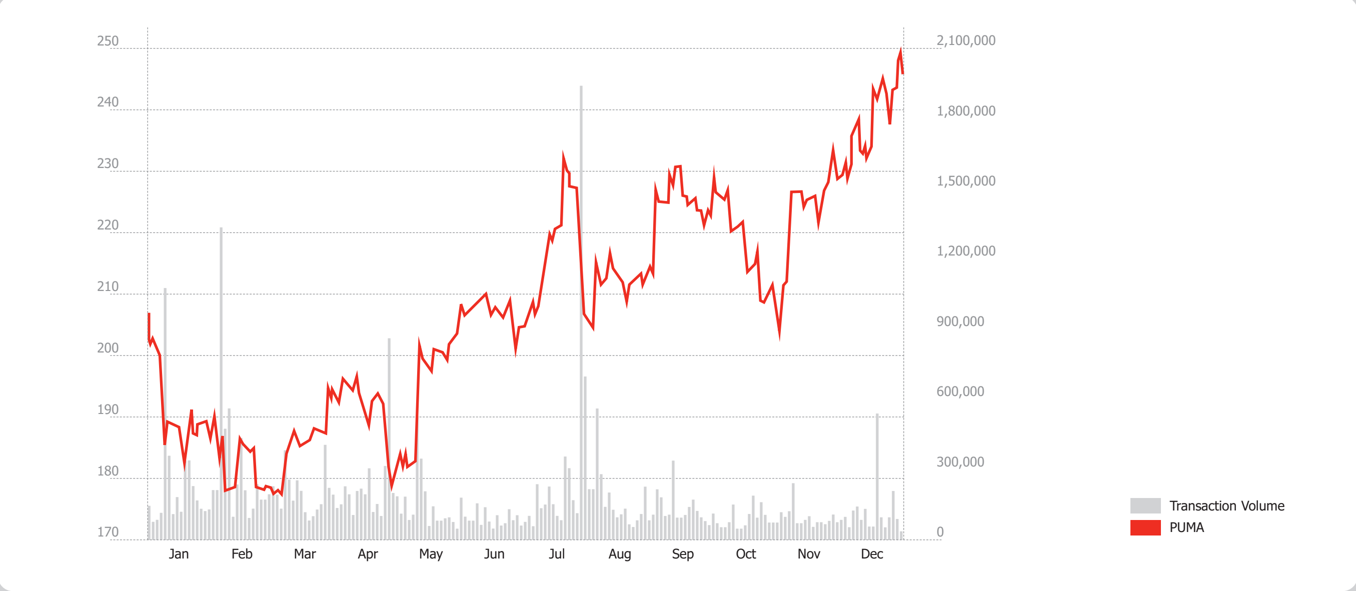
The German stock index (DAX) closed the year 2005 with overall favourable development and climbed to 5,408 points or a plus of 27% as of the year end. The MDAX, in which the PUMA share is listed, closed with 7,312 points and was thus 36% up on the previous year.

For the PUMA share, the 2005 stock exchange year again proved to be very positive. At a closing price of € 246,50, the value of the share increased by 22% in a year-on-year comparison and thus almost reached an all time high. Since 2001 alone, share price increases of more than 600% were achieved. As from the beginning of Phase I of corporate development planning, the price of the PUMA share has even risen by an incredible 3,000%.

The development of the PUMA share during the financial year ranged between € 177.04 and € 249.00. The share reached its lowest point for the year on March 4, 2005 at € 177.04. The high for the year was realised at € 249.00 on December 29, 2005. The average trading volume was 13% up from the previous year's level, rising to 159,285 shares per day. The share continued to move ahead significantly during the first weeks of the current year and closed on January 26, 2006 with a new all time high of above € 263.

Market capitalisation reached almost € 4 billion at year-end in comparison with € 3.25 billion in the previous year. Ever since the beginning of long-term corporate development in 1993, market capitalisation has improved by more than 3,500%.

Share Performance and Transaction Volume

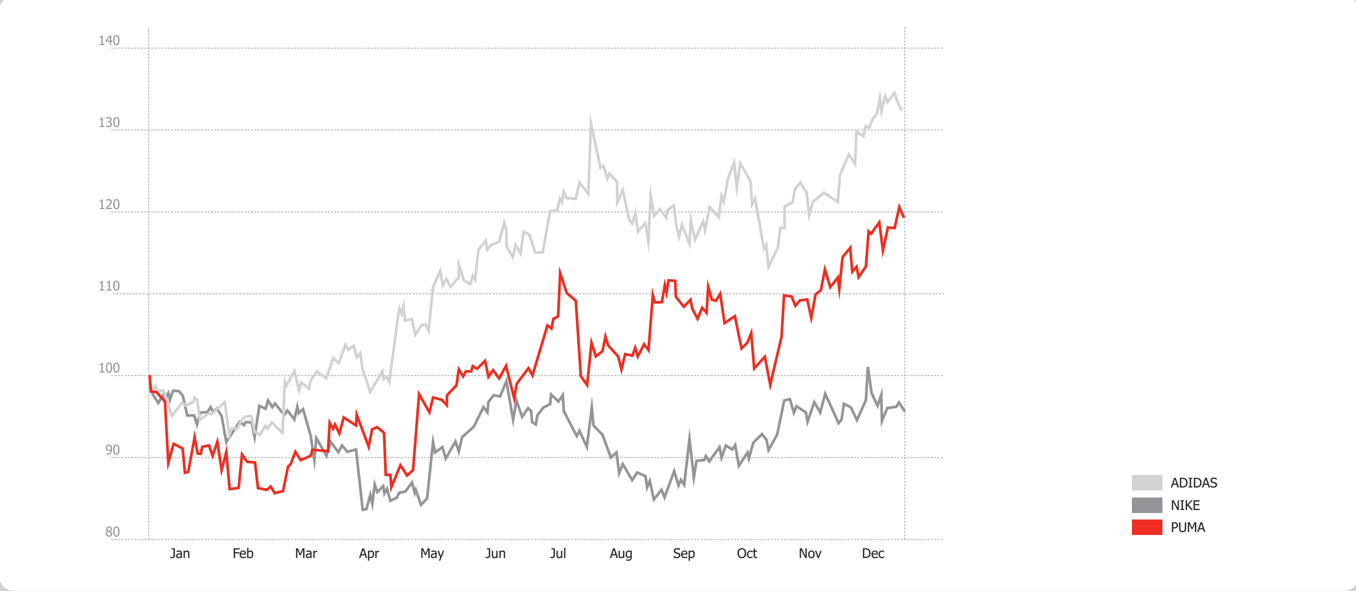


Key data per PUMA share in Euro

	2005	2004*	2003	2002	2001
End of year price	**246.50**	202.30	140.00	65.03	34.05
Highest price listed	**249.00**	219.54	141.00	73.34	34.05
Lowest price listed	**177.04**	140.15	59.15	33.00	12.45
Average daily trading volume (amount)	**159,285**	141,753	125,202	91,532	46,842
Earnings per share	**17.79**	16.14	11.26	5.44	2.58
Gross cashflow per share	**26.95**	24.01	17.61	8.65	4.53
Free cashflow per share	**9.48**	16.01	6.74	6.41	1.46
Shareholders' equity per share	**54.80**	34.25	24.04	15.92	11.48

*restated

Index and Competitor Share Development - Rebased



The PUMA share has been traded on the official markets of the Frankfurt and Munich stock exchanges since 1986. It is listed in the Prime Standard Segment and belongs to the Mid-Cap-Index MDAX of the German Stock Exchange (Deutsche Börse). In addition, the ADR Program (American Depository Receipts) was established for the US stock market in 1996. The ADR's are traded over the counter in US Dollars under ticker symbol "PMMAY".

Letter to Shareholders | Mission | Management Report | **Share** | Marketing | Consolidated Financial Statements | Supervisory Board Report | Board of Management

Letter to Shareholders	06
Mission	08
Management Report	11
Early Achievement of Phase III Targets	13
General Economic Conditions	14
Strategy of the PUMA Group	15
Sales	18
Results of Operations	21
Dividend	23
Regional Development	24
Net Assets and Financial Position	26
Cashflow	28
Value-Based Management	30
Product Development and Design	32
Sourcing	33
Employees	34
Risk Management	36
Orders Position	40
Outlook	41
Share	44
Marketing	48
Brand Strategy	48
Marketing	50
Hello	52
New Stuff	54
SOoo Fast	56
Moto	58
Golf	60
Football	62
Retail	64
Consolidated Financial Statements	68
Consolidated Balance Sheet	68
Consolidated Income Statement	69
Consolidated Cashflow Statement	70
Changes in Equity	71
Development of Fixed Assets	72
Notes to Consolidated Financial Statements	73
Auditors' Report	106
Supervisory Board Report	107
Board of Management	109

Consolidated Banlace Sheet

	Notes	2005 € million	2004* € million
ASSETS			
Cash and cash equivalents	4	475.5	369.3
Inventories	5	238.3	201.1
Trade receivables	6	277.5	168.1
Other current assets	7	80.1	34.4
Current assets		**1,071.4**	**773.0**
Deferred income taxes	8	48.6	51.6
Property, plant and equipment	9	121.9	84.7
Intangible assets	10	59.4	27.2
Other non-current assets	11	19.8	5.9
Non-current assets		**249.6**	**169.3**
Total assets		**1,321.0**	**942.3**
LIABILITIES AND EQUITY			
Current bank liabilities	12	45.1	12.9
Trade payables	13	178.7	136.9
Tax provisions	16	24.2	33.7
Other current provisions	17	51.1	53.8
Liabilities from acquisitions	3	6.9	0.0
Other current liabilities	14	78.5	95.6
Current liabilities		**384.5**	**333.0**
Deferred income taxes	8	20.0	9.6
Pension provisions	15	22.6	21.2
Liabilities from acquisitions	3	10.7	0.0
Other non-current liabilities	14	7.8	28.4
Non-current liabilities		**61.2**	**59.2**
Subscribed capital		43.2	42.7
Group reserves		307.0	184.8
Accumulated profits		680.3	420.5
Treasury stock		-159.6	-100.2
Minority interest		4.5	2.4
Shareholders' equity	19	**875.4**	**550.2**
Total liabilities and shareholders' equity		**1,321.0**	**942.3**

*restated

Consolidated Income Statement

	Notes	2005 € million	2004* € million
Net sales	26	**1,777.5**	**1,530.3**
Cost of sales	26	-847.8	-736.4
Gross profit	26	**929.8**	**794.0**
Royalty and commission income		55.7	43.7
		985.4	837.7
Selling, general and administrative expenses	21	-563.5	-459.4
Depreciation		-24.3	-19.3
Profit from operations	26	397.7	359.0
Financial result	22	6.4	5.7
Earnings before taxes		**404.1**	**364.7**
Income tax	23	-117.2	-104.4
Net earnings before attribution		**286.9**	**260.4**
Net earnings attributable to miniority interest	19	-1.1	-1.7
Net earnings		**285.8**	**258.7**
Net earnings per share (€)	24	17.79	16.14
Net earnings per share (€) - diluted	24	17.68	15.82
Weighted average shares outstanding	24	16.066	16.025
Weighted average shares outstanding, diluted	24	16.163	16.350

*restated

Consolidated Cashflow Statement

	Notes	2005 € million	2004* € million
Operating activities			
Profit before tax		404.1	364.7
Adjustments for:			
Depreciation	9,10	24.3	19.3
Non-realized currency gains/losses, net		9.7	3.4
Interest received	22	-11.5	-7.0
Interest paid	22	5.1	1.3
Income from the sale of fixed assets		0.0	-4.7
Additions to pension accruals	15	1.4	2.6
Other cash effected expenses			5.2
Gross Cashflow	27	**432.9**	**384.8**
Increase in receivables and other current assets		-84.1	-18.3
Increase in inventories		-18.5	-8.4
Increase in trade payables and other current liabilities		31.6	28.0
Cash provided by operations		361.9	386.1
Interest paid		-4.7	-1.3
Income taxes paid		-155.5	-99.0
Net cash from operating activities	27	**201.6**	**285.7**
Cash flows form investment activities			
Payment for goodwill (previous year: purchased of participations)		-17.9	0.0
Purchase of property and equipment	9,10	-61.9	-43.1
Proceeds from sale of property and equipment		1.7	8.2
Increase/decrease in other non-current assets		-0.5	-1.3
Interest received		11.3	7.0
Net cash used in investing activities	27	**-67.3**	**-29.2**
Cash flows from financing activities			
Payments made regarding non-current liabilities		0.4	0.3
Payments received regarding non-current bank borrowing	12	17.1	-3.7
Payments made regarding convertible bonds	20	0.0	0.0
Dividend payments	19	-16.0	-11.2
Capital increase	20	16.2	23.2
Purchase of treasury stock	19	-59.4	-79.2
Other changes		1.0	-0.1
Net cash used in financing activities	27	**-40.8**	**-70.8**
Effect of exchange rates on cash		12.6	-7.0
Increase in cash and cash equivalents		**106.2**	**178.8**
Cash and cash equivalents at beginning of financial year		369.3	190.6
Cash and cash equivalents at year-end	4,27	**475.5**	**369.3**

*restated

Changes in Equity

€ million	Subscribed capital	Group rserves				Consolidated profit/net income for the year	Treasury stock	Total equity before minorities	Minorities	Total
		Capital reserve	Revenue reserve	Difference from currency cenversion	Cashflow hedges					
Dec. 31, 2003 (reported)	**41.6**	**50.4**	**59.5**	**-15.2**	**-10.7**	**278.5**	**-20.9**	**383.0**	**0.8**	**383.8**
Adjustment / restatement		0.9	5.4			-0.9		5.4		5.4
Dec. 31, 2003 (restated)	**41.6**	**51.3**	**64.9**	**-15.2**	**-10.7**	**277.6**	**-20.9**	**388.4**	**0.8**	**389.2**
Dividend payment						-11.2		-11.2		**-11.2**
Transfer to profit reserves			30.8			30.8				
Currency changes				-17.8				-17.8	0.1	-17.7
Release to the income statement					10.3			10.3		**10.3**
Market value for cashflow hedges					-29.8			-29.8		**-29.8**
Capital increase	1.1	22.1						23.2		**23.2**
Value of employees service		5.2						5.2		**5.2**
Consolidated profit						258.7		258.7	1.5	**260.2**
Purchase of treasury stock			79.2			-79.2	-79.2	-79.2		-79.2
Dec. 31, 2004 (restated)	**42.7**	**78.6**	**174.9**	**-33.0**	**-30.3**	**415.1**	**-100.2**	**547.8**	**2.4**	**550.2**
Dec. 31, 2004 (reported)	**42.7**	**72.5**	**169.5**	**-33.0**	**-30.3**	**414.6**	**-100.2**	**535.8**	**2.4**	**538.2**
Adjustment / restatement		6.1				5.9		12.0		**12.0**
Dec. 31, 2004 (restated)	**42.7**	**78.6**	**169.5**	**-33.0**	**-30.3**	**420.5**	**-100.2**	**547.8**	**2.4**	**550.2**
Dividend payment						-16.0		-16.0		**-16.0**
Transfer to profit reserves			10.0			-10.0				
Currency changes				39.3				39.3	1.0	**40.3**
Release to the income statement					21.6			21.6		**21.6**
Market value for cashflow hedges					30.2			30.2		**30.2**
Capital increase	0.5	15.7						16.2		**16.2**
Value of employees service		5.4						5.4		**5.4**
Consolidated profit						285.8		285.8	1.1	**286.9**
Purchase of treasury stock							-59.4	-59.4		**-59.4**
Dec. 31, 2005	**43.2**	**99.6**	**179.5**	**6.3**	**21.5**	**680.3**	**-159.6**	**870.9**	**4.5**	**875.4**

Statement of movements of property, plant and equipment as well as intangible assets and other non-current assets

	Purchase costs				
	Balance Jan. 1, 2005 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2005 € million
PROPERTY, PLANT AND EQUIPMENT					
Land, land rights and buildings including buildings on third party land	40.1	0.5	15.9	0.4	56.1
Technical equipment and machines	1.9	0.2	1.1	0.1	3.0
Other equipment, factory and office equipment	90.2	6.6	39.8	5.5	131.2
Payments on account and assets under construction	3.6	0.2	-1.1	0.0	2.7
	135.8	**7.5**	**55.7**	**5.9**	**193.0**
INTANGIBLE FIXED ASSETS					
Goodwill	29.3	0.5	24.3	0.0	54.1
Intangible fixed assets with a non-defined useful life	0.0	0.0	5.5	0.0	5.5
Other intangible fixed assets	16.8	0.5	4.5	0.9	20.7
	46.1	**0.9**	**34.2**	**0.9**	**80.3**
OTHER NON-CURRENT ASSETS					
Other loans	0.9	0.1	0.0	0.0	1.0
Other assets	4.4	0.1	1.1	0.0	5.5
Shares in associated companies	0.6	0.0	0.0	0.6	0.0
	5.9	**0.1**	**1.1**	**0.6**	**6.5**

	Accumulated depreciation					Book values	
	Balance Jan. 1, 2005 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2005 € million	Balance Dec. 31, 2005 € million	Balance Dec. 31, 2004 € million
PROPERTY, PLANT AND EQUIPMENT							
Land, land rights and buildings including buildings on third party land	8.7	0.1	2.4	0.3	11.0	45.1	31.4
Technical equipment and machines	1.0	0.1	0.5	0.1	1.4	1.6	0.9
Other equipment, factory and office equipment	41.4	2.6	18.8	4.0	58.7	72.4	48.8
Payments on account and assets under construction	0.0	0.0	0.0	0.0	0.0	2.7	3.6
	51.1	**2.8**	**21.7**	**4.4**	**71.2**	**121.9**	**84.7**
INTANGIBLE FIXED ASSETS							
Goodwill	9.4	0.1	0.0	0.0	9.5	44.7	20.0
Intangible fixed assets with a non-defined useful life	0.0	0.0	0.0	0.0	0.0	5.5	0.0
Other intangible fixed assets	9.5	0.2	2.6	0.8	11.5	9.2	7.2
	18.9	**0.3**	**2.6**	**0.8**	**21.0**	**59.4**	**27.2**
OTHER NON-CURRENT ASSETS							
Other loans	0.0	0.0	0.0	0.0	0.0	1.0	0.9
Other assets	0.0	0.0	0.0	0.0	0.0	5.5	4.4
Shares in associated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.6
	0.0	**0.0**	**0.0**	**0.0**	**0.0**	**6.5**	**5.9**

Notes to the Consolidated Financial Statements

1. General Remarks

Under the "PUMA" brand name, PUMA Aktiengesellschaft Rudolf Dassler Sport (hereinafter "PUMA AG") and its subsidiaries are engaged in the development and sales of a broad range of sport and Sportlifestyle articles that includes footwear, apparel and accessories. The company is a joint stock company under German law and has its registered head office in Herzogenaurach, Federal Republic of Germany; its responsible court of registration is at Fürth (Bavaria, Germany).

The consolidated financial statements of PUMA AG and its subsidiaries (hereinafter the "Company" or "PUMA"), were prepared in accordance with the "International Financial Reporting Standards (IFRS)" issued by the International Accounting Standards Board (IASB) and the supplementary provisions to be applied in accordance with Section 315a (1) of the German Commercial Code (HGB). All IASB standards and interpretations as adopted by the EU that are obligatory for financial years as from January 1, 2005 have been applied. In August 2005, the IASB published IFRS 7 "Financial Instruments: Disclosures"; this standard will lead to a fundamental change in disclosing requirements concerning financial instruments. In accordance with IFRS 7, companies are required to provide more detailed information on the type and extent of risks associated with financial instruments, in addition to the disclosure requirements relating to the reporting, disclosure and valuation requirements for financial instruments that are already in place. The standard will come into force on January 1, 2007 and is not applied prior to that date.

The consolidated financial statements of PUMA AG are prepared in euro currency (EUR or €). Disclosures in million euros may lead to rounding-off differences since the calculation of individual items is based on figures presented in thousands.

In accordance with IFRS 2, the figures from 2004 were correspondingly restated. In addition, a claim for a tax return in the USA leads to an adjustment of the previous year's figures. The adjustments were explained in the respective disclosures in the notes to the consolidated financial statements ("Notes") where necessary.

Also, in 2005, other operating income was directly netted with the respective administration and general expenses. The previous year's figure was adjusted accordingly.

2. Significant Consolidation, Accounting and Valuation Principles

Consolidation Principles

The consolidated financial statements were prepared on the basis of uniform accounting and valuation methods in accordance with IFRS as of the reporting date of the parent company's annual financial statements on December 31, 2005.

The capital consolidation of subsidiaries acquired after January 1, 2005 is based on the acquisition method. The acquisition costs of the purchase correspond with the fair value of the assets transferred and the debt accrued or transferred as of the transaction date, in addition to the costs directly attributable to the acquisition transaction. Upon initial consolidation, assets, debts and contingent liabilities identified in the context of a business combination are stated at their fair value applicable at the acquisition date, independent of the scope of minority interests.
The excess of acquisition costs of the purchase in comparison with the Group's proportion to net assets (stated at market value) is reported as Goodwill. If acquisition costs are below the net assets of the subsidiary acquired and stated at market value, the difference is reported directly in the income statement.
To the extent that PUMA is deemed to be a 100% equitable owner of joint ventures due to a contract signed with the joint venture partners, these companies are fully included in the consolidated financial statements without disclosure of a minority interest. The capital share attributable to the minority shareholder as well as the present values expected for the assumed term of the joint venture are included in capital consolidation as investment acquisition costs. Diverging profits in later periods which are distributed to the joint venture partner result in a subsequent adjustment of acquisition costs with neutral effect on profits and this, in turn, leads to a retrospective adjustment of capital consolidation to the date of acquisition.

Intra-group receivables and liabilities have been offset against one another. Any differences arising from exchange rate fluctuations are included in consolidated earnings to the extent that they accrued during the reporting period. If the receivables and liabilities are long-term in nature, a currency difference is included in equity with neutral effect on profits.

Within the course of income consolidation, inter-company sales and intra-group income are offset against the expenses attributable to them. Interim profits not yet realized within the Group are not recognized as income.

Consolidated Group and Associated Companies

In addition to PUMA AG, all subsidiaries in which PUMA AG holds the majority of voting rights either directly or indirectly or whose finance and business policies are controlled by the Group are fully consolidated. Associated companies are recognized at equity. The number of group companies during the financial year developed as follows:

2004	**49**
Formation and acquisition of companies (including majority holdings)	13
Disposal of companies	1
2005	**61**

From the viewpoint of regions, changes in the consolidated group in financial year 2005 were as follows:

Europe/Middle East/Africa (EMEA)
In the EMEA region, PUMA acquired the majority shares of the former distributor for Greece from January 2005, and integrated it into the newly founded "PUMA Hellas S.A.". With effect from April 1, 2005 the majority of the distributor for Turkey ("A.C.K. Spor Giyim Tekstil Ürünleri Sanayi ve Ticaret A.S." and "Sportlifestyle Magazacilik Sanayi ve Ticaret A.S.") was acquired. The operative business in Turkey will be transferred from A.C.K. to the renamed "PUMA Spor Giyim Sananyi ve Ticaret A.S." (formerly: "Sportlifestyle Magazacilik Sanayi ve Ticaret A.S.") with effect from January 1, 2006. PUMA Hellas acquired 100% of the shares in "PUMA Bulgaria Ltd." in financial year 2005.

The companies "PUMA Premier Ltd.", UK, "PUMA Malta Ltd.", and "PUMA Blue Sea Ltd.", Malta, were founded for the purpose of administration, management and realisation of companies within the PUMA Group.

As a consequence of continued expansion of the Eastern European market, the company of "PUMA Slovakia s.r.o." was founded in Slovakia, and "PUMA Ukraine Ltd." was founded in the Ukraine. Moreover, the consolidated group was extended to include "PUMA Middle East FZ LLC", UAE, which holds a participating interest in "PUMA UAE LLC".

The previous investment in "PUMA Portugal Artigos Desportivos Lda." was increased from 51% to 100% with effect from January 1, 2005, and the investment in "PUMA SPORTS DISTRIBUTORS (PTY) LIMITED", South Africa, was increased from 71% to 100%. The investment in "PUMA Spor Giyim Sananyi ve Ticaret A.S." (formerly "Sport Lifestyle Magazacilik Sanayi ve Ticaret A.S.") was increased from 35% to 60%.

The company "Tretorn Sports Sales Ltd.", Ireland, was sold with effect from July 1, 2005.

Asia/Pacific
In India, the subsidiary "PUMA Sports India Pvt Ltd." was founded in September 2005; the subsidiary will be responsible for the operative business of the former distributor for India as from 2006.
A non-operating company was acquired in 2005 with the purchase of "PUMA Apparel Japan K.K." From 2006 on, the company will be responsible for the operative business in a joint venture with the previous distributor for apparel in Japan (see paragraph 33 of these Notes).

America
The subsidiary "Distruibuidora Deportiva PUMA S.A.C." was founded in Peru in April 2005 within the scope of further expansion of the South American market.

Some of the companies acquired or founded in 2005 had already commenced business activities in the past financial year.

With respect to changes in the consolidated group and the respective effects on net assets, financial position and results of operation, see paragraph 3 of these Notes ("Business Combinations").

Additional companies will be acquired or founded in 2006. Please see paragraph 33 of these Notes "Events after the Balance Sheet Date".

Broken down by regions, the consolidated companies are as follows:

No.	Companies/ Legal Entities		Shareholder	Share in capital
	- parent company -			
1.	PUMA AG Rudolf Dassler Sport	Herzogenaurach/Germany		
	EMEA			
2.	PUMA UNITED KINGDOM LTD.	Leatherhead/Great Britain	indirect	100%
3.	PUMA FRANCE SAS	Illkirch/France	indirect	100%
4.	PUMA Portugal Artigos Desportivos Lda.	Prior Velho/Portugal	indirect	100%
5.	Mount PUMA AG (Switzerland)	Oensingen/Switzerland	direct	100%
6.	PRETAG (Switzerland)	Oensingen/Switzerland	indirect	100%
7.	PUMA Switzerland AG	Oensingen/Switzerland	indirect	100%
8.	Austria PUMA Dassler Ges. m.b.H.	Salzburg/Austria	direct	100%
9.	PUMA Benelux B.V.	Leusden/The Netherlands	direct	100%
10.	PUMA Italia S.r.l.	Mailand/Italy	indirect	100%
11.	PUMA Hellas S.A.	Athen/Greece	direct	56%
12.	PUMA Spor Giyim Sananyi ve Ticaret A.S.	Istanbul/Turkey	indirect	60%
13.	A.C.K. Spor Giyim Tekstil Ürünleri Sanayi ve Ticaret A.S.	Istanbul/Turkey	indirect	60%
14.	Tretorn Vertrieb GmbH	Herzogenaurach/Germany	direct	100%
15.	Tretorn AB	Helsingborg/Sweden	direct	100%
16.	PUMA Nordic AB	Helsingborg/Sweden	indirect	100%
17.	PUMA Norway AS	Oslo/Norway	indirect	100%
18.	PUMA Finland Oy	Espoo/Finland	indirect	100%
19.	PUMA Denmark A/S	Skanderborg/Denmark	indirect	100%
20.	Tretorn Sweden AB	Helsingborg/Sweden	indirect	100%
21.	Tretorn Finland Oy	Helsinki/Finland	indirect	100%
22.	Tretorn Sport Ltd.	Laoise/Ireland	indirect	100%
23.	Tretorn Tennis Ltd.	Laoise/Ireland (non active)	indirect	100%
24.	Tretorn R&D Ltd.	Laoise/Ireland (non active)	indirect	100%
25.	Hunt Sport AB	Helsingborg/Sweden (non active)	indirect	100%
26.	PUMA Sprint GmbH	Herzogenaurach/Germany	direct	100%
27.	PUMA Avanti GmbH	Herzogenaurach/Germany	indirect	100%
28.	PUMA Mostro GmbH	Herzogenaurach/Germany	indirect	100%
29.	PUMA Speedcat SAS	Illkirch/France	indirect	100%
30.	PUMA Premier Ltd.	Leatherhead/Great Britain	indirect	100%
31.	PUMA Malta Ltd.	St.Juliens/Malta	indirect	100%
32.	PUMA Blue Sea Ltd.	St.Juliens/Malta	indirect	100%
33.	PUMA Polska Spolka z.o.o.	Warschau/Poland	indirect	100%
34.	PUMA–RUS GmbH	Moskau/Russia	indirect	100%
35.	PUMA Hungary Kft.	Budapest/Hungary	indirect	100%
36.	PUMA Czech Dassler s.r.o.	Prag/Czech Republic	indirect	100%
37.	PUMA Slovakia s.r.o.	Bratsilava/Slovakia	indirect	100%
38.	PUMA Ukraine Ltd.	Kiew/Ukraine	indirect	100%
39.	PUMA Bulgaria Ltd.	Sofia/Bulgaria	indirect	56%
40.	PUMA Sports S.A.	Cape Town/South Africa	indirect	100%
41.	PUMA SPORTS DISTRIBUTORS (PTY) LIMITED	Cape Town/South Africa	indirect	100%
42.	PUMA Middle East FZ LLC	Dubai/United Arab Emirates	indirect	100%
43.	PUMA UAE LLC	Dubai/United Arab Emirates	indirect	49%
	Asia/Pacific Rim			
44.	PUMA Australia Pty. Ltd.	Moorabbin/Australia	indirect	100%
45.	White Diamond Australia Pty. Ltd.	Moorabbin/Australia (non active)	indirect	100%
46.	White Diamond Properties	Moorabbin/Australia (non active)	indirect	100%
47.	PUMA New Zealand Ltd.	Auckland/New Zealand	indirect	100%
48.	World Cat Ltd.	Kowloon/Hong Kong	direct	100%
49.	World Cat (S) Pte Ltd.	Singapore	indirect	100%
50.	World Cat Trading Co.Ltd	Taichung/Taiwan	indirect	100%
51.	Development Services Ltd.	Kowloon/Hong Kong	indirect	100%
52.	PUMA FAR EAST Ltd.	Kowloon/Hong Kong	direct	100%
53.	PUMA JAPAN K.K.	Tokio/Japan	indirect	100%
54.	PUMA Apparel JAPAN K.K.	Tokio/Japan	indirect	100%
55.	PUMA Sports India Pvt Ltd.	Bangalore/India	indirect	100%
	America			
56.	PUMA Suede Holding, Inc.	Westford/USA	indirect	100%
57.	PUMA North America, Inc.	Westford/USA	indirect	100%
58.	PUMA Canada, Inc.	Ontario/Canada	indirect	100%
59.	PUMA CHILE S.A.	Santiago/Chile	direct	51%
60.	Distruibuidora Deportiva PUMA S.A.C.	Lima/Peru	indirect	100%
61.	PUMA Sports Ltda.	Sao Paulo/Brazil	indirect	100%

Currency Translation

As a general rule, foreign currency monetary items are disclosed in the individual financial statements of consolidated companies at the rates valid at the balance sheet date. The resulting currency gains and losses are immediately credited or charged to operations.

The assets and liabilities of foreign subsidiaries which do not have the Euro as their functional currency were translated into Euro at the middle rates valid at the balance sheet date. Expenses and income were translated at annual average rates. Differences from net assets currency translation and changed exchange rates in comparison with the previous year were shown directly in equity. Goodwill resulting from the acquisition of foreign subsidiaries within the scope of initial consolidation was translated into Euro and extrapolated accordingly.

The significant translation rates per Euro are as follows:

Currency	Reporting date exchange rate	Average rate
USD	1.1835	1.2474
HKD	9.1800	9.6962
JPY	139.1200	137.2385
GBP	0.6871	0.6852
CHF	1.5553	1.5475

Derivative Financial Instruments/Hedge Accounting

Upon conclusion of contract, derivative financial instruments are initially recorded in the balance sheet at fair value plus transaction costs and subsequently at fair value. The recording of gains or losses depends on the type of items to be hedged. At the time a hedge transaction is concluded, the company classifies certain derivatives either as a hedge of the fair value of a reported asset or as a reported liability (fair value hedge), as a hedge of a planned transaction (cashflow hedge), or as a hedge of a net investment in an economically independent foreign subsidiary.

At the time of concluding a hedge transaction, the hedging relationship between the hedge instrument and the underlying transaction as well as the risk management purpose and underlying strategy are documented. In addition, estimates as to whether the derivatives used in the context of the hedge relationship compensate highly and effectively for the change of fair value or the cashflow of the underlying transaction are documented at the beginning (and thereafter continuously) of the hedge relationship.

Changes in the market value of derivatives which are used for and qualify as a cashflow hedge and which have proved to be effective are disclosed in equity. In the absence of effectivity, the differences are included in operating results. The amounts recorded as a special item under equity are included in operating results during the same period in which the planned hedge transaction impacts the income statement. If, however, a hedged future transaction leads to the recording of a non-financial asset or a liability, the gains or losses previously disclosed in equity are included in the initial valuation of acquisition costs or the respective asset or liability. The fair values of derivative instruments used to hedge planned transactions are disclosed under other current assets as financial assets available for sale in accordance with IAS 39.45.

The gains or losses from derivative financial instruments used as a fair value hedge and the respective gains or losses from the hedged item are recognized in operating results.

Liquid Assets

Liquid assets include cash and bank balances. Bank balances that are not required to finance current assets are presently invested at terms of up to three months. The total amount of liquid assets is consistent with cash and cash equivalents stated in the cashflow statement.

Inventories

Inventories are valued at acquisition or manufacturing costs or at the lower net realizable values derived from the selling price at the balance sheet date. As a general rule, the acquisition cost of merchandise is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realisable market prices.

Receivables and Other Assets

Receivables and other assets are classified as financial assets in accordance with IAS 39.45, i.e. as loans and receivables.

The acquisition costs of receivables and other assets are initially reported at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. All recognisable risks are sufficiently accounted for in the form of individual risk assessments using historical values. Non-current assets include loans and other assets. As a general rule, non-interest bearing assets are discounted to present value.

Property, plant and equipment

Property, plant and equipment are stated at acquisition costs net of accumulated depreciation. The depreciation periods depend on the item's useful life. As a general rule, the straight-line method of depreciation is applied. The useful life depends on the type of assets involved:

	Depreciation period
Buildings	10 to 50 years
Machines, machine equipment and technical equipment, factory and business equipment	3 to 10 years

The cost of maintenance and repair is recorded as an expense at the time of origin. Significant improvements and renewals are capitalized to the extent that the criteria for valuation of an asset item applies.

As a general rule, leased items that qualify as finance leasing due to the terms of the underlying contract are shown under property, plant and equipment; initially they are valued at the amount of the fair value or the lower present value of the minimum lease payments, and net of accumulated depreciation in subsequent accounting periods.

Property, plant and equipment are checked for a decline in economic usefulness, if there are indications of impairment in the asset value. In doing so, the item's realisable amount (the higher amount of net sales proceeds and usage value) is compared with the asset's book value. If the realisable value is lower than the book value, a loss from the decline in economic usefulness is recorded at the amount of the difference. If the reason for the recorded impairment in value no longer applies, a reinstatement in value up to the maximum amount of depreciated acquisition cost is recorded.

Goodwill and Intangible Assets at Indefinite Useful Lives

Goodwill is valued at acquisition costs; since January 1, 2005 it is no longer amortised on a straight line basis in accordance with IFRS 3. An impairment test is performed once a year, which may lead to an impairment expense.

Other Intangible Assets

Acquired intangible assets largely consist of concessions, industrial property rights and similar rights; they are valued at acquisition costs net of accumulated amortisation. The amortisation period is between three to ten years, whereby the straight-line method is applied.

Impairment of Assets

Assets with an indefinite useful life are not depreciated/amortised according to schedule; they are checked for impairment at annual intervals. Property, plant and equipment with defined useful lives are checked for impairment if there are indications of impairments in value. In order to determine a requirement to record such impairments, the realisable amount of the asset concerned (or the higher amount from net sales proceeds and usage value) is compared with the asset's book value. If the realisable value is lower than the book value, the difference is recorded as a loss due to impairment. If the reason for the recorded impairment no longer applies, a reinstatement is recorded to the maximum amount of the depreciated acquisition cost. Goodwill is not reinstated. The impairment test is performed using the discounted cashflow method.
The determination of expected cashflows is based on corporate planning data. The cashflows expected are discounted using an interest rate in line with market conditions.

Financial Debts

As a general rule, financial debts are reported at fair value after deduction of transaction costs and, subsequently, stated acquisition cost. Non- or low-interest bearing liabilities involving terms of at least one year are stated at present value, taking an interest rate in line with market conditions into account. Liabilities from finance leasing agreements are reported at the amount of the present value of the minimum lease value or the lower present value at the beginning of leasing transactions and are adjusted for the amount of lease instalments paid.

As a general rule, short term financial liabilities also include the proportion of long-term loans which has a residual term of up to one year.

Accruals for Pensions and Similar Obligations

In addition to defined benefit plans, some companies introduced defined contribution plans which, apart from current contributions, do not involve any further pension commitment. For defined benefit plans the Projected-Unit-Credit-Method is used in general. This method not only accounts for annuities and accrued pension benefits known at the balance sheet date, but also for expected salary and annuity increases. Actuarial gains and losses are distributed over the average residual term of service. No use is made of the 10 percent 'corridor' approach described in IAS 19.92. The provision is reduced by the value of the plan assets. The service cost and interest component are disclosed within personnel expenses. The present value of defined benefit obligations (DBO) is calculated by discounting the expected future outflows of funds with the interest rate of first class corporate bonds denominated in the currency of the amounts paid and whose terms comply with those of the pension obligation. In the event of defined contribution plans, the contribution is recognised within personnel expenses; a provision for pensions is not necessary for this type of pension plan.

Other Provisions

In accordance with IAS 37, other provisions are recorded to account for all risks and obligations vis à vis third parties that result from past transactions or events where amounts or maturities were uncertain. The provisions are stated at their settlement amount; they are not set off against positive income. Provisions are also created to account for unfavourable contracts where unavoidable costs exceed the economic benefit expected from the contract.

Treasury Stock

Treasury stock is stated at the market price valid at the date of acquisition including incidental acquisition costs and recorded under equity capital. Initially, the company keeps the repurchased shares as “Treasury Stocks” in the balance sheet. In accordance with an authorisation by the General Meeting, treasury stock can be used as acquisition currency for the flexible management of capital requirements or they can be called in. At present, calling in these shares is not planned.

Equity Participation Plans/Management Incentive Program

In conformity with IFRS 2, the fair value of share-based remuneration systems was recorded for the first time as of January 1, 2005 using the binomial method, and charged to personnel expenses. The standard applies to share-based remuneration systems granted after November 7, 2002. At PUMA, the share-based remuneration systems encompass convertible bonds, stock options (SOP) and stock appreciation rights (SAR). The individual programs that fall under the scope of application of IFRS 2 are recognised retrospectively at the time of issue. The fair value of services provided by the employees as a counter-performance for the granting of options is recorded as expense.

SOP
The entire expense to be recorded over the period of time up to non-forfeitability of the options is determined from the fair value of the options at the date of their being granted. The effect of non-market oriented exercise hurdles is taken into account in the assumptions concerning the number of options which are expected to be exercised. The estimate concerning the options expected to be exercised is reviewed at each balance sheet date. The effects of any changes to the assumptions respecting the number of options expected to be exercised are recognised in the income statement and through respective adjustment in the equity capital over the remaining term up to non-forfeitability.

SAR
In contrast to SOP, the fair value of SARs is determined anew at each balance sheet date. Changes in the fair value are reflected in the income statement.

The expense resulting from the programs is distributed as personnel expense over the term of the respective blocking period and recorded as a capital reserve (SOP) or provision/liability (SAR). For purposes of comparability, the previous year's values were adjusted accordingly (restated).

Recognition of Sales

Sales are recognized and included in profits at the time of the passage of risks. Sales are disclosed net of returned purchases, discounts, rebates, and sales-dependent advertising costs.

Royalty and Commission Income

Royalty income is treated as income in accordance with the statements to be presented by the licensees. In certain cases, values must be assessed in order to permit accounting on an accrual basis. Commission income is invoiced to the extent that the underlying purchase transaction is deemed realized.

Advertising and Promotion Expenses

The company recognizes advertising expenses at the time of origin. Generally, promotion expenditure is spread over the contract term as an expense on an accrual basis.

• Product Development

The company is continuously engaged in developing new products in order to comply with market requirements or market changes. The costs are recorded as an expense at the date of origin; they are not capitalized since the criteria specified in IAS 38 are not fulfilled.

• Financial Result

The financial result includes interest income from financial investments and interest expense from credits. In general, effects from exchange rate fluctuations are included in general expenses; where such effects resulting from derivative financial instruments are to be allocated directly to an underlying transaction, a disclosure is made in the respective income statement item.

• Income Taxes

Incomes taxes are determined in accordance with local tax regulations in the countries where the respective company is active.

• Deferred Taxes

Deferred taxes resulting from time differences between the tax and the commercial balance sheet valuation of individual group companies and from consolidation procedures are netted according to tax country and disclosed either as deferred tax assets or deferred tax liabilities. Deferred tax assets may also include tax reduction claims resulting from the expected use of existing losses carried forward to subsequent years if their realization is ensured with sufficient certainty. Deferred taxes are determined on the basis of tax rates applicable for reversal in the individual countries, and which are in force or were approved on the balance sheet date. Deferred taxes may also result from accounting procedures which are neutral in their effects on profits.

Deferred tax assets are recorded only to the extent that realisation of the respective tax advantage is probable. Value adjustments are created on the basis of past results of operations and business expectations for the near future if this criterion is not fulfilled.

• Assumptions and Estimates

Preparation of the consolidated financial statements may involve assumptions and estimates which have an impact on the amount and disclosure of the reported assets and liabilities, on income, expenses and contingencies. Actual values may, in some cases, deviate from such assumptions and estimates. Any changes are recognized as expense or income at the time of receiving the respective information.

3. Corporate Acquisitions

The corporate acquisitions described under “Consolidated Group” had no significant impact on the company’s results of operations in 2005.

The goodwill acquired in the financial year is as follows:

	2005
	€ million
Total purchase prices	35.6
- of which paid (€ 17.9 million)	
Fair value of acquired net assets	11.0
Goodwill	**24.6**

Transactions from acquisitions impacted the net assets and financial position in fiscal year 2005 as follows:

	2005
	€ million
Inventories	11.1
Receivables	30.2
Goodwill	24.6
Other assets	22.6
Bank debt	-14.8
Other liabilities	-38.1
Purchase price	**35.6**

€ 18 million from the total purchase price amounting to € 36 million were already paid in 2005. The remaining amount of € 18 million is classified as liabilities from acquisitions. The liabilities from acquisitions include the amount of € 7 million, which is due within one year, and € 11 million due in 5 years. The position “Other assets” includes prepayments from acquisitions amounting to € 10 million (please see paragraph 7 of these Notes).

4. Liquid Assets

Liquid assets amounted to € 476 million (previous year: € 369 million) as at December 31, 2005. In addition to cash, they largely include fixed-term deposits or money market funds.

The effective interest rate was 1.8% (previous year: 2.3%). There were no restraints on disposal.

5. Inventories

Inventories are divided into the following main categories:

	2005 € million	2004 € million
Raw materials and supplies	0.5	0.5
Finished goods and merchandise		
Footwear	114.2	106.9
Apparel	86.5	71.9
Accessories/Others	19.5	18.2
Goods in transit	76.1	54.1
Inventories, gross	296.8	251.6
Value adjustments	-58.5	-50.5
Inventories, net	**238.3**	**201.1**

Of the total amount of reported inventories, the amount of € 64 million (previous year: € 58 million) is stated at net realizable value.

6. Trade Receivables

	2005 € million	2004 € million
Trade receivables, gross	303.3	188.2
Value adjustments	-25.8	-20.1
Trade receivables, net	**277.5**	**168.1**

7. Other Current Assets

This item consists of the following:

	2005 € million	2004 € million
Prepaid expense for the subsequent period	12.9	5.4
Advance payments on acquisitions	9.6	0.0
Fair value of derivative financial instruments	15.8	0.3
Other receivables	41.8	28.7
Other current assets	**80.1**	**34.4**

Advance payments on acquisitions relate to majority shares acquired in companies in Taiwan and China/Hong Kong in 2006. The item is reclassified to shares in affiliated companies upon transfer of the shares and eliminated within the scope of consolidation.

Other current assets are due within one year. The fair value represents the book value. As of tax reclaims relating to the management incentive program the last year's figures were restated amounting to € 13 million.

8. Deferred Taxes

The company's deferred taxes relate to the following items:

	2005 € million	2004 € million
Accumulated losses carried forward	1.4	2.3
Non-current assets	6.3	4.0
Current assets	30.7	21.6
Provisions and other liabilities	22.1	16.5
From netting in equity with neutral effect on profits	-11.1	15.7
Value adjustments	-1.2	-2.0
Deferred tax assets	48.2	58.1
Non-current assets	16.5	13.3
Current assets	1.8	1.4
Provisions and other liabilities	1.4	1.4
Deferred tax liabilities	19.6	16.1
Deferred tax assets, net	**28.6**	**42.0**

Of deferred tax assets, the amount of € 42 million is current (previous year € 54 million); of deferred tax liabilities, the amount of € 3 million is current (previous year: € 3 million).

As at December 31, 2005, tax losses carried forward totalled € 4 million (previous year: € 5 million), resulting in deferred tax assets of € 1 million (previous year: € 2 million). Following value adjustment, claims from tax losses carried forward were included in deferred tax assets to the amount of € 0.2 million (previous year: € 0.4 million). The tax losses carried forward mainly relate to passive companies and their use is therefore not considered as probable. The tax losses can be carried forward for an indefinite period of time.

Deferred tax liabilities for withholding tax from possible dividends on subsidiaries' distributable profits which are required by the respective company as a refinancing facility were not recorded.

The change in deferred taxes includes effects from changes in tax rates in the USA and France.

Deferred tax assets and liabilities are netted if they relate to the same taxing power. Accordingly, they are disclosed in the balance sheet as follows:

	2005 € million	2004 € million
Deferred tax assets	48.6	51.6
Deferred tax liabilities	20.0	9.6
Deferred tax assets, net	**28.6**	**42.0**

The development of deferred tax assets was as follows:

	2005 € million	2004 € million
Deferred tax assets, previous year	51.6	36.7
Recognised in the income statement	21.6	7.8
Currency effects and inclusion in equity with neutral effect on profits	-24.6	7.0
Deferred tax assets	**48.6**	**51.6**

The development of deferred tax liabilities was as follows:

	2005 € million	2004 € million
Deferred tax liabilities, previous year	9.6	3.2
Recognised in the income statement	10.4	6.4
Deferred tax liabilities	**20.0**	**9.6**

9. Property, Plant and Equipment

Property, plant and equipment at book values consist of the following:

	2005 € million	2004 € million
Land and buildings, including buildings on third party land	45.1	31.4
Technical equipment and machines	1.6	0.9
Other equipment, factory and office equipment	72.5	48.8
Assets under construction	2.7	3.6
	121.9	**84.7**

The book values of property, plant and equipment are derived from acquisition costs. Accumulated depreciation for this item amounted to € 71 million (previous year: € 51 million).

Property, plant and equipment include leased assets to the amount of € 2 million (previous year: € 1 million) which largely relate to factory and office equipment at various subsidiaries.

The development in financial year 2005 is included in the Appendix to the consolidated financial statements "Statement of Movements of Fixed Assets". Impairment losses were not recorded in financial year 2005.

10. Intangible Assets

This item includes goodwill and assets associated with the company's own retail operations.

In accordance with IFRS 3, from January 1, 2005 onwards, goodwill is no longer amortised according to schedule (previous year: € 2 million). An impairment test pursuant to IAS 36 was performed in the past financial year in accordance with the discounted cashflow method. The test was based on the respective corporate planning data. Expenses resulting from impairment losses were not detected in the impairment test and were not required to be recorded in financial year 2005.

The increase in goodwill results from the full transfer of the companies in South Africa and Portugal and the extended consolidated group.

Goodwill is allocated to the identifiable and cash-generating units (CGUs) of the Group. Summarised by regions, goodwill is allocated as follows:

	2005	2004
EMEA	29.7	8.7
Asia/Pacific	14.9	11.3
Total	**44.7**	**20.0**

Assumptions underlying the impairment test:

	EMEA	Asia
Tax rate (range)	27.5% - 35.0%	42.0%
WACC before tax (range)	10.7% - 24.5%	11.0%
WACC after tax (range)	8.4% - 17.8%	7.2%
Beta	1.12	1.12
Growth rate	2.0%	2.0%

The development in financial year 2005 is reflected in these Notes under "Statement of Movements of Fixed Assets".

11. Other Non-Current Assets

This item consists of the following:

	2005	2004
	€ million	**€ million**
Loans	1.0	0.9
Shares in associated companies	0.0	0.6
Other assets	5.5	4.4
Sub-total	**6.5**	**5.9**
Fair value of derivative financial instruments	13.3	0.0
Total	**19.8**	**5.9**

The development for financial year 2005 relating to the sub-total of € 7 million (previous year € 6 million) is presented in the Appendix to the consolidated financial statements "Statement of Movements of Fixed Assets". There were no indications of impairments in value.

12. Bank Liabilities

Classified by terms to maturity, this item consists of the following:

	2005	2004
	€ million	**€ million**
Current bank liabilities	45.1	12.9
Non-current bank liabilities	0.0	0.0
	45.1	**12.9**

The PUMA Group's available credit lines total € 216 million (previous year: € 211 million) which may be used for bank loans or guarantee credits. In addition to bank liabilities to the amount of € 45 million (previous year: € 13 million), guarantee credits amounted to € 7 million (previous year: € 5 million) as at December 31, 2005. In addition to liquid assets, the company had unused credit lines of € 164 million (previous year: € 193 million.) as at December 31, 2005.

The effective interest rate of financial liabilities ranged from 2.8% - 6.2% in the year under review.

13. Trade Payables

The present value of trade payables corresponds to the book value.

	2005	2004
	€ million	**€ million**
Trade payables	178.6	136.9

14. Other Liabilities

The present value of other liabilities corresponds to the book value.

	2005				2004			
		Residual term				Residual term		
	Total	Up to 1 year	1 to 5 years	more than 5 years	**Total**	Up to 1 year	1 to 5 years	more than 5 years
	€ million	€ million	€ million	€ million	**€ million**	€ million	€ million	€ million
Other liabilities								
Liabilities from taxes	**15.7**	15.7	0.0	0.0	**15.4**	15.4	0.0	0.0
Liabilities within the scope of social security	**3.4**	3.4	0.0	0.0	**2.5**	2.5	0.0	0.0
Liabilities to employees	**41.6**	35.8	5.8	0.0	**30.9**	30.2	0.7	0.0
Liabilities from the market assessment of foreign exchange transactions	**1.5**	1.5	0.0	0.0	**59.6**	32.7	26.9	0.0
Leasing liabilities	**0.6**	0.6	0.0	0.0	**0.4**	0.4		
Other liabilities	**23.5**	21.5	2.0	0.0	**15.2**	14.4	0.8	0.0
	86.3	78.5	7.8	0.0	**124.0**	95.6	28.4	0.0

The medium-term liabilities to employees are associated with the Management Incentive Program.

15. Pension Provisions

Pension provisions totalled € 23 million (previous year: € 21 million) and are reduced by the value of the plan assets. The present value of the plan assets includes reinsurance and trust stock at a fair value of € 13 million; it does not include financial instruments. The plan assets saw an actual increase in value of € 2 million (previous year: € 1 million).

Total provisions includes the amount of € 17 million (previous year: € 16 million) which is attributable to PUMA AG, € 3 million (previous year: € 3 million) is attributable to sub-groups in Sweden, and € 3 million (previous year: € 2 million) is attributable to the other companies.

The determination of PUMA AG pension provisions (74% of total pension provisions) is based on the Dr. Klaus Heubeck mortality tables "2005 G". Valuation is in accordance with the projected unit credit method as defined in IAS 19. The PUMA AG pension plan covers general commitments that are, as a rule, based on maximum pension payments of € 127.82 for each month and each entitled employee, and on individual commitments.

The following actuarial assumptions were applied for the pension plans:

	2005	2004
Discounting rate	4.0%	4.5%
Future pension increases	2.25%	2.25%
Fluctuation rate	1.5%	1.5%

The pension provision for the Group is calculated as follows:

	2005 € million	2004 € million
Present value of non-funds financed pension claims pursuant to actuarial opinion	**5.5**	**5.0**
Present value of funds-financed pension claims	36.3	29.8
Net of the fair value of the plan assets	-13.4	-10.0
Short cover/surplus cover of the plan assets	**22.9**	**19.8**
Present value of pension claims	**28.4**	**24.8**
Adjustment amount due to non-recorded actuarial gains/losses (-)	-5.8	-3.6
Pension provision, Dec. 31	**22.6**	**21.2**

An expected interest rate of between 4% and 7% was used in the valuation of plan assets.

The development of the pension provision for the Group is structured as follows:

	2005 € million	2004 € million
Pension provision, previous year	21.2	18.5
Currency translation	-0.2	0.0
Addition from acquisitions	0.1	0.0
Pension expense	3.5	4.9
Pension payments	-2.0	-2.2
Pension provision, Dec. 31.	**22.6**	**21.2**

Pension payments at the previous year's level are expected for 2006.

The pension expense in financial year 2005 is structured as follows:

	2005 € million	2004 € million
Expense for pension claims arising during the reporting year	2.4	3.9
Interest expense for acquired pension claims	1.6	1.5
Expected plan asset income	-0.7	-0.6
Adjustment amount due to recorded actuarial gains/losses	0.2	0.1
Expense for defined benefit plans	**3.5**	**4.9**
Expense for defined contribution plans	**2.3**	**1.0**
Total expense	**5.8**	**5.9**

16. Tax Provisions

	2004 € million	Currency adjustments, reclassifications € million	Utilisation € million	Release € million	Addition € million	2005 € million
Tax provisions	**33.7**	1.3	-33.8	-0.5	23.4	**24.2**

Tax provisions mainly include income taxes due but not yet paid for financial year 2005 as well as expected tax payments for previous years; they do not contain deferred taxes. In this respect, attention is drawn to paragraph 8 of these Notes. The provision will probably lead to an outflow of cash in the coming financial year.

17. Other Provisions

	2004 € million	Currency adjustments, reclassifications € million	Utilisation € million	Release € million	Addition € million	2005 € million
Other provisions:						
Warranties	**11.7**	0.9	-9.0	-0.3	12.9	**16.3**
Purchase risks	**5.9**	0.7	-3.4	-1.4	7.8	**9.6**
Others	**36.2**	1.0	-2.0	-18.2	8.3	**25.2**
	53.8	2.7	-14.4	-19.9	29.0	**51.1**

The warranty provision is determined on the basis of the historical value of sales generated during the past six months. It is expected that most of these expenses will fall due within the first six months of the next financial year.

Purchase risks primarily relate to materials risks and to the forms needed for shoe manufacture. The item also includes anticipated losses associated with purchase transactions. The provision will probably lead to payment in the following year.

Other provisions are primarily recorded to account for risks that may arise from litigation, anticipated losses and other risks. Depending on the procedure applied in each case, it is expected that the amount will largely be utilised within the next two years.

18. Liabilities from Acquisitions

In accordance with the agreements concluded, the purchase price for acquisition of 100% of joint ventures leads to an outflow of funds, in as much as it concerns the joint venture partner's capital share, after the expiry of the joint venture period, and in as much as future "profit shares" of the joint venture partner are concerned, by distribution of profits. The resulting nominal amounts were discounted at an adequate market interest rate depending on the expected date of payment. The item relates to the companies in Greece and Turkey. Of the total amount, € 7 million fall due within one year and the residual amount is due within 5 years.

19. Equity

Subscribed Capital

The subscribed capital corresponds to the subscribed capital of the parent company, PUMA AG. As at the balance sheet date, the subscribed capital amounted to € 43 million. It is split up into 16,864,214 shares of stock. Capital reserves were increased by € 21 million in 2005. The company holds 890,000 shares of stock in its own portfolio as at the balance sheet date (see below "Own Shares").

In a letter dated May 2, 2005, the firm of "Mayfair Vermögensverwaltungsgesellschaft mbH" reported that it had exceeded the 5% hurdle and that it now holds 16.91% of the subscribed capital. On September 6, 2005, "Mayfair Vermögensverwaltungsgesellschaft mbH" reported that it had exceeded the threshold of 25% and that it presently holds 25.27% of subscribed capital. In addition, Fidelity International reported that the voting share of "FMR Corp., 82 Devonshire Street, Boston, USA" had exceeded the 5% hurdle on December 28, and that it presently holds 5.08%. Apart from this, the company is not aware of any shareholders holding a voting share of 5% or more.

Cashflow Hedges

The item "cashflow hedges" is disclosed in the statement of "Changes in Equity". In addition to the change in market value from derivative financial instruments, currency-related changes resulting from primary hedging operations are included as far as these can be allocated to future transactions. The item to the amount of € 22 million (previous year: € 30 million) is already reduced by deferred taxes of € 11 million (previus year: € 15 million).

Own Shares/Treasury Stock

The Shareholders' Meeting on March 30, 2005 authorised the Board of Management to acquire own shares (treasury stock) of up to 10% of the share capital. If acquired through the stock exchange, the acquisition price per share may not exceed or fall below 10% of the closing price for the company's shares with the same features in XETRA trade (or a comparable successor system), on the last trading day prior to acquisition. The Board of Management resolved to make use of this authorisation and decided to repurchase up to 1.6 million shares of stock. A total of 890,000 PUMA shares (previous year: 605,000 shares of stock) or 5.3% of the subscribed capital, respectively, were repurchased by the company as of the balance sheet date and are held as treasury stock in its own portfolio. The amount invested to this end totals € 160 million. It is not planned to call in the shares at present.

Authorized Capital

Pursuant to Article 4, items 6 and 7 of the PUMA AG Articles of Association, the Board is authorized, with the approval of the Supervisory Board, to increase the nominal capital by May 13, 2007

- through the issuance of new shares once or repeatedly in exchange for contributions in cash by a total of up to € 11,520,000.00; the shareholders are to be granted a subscription right. However, the Board of Management is authorized, with the approval of the Supervisory Board, to exclude the shareholders' subscription right in order to avoid fractional amounts (Authorized Capital I);

and

- through the issuance of new shares once or repeatedly in exchange for contributions in cash by a total of up to € 3,840,000.00. Given the approval of the Supervisory Board, an exclusion of the subscription right is admissible either in full or in part in the event of a capital increase in exchange for cash contributions if the issue price of the new shares does not fall significantly below the market price of already listed, equally equipped shares at the time of final determination of the issue price. If the Board of Management does not make use of the authorization to exclude the subscription right, it may exclude shareholders' subscription rights – with the approval of the Supervisory Board – only in order to compensate for possible fractional amounts (Authorized Capital II).

Conditional Capital

Pursuant to Article 4 (3) of the articles of incorporation, the nominal capital was subject to a conditional increase by € 0.8 million (conditional capital 1997 and 1999). The conditional capital serves to finance the convertible bonds issued to management within the scope of the long-term Investment Program. (See paragraph 20 of these Notes). As of the balance sheet date, no bonds are available for conversion and this condition capital therefore no longer exists.

In addition, pursuant to Article 4 (5) of the articles of incorporation, further conditional capital to the amount of € 3.9 million was created with the purpose of financing a total 1,530,000 stock options. The stock options were issued to management within the scope of the Stock Option Program. As of December 31, 2005, conditional capital amounting to € 1 million is still available.

Dividends

The amounts eligible for distribution relate to the net retained earnings of PUMA AG which are determined in accordance with German Commercial Law.

The Board of Management proposes that a dividend of € 2.00 per outstanding share or a total of € 31.9 million from the PUMA AG net retained earnings be approved for distribution to the shareholders for financial year 2005. This corresponds to a dividend rate of 11.0% relative to the consolidated net income, in comparison to 6.2% in the previous year.

Use of net retained earnings of PUMA AG:

		2005	2004
Net retained earnings of PUMA AG as of Dec. 31	€ million	34.4	18.5
Dividend per share	€	2.00	1.00
Number of shares outstanding on Dec. 31	in shares of stock	15.974,214	16.061,714
Dividend, total	€ million	31.9	16.1
Carryforward to the new accounting period	€ million	2.5	2.4

Minority Shares

The minority shares for PUMA Portugal and PUMA Sports Distributors (South Africa) included in the previous year were acquired at 100% with effect from January 1, 2005. The minority shares remaining as at the balance sheet date relate to PUMA Chile (49%) and A.C.K. Turkey (40%). A minority share concerning the other joint ventures acquired during the financial year was not required to be reported since, economically, these shares are attributable to PUMA pursuant to contractual agreement (see paragraph 2 of these Notes).

20. Share Option Plans / Management Incentive Program

In 1996, PUMA introduced long-term Incentive Plans with the aim of retaining management staff in the company over the longer term. Convertible bonds, stock option programs (SOP) and stock appropriation rights (SAR) were implemented as long-term incentives.

• Convertible Bonds

Convertible bonds were issued to management from 1996 to 1999. At the balance sheet date, all bonds issued were converted and the programs are now completed.

Development in 2005:

	Issue date	Number issued	Converted in 2005	Lapsed in 2005	In circulation as of Dec. 31		Conversion price
					2005	**2004**	
Tranche 1999/2009	Dec. 9, 1999	295,000	1,000	0	0	1,000	€ 16.64

• SOP

A Stock Option Program was introduced within the scope of the conditional capital created in 2001 (see paragraph 19 of these Notes). The conditional capital increase is used to service the option rights of members of the PUMA AG Management Board, members of the executive bodies of affiliated companies, the executive staff of PUMA AG and affiliated companies. Entitled persons are given the opportunity to acquire PUMA shares at the exercise price within a period of up to five years and following a 2-year blocking period as from the date of issue. The exercise price is the mean value of the closing prices on the five trading days prior to issuance of the option rights or, if higher, the closing price on the date of issue of the respective tranche, in addition to a 15% performance target. On the basis of the respective share price, each share acquisition leads to a value appreciation which results after deduction of the corresponding exercise price. From 2001 to 2004, option rights were issued to Management in the respective tranches. The Board of Management exercised a total of 57,000 options from Tranche III (2003/2008) during the financial year. As of the balance sheet date, the Board of Management holds a total of 136,150 options from Tranche IV. For more details, see paragraph 30 of these Notes.

Development in 2005:

	Issue date	Number issued	Exercised in 2005	Average share price upon exercise	Lapsed in 2005	In circulation as of Dec. 31		Exercise price
						2005	**2004**	
Tranche I	Aug. 29, 2001	444,714	7,000	216.77	0	10,500	17,500	€ 24.61
Tranche II	Apr. 9, 2002	435,000	8,500	206.54	0	22,000	30,500	€ 56.38
Tranche III	Mar. 31, 2003	190,000	181,000	196.54	0	5,000	186,000	€ 85.68
Tranche IV	Mar. 31, 2004	459,000	0	0	34,000	423,500	457,500	€ 206.20

The following parameters where used to determine the fair value:

	Tranche III	Tranche IV
Share price at the time of rights distribution	€ 74.50	€ 179.30
Expected volatility	35.0%	30.0%
Expected dividend payment	0.67%	0.56%
Risk-free interest rate, Board of Management	2.48%	2.19%
Risk-free interest rate, executive staff	2.54%	2.26%

• SAR

The long-term Incentive Program was extended by stock appreciation rights in 2004. The term of the non-forfeitable option rights is five years as from the date of issue; they may be exercised following a 2-year blocking period at the earliest. An exercise gain arises from the positive difference between the current price of the share, given a virtual sale, and the exercise price. With respect to Tranche I (2004/2009) a minimum exercise gain of 10% and a maximum exercise gain of 50% of the exercise price upon settlement is defined, which applies within the scope of the existing employment contract. A minimum exercise price of 6.4% per option is deemed agreed upon with respect to Tranche II (2005/2010). Comparable programs have been agreed for the years from 2006 to 2008, whereby the exercise price is determined from the average of closing prices of the rights distribution during the five preceding days, plus an exercise hurdle of 10%. The options outstanding as of December 31, 2005 are held by the Board of Management.

Development in 2005:

	Issue date	Number issued	Exercised in 2005	Lapsed in 2005	In circulation as of Dec. 31		Exercise price
					2005	**2004**	
2004/2009 – Tranche I	April 20, 2004	100,000	0	0	100,000	100,000	€ 200.00
2005/2010 – Tranche II	April 25, 2005	150,000	0	0	150,000	0	€ 210.10

The following parameters were used to determine the fair value:

	Tranche I	Tranche II
Expected volatility	23.1%	23.1%
Expected dividend payment	0.91%	1.08%
Risk-free interest rate	2.84%	2.94%

21. Selling, Administration and General Expenses

In addition to personnel expenses, advertising and selling costs, operating expenses also include legal and consulting costs, rental/leasing expenses, travel costs, telephones and postage as well as other general expenses. Income from operations which is associated with operating expenses is netted under this item. In addition, income which is associated with sourcing is included as in the previous year to the amount of € 29 million in other selling, administration and general expenses. Rental/leasing expenses for the company's own retail operations included sales-dependent rental components.

Expenses to a total amount of € 0.9 million are included respecting the annual auditor. Of this, the amount of € 0.4 million is attributable to the annual audits well as for tax consulting and € 0.1 million for other consulting services.

A significant part of the operating expenses is attributable to marketing expenses In addition to advertising and promotion expenses such as promotion contracts, the item also includes expenses associated with the company's retail activities as well as internal administration costs in the field of marketing.

Classified by functions, the selling, administration and general expenses are as follows:

	2005	2004
	€ million	**€ million**
Marketing/retail	272.0	214.6
Product development and design	42.0	36.9
Other selling, administration and general expenses	249.6	207.9
	563.5	**459.4**

Personnel costs included in operating expenses consist of the following:

	2005	2004
	€ million	**€ million**
Wages and salaries	147.8	122.4
Social security contributions	23.0	18.8
Stock options granted to executive staff and employees	12.5	7.9
Expenses for pension schemes and other personnel expenses	16.1	14.3
Total	**199.4**	**163.4**

The previous year's figure concerning expenses associated with stock options was restated at € 5.9 million.

The annual average number of staff was as follows:

	2005	2004
Marketing	183	147
Sales/retail	2,461	1,726
Product management/development	374	313
Sourcing/logistics/production	831	797
Central units	576	492
Total annual average	**4,425**	**3,475**

At year-end, the company employed a total of 5,092 people (previous year: 3,910).

22. Financial Result

The financial result is made up as follows:

	2005	2004
	€ million	**€ million**
Other interest and similar income	11.5	7.0
Interest and similar expenses	-5.1	-1.3
Financial result	**6.4**	**5.7**

Interest expenses include subsequent tax payments for 1999 to 2002 from external tax audits.

23. Income Tax

	2005	2004
	€ million	**€ million**
Current income taxes		
Germany	35.7	33.7
Other countries	93.4	71.4
	129.1	**105.1**
Deferred taxes	**-11.9**	**-0.7**
	117.2	**104.4**

Current income taxes in Germany relate to corporation tax, the solidarity surcharge and trade tax.

The tax expense attributable to "Other countries" in the previous year was restated and reduced accordingly from € 79 million to € 71 million.

In general, PUMA AG and its German subsidiary are subject to corporation tax plus a solidarity surcharge and trade tax which is deductible upon determination of the income subject to corporation tax. This resulted in a mixed tax rate of 36.91% in the financial year.

Numerical reconciliation of theoretical tax expense with current tax expense:

	2005	2004
	€ million	**€ million**
Earnings before income taxes	**404.4**	**370.7**
Theoretical tax expense		
Tax rate of the AG = 36.91% (Previous year: 36.91%)	149.3	136.8
Difference from tax rates in other countries	-35.9	-34.1
Other tax effects:		
Intra-group entries	6.2	6.5
Goodwill amortisation	0.0	0.2
Release of value adjustment on deferred taxes	-0.8	-0.3
Tax provisions	-1.6	1.5
Other non-deductible expenses and income and consolidation and other effects	1.5	1.1
Tax refund from expenses associated with the Management Incentive Program (2004 restated)	-1.6	-7.3
Current tax expense	**117.2**	**104.4**
Current tax rate	29.0%	28.6%

24. Earnings per Share

Earnings per share are determined in accordance with IAS 33 by dividing group earnings by the average number of outstanding shares. A dilution of this indicator results from potential shares from the Management Incentive Program. The share option program has a diluting effect on profits in the financial year. Depending on future price development, the options outstanding may lead to further diluting effects.

The calculation is presented in the table below:

		2005	2004
Net earnings	€ million	258.8	258.7
Average number of shares outstanding	in shares of stock	16,065,688	16,025,243
Diluted number of shares	in shares of stock	16,162,821	16,352,761
Earnings per share	€	17.79	16.14
Earnings per share, diluted	€	17.68	15.82

Earnings per share in the previous year were restated from € 16.06 to € 16.14 and diluted earnings per share from € 15.74 to € 15.82.

25. Management of the Currency Risk

The company is exposed to currency risks which result from an imbalance in the global cashflow. This imbalance is largely due to the high level of sourcing on a US Dollar basis in the Far East. Sales are invoiced in other currencies to a great extent; in addition, the company earns royalty income mainly in Japanese YEN (JPY) and USD. The resulting assets and liabilities are subject to exchange-rate fluctuations from the date of their origin up to realization.

The PUMA Group uses derivative and primary hedging instruments to minimize the currency risk arising from currency fluctuations. Derivative transactions are concluded if a hedging requirement arises from future transactions or after netting existing foreign currency receivables and liabilities. In accordance with the Group's treasury principles, no derivative financial instruments are held for trading purposes. As a general rule, derivatives are combined with the associated underlying transactions to valuation units (hedge accounting) and, to this extent do not impact the net income/net loss for the year.

The company hedges its net demand or net surplus of the respective currencies on a rolling basis 24 months in advance, thus hedging the planning period for the years 2006 and 2007 against currency fluctuations.

The net demand or net surplus results from the demand for a certain currency, net of expected income in the same currency. Forward exchange deals are used to hedge exchange rate risks.

For accounting purposes, hedging transactions are clearly linked to certain parts of the overall risk position. As of the balance sheet date, forward exchange deals related almost exclusively to the purchase of USD and EUR, and the sale of JPY and USD concluded with international renowned financial institutions only. The credit risk is therefore assessed as being very low or unlikely. At present, the terms of the derivatives are up to 24 months. The contracts are used exclusively to hedge contracts already concluded, or where conclusion is expected.

The nominal amounts and market values of open rate-hedging transactions, largely related to cashflow hedging, are structured as follows:

	Nominal amount 2005 € million	Nominal amount 2004 € million	**Market value 2005 € million**	Market value 2004 € million
Total forward exchange transactions	**616.1**	724.6	**27.6**	-59.6

The nominal amount corresponds to the amounts of the respective hedging transactions as agreed upon between the parties involved. The market value is the amount at which the financial instrument would be traded between interested parties on the balance sheet date. As a general rule, the market values are determined on the basis of the market values communicated by the respective banks. The market value is reported under Other Financial Assets or Other Liabilities in accordance with IAS 39, and offset against equity with neutral effects on profits in as much as the hedging transaction relates to future transactions.

The underlying and hedging transactions will probably impact the revenue results within the next 24 months.

In the financial year, the amount of € 22 million was reclassified from equity as inventory acquisition costs (IAS 32.59).

Management does not expect any adverse influences on the Group's financial position from the use of derivative financial instruments.

26. Segment Reporting

Primary segment reporting is based on geographical regions. Since PUMA is engaged in only one business segment, namely the sporting goods industry, secondary reporting is split up into the product segments of Footwear, Apparel and Accessories in accordance with the internal reporting structure.

In primary segment reporting, as a first step, sales and gross profit are shown according to the geographical region where the sales are realized (according to customers' head offices); in a second presentation, sales are allocated to the region where the head office of the respective group company is located. Intra-group sales are eliminated. Allocation of the remaining segment information is also determined on the basis of the respective group company's head office. The sum totals equal the amounts on the income statement or on the balance sheet, respectively.

The segment's internal sales are earned on the basis of market prices.

The operating result for the respective region was adjusted for intra-group settlements such as royalty and commission payments. Worldwide royalty income, largely realized by PUMA AG, the cost of international marketing, product development and other international costs are included under Central Units / Consolidation. Regional allocation with respect to the sales business would not be reasonable.

Gross assets include assets used to generate the operating result of the respective segment. Non-operating assets, including tax deferrals and group assets which cannot be allocated, are disclosed in the Central Units / Consolidation column.

Liabilities include the respective outside capital from the viewpoint of the companies allocated. Intra-group assets and liabilities are eliminated in the Central Units / Consolidation column.

Investments and depreciation/amortisation relate to additions to and depreciation/amortisation of property, plant and equipment and of intangible assets during the current financial year.

Based on the internal reporting structure, secondary segment data is allocated to the Footwear, Apparel and Accessories product categories. The operating result and most of the asset and liability items cannot be allocated in a reasonable manner.

Primary segment data

	Sales (total)		Internal sales		External sales with third parties		Gross profit		Sales by head office location	
	by head office location of customers									
Regions	**2005 € million**	2004 € million	**2005 € million**	2004 € million	**2005 € million**	2004 € million	**2005 € million**	2004 € million	**2005 € million**	2004 € million
EMEA	**1,221.0**	1,114.5	**-116.1**	-67.7	**1,104.9**	1,046.8	**599.7**	557.7	**1,222.5**	1,116.6
Asia/Pacific	**213.0**	192.8	**-16.7**	-11.8	**196.3**	181.0	**97.2**	87.0	**213.6**	193.0
America	**476.3**	302.6	**-0.0**	-0.0	**476.3**	302.6	**232.9**	149.2	**474.2**	300.2
Central units/Consolidation		0.0							**-132.8**	-79.5
	1,910.3	1,609.8	**-132.8**	-79.5	**1,777.5**	1,530.3	**929.8**	794.0	**1,777.5**	1,530.3

	Profit from operations		Gross assets (balance sheet total)		Liabilities		Investments		Depriciation	
	by head office locations of group companies									
Regions	**2005 € million**	2004* € million	**2005 € million**	2004* € million	**2005 € million**	2004* € million	**2005 € million**	2004 € million	**2005 € million**	2004 € million
EMEA	**302.5**	291.1	**943.8**	626.9	**383.8**	316.4	**45.0**	29.1	**15.7**	12.2
- in %	**27.4%**	27.8%								
Asia/Pacific	**41.2**	39.6	**89.6**	100.9	**56.4**	67.3	**1.3**	2.9	**2.2**	2.5
- in %	**21.0%**	21.9%								
America	**93.6**	60.0	**198.5**	91.5	**126.3**	65.0	**19.7**	10.6	**6.9**	4.6
- in %	**19.6%**	19.8%								
Central units/Consolidation	**39.6**	-31.7	**89.2**	122.9	**-120.8**	-56.5	**25.1**	0.0	**-0.4**	-0.0
	397.7	359.0	**1,321.0**	942.3	**445.7**	392.2	**91.0**	42.6	**24.3**	19.3
- in %	**22.4%**	23.5%								

Breakdown of Sales and Gross Results by Product Categories

	External sales with third parties		Gross profit in %	
	2005 € million	2004 € million	**2005**	2004
Footwear	**1,175.0**	1,011.4	**52.7%**	53.1%
Apparel	**473.9**	416.0	**51.8%**	49.7%
Accessories	**128.6**	102.9	**50.4%**	49.0%
	1,777.5	1,530.3	**52.3%**	51.9%

* restated

27. Notes to the Cashflow Statement

The cashflow statement has been prepared in accordance with IAS 7 (revised); it is subdivided into cashflows from operating, investing and financing activities. The indirect method is used to determine the cashflow from operating activities. Within the cashflow from operating activities the gross cashflow, derived from earnings before taxes on income and adjusted for non-cash income and expense items, is determined. Free cashflow is understood to be the cash provided by operating activities, reduced by investments in property, plant and equipment and intangible assets.

Cash and cash equivalents reported in the cash flow statement include all liquid assets disclosed in the balance sheet, i.e., cash in hand, checks and bank balances.

28. Contingencies

	2005	2004
	€ million	€ million
Bill commitments	0.6	1.3
Guarantees and warranties	0.0	0.0

29. Other Financial Obligations

The company's other financial obligations relate to license, promotion and advertising contracts. In addition, the company leases and rents offices, warehouses, facilities, a car park and also sales premises for its own retail business. The residual term of the lease contract for the logistics centre in Germany (operative leasing) is 6 years. The term of rental contracts concerning the retail business is between 5 and 15 years. The terms of all other rental and lease contracts are between 1 and 5 years.

As of the balance sheet date, the company's financial obligations were as follows:

	2005	2004
	€ million	€ million
From license, promotion and advertising contracts:		
2006 (2005)	47.4	33.4
2007 – 2010 (2006 – 2009)	170.5	53.4
From rental and lease contracts:		
2006 (2005)	46.6	29.5
2007 – 2010 (2006 – 2009)	153.3	90.8
as from 2011 (as from 2010)	81.3	48.4

30. Disclosures concerning Related Parties

PUMA maintains service and supply relationships with related parties within the scope of its ordinary activities. These service and supply relationships are processed at market prices.

Transactions between the company and the subsidiaries which are regarded as related parties have been eliminated by way of consolidation and are not explained within the framework of these Notes.

The members of the Supervisory Board received remuneration for consulting services to the amount of T€ 30, in addition to current Supervisory Board remuneration.

Board of Management

Remuneration for the Board of Management includes, in addition to a fixed and a variable component, a variable remuneration component in the form of options in accordance with the long-term Incentive Plan (see paragraph 20 of these Notes). In the financial year, fixed remuneration for the four Management Board members (previous year three Management Board members) amounted to € 4.4 million (previous year: € 3.9 million), and variable remuneration amounted to € 5.3 million (previous year: € 4.7 million). The notional value of SAR and SOP for coming years which are not yet convertible is recognised as personnel expense options. Taking the valuation parameters indicated under paragraph 20 of these Notes into consideration, the personnel expense amounted to € 8.4 million for 2005, in comparison with € 4.2 million (restated) in the previous year. The criteria applied to determine remuneration are, in addition to the individual duties and performance of the Management Board members, the company's financial position, its performance, and the future prospects of the company.

Pension commitments vis à vis former Board members amounted to € 2.5 million (previous year: € 2.7 million); they are recorded as a liability within pension provisions. As in the previous year, retirement benefits amounting to € 0.1 million were paid to a former Board member.

Supervisory Board

In accordance with a resolution of the Shareholders' Meeting held on March 30, 2005, remuneration for the Supervisory Board as from financial year 2005 was determined as follows:

1. Fixed annual remuneration to the amount of € 30,000.00 for each Supervisory Board member. The Supervisory Board Chairman receives twice this amount, and the Vice Chairman one and a half times this remuneration.

2. Performance-based remuneration to the amount of € 20.00 per € 0.01 of the earnings per share reported in the consolidated financial statements (before dilution) that exceeds a minimum amount of € 16.00, the maximum amount being € 10,000.00 per year, however. The Chairman of the Supervisory Board receives twice this amount, and the Vice Chairman receives one and a half times the remuneration.

Fixed remuneration was paid to a total amount of T€ 225 in the financial year (previous year: T€ 194) and performance-based remuneration totalled T€ 27 (previous year: T€ 0). In addition, as of the balance sheet date, a total of 2,200 shares of stock/options (previous year: 2,100 shares of stock/options) or 0.013% (previous year: 0.0126%) of shares outstanding as of the balance sheet date were held by the Supervisory Board members. There are no share-based remuneration systems for members of the Supervisory Board.

31. Corporate Governance Report

Effective implementation of the Corporate Governance Code is an important element in PUMA's corporate policy. Transparent and responsible corporate governance is a precondition for achieving the corporate goals and a sustained increase in corporate value. The Board of Management and the Supervisory Board work closely together for the benefit of the entire company and thus ensure efficient, value based corporate management and control through good corporate governance.

Since the last Compliance Declaration of May 2005, PUMA AG has complied with and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" in the version of May 21, 2003 and the subsequent version of June 2, 2005, with the following exceptions:

- Item 4.2.3, (2), last sentence: "Limitation Option"

  Due to the structure and contents of the variable remuneration components with long-term incentive effect for the Board of Management, agreement on a limitation option ("cap") is waived.

- Item 4.2.4 2nd sentence "Individualisation of remuneration for Management Board members"

  PUMA will disclose remuneration for Management Board members in the notes to the consolidated financial statements, subdivided according to fixed remuneration, performance based components, and long-term incentive components. In doing so, the shareholders' and the capital market's interest in obtaining information is complied with. Accordingly, figures are not individualised.

The Board of Management and the Supervisory Board have issued the required Compliance Declaration respecting the recommendations issued by the Government Commission pursuant to Section 161 AktG. This declaration is available on a permanent basis on the company's homepage (www.puma.com).

With respect to individualised remuneration of Supervisory Board members, subdivided according to remuneration components, please see paragraph 30 of these Notes.

32. Events after the Balance Sheet Date

In the context of its long-term corporate development plan (Phase IV) published in July 2005, PUMA will acquire the majority share or 100% respectively, in the following companies in January 2006. These companies will then be responsible for the sale&marketing of PUMA products in the respective countries with immediate effect. In accordance with the agreements concluded with minority shareholders with a view to acquisition after expiry of the term of the agreement, the companies in Japan and Taiwan are to be allocated to the PUMA Group at 100% in economic terms with effect from January 1, 2006. The other companies are purely joint ventures which are recognised through taking the respective minority interest into account. The following companies were founded - or a majority interest was acquired - and they were included in consolidation with effect from January 1, 2006.

Asia/Pacific	America
PUMA Apparel Japan K.K., Japan	Unisol S.A., Argentina
PUMA Taiwan Sports Ltd., Taiwan	ATA Inc., Canada
Liberty China Holding Ltd., British Virgin Islands	
Liberty Sports Marketing Ltd., Hong Kong	
Liberty Shanghai Ltd., China	

The change in the consolidated group is expected to impact net assets and the financial position as of the time of initial consolidation (January 1, 2006) as follows.

	Asia/Pacific € million	America € million	Total € million
Total purchase price	73.6	42.4	**115.9**
Fair value of the net assets acquired	25.5	20.9	**46.4**
Goodwill	**48.0**	**21.5**	**69.5**

€ 10 million from the total purchase price amounting to € 116 million were already paid in 2005 (please see paragraph 7 of these Notes)

Herzogenaurach, January 25, 2006

The Board of Management

Zeitz **Gänsler** **Bock**

Auditors' Report

We have audited the consolidated financial statements - consisting of balance sheet, income statement, notes, statement of changes in equity, cash flow statements - and the group management report of PUMA Aktiengesellschaft Rudolf Dassler Sport, Herzogenaurach for the business year from January 1 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the supplementary provisions stated in Section 315a (1) HGB are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.
We conducted our audit of the consolidated financial statements in conformity with the § 317 HGB (German Commercial Law) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW) and additionally observed the International Standards on Auditing (ISA). Those standards require that we plan and perform the audit so that misstatements materially affecting the presentation of net assets, financial position and results from operations in the consolidated financial statements in accordance with German principles of proper accounting and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit the consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The group management report is in accordance with the consolidated financial statements and provides on the whole a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, January 25, 2006

PRICEWATERHOUSECOOPERS

Wirtschaftsprüfungsgesellschaft

Bernd Wagner	Dr. Ulrich V. Störk
German Public Accountant	German Public Accountant

Supervisory Board Report

Dear Shareholders,

Once again, PUMA can look back on a very successful year. The general conditions facilitated efficient and targeted work by the Supervisory Board. In all, the Supervisory Board convened five times in the past year, meeting on February 7, March 30, June 15, August 18 and November 22, 2005. In addition to these meetings, the PUMA AG Board of Management communicated with the members of the Supervisory Board verbally and in writing. The Board of Management informed the Supervisory Board continuously about business development of the PUMA Group and involved the Supervisory Board directly in all important decisions.

Focus of Discussions
During the financial year, the Supervisory Board assumed the tasks imposed on it by law and the statutes and dealt intensively with the business development, financial position and strategic orientation of the Group.

The main emphasis was placed on the following significant issues:

- Audit and Approval of the 2004 Annual Financial Statements
- Current Business Development
- Phase IV of the Long-Term Corporate Development, including the Acquisitions and Expansion Targets in Planning
- Stock Option Program
- Corporate Governance Code/Compliance Declaration
- Changes in the Board of Management, the Supervisory Board and the Group of Shareholders
- Share Buyback
- Dividend Policy

Personnel Committee
The Personnel Committee met on three occasions in the past financial year. The committee dealt intensively with the various personnel matters relating to the Board of Management. Mr. Ulrich Heyd had expressed a request to end his activities at PUMA for personal reasons as of December 31, 2005. We have complied with this request in a cancellation agreement. The Supervisory Board regretted the decision of Mr. Heyd who had contributed significantly to the success of the Company ever since the establishment of PUMA AG. Mr. Dieter Bock, who had been responsible for financial issues in recent years, was appointed as Chief Financial Officer with effect from August 1, 2005. In financial year 2005, members of the Personnel Committee were Mr. Werner Hofer (Chairman), Thore Ohlsson, and Katharina Wojaczek.

Audit Committee
The Audit Committee received the PUMA Group's financial data on a monthly basis and was thus in a position to track the development of net assets, the financial position and results of operations as well as the development of the orders position directly. Moreover, the Audit Committee was concerned with accounting and performance-related issues and discussed these with Management. After the Supervisory Board had placed the audit engagement for financial year 2005, the Audit Committee discussed the audit engagement as well as focal points of the audit with the annual auditor during a telephone conference. The audit report for financial year 2005 was discussed in detail with the annual auditor in a meeting held on February 9, 2006. The members of the Audit Committee are Mr. Thore Ohlsson (Chairman), Mr. Werner Hofer, and Mr. Erwin Hildel.

Corporate Governance
We welcome the German Corporate Governance Code (DCGK) which describes significant legal provisions and recommendations governing the management and monitoring of listed companies, and which also includes standards for responsible corporate management. Almost all of these standards have been part of PUMA AG's every-day business for a long time. However, as expressly provided for in the DCGK, we reserve our right not to observe individual recommendations should there be good reasons for doing so. These reasons are explained in each case within the scope of the annual Compliance Declaration. The Compliance Declaration is made available to our shareholders on the Company's homepage on a permanent basis.

Annual Financial Statements Approved
PUMA AG's annual financial statements as prepared by the Board of Management and the consolidated financial statements, the management report and the group management report including the underlying accounting system have been audited and provided with an unqualified auditors' opinion by the auditors of PricewaterhouseCoopers, Wirtschaftsprüfungsgesellschaft GmbH, Frankfurt am Main, who were appointed as auditors by the General Meeting of the Shareholders on March 30, 2005 and engaged by the Supervisory Board to audit the annual financial statements and the consolidated accounts.

In their report, the auditors arrive at the conclusion that PUMA's institutionalized risk management system pursuant to Section 91, (2) Stock Corporation Act, is suitable for the early recognition of any developments that may endanger the Company as a going concern, and also for taking counteraction against same. To this end, the Board of Management has informed the Supervisory Board at regular intervals about the assessment of market and source risks, financial risks including currency risks, and also about risks that may arise in the organizational area.

The financial statements documentation and the audit reports of the annual auditor as well as the Board of Management's proposal concerning the appropriation of retained earnings were available to all members of the Supervisory Board in good time. The auditor reported about significant audit results and discussed these in detail with the members of the Board of Management and the Supervisory Board at the meeting of the Audit Committee on February 9, 2006. No inconsistencies were found.

After thorough examination, we approve the annual financial statements prepared by the Board of Management and concur with the auditors' results. No objections are raised. The Supervisory Board thus approves the annual financial statements as prepared by the Board of Management. Furthermore, the Supervisory Board agrees with the Board of Management's proposal that the dividend be raised from € 1.00 to € 2.00 per share. A total of € 32 million from the retained earnings of PUMA AG will be used to this end. The remaining retained earnings of € 2.5 million shall be carried forward to the new accounting period.

Changes in the Supervisory Board
Mr. David Matalon, Beverly Hills, USA, and Arnon Milchan, Herzelia, Israel, have, at their own wish and with effect from January 9, 2006, resigned from office and left the Supervisory Board. We wish to take this opportunity to express our gratitude and appreciation for their performance, competence and critical support. The Supervisory Board and the Board of Management shall propose at the General Meeting of the Shareholders on April 27, 2006, that Mr. Günter Herz and Dr. Rainer Kutzner be appointed to the Supervisory Board as representatives of the major shareholder, Mayfair Vermögensverwaltungsgesellschaft mbH.

Thanks to the Board of Management and Staff
The Supervisory Board wishes to express its great appreciation and thanks to the Board of Management, to the management of the Group companies, the staff's chosen representatives and to all employees for their sustained, successful performance and the work involved in achieving it.

Herzogenaurach, February 10, 2006

On behalf of the Supervisory Board

Werner Hofer
Chairman

SUPERVISORY BOARD

Werner Hofer (Chairman)
Hamburg, Germany
Lawyer

Member of other Supervisory Boards or similar boards:
- H & M Hennes & Mauritz AB, Stockholm/Sweden
- Electrolux Deutschland GmbH (Chairman), Nuernberg/Germany
- AEG Hausgeräte GmbH (Chairman), Nuernberg/Germany
  - D + H Mechatronic AG (Chairman), Hamburg/Germany
- MITTAL STEEL Europe S.A., Luxemburg/Luxemburg
  - MITTAL STEEL Germany GmbH, Duisburg/Germany
  - MITTAL STEEL Hamburg GmbH, Hamburg/Germany
  - MITTAL STEEL Ruhrort GmbH, Duisburg/Germany

Thore Ohlsson (Deputy Chairman)
Falsterbo, Sweden
President of Elimexo AB, Falsterbo/Sweden

Member of other Supervisory Boards or similar boards:
- Boss Media AB, Växjö/Sweden
- Bastec AB (Chairman), Malmö/Sweden
- Elite Hotels AB, Stockholm/Sweden
- Tretorn AB, Helsingborg/Sweden
- T. Frick AB (Chairman), Vellinge/Sweden
- Trianon AB, Malmö/Sweden
- Inpac AB, Lund/Sweden
- T.M.C. AB (Chairman), Skanoer/Sweden

Arnon Milchan (until January, 2006)
Herzelia, Israel
Producer

Member of other Supervisory Boards or similar boards:
- Monarchy Enterprises Holdings B.V., LLC, Rotterdam/ The Netherlands
- The Silver Lining Foundation, Aspen, Colorado/U.S.A.

David Matalon (until January 9, 2006)
Beverly Hills, USA
President and CEO of New Regency Productions, Inc., Los Angeles/U.S.A.

Member of other Supervisory Boards or similar boards:
- Monarchy Enterprises Holdings B.V., LLC, Rotterdam/ The Netherlands
- Regency Entertainment USA Corp., Los Angeles/U.S.A.
- IVP Ltd., Kfar-Saba/Israel

Katharina Wojaczek (Employees' Representative)
Aurachtal-Falkendorf, Germany
Works Council Chairperson

Erwin Hildel (Employees' Representative)
Herzogenaurach, Germany
Sales Administration Manager

THE BOARD OF MANAGEMENT

Jochen Zeitz
Nuremberg, Germany

Chief Executive Officer of PUMA AG,
(Marketing, Sales, Administration, Human Resources)

Martin Gänsler
Gersthofen, Germany

Deputy Chairman
Chief Product Officer
(Research, Development, Design and Sourcing, Environmental and Social Affairs)

Ulrich Heyd (until December 31, 2005)
Nuremberg, Germany

Chief Legal Officer
(Legal Affairs and Industrial Property Rights)

Dieter Bock (from August 1, 2005)
Weisendorf, Germany

Chief Financial Officer
(Finance, Controlling, Tax, Investor Relations)

Group Executive Committee

Beside the Board of Management, the „Global Functional Directors" comprise the „Group Executive Committee":

Antonio Bertone (Brand Management)

Peter Mahrer (International Sales)

Klaus Bauer (Operations, Human Resources)