2006 Annual Report

puma.com

PUMA YEAR-ON-YEAR COMPARISON

	2006 € mio.	2005 € mio.	Deviation
Sales			
Brand sales	**2,755.1**	2,387.0	15.4%
Consolidated sales	**2,369.2**	1,777.5	33.3%
Result of operations			
Gross profit	**1,199.3**	929.8	29.0%
Earnings before interest and tax (EBIT)	**366.2**	397.7	-7.9%
Earnings before taxes (EBT)	**374.0**	404.1	-7.4%
Net earnings	**263.2**	285.8	-7.9%
Profitability			
Gross profit margin	**50.6%**	52.3%	-1.7%pt
Return on sales before tax	**15.8%**	22.7%	-6.9%pt
Return on sales after tax	**11.1%**	16.1%	-5.0%pt
R O C E (Return on capital employed)	**57.7%**	102.0%	-44.3%pt
R O E (Return on equity)	**25.1%**	32.6%	-7.5%pt
Balance sheet information			
Shareholders' equity	**1,049.0**	875.4	19.8%
- Ratio of equity to total assets	**61.2%**	66.3%	-5.1%pt
Working capital	**401.6**	255.7	57.1%
- in % of Net sales	**16.9%**	14.4%	2.6%pt
Cashflow and investments			
Gross cashflow	**395.7**	432.9	-8.6%
Free cashflow (before acquisition)	**91.6**	152.3	-39.8%
Investments (before acquisition)	**72.7**	61.9	17.4%
Acquisition investment	**81.2**	17.9	353.5%
Value management			
Cashflow return on invest	**23.9%**	32.0%	-8.3%pt
Absolute value contribution	**201.6**	227.2	-11.3%
Employees			
Employees on yearly average	**6,831**	4,425	54.4%
Sales per employee (T€)	**373.1**	401.7	-7.1%
PUMA share			
Stock exchange rate at year-end (in €)	**295.67**	246.50	19.9%
Earnings per share (in €)	**16.39**	17.79	-7.8%
Free cashflow (before acquisition) per share (in €)	**5.71**	9.48	-39.8%
Equity per share (in €)	**65.10**	54.80	18.8%
Stock market value	**4,764.3**	3,937.6	21.0%
Average trading volume (amount/day)	**128,185**	159,285	-19.5%

PUMA GROUP DEVELOPMENT

Business phase	Expansion	Momentum				Investment				Restructuring				
	2006	2005	*2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.
Sales														
Brand sales[1]	**2,755.1**	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 %	15.4%	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	**2,369.2**	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 %	33.3%	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	**1,420.0**	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	**795.4**	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	**153.8**	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	**1,199.3**	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	50.6%	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	**37.0**	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	**366.2**	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	15.5%	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	**374.0**	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	15.8%	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%
Net earnings	**263.2**	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
- Net marge	11.1%	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	**419.6**	272.0	214.6	163.9	125.1	86.9	67.0	61.0	47.9	29.0	-	-	-	-
Costs of product development and design	**56.7**	42.0	36.9	29.9	24.2	19.9	18.2	15.2	15.2	7.3	-	-	-	-
Personnel expenses	**267.5**	199.4	163.4	126.6	103.0	81.1	64.4	51.5	41.3	35.2	-	-	-	-
Balance sheet														
Total assets	**1,714.8**	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	61.2%	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%
Working capital	**401.6**	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	**364.0**	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	**10.4**	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	**393.6**	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)	**153.9**	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)	**25.1%**	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)	**57.7%**	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)	**23.9%**	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	**1,119.7**	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	**7.742**	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	**6.831**	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 (in €)	**295.67**	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 €)	**16.39**	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)	**16.054**	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 outstanding on Dec. 31 (in million)	**16.114**	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	**4,764.3**	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

Martin Gänsler
Gersthofen, Germany

Deputy Chairman, Chief Product Officer

Research
Development
Design and Sourcing
Environmental and Social Affairs
Legal Affairs and Industrial Property Rights

Jochen Zeitz
Nuremberg, Germany

Chief Executive Officer

Marketing
Sales
Administration
Human Resources

Dieter Bock
Weisendorf, Germany

Chief Financial Officer

Finance
Controlling
Tax
Investor Relations

Dear Fellow Shareholder,

The Year 2006 represented another milestone in PUMA's development. It was a year in which we ignited Phase IV of our long-term corporate development plan with increased investment in the brand, launched three new categories, and significantly expanded our geographic reach as well as our own retail operations. Most importantly, we were able to generate strong financial results over the course of the year, as we achieved a strong top-line growth of 34% and led the industry in most, if not all, measures of profitability despite an increased level of investment to ignite Phase IV. Shareholder value climbed 21% in the year, and has now grown 4.300%, or 34% compounded annually since current management took over in 1993.

Of course, in the sports world, 2006 will be most remembered for the World Cup, and for PUMA it was a particularly memorable event. For the first time ever, PUMA outfitted more teams than any other sponsor and we couldn't have been prouder as our Italian team took home their fourth world championship. On the backs of these efforts plus a groundbreaking product collection and two award-winning marketing campaigns, we were able to boost our football-related sales around 50% worldwide and bring PUMA back to prominence in a category that it helped invent nearly 60 years ago.

Our success at the World Cup was only one of several objectives that we met or exceeded during the year. A further component of our Phase IV plan is new category growth, which was accomplished by the launch of three new product categories: golf, moto and denim. Geoff Ogilvy's win at the US Open while wearing PUMA's first-ever golf collection served as a dramatic statement that we were adding some color to a traditionally bland category. Our inaugural Moto collection won praise from Moto GP riders and generated some new and exciting Sportlifestyle crossover products. And with our PUMA/Evisu denim collection, we were able to demonstrate the flexibility of the PUMA brand while adding a new dimension to our Apparel business.

We also took some important steps to extend the reach of our business. We took back the distribution rights for our previous licensees in Japan, China, Hong Kong, Taiwan, Argentina, Canada and Mexico. As our brand and organization becomes truly global, our ability to carefully manage our growth in these regions will significantly help PUMA's long-term sustainability, as well as put us in a position to capitalize on opportunities in emerging markets.

In an effort to evolve our own retail business alongside the rest of our company, we also launched our new Concept Store Design in Union Square, New York. We opened our first Concept Store in 1999 and since then our business has significantly changed. Lead times have decreased, product drops have increased, and collections have grown beyond traditional

Footwear, Apparel and Accessories – all of which have a major impact on the retail business. In addition, we're also faced with the duty to surprise and engage our consumers on a daily basis. With this in mind, we developed our new store concept, which brings a level of merchandising flexibility and should, over time, provide a positive impact to our retail business.

Overall, we are very pleased with 2006 and our start to Phase IV, as we set some ambitious targets; and we are on track or ahead on all accounts. But more important than looking back is looking ahead, and we've put ourselves in a solid early position to deliver on our long-term objectives. We are reasserting ourselves as market leaders in Sportlifestyle by continuing to disintegrate traditional boundaries. At the same time, and across all categories, we're also strengthening our sport performance business, which gives us a high level of authenticity. We're focusing on expanding our consumer base by emphasizing areas such as golf, moto, and the women's category, and we're becoming a bigger part of the lives of our existing consumers by offering them a deeper PUMA range that includes must-have, everyday products such as denim and swimwear. We also believe that the Sportlifestyle industry is in its nascent years and that the long-term growth potential remains substantial. And we will do everything to remain in the forefront.

Of course, we're just over one year into a five-year program, so it would be premature to read too much significance into our achievements thus far. As always, we continue to approach our business as a marathon, not a sprint, with long-term sustainability as the ultimate goal. PUMA's development trajectory will, over time, have its natural accelerations and decelerations, and our Phase IV growth will not be linear. But if we're running a marathon, then 2006 provided the equivalent of a year of high-altitude training: we put in a lot of effort and investment that will help us down the road. We have a solid, global organizational foundation as well as a powerful operational base resulting from our 2006 investments, all of which leaves us optimistic about PUMA's future.

I would like to take this opportunity to thank all our loyal customers, our dedicated employees and, of course you, our committed shareholders.

Best regards,

Jochen Zeitz

Jochen Zeitz

MISSION

„The most desirable Sportlifestyle company"


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NINETEEN
77

Phase IV Start Better Than Expected

PUMA succeeded in continuing its success story in the 2006 financial year, and got a start into Phase IV of its long-term corporate development that was better than expected. Overall, the financial year 2006 saw the integration of seven license markets into the PUMA Group - Japan (Apparel), Taiwan, China, Hong Kong, Argentina, Mexico, and Canada - and three of the announced seven new product categories have already been launched successfully on the market.

Worldwide brand sales climbed by over 16% to € 2.8 billion in financial year 2006. Consolidated sales jumped over the 2 billion hurdle for the first time, growing by 34% to just under € 2.4 billion. At 50.6%, the gross profit margin remained at a very high level. Operating profit reached € 366 million and significantly exceeded original expectations. Earnings per share were € 16.39, compared to € 17.79 in the previous year.

The PUMA share closed the year at € 295.67, posting another value increase of 20%. Market capitalization was € 4.8 billion.

GENERAL ECONOMIC CONDITIONS

According to a value assessment of the "Association of German Economic Research Institutes" in Berlin ["Arbeitsgemeinschaft deutscher wirtschaftswissenschaftlicher Forschungsinstitute e.V."], the global economy continued to grow in 2006. However, business activities have lost some of their momentum recently. In a number of industrial countries, production weakened. The US economy in particular showed indications of a deceleration and production in Japan went into a slow-down. On the other hand, the upward trend in the Euro zone continued, and the level of economic activity in Great Britain likewise picked up momentum. Production increases were more pronounced in newly industrializing markets, most particularly in China. Differences in the dynamics of the industrial countries were caused mainly by the different stages of their national economic cycles.
Raw materials prices continued to rise in 2006, not least because of brisk global economic activity. The price movement on the raw materials markets also affected consumer prices, and labor costs in the industrial countries increased moderately for the most part.

In 2006 the sporting goods industry was in the limelight during the Football World Cup and was able to profit from worldwide enthusiasm for the sport. Positive analyst expectations for the sporting goods industry were confirmed by numerous consumer- and consumer goods studies which identified consumers' higher esteem for sporting goods brands in the year 2006. Increasing globalization in consumer behavior, the linking of sport and lifestyle, and vertical integration of sales and marketing brought about strong growth in the Sportlifestyle segment.

For the first time in the company's history a national football team equipped by PUMA, the "Squadra Azzurra" from Italy, became world champion. With a strong portfolio of twelve teams, PUMA was the leading equipper of the tournament and, with a 56% share of all games, had the strongest brand presence on the football field. Moreover, PUMA also used the World Cup as a platform for its innovative product and marketing concepts. PUMA was also visible as one of the three top brands in relation to individual players. The innovative World Cup collection v1.06 was worn by 18% of all players during the World Cup.

PHASE IV STRATEGY

Following completion of Phase III in 2005 and thus one year earlier than expected, PUMA presented the Phase IV goals of its long-term corporate development strategy to the capital market and the public in July 2005. This strategy includes a five-year plan for the years 2006 - 2010. With the objective of being "the most desirable Sportlifestyle Company", PUMA aims at bolstering its position as one of the few true multi-category brands, and at making effective use of the many opportunities offered by the Sportlifestyle market in all categories and regions. Being a multi-category brand means filling those categories and business segments that offer PUMA the possibility to achieve sustained value increases through utilization of its unique brand positioning.

The goal continues to be the creation of long-term shareholder value. To this end PUMA will concentrate on the growth opportunities which offer high potential for sustained value creation over the long-term. In accordance with value-based management strategies, the focus will be on investments that offer a respective return on investment and thus contribute to a sustained increase in corporate value.

PUMA will also examine other selected growth opportunities that may arise beyond the PUMA brand. Phase IV will therefore be characterized by further expansion. Qualitative growth and a long-term strengthening of brand appeal will be given priority, instead of growth at any cost.

Expansion is planned in three areas:

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

Expansion of Product Categories

The expansion of product categories in Phase IV involves both 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 product offensive covering the entire spectrum of Sportlifestyle, from sports to fashion. In addition, PUMA will also expand into new categories with promising growth potential. These will mostly be product categories which distinguish the PUMA brand from the market and from competition in a unique manner. In addition to the new product categories: Golf, Moto GP and Denim, introduced in 2006, four new product categories will be added to the existing portfolio in the coming years, and the Swimwear category will be available in stores as early as in the spring of 2007. Moreover, PUMA will continue to strengthen and further develop the business with product licenses with both its current partners and new partners 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-promoting instruments will improve business relationships with existing trading partners and further increase the presence and visibility of the PUMA brand. In the already strongly developed markets in particular, PUMA's retail stores will not only serve as a unique window for the brand but will also provide the possibility to react swiftly to new trends and, as a consequence, offer innovative products on the market at an early stage.

In 2006 new shareholdings in Japan, China, Hong Kong, Taiwan, Argentina, Canada and Mexico were integrated into the PUMA Group. The newly founded joint ventures and subsidiaries are an important element of regional expansion, as PUMA is now represented directly in additional core markets. By taking back these license markets at the beginning of Phase IV, followed by markets in other countries and their organic growth in coming years, significant additional sales potential has been created for the future.

Expansion with Non-PUMA Brands

For the first time, PUMA does not rule out expansion with non-PUMA brands. In an initial step the Tretorn brand, which had already been purchased in 2001, was repositioned along with appropriate adaptation of the product offering to market requirements. Further acquisitions may follow if, after a comprehensive examination and meeting clear criteria, they are in a position to contribute to increases in the cashflow return on investment and thus to the added value of the company.

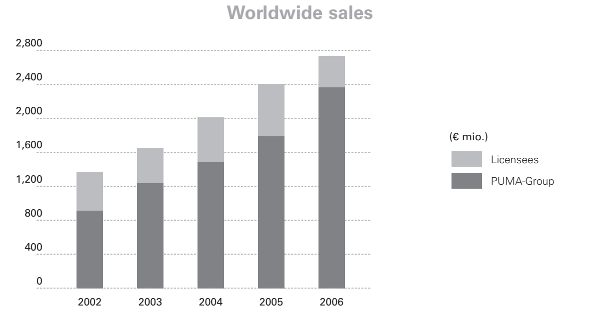
Phase IV will thus introduce another decisive step in long-term corporate development with a view to establishing PUMA as one of the three leading brands in the sporting goods industry, and pursuing the long-term objective of becoming the most desirable Sportlifestyle company.

Through the Phase IV measures already taken, PUMA is to be clearly positioned as Number Three in the sporting goods industry on a lasting basis. The company's potential is currently estimated at € 4 billion, whereby the goal is to utilize significant portions of this potential within the scope of the five-year planning.

BUSINESS DEVELOPMENT IN 2006

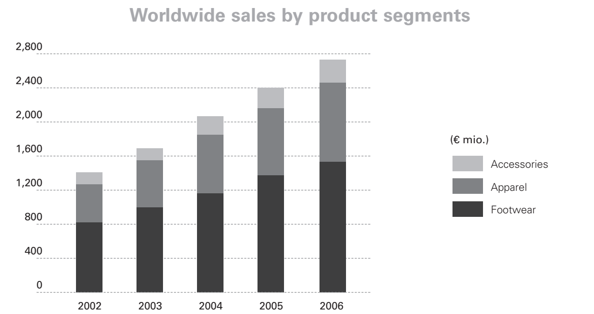
Worldwide Brand Sales at € 2.8 billion

The worldwide PUMA brand sales, comprised of consolidated and license sales, rose significantly by 15.4% to € 2.8 billion. This corresponds to currency adjusted growth of 16.1%.

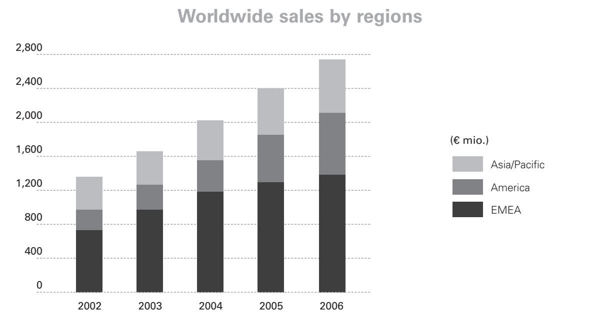


In terms of segments, Footwear sales improved by 14.1% to € 1,512.9 million, Apparel by 18.6% to € 981.9 million, and Accessories by 11.6% to € 260.3 million.

The Footwear share in worldwide brand sales was 54.9% (55.6%). Apparel rose to 35.6% (34.7%), and Accessories contributed 9.4% (9.8%) to brand sales.



By regions, worldwide brand sales are allocated as follows: EMEA contributed 49.3% (53.9%), Americas 28.3% (23.5%), and Asia/Pacific 22.4% (22.6%).

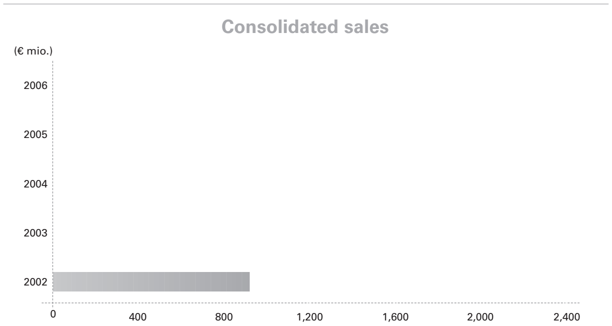


Brand Sales	Jan. 1, - Dec. 31, 2006						+/- in %		
	Worldwide		Licensee		PUMA Group		Worldwide	Licen-see	PUMA Group
	€ mio.	%	€ mio.	%	**€ mio.**	%			
- by regions									
EMEA	1,357.0	49.3%	198.3	51.4%	**1,158.7**	48.9%	5.3%	8.1%	**4.9%**
America	779.6	28.3%	55.5	14.4%	**724.1**	30.6%	38.8%	-35.1%	**52.0%**
Asia/Pacific	618.5	22.4%	132.0	34.2%	**486.5**	20.5%	14.2%	-61.8%	**147.8%**
Total	**2,755.1**	100.0%	**385.9**	100.0%	**2,369.2**	100.0%	15.4%	-36.7%	**33.3%**
- by segments									
Footwear	1,512.9	54.9%	92.9	24.1%	**1,420.0**	59.9%	14.1%	-38.5%	**20.8%**
Apparel	981.9	35.6%	186.5	48.3%	**795.4**	33.6%	18.6%	-47.3%	**67.8%**
Accessories	260.3	9.4%	106.5	27.6%	**153.8**	6.5%	11.6%	1.8%	**19.6%**
Total	**2,755.1**	100.0%	**385.9**	100.0%	**2,369.2**	100.0%	15.4%	-36.7%	**33.3%**

Consolidated Sales up by 34%

PUMA succeeded in significantly increasing its annual consolidated sales for the twelfth consecutive year, and for the first time in its company history exceeded the 2-billion mark. Sales rose by 33.3% to € 2,369.2 million after € 1,777.5 million in the previous year. Currency adjusted sales were up by 34.0%. As a result, the goals announced for 2006 in the framework of Phase IV were already significantly exceeded. Excluding regional expansion, sales rose currency adjusted by 12.9%.

With the victory of the Italian team in the final match, PUMA won its first Word Cup title as a kit supplier. This success, and also a Teamsport collection, which many customers and consumers assessed as one of the most innovative collections on the market, led particularly in the Football category (Teamsport) to a more than 50% increase in sales.



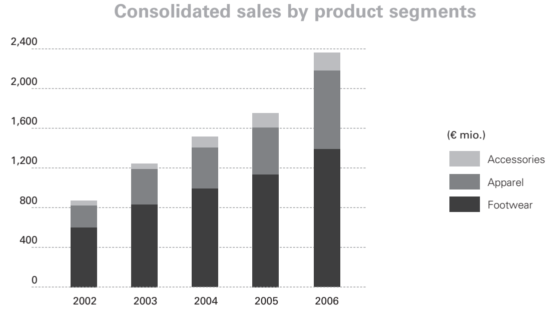
Strong Growth in all Segments

The **Footwear** segment posted a 20.8% sales increase, rising from € 1,175.0 million to € 1,420.0 million. This corresponds to a currency adjusted increase of 21.6%. Excluding the effects of acquisitions, sales rose by 11.6% like-for-like. The share in consolidated sales was 59.9%. The sales increase was attributable mainly to the three core segments: Motorsport, Teamsport and Running. In the Teamsport area, the Football business was successfully expanded, not least due to exceptional brand presentation during the World Football Championship. It was possible to further consolidate the positioning of PUMA as a multi-category brand through successful establishment of the Motorsport category and by the continued strengthening of the core segment Running.

The **Apparel** segment contributed to growth with a significant increase of 68.1% (currency adjusted). Sales in Euro were up by 67.8%, climbing from € 473.9 million to € 795.4 million. Excluding regional expansion, sales were up currency adjusted by 17.3%. The share in consolidated sales was 33.6% after 26.7% in the previous year. Beside Teamsport, nearly all product segments contributed to the strong growth.

Sales of **Accessories**, mainly bags, balls and sport accessories, posted an increase of 19.6%, bringing sales up from € 128.6 million to € 153.8 million. Currency adjusted, sales rose by 21.5%. The share in consolidated sales was 6.5%, compared with 7.2% in the previous year. The growth was achieved in both the Sport and Sportlifestyle segments.

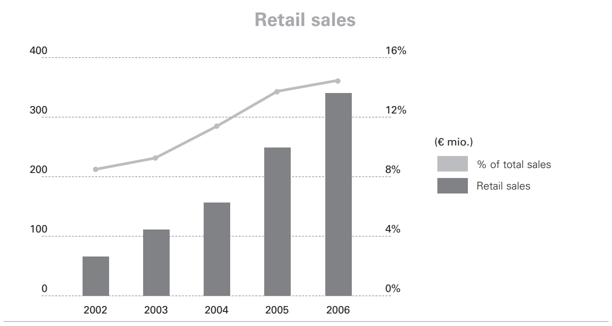
Consolidated sales by product segments



Effective Expansion of Retail Operations

Expansion of the Group's own retail activities progressed sharply during the 2006 financial year. Retail shops are an important element of the brand strategy and will continue to gain importance in the future. The near proximity to consumers leads to more rapid product development and marketing. In addition, innovative products can be presented in a brand-oriented environment, thus also providing for a unique brand experience.

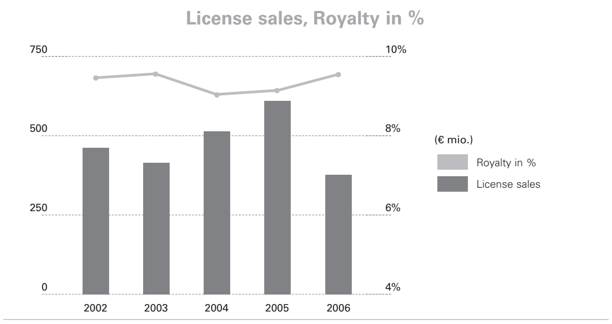
Overall, the financial year saw the opening of a further twenty-five concept stores. At the year-end, PUMA had ninety-one concept stores, including five stores operated by licensees. In addition to the concept stores and PUMA stores, the company's retail operations also include Factory Outlets. Regional availability and controlled sales of PUMA products can thus be ensured. Sales from the company's own retail operations again saw an above-average increase of 39.5% in 2006. Sales grew to € 344.3 million, rising from 13.9% to 14.5% of consolidated sales.



License Business Affected by Takeovers

In addition to various product licenses (such as perfume, bodywear and watches), PUMA also issues distribution licenses in various markets. These licensed sales are realized outside the PUMA Group and are therefore not consolidated. Together with consolidated sales, the license sales are included in worldwide brand sales.

Due to takeovers in a number of license markets which were part of the Phase IV strategy, license sales in 2006 decreased from € 609.5 million to € 385.9 million. On a comparative basis, the remaining license business posted an increase of 16.8%. Overall, royalty and commission income from license sales amounted to € 37.0 million, in comparison with € 55.7 million in the previous year.
This development is in line with the goals announced as part of the Phase IV long-term corporate development.



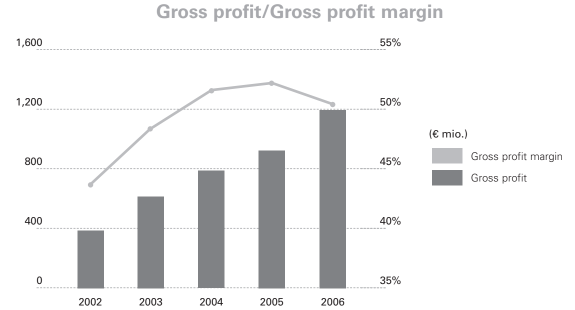
RESULTS OF OPERATIONS

Management Income Statement	2006		2005		+/-%
	€ mio.	%	€ mio.	%	
Consolidated sales	**2,369.2**	100.0%	**1,777.5**	100.0%	**33.3%**
Cost of material	**1,169.9**	49.4%	**847.8**	47.7%	**38.0%**
Gross profit	**1,199.3**	50.6%	**929.8**	52.3%	**29.0%**
Royalty and commission income	**37.0**	1.6%	**55.7**	3.1%	**-33.5%**
Selling, general and administrative expenses	**831.8**	35.1%	**563.5**	31.7%	**47.6%**
EBITDA	**404.5**	17.1%	**421.9**	23.7%	**-4.1%**
Depreciation	**38.4**	1.6%	**24.3**	1.4%	**58.0%**
EBIT	**366.2**	15.5%	**397.7**	22.4%	**-7.9%**
Financial result	**7.9**	0.3%	**6.4**	0.4%	**21.9%**
EBT	**374.0**	15.8%	**404.1**	22.7%	**-7.4%**
Income taxes	**108.1**	4.6%	**117.2**	6.6%	**-7.8%**
Tax rate	28.9%		29.0%		
Minority interests	**-2.8**	-0.1%	**-1.1**	-0.1%	
Net earnings	**263.2**	11.1%	**285.8**	16.1%	**-7.9%**
Weighted average shares outstanding (million)	16.054		16.066		-0.1%
Weighted average shares outstanding, diluted (million)	16.139		16.163		-0.1%
Earnings per share in €	16.39		17.79		-7.8%
Earnings per share, diluted in €	16.31		17.68		-7.8%

Gross profit margin at 50.6% on a high level
Changes in the regional and product mix led to a planned reduction of the gross profit margin from 52.3% to 50.6%, which was within the range announced by Management. Thus, the gross profit margin remains at the upper end of the sporting goods industry. In absolute figures, gross profit was up by 29.0%, rising from € 929.8 million to € 1,199.3 million.

By product segments, the Footwear margin posted a decrease from 52.7% to 50.3%, and Apparel decreased from 51.8% to 50.7%. Accessories improved from 50.4% to 53.3%.

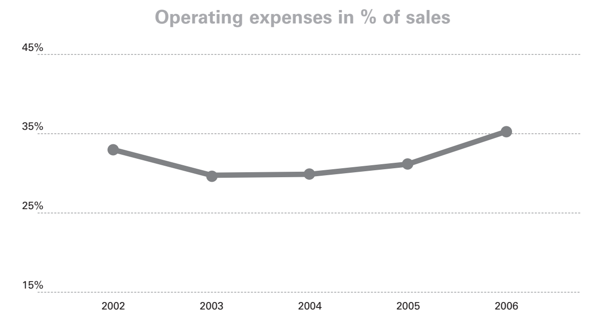
Gross profit/Gross profit margin



Cost Structure Increases as Planned

Operating expenses, comprised of selling, general and administrative expenses, rose by 47.6% to € 831.8 million in financial year 2006. The cost ratio increased from 31.7% to 35.1% as planned. This increase is mainly due to higher marketing costs and the infrastructure expansion required for implementing Phase IV; on the whole, it is within the expected range.

Marketing/retail expenses increased as planned by 54.3% or € 147.6 million, and were € 419.6 million, compared with € 272.0 million in the previous year. The cost ratio rose from 15.3% to 17.7% of sales. This increase was due primarily to marketing expenditure for the World Cup, as well as to other marketing and retail expenditures. Product development and design expenses climbed by 35.2% from € 42.0 million to € 56.7 million, and at 2.4% of sales, remained constant in comparison with the previous year. The remaining selling, general and administrative expenses were up by 42.4%, rising from € 249.6 million to € 355.4 million, or from 14.0% to 15.0% of sales.

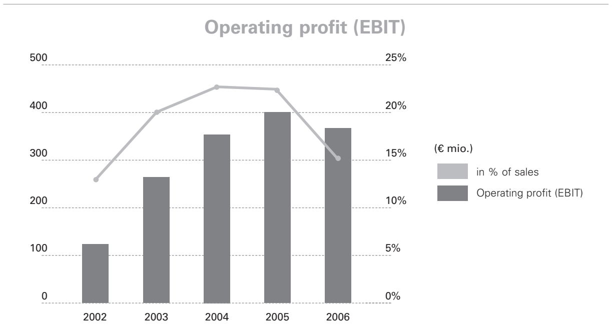


Depreciation

Depreciation rose by 58.0% from € 24.3 million to € 38.4 million. This increase is mainly due to expansion of the company's own retail operations and to current investments.

Operating Profit better than Expected

Operating profit (EBIT) reached € 366.2 million after € 397.7 million in the previous year. As a percentage of sales, the EBIT margin was reduced from 22.4% to 15.5% as planned. The decrease is related to the announced investments in the brand and to the infrastructure expansion required to achieve the long-term goals of Phase IV. Overall, however, operating profit was significantly above original expectations.



Financial Result
The financial result includes interest income of € 15.7 million and interest expenses of € 7.8 million. The interest expenses include € 3.1 million for compounded interest on long-term purchase price liabilities related to corporate acquisitions. The adjusted interest result yields a rate of return of 3.1% (previous year: 1.8%) calculated on the basis of average net liquidity.

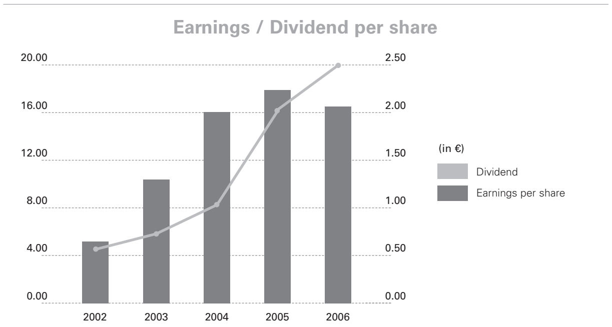
Pre-Tax Profit of € 374 million
Earnings before taxes (EBT) reached € 374.0 million, compared to € 404.1 million in the previous year. This corresponds to a gross return of 15.8%, compared with 22.7% in the previous year.

Tax expenses were reduced from € 117.2 million to € 108.1 million. At 28.9%, the average tax rate was nearly unchanged compared to the previous year.

Net Earnings above € 263 million
At € 263.2 million, net earnings were only 7.9% below the previous year's level of € 285.8 million, and thus significantly above original expectations. The net return expressed as a percentage of sales was 11.1%, compared to 16.1% in the previous year. Earnings per share came to € 16.39, compared to € 17.79, and the diluted earnings per share were € 16.31, compared to € 17.68 in the previous year.

DIVIDEND

In connection with the already announced gradual increase in the pay-out ratio of up to 20% - 25%, the Board of Management will propose at the Annual Meeting on April 11, 2007 that a dividend of € 2.50 per share (previous year: € 2.00 per share) should be distributed from the retained earnings of PUMA AG for financial year 2006. This will lead to a total profit distribution of € 40.3 million compared to € 31.8 million in the previous year, and a further increase in the dividend pay-out ratio from 11.2% to 15.3% relative to net earnings. The dividend is to be paid on the day after the Annual Meeting which authorizes the profit distribution.



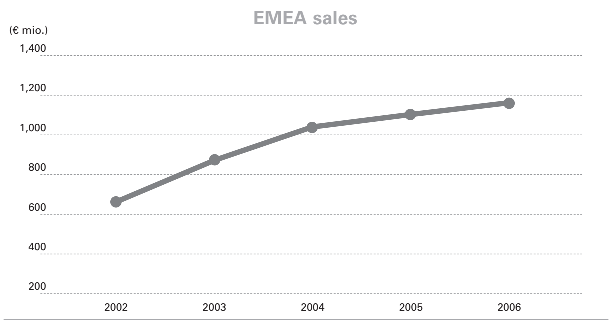
REGIONAL DEVELOPMENT

Good Results in All Regions

Sales in the **EMEA** were up by 4.9%, rising from € 1,104.9 million to € 1,158.7 million. Although the difficult economic environment continued in some markets, supported by the World Cup the region developed better than expected. As planned, due to regional expansion, the EMEA region share in consolidated sales dropped from 62.2% to 48.9%.

According to product segments, Footwear posted a minor 1.6% decrease, Apparel climbed by 17.4%, and Accessories were up by 7.9%.

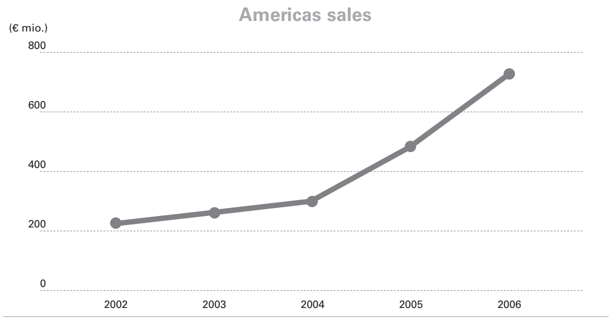
The gross profit margin was only slightly down from 54.3% to 53.8% as planned. The operating margin (EBIT) accounted for 22.0% of sales, after 27.4% in the previous year.



Sales in **Americas** saw a significant increase from € 476.3 million to € 724.1 million, which corresponds to a currency neutral growth of 51.8%. Excluding the acquisitions of Argentina, Canada and Mexico, sales grew currency adjusted by 33.1%. The share in consolidated sales rose from 26.8% to 30.6 %.

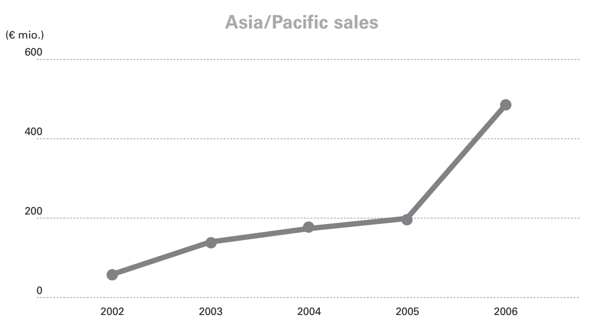
Classified by product segments, the strongest growth was posted in Accessories at 61.0% (currency adjusted). Footwear was up by 54.3% and Apparel by 41.8%. Due to the regional expansion and increased key customer business, the gross profit margin decreased from 48.9% to 46.1%. The operating margin was 17.4%, compared to 19.6% in the previous year.

The US market, which is the largest in the region, contributed substantially to the overall performance in this region with sales growth of 31.3%, excluding currency effects. Sales improved significantly from USD 472.4 million to USD 620.2 million.



Asia/Pacific sales of € 486.5 million showed significant growth of 147.8% over the previous year's level of € 196.3 million. This corresponds to an increase of 154.5% after currency adjustments. Regional expansion in Japan (Apparel), China, Hong Kong, and Taiwan made a particular contribution to the growth. Excluding acquisitions, the growth on a comparative basis was 9.3%. Overall, the share of consolidated sales grew from 11.0% to 20.5%. According to product segment, Footwear sales jumped by 58.1% (currency adjusted). The greatest growth of 765.4% was achieved in Apparel, mainly due to the initial consolidation of PUMA Apparel Japan. Accessories posted growth of 24.8%.

The gross profit margin increased from 49.5% to 49.8%, and the operating margin was at 21.9%, compared to 21.0% in the previous year.

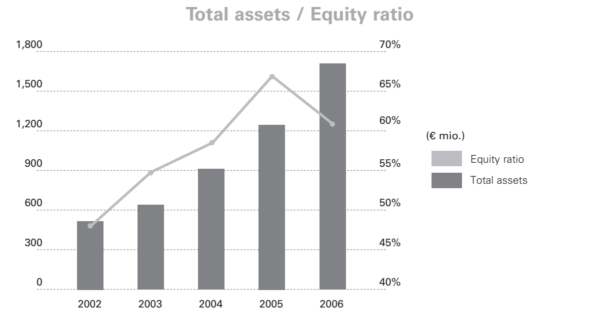


NET ASSETS AND FINANCIAL POSITION

Consolidated Balance Sheet Structure	2006		2005		+/-%
	€ mio.	%	€ mio.	%	
Cash and cash equivalents	459.2	26.8%	475.5	36.0%	-3.4%
Inventories	364.0	21.2%	238.3	18.0%	52.7%
Trade receivables	373.8	21.8%	277.5	21.0%	34.7%
Other current assets	105.8	6.2%	80.1	6.1%	32.1%
Current assets	**1,302.8**	76.0%	**1,071.4**	81.1%	21.6%
Deferred income taxes	63.3	3.7%	48.6	3.7%	30.2%
Other non-current assets	348.8	20.3%	201.0	15.2%	73.5%
Non-current assets	**412.1**	24.0%	**249.6**	18.9%	65.1%
Total assets	**1,714.8**	100.0%	**1,321.0**	100.0%	29.8%
Current bank liabilities	65.5	3.8%	45.1	3.4%	45.4%
Tax provisions	38.5	2.2%	24.2	1.8%	59.4%
Other current liabilities	414.6	24.2%	315.2	23.9%	31.5%
Current liabilities	**518.7**	30.2%	**384.5**	29.1%	34.9%
Deferred income taxes	13.0	0.8%	20.0	1.5%	-35.2%
Pension provisions	21.9	1.3%	22.6	1.7%	-3.1%
Other non-current liabilities	112.2	6.5%	18.5	1.4%	505.8%
Non-current liabilities	**147.2**	8.6%	**61.2**	4.6%	140.5%
Shareholders' equity	**1,049.0**	61.2%	**875.4**	66.3%	19.8%
Total liabilities and shareholders' equity	**1,714.8**	100.0%	**1,321.0**	100.0%	29.8%
Working capital	**401.6**		**255.7**		57.1%
- in % of sales	**16.9%**		**14.4%**		

Solid Equity Ratio

As of December 31, 2006, the equity ratio reached 61.2% after 66.3% in the previous year. Shareholders' equity rose by 19.8% from € 875.4 million to € 1,049.0 million, and the balance sheet total climbed by 29.8% from € 1,321.0 million to € 1,714.8 million.

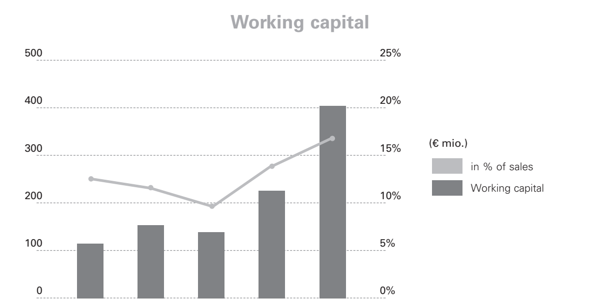


Higher Working Capital due to Regional Expansion

Working capital increased by 57.1% to € 401.6 million and accounted for 16.9% of sales, after 14.4% in the previous year. The increase was mainly due to regional expansion and a sales-related increase in inventories and receivables.

Inventories increased by 52.7% to € 364.0 million and trade receivables rose by 34.7% to € 373.8 million. Despite the perceptible sales growth and regional expansion, liabilities saw a comparably lower increase.

Excluding new consolidation, working capital grew by 24.9%, with a 26.9% increase in inventories and only a 7.2% increase in receivables; liabilities increased only slightly.



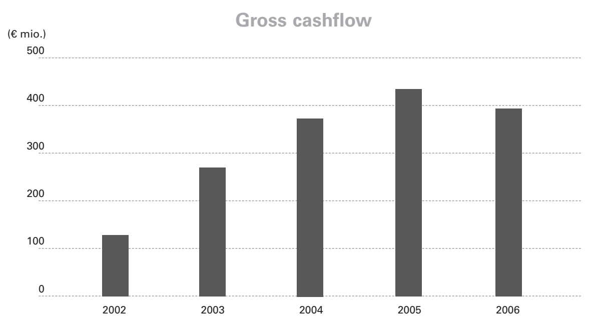
Increase in Other Assets

Other current assets were up by 32.1% to € 105.8 million. Other non-current assets, comprised of property, plant and equipment, intangible assets and other non-current assets, were up by 73.5% to € 348.8 million. The increase included goodwill of € 116.9 million recorded in connection with the takeover of several license markets, and € 33.2 million for the planned expansion of own retail operations as well as current investments in property, plant and equipment. The fair values of long-term derivative financial instruments decreased from € 13.3 million to € 1.5 million.

CASHFLOW

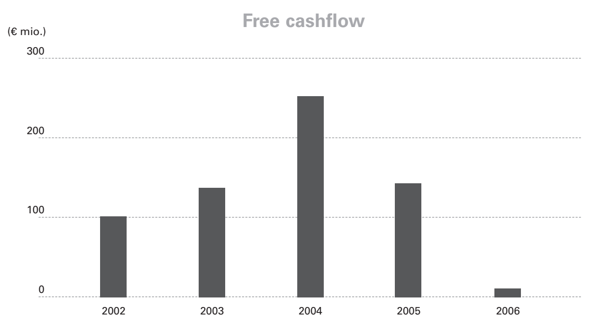
Cashflow	2006	2005	+/-%
	€ mio.	€ mio.	%
Earnings before taxes on income	374.0	404.1	-7.4%
Non cash effected expenses and income	21.7	28.8	-24.6%
Gross cashflow	**395.7**	**432.9**	**-8.6%**
Change in current assets, net	-116.2	-71.0	63.6%
taxes and other inferest payments	-126.2	-160.2	-21.3%
Net cash from operating activities	**153.4**	**201.6**	**-23.9%**
Net cash used in investing activities	**-143.0**	**-67.3**	112.6%
Free cashflow	**10.4**	**134.4**	-92.2%
Free cashflow before acquisition cost	**91.6**	**152.3**	-39.8%
- in % of sales	**3.9%**	**8.6%**	**-**
Net cash used in financing activities	**-9.8**	**-40.8**	-76.1%
Effect on exchange rates on cash	-17.0	12.6	-235.3%
Change in cash and cash equivalents	-16.3	106.2	-115.4%
Cash and cash equivalents at beginning of financial year	475.5	369.3	28.7%
Cash and cash equivalents at year-end	**459.2**	**475.5**	**-3.4%**

As a result of the planned decrease in pre-tax earnings, the gross cashflow was reduced by 8.6% to a total of € 395.7 million, compared to € 432.9 million in the previous year.



In connection with regional expansion and an associated sales increase, the amount of € 116.2 million was invested in net current assets, compared to € 71.0 million in the previous year. Taxes, interests and other payments accounted for total outflows of € 126.2 million compared to € 160.2 million. In all, cash provided by operating activities was down by 23.9%, from € 201.6 million to € 153.4 million.

Cash used for investing activities increased as expected from € 67.3 million to € 143.0 million. The total includes payments of € 81.2 million for acquisitions (license take-backs) including transferred assets. Cash used for strategic expansion of own retail operations and current investments totaled € 72.7 million. These scheduled investments led to a reduction in the free cashflow from € 134.4 million to € 10.4 million. Excluding acquisition-related investments, the remaining free cashflow is € 91.6 million or 3.9% of sales, compared to 8.6% in the previous year.



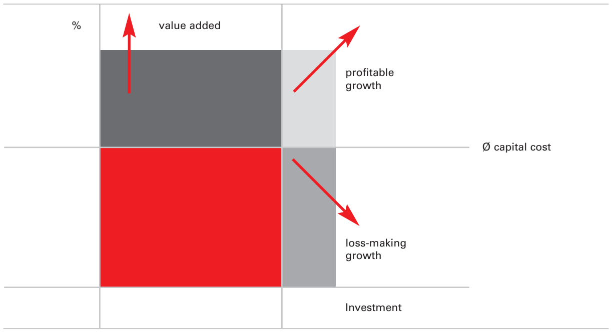
Cash used for financing activities includes the dividend payment of € 31.8 million, and investments of € 66.0 million for the purchase of treasury stock. Payments of capital received in connection with Management Incentive Programs led to an inflow of € 70.7 million for the company.

Taking liquid assets at the beginning of the financial year into account, cash and cash equivalents amounted to € 459.2 million as at December 31, 2006.

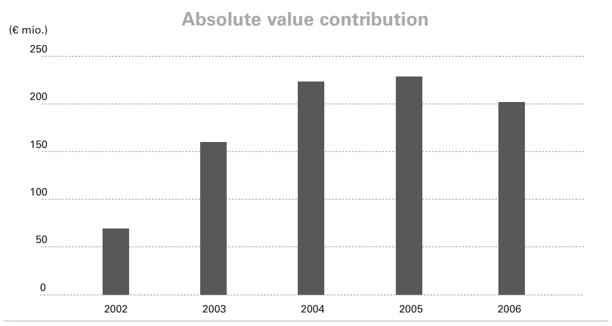
VALUE-BASED MANAGEMENT

Sustained Value Increase

Only those who succeed in earning capital returns above capital costs can report profitable growth, and are thus in a position to ensure their competitive edge in international competition. By means of value-based management, PUMA has succeeded in creating sustained value and, in so doing, increases shareholder value over the long-term. Since the beginning of its long-term corporate planning in 1993, market capitalization has grown from € 0.1 billion to € 4.8 billion, or overall by more than 4,000%. This corresponds to a calculated average growth of 34% per year since 1993. Moreover, since the beginning of Phase III in 2002, it was even possible to achieve a calculated average growth of over 50%.



In financial year 2006, a cashflow return on investment (CFROI) of 23.9% was generated compared to 32.0% in the previous year. Taking capital costs into account, this yields an absolute value contribution of € 201.6 million, compared to € 227.2 million in the previous year. The decrease is due to a higher investment base and the planned decrease in gross cashflow (after taxes).



Calculation of the Gross Investment Base and Gross Cashflow

in € mio.	2006	2005	*2004	2003	2002
Earnings after tax	266.0	286.9	260.4	179.9	84.7
+ Depreciation and amortization	38.4	24.3	19.3	20.1	12.5
+ Interest expenses	7.8	5.1	1.3	1.4	2.5
Gross cashflow	**312.1**	**316.2**	**281.0**	**201.4**	**99.6**
Monetary assets	930.7	818.2	559.9	367.8	250.0
- Non interest-bearing liabilities	443.0	340.8	275.8	253.0	225.9
Net liquidity	487.7	477.4	284.1	114.9	24.1
+ Inventory	364.0	238.3	201.1	196.2	167.9
+ Fixed assets at prime cost	250.3	193.0	135.8	107.6	88.1
+ Intangible assets at prime cost	206.3	80.3	46.1	44.6	29.2
Gross investment basis	**1,308.3**	**989.1**	**667.1**	**463.3**	**309.3**
Cashflow return on investment (CFROI)	**23.9%**	**32.0%**	**42.1%**	**43.5%**	**32.2%**
CFROI - WACC	**15.4%**	**23.0%**	**33.4%**	**35.9%**	**23.2%**
Cash Value Added (CVA)	**201.6**	**227.2**	**222.6**	**166.3**	**71.7**

**restated*

Calculation of Cost of Capital

The weighted average cost of capital (WACC) is calculated in order to simulate a fair return. As a result of the high equity share, the average cost of capital for 2006 was 8.4%.

in € mio.	2006	2005	*2004	2003	2002
Calculation of Cost of Capital					
Riskfree interest rate	3.6%	3.4%	4.3%	4.3%	4.3%
Market premium	5.0%	5.0%	5.0%	5.0%	5.0%
Beta (M-DAX, 24 Months)	1.0	1.1	0.9	0.7	1.0
Cost of stockholders equity	**8.7%**	**9.0%**	**8.8%**	**7.6%**	**9.3%**
Riskfree interest rate	3.6%	3.4%	4.3%	4.3%	4.3%
Credit risk premium	1.5%	1.5%	3.0%	3.0%	3.0%
Tax Shield	28.9%	29.0%	28.6%	31.9%	32.0%
Cost of liabilities after tax	**3.6%**	**3.5%**	**5.2%**	**4.9%**	**5.0%**
Calcualtion					
Market Capitalization	4,764	3,938	3,249	2,248	1,030
Share of equity	**95.0%**	**100.0%**	**100.0%**	**99.0%**	**93.7%**
Calculated liabilities	253	0	0	22	69
Share of liabilities	**5.0%**	**0.0%**	**0.0%**	**1.0%**	**6.3%**
WACC after tax	**8.4%**	**9.0%**	**8.7%**	**7.6%**	**9.0%**

**restated*

PRODUCT DEVELOPMENT AND DESIGN

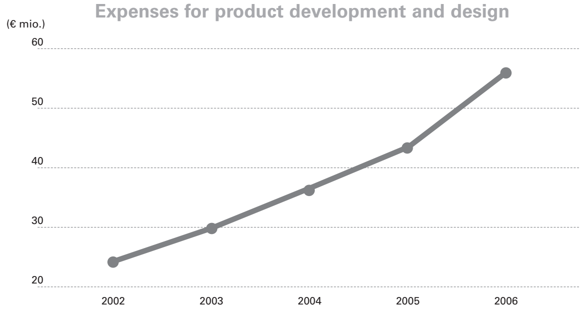
PUMA's Product Philosophy

The planned expansion of product categories in Phase IV will be associated with growth in already existing product categories and also with entry into new product categories. PUMA will push ahead expansion of the existing product portfolio at several levels and will continue to drive forward the planned growth by means of a strong product offensive that covers the entire range of Sportlifestyle, from sport to fashion. Owing to its high credibility in sports and its brand presence in fashion, PUMA will bolster the core Sportlifestyle segment and communicate a strong brand message while simultaneously pursuing targeted expansion of its product range. With the aid of a unique design, creative concepts and innovative marketing, PUMA succeeds in connecting the creative influence of sports, lifestyle and fashion with the long-term objective of being the most desirable Sportlifestyle company.

Product Development and Design

PUMA plans to further expand its position as market leader in the Sportlifestyle segment by continually redefining its limits and by bolstering the sport performance segment, which gives it a high degree of credibility. By introducing and strengthening its product categories such as Golf and Moto, and also through further expansion of the Women's category, PUMA aims at addressing new target groups. In this way, PUMA will bind its present customers and consumers to the brand with a varied product range.

Expenses for product development and design



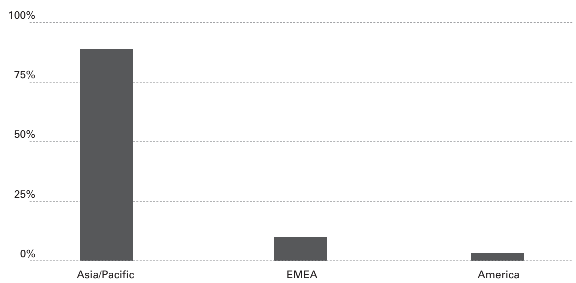
In order to satisfy the varying needs of its customers worldwide, PUMA develops its products in its development and design centers at Herzogenaurach/Germany, Boston/USA, London/UK, Taipei/Taiwan and Tokyo/Japan. Moreover, PUMA collaborates with external top designers such as Alexander McQueen, Yasuhiro Mihara, Philippe Starck, Neil Barrett and Alexander van Slobbe, who primarily develop product concepts in the higher-priced segment.

SOURCING

Modern Sourcing

Further measures were also taken in 2006 in order to increase sourcing efficiency at World Cat, the department responsible for sourcing. The balanced portfolio of suppliers and also of purchasing, which is organized globally in three procurement centers, enables PUMA to achieve optimal sourcing conditions. By these means, risks resulting from changes in customs regulations or associated with the introduction of trade restrictions (anti dumping), or political instability are to be curtailed.

Sourcing markets / Units



Sourcing and production are undertaken mostly in Asia. In addition, the America and EMEA regions supplement the worldwide sourcing market. Production is allocated to several, mostly long-standing business partners, who in turn maintain several location-independent production facilities.

Sourcing Markets

America **EMEA** **Asia/Pacific**

Corporate Social Responsibility

PUMA is aware of its responsibility as a globally operating company. Environmental responsibility is a major component of the company's development strategy. PUMA observes the principles of sustained development in all of its activities in order to satisfy today's' demands without impairing the opportunities of future generations. The realization of sustainability is underpinned by a Code of Conduct, which is binding for all producers. Through this code PUMA acknowledges ethical and social standards in both the individual and corporate areas. Thus, for example, actions concerning acceptance of advantages are strictly prohibited. All programs are aimed at creating a working environment which ensures that all employees can participate in value creation with passionate enthusiasm, openness, conviction, and entrepreneurial responsibility.

PUMA's S.A.F.E. team (**S**ocial, **A**ccountability, **F**undamental, **E**nvironmental) monitors compliance with the Code of Conduct at international level. The activities of PUMA's S.A.F.E. team are geared towards supporting local players in their implementation of the code through involvement in environmental and social projects. These projects are developed, implemented and reviewed by the S.A.F.E. team in specific regions in collaboration with the respective partners.

PUMA is a "graduating" member of the Fair Labor Association (FLA). This ensures that PUMA producers are periodically reviewed by external controllers through surprise inspections. The results of these inspections are published on the FLA Homepage. In conformity with the S.A.F.E. principle of transparency, PUMA publishes a list of its producers through the FLA.

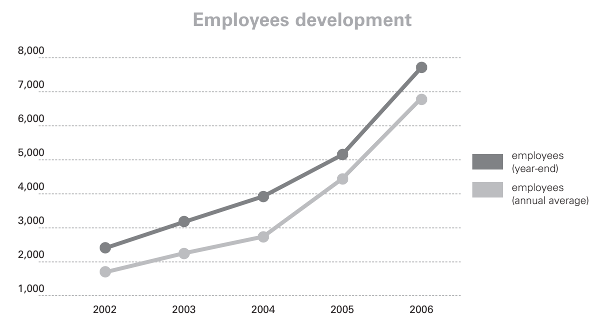
PUMA's involvement in environmental and social matters is increasingly gaining in importance, as is illustrated by the evaluation of experts and sustainability analysts. This year, PUMA was included in the Dow Jones World and STOXX Sustainability Index, after having been listed in the FTSE4Good Index since 2005. In addition, PUMA has also joined the UN Global Compact. This membership requires that the ten principles of the UN Global Compact be actively supported. These principles deal with issues of human and labor rights as well as environmental protection and anti corruption.

PUMA maintains contact with interested parties by staging annual dialog events. Moreover, PUMA representatives participate in conferences and discussions in the field of corporate social responsibility worldwide. At present, PUMA also holds a seat on the board of the committee for corporate social responsibility of the World Federation for the Sporting Goods Industry (WFSGI).

EMPLOYEES

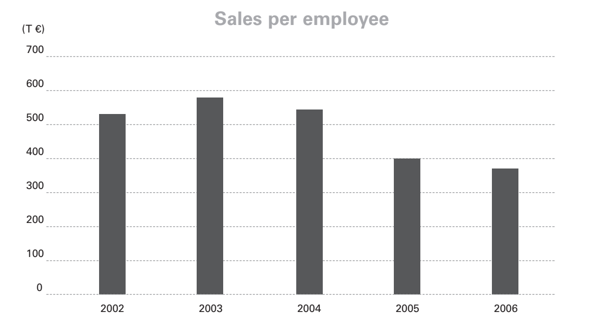
Rising Employee Numbers

PUMA underscored its significance as an employer in the 2006 financial year also and created a large number of new jobs both in Germany and abroad. Moreover, the global workforce increased due to regional expansion and the associated corporate acquisitions. Overall, the workforce was up by 54.4% on the annual average, rising from 4,425 to 6,831. Regional expansion added 1,393 employees to the annual average.



Personnel expenses were up by 34.2%, from € 199.4 million to € 267.5 million. The average personnel expense per employee dropped from T€ 45.1 to T€ 39.2, mainly due to new acquisitions.

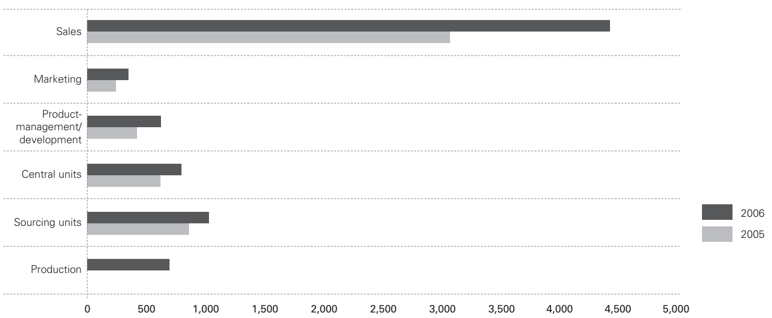
The strong expansion of retail operations and the regional expansion led to a decrease in sales per employee from T€ 401.7 to T€ 373.1.



At year-end, PUMA had 7,742 employees worldwide, compared to 5,092 at the previous year-end. This corresponds to an increase of 52.0%, or 2,650 employees.

Staff employed in the sales segment increased by 44.1%, mainly due to regional expansion and the growth in retail operations. The number of employees in this segment rose from 3,029 to 4,365.

Employees by function (year-end)



In the marketing segment the number of employees increased by 66.5% from 197 to 328. Product management/product development and design posted a 54.2% increase from 402 to 620 employees. In the sourcing/logistics segment, the number of employees increased by 19.8% from 839 to 1,005. The number of production employees relates exclusively to the acquisition of the new company in Argentina. Production will probably be transferred to the joint venture partner. In the central segments, the number of employees increased by 23.0% from 625 to 769 employees.

Corporate Culture and Values

PUMA lives and promotes a corporate culture which is aimed at providing creative and committed employees with sufficient freedom to engage in unconventional thinking and to enjoy their work.
PUMA strives to further develop the company through the advancement of shared values that are in conformity with the brand personality. These values can be summarized in four concepts: Passion, Openness, Self-belief and Entrepreneurship.
PUMA supports and promotes communication across cultural borders and, in so doing, creates the preconditions which foster creativity, understanding, social awareness and flexibility. With the help of a decentralized system of corporate management, PUMA can respond flexibly to changes on the market and thus continue to pursue its guiding corporate mission of being "the first truly virtual sporting goods company".

Talents

PUMA is active in a market where talented junior staff and creative minds are a rarity. For strategic personnel management, this means that the process for recruiting, motivating and retaining young talent must be constantly monitored and adapted to current demands and requirements. This is supported by periodic performance appraisals and discussions with employees as a starting point for targeted personnel development measures. The goal is to recognize, manage, and promote the achievement potential, competencies and the skills of talented employees through target agreements based on a holistic approach.

Management-Incentive-Plan

The Management-Incentive-Plan focuses on the creation of corporate added value. Bonus agreements and share-based remuneration plans with a long-term incentive effect have been included as a variable component of management remuneration for years. Details of the Management-Incentive-Programs are provided in the notes to the financial statements.

Remuneration Report

The remuneration package for the Board of Management and the Supervisory Board is described in the Corporate Governance report and in the notes to the financial statements.

RISK MANAGEMENT

In an increasingly global world shaped by constant change and short product lifecycles, companies are constantly exposed to internal and external risks. Risks arise from possible negative events and developments in the future. These risks must be recognized early and contained through appropriate countermeasures. This also presupposes balancing opportunities and risks.

As a globally operating company, PUMA is continuously exposed to a number of different risks that must be recognized early, evaluated, and monitored. Once this is done, countermeasures can be initiated with a view to minimizing these risks and also making use of opportunities that may arise as a result. The early detection of risks as well their recording, evaluation and monitoring provide a foundation for successful corporate management.

The guidelines and organization of risk management 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. Significant changes in probable risks are also addressed (ad-hoc) to the Risk Management Committee (RMC). This ensures that any risks arising are recognized quickly and flexibly. Significant changes are promptly reported to the Board of Management.

PUMA has an extensive controlling and reporting system throughout the Group, which is an important element of risk management. Opportunities and risks are analyzed by the respective competent staff worldwide in annual planning meetings, and target specifications and suitable measures are derived.
Compliance with the target specifications and measures is monitored continuously and reported through the company's highly developed reporting system. This enables PUMA to identify variances and negative developments as they arise and to initiate the required countermeasures in due time.

Risk Areas

The start of Phase IV of the long-term corporate development strategy provides PUMA with additional opportunities to achieve continued growth and further increases in corporate value through regional expansion and new product categories. However, any entrepreneurial activity is also associated with risks.

General Economic Risks

As for all companies, potential crises in the political, legal and social environment represent a fundamental risk. Consumer behavior may be adversely affected by economic fluctuations.
As an internationally active company, PUMA is directly exposed to such risks and addresses these risks through geographic diversification and a balanced product portfolio.

Brand Image

A unique feature of the PUMA brand is the "PUMA" brand logo and the pertaining characteristic stripes form. With increasing public awareness and product appeal, companies are faced with the problem of product piracy, product falsifications and trademark violations that may, in the end, lead to significant losses in sales and earnings.
PUMA addresses such issues through research, and the provision of resources which enable it to pursue and prosecute such cases. Seized falsifications are removed from the market and consistently destroyed.

Personnel Risks

PUMA's success rests on the high commitment of its employees worldwide. Human capital is one of the most important assets of any company. At PUMA, responsible action and thinking are in the foreground as part of a corporate culture with flat hierarchies and based on trust. The challenge is to win qualified employees and bind them to the company for the long-term in order to ensure lasting success. To ensure this, PUMA performs periodic performance appraisals and holds discussions with employees; PUMA develops and offers training and qualification measures, employee participation programs and attractive compensation systems.

Sourcing Risks

PUMA acknowledges the principle of "sustained development". This principle, which is aimed at optimization and integration of the three areas: Social, Environment and Economy, directs PUMA's activities towards satisfying the demands of the present generation without jeopardizing the opportunities of coming generations. Implementation of the sustainability idea is promoted by such measures as a code of conduct which is binding for management, employees and manufacturers, as well as by a code of ethics. PUMA's suppliers are required not only to meet the high requirements concerning quality and deliverability, but also to comply with the required social and environmental standards.
PUMA's S.A.F.E. team monitors compliance with the Code of Conduct at an international level by subjecting all producers of PUMA products worldwide to audits. If necessary, PUMA's S.A.F.E. team provides producers with support in the form of training measures in order to enable them to improve their social and environmental standards.
Most supplier operations are located in the emerging markets of Asia. Business activities with these countries are associated with diverse risks for the PUMA Group. Thus, for example, currency fluctuations, changes in tax or customs regulations, trading restrictions, natural disasters and political instability may also lead to certain risks. Risks may also arise from excessive dependency on individual producers.
With a view to the curtailment and management of sourcing risks PUMA maintains very good partnerships with all producers, which enables it to react quickly and flexibly to any eventualities that may occur.

Financial Risks

As a result of PUMA's global activities, payment flows are generated in the most diverse currencies. PUMA products are sourced mostly in Asia; therefore, the sourcing volume is denominated mainly in USD. The products are marketed worldwide while the required currencies can be provided only in part by sales in the USD region. PUMA addresses this risk in accordance with an internal guideline through the use of primary and derivative financial instruments. Appropriate hedging transactions are deployed in order to minimize the risk of foreign currency fluctuations. Only forward exchange transactions in line with market conditions are conducted to hedge existing or pending contracts with renowned international financial institutions.

Product and Brand Environment

In an environment characterized by growing globalization, the early detection and tracking of trends play an important role. Due to ever shorter lifecycles, new and innovative concepts must be developed and implemented on a continuous basis. Only those who manage to recognize and effectively implement trends are able to respond to changes in consumers' demand pattern and thus gain a competitive edge. After the strict division between fashion and sports observed a few years ago, the limits nowadays have merged into the already well recognized and established Sportlifestyle market. Sportlifestyle is not a fashion term, but rather a philosophy of life. Through the dissolution of limits between sports and lifestyle, the group of competitors now covers the entire range from traditional sporting goods companies to fashion companies with a sports orientation.

In order to provide PUMA products with a clear recognition effect and to distinguish the PUMA brand from competition, we invest heavily in design and product development with a view to realizing market trends and the company's own ideas. This differentiation from competition, also through use of the characteristic PUMA design, is a major factor in coping with a competitive environment and achieving sustained growth. Targeted diversification of the product range ensures that each new product is in conformity with the corporate strategy, thus reducing the existing business risk. PUMA products meet the highest quality standards. This is guaranteed though extensive tests and controls. External producers work according to strict technical materials and design specifications to this end. Moreover, a selective distribution strategy deployed in the sales and marketing area warrants brand presentation suitable for PUMA products and design, and avoids dependency on individual distribution channels. In addition, the distribution strategy is supported worldwide by continuous expansion of PUMA's own retail operations.

Retail

Expansion of retail operations is one of PUMA's main strategic objectives. Direct distribution accelerates the speed when bringing products onto the market (speed to market), and facilitates offensive and effective presentation of the brand while also creating a unique brand experience for the consumer. Extension of the value chain leads to higher gross margins, on the one hand: on the other hand, however, it requires entering into partly long-term rental commitments and personnel relationships. The resulting fixed cost increases and higher depreciation arising from the required investments may also impact negatively on profitability during periods of retrograde business development. PUMA addresses such risks through extensive preliminary analysis of possible locations and by the use of staff with long years of experience in the retail business. An extensive controlling/key indicators system and daily financial reports ensure adequate management of individual retail stores.

Organizational Challenges

PUMA's global orientation is supported by a decentralized and virtual organization structure. This is associated with growing coordination requirements for coping with technical logistics and personnel challenges. In addition, the planned growth requires increased complexity within the organization structure. These structures are strategically aligned in order to ensure optimal use of resources.

Strategic planning is called upon to transfer growth targets to the corporate functions and the respective regions. Moreover, business processes must be continually optimized and adapted to corporate growth. PUMA strives to achieve continuous increases in speed and efficiency along the value chain with a view to optimal support of its key axis, namely the development of innovative products and concepts. This optimization of business processes is supported by IT systems which are further developed on an ongoing basis. In 2006, PUMA strengthened the infrastructure and employee teams at all organizational levels. Investments in personnel will also be driven forward at the respective functions and regions in the future in order to ensure achievement of the desired target.

Summary

PUMA's risk management system provides it with the ability to satisfy the legal requirements concerning control and transparency within the company. Management assumes that, in an overall assessment of the risks to which the company is exposed, risks are limited and manageable and do not jeopardize the continued existence of the PUMA Group.

Disclosures pursuant to Section 315 (4) HGB

Re Section 315 (4)No. 1 HGB
As of the balance sheet date, the subscribed capital amounted to € 44.1 million, subdivided into 17,233,714 shares of stock. As of the balance sheet date the company held 1,120,000 shares of treasury stock.

Re Section 315 (4) No. 3 HGB
The firm "Mayfair Vermögensverwaltungsgesellschaft mbH" holds 25.1% of the subscribed capital.

Re Section 315 (4) No. 6 HGB
The appointment and dismissal of Board of Management members is governed by the legal provisions of Sections 84, 85 AktG. Moreover, Article 6 No. 2 of the Articles of Association of PUMA AG in the valid version of May 2006 specifies that the Supervisory Board shall appoint the members of the Board of Management and determine their number. It can appoint a member of the Board of Management as deputy to the Chairman of the Board of Management or the Spokesman of the Board of Management. The Supervisory Board also has the authority to appoint two Board of Management members as spokesmen of the Board of Management.

The provisions for amending the Articles of Association are governed by Sections 133 and 179 AktG.

Re Section 315 (4) No. 7 HGB
According to an Annual General Meeting resolution of April 27, 2006, the Board of Management is authorized to purchase treasury shares for up to 10% of the nominal capital until September 1, 2007. The Board of Management exercised its authority and bought back a total of 1,120,000 PUMA shares as of the balance sheet date (previous year: 890,000 shares of stock) or 6.5% of the subscribed capital, which are held by the company as treasury stock.

The authorization was issued exclusively for the purpose of:
- utilizing the shares as a consideration in corporate mergers or acquisitions of companies or participating interests in such companies (acquisition currency),
- enabling flexible management of the company's capital requirements and
- enabling a possible calling-in of shares.

Pursuant to Article 4 No. 6 and No. 7 of the Articles of Association of PUMA AG, the Board of Management, acting with the approval of the Supervisory Board, is authorized

- to increase the nominal capital once or repeatedly by a total of € 11,520,000.00 through issuance of new shares in return for cash contributions up to May 13, 2007. The shareholders are to be provided with subscription rights. However, with the approval of the Supervisory Board, the Board of Management is authorized to exclude the subscription right of shareholders to avoid fractional amounts (Authorized capital I)

and

- to increase the said nominal capital once or repeatedly through issuance of new shares in return for cash contributions by a total of up to € 3,840,000.00. With the approval of the Supervisory Board, exclusion of the subscription right during a capital increase effected in return for cash contributions is partly or fully admissible if the issue price of the new shares is not significantly below the stock price of already listed shares which are similarly endowed at the date of final determination of the issue price. To the extent the authority to exclude subscription rights is not utilized, the Board of Management may only exclude the subscription right of the shareholders – with the approval of the Supervisory Board – in order to compensate for any fractional amounts (Authorized capital II).

For further details, see also the relevant disclosures in the notes to the consolidated financial statements.

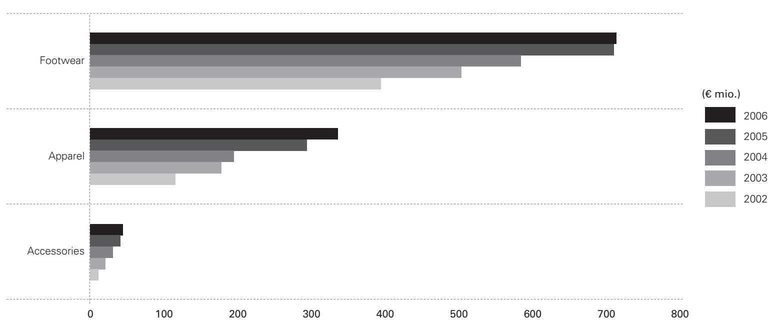
ORDERS POSITION

Orders Volume over € 1.1 billion

At the 2006 year-end, orders on hand increased for the eleventh consecutive time. Currency adjusted, orders rose on a comparative basis by 10.2%, or in Euro by 4.7% to € 1,119.7 million, compared to € 1,069.1 million in the previous year. The orders volume relates mainly to deliveries for the first and second quarter of 2007.

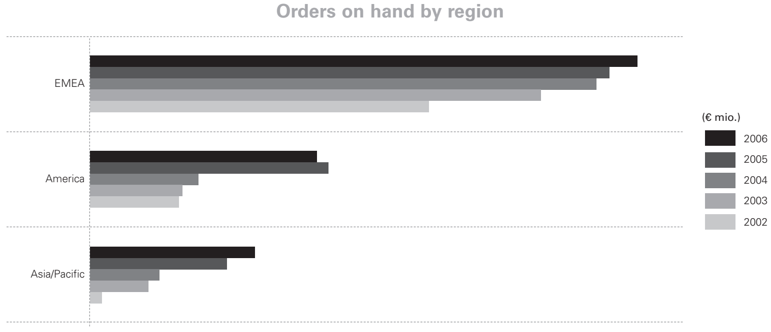
Classified by segments, orders for Footwear were up currency adjusted by 6.1% to € 716.8 million, Apparel orders climbed by 20.3% to € 340.2 million, and Accessories rose by 9.0% to € 62.7 million.

Orders on hand by segment



Development in the regions as of the year-end was as follows: Orders in EMEA were up by 6.2% currency adjusted or by 4.7% in Euro, rising from € 623.6 million to € 652.7 million. In this respect it should be noted that the previous year's volume included orders for the World Cup.
The Americas region posted a currency adjusted growth of 4.6%. Due to the persistently weak US Dollar, orders in this region were € 271.2 million after € 286.5 million in the previous year. Orders on hand for the US-market totaled USD 245.8 million, compared to USD 261.9 million in the previous year. The decline versus last year was mainly due to a comparable higher base together with a planned reduction of sales with one customer.
In the Asia/Pacific region, orders increased from € 159.0 million to € 195.7 million, which corresponds to a currency adjusted increase of 35.8%. The order increase is mainly due to a very good development in China.

Orders on hand by region



OUTLOOK

Good Outlook for the Global Economy

According to the OECD (Organization for Economic Cooperation and Development), the growth in China and the oil-producing countries is keeping the world economy going. Growth in the industrialized countries is generally progressing at an even pace following a weakening in the USA and the increasingly self-propelled economic revival in the Euro zone. The OECD expects healthy economic growth for the years 2007 and 2008. According to the OECD, global growth continues to be driven by the expansion of world trade.

The strong development of newly industrializing countries is expected to continue. Thus, it is assumed that the economies of China and India will grow at above average rates. According to estimates published by leading research institutes, growth will slow down in the Euro zone in 2007. The increase in value added tax in Germany may have a somewhat dampening effect on consumption. Nonetheless, the momentum in Euro countries will be sufficient for broad-based growth in 2007 and 2008. According to the OECD, the rise in the Euro exchange rate is not yet associated with any dangers for the economy in Europe. The continued rise relative to the US dollar is not surprising in view of the upward trend in the Euro zone and weaker economic development in the United States.

Germany is expected to grow moderately and below the average of Euro partners in the years 2007 and 2008, due not least to the tax increase. According to OECD expectations, however, the upward trend is also robust in Germany and, beginning from 2008, will be supported by private consumers. In the world's largest economy, the USA, growth will slow down due to sluggish housing construction in 2007. According to the OECD, Japan will also post respectable growth in both 2007 and 2008. It is assumed that the Japanese trade balance surpluses will be up slightly.
In 2007, which is a year without any significant global sports events, PUMA will focus on its strengths in Sportlifestyle, and primarily on the newly integrated countries as well as on new product categories. Moreover, PUMA will be preparing for the upcoming Olympic Games in Beijing in 2008 and for the European football championship in Austria and Switzerland, in order to surprise customers with unique product innovations, authentic brand design, high functionality and distinctive marketing.

New Record Year Expected for 2007

As announced with Phase IV of the long-term oriented business plan, Management expects new records in sales and earnings for 2007.

After the strong sales growth of 34% in the past financial year, growth in the medium to high single-digit range is expected for 2007, excluding currency effects.

The gross profit margin is expected to move at the previous year's range of 50% - 51%. Selling, general and administrative expenses, expressed as a percentage of sales, are expected to decrease to approximately 34%. This should lead to an improvement in the operating margin to about 16% of sales, and thus to a new record high. Given the unchanged tax rate of approximately 29%, double-digit growth in consolidated earnings and thus an increase of at least 10% is expected.

Extension of the Consolidated Group

No significant takeovers are to be expected in the 2007 financial year. For Korea, one of the outstanding license markets, a 100% takeover will be conducted as of January 1, 2008 without any joint venture participation by the current licensee.

Investments

Investments of between € 90 million and € 100 million are planned for 2007. The major portion of these investments is earmarked for the planned expansion of PUMA's own retail operations and the required current infrastructure investments. Moreover, the ground-breaking ceremony for a new corporate headquarters "PUMA Plaza" is to take place in Herzogenaurach. The site will house an administration center for the Central European area, a new Brand Center, and a new Concept and Factory Outlet Store. The related investments in coming years will be around € 50 million, of which € 10 million to € 20 million are planned for and included in the 2007 investments.

In connection with corporate acquisitions that have already been undertaken, it is anticipated that another € 24 million will debit the cashflow as payment of the purchase price liability in financial year 2007.

Management's Outlook is Optimistic

PUMA has a solid global operative base as well as momentum instigated by its very successful World Cup year. This gives Management an optimistic outlook for PUMA's future, despite the lack of major sports events. Management is confident that it will continue to set new trends in the industry.
The already initiated measures of Phase IV are aimed at positioning PUMA permanently and clearly as Number Three in the sporting goods industry. From a current viewpoint, the potential of the company is estimated to be € 4 billion. The company aims at utilizing a significant portion of this by 2010 and, during this process, expects sustained growth in all regions.

Herzogenaurach, February 9, 2007

The Board of Management

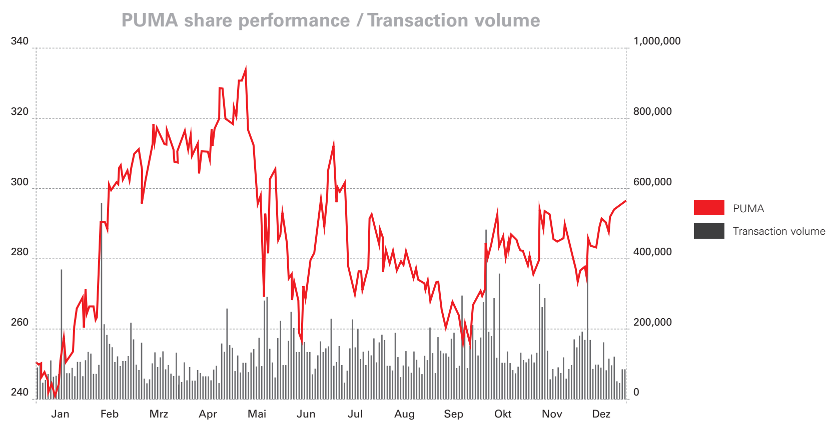
Zeitz **Gänsler** **Bock**

SHARE

PUMA Share Up 20%

Both the German stock index (DAX) and the MDAX fluctuated strongly in the middle of the year. For the rest of the year both indexes developed positively and closed the year 2006 with overall satisfactory development. The DAX reached 6,597 points at year-end, or plus 22%, while the MDAX, in which PUMA's shares are listed, closed the year with 29% growth to 9,405 points.

Development of the PUMA share was likewise characterized by price fluctuations towards the middle of 2006. After the excellent price development in the first half of the year, a correction was made, followed by further positive development which brought the year-end price to € 295.67. Compared to the previous year's price of € 246.50, this corresponds to a 20% increase. Once again, the PUMA share price picked up significantly and succeeded in outpacing the share price development of its main competitors (see table below "Share Development – Rebased"). Thus, a sustained value increase of more than 50% per year has been achieved since the beginning of Phase III in 2002.

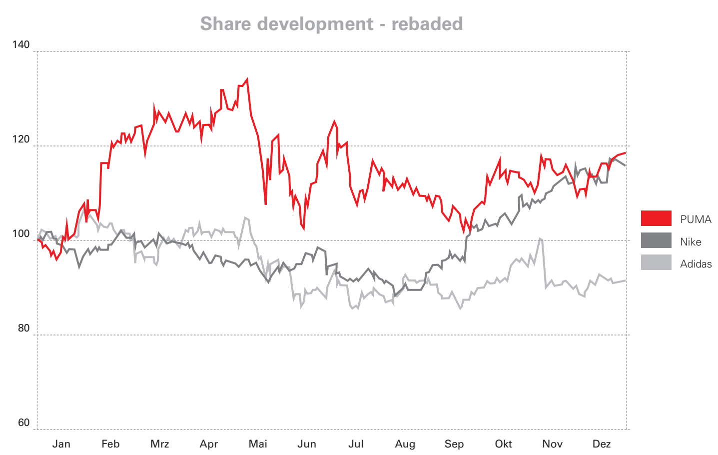


The PUMA share ranged from a low of € 240.67 posted on January 13, 2006 and a high of € 333.11 on May 10, 2006. The average transaction volume was 128,185 shares per day, after 159,285 shares in the previous year. Market capitalization at year-end reached € 4.8 billion, after € 3.9 billion in the previous year.

Key data per PUMA share in Euro

in €	2006	2005	*2004	2003	2002
End of year price	**295.67**	246.50	202.30	140.00	65.03
Highest price listed	**333.11**	249.00	219.54	141.00	73.34
Lowest price listed	**240.67**	177.04	140.15	59.15	33.00
Average daily trading volume (amount)	**128,185**	159,285	141,753	125,202	91,532
Earnings per share	**16.48**	17.79	16.14	11.26	5.44
Gross cashflow per share	**24.65**	26.95	24.01	17.61	8.65
Free cashflow per share	**5.71**	9.48	16.01	6.74	6.41
Shareholders' equity per share	**65.10**	54.80	34.25	24.04	15.92

**restated*



The PUMA share has been registered for trading on the Frankfurt and Munich stock exchanges since 1986. It is listed in the Prime Standard Segment and the Mid-Cap Index MDAX of the German Stock Exchange (Deutsche Börse). Moreover, an ADR program (American Depository Receipts) was introduced in 1996. The ADRs are traded over the counter in US dollars under the "PMMAY" ticker symbol.

CORPORATE GOVERNANCE REPORT

Effective implementation of the Corporate Governance Code is an important element of PUMA's corporate policy. Transparent and responsible corporate management is a prerequisite for achieving corporate objectives and sustained increases in corporate value.
The Board of Management and the Supervisory Board work closely together for the benefit of the entire company to ensure efficient value-based management and controls for the company on the basis of good corporate governance.

Declaration of Conformity

In the future, PUMA AG will comply without reservation with the recommendations of the "Government Commission on the German Corporate Governance Code" in the Code version dated June 12, 2006.

Since the last declaration of conformity issued in December 2005, PUMA AG has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the Code version dated June 2, 2005 and the subsequent valid version dated June 12, 2006 during the 2006 financial year, with the following exceptions:

- Due to the structure and content of the variable compensation components for the Board of Management which have a long-term incentive effect, the limiting option provision (cap) pursuant to Item 4.2.3, 2nd Paragraph, last Sentence of the German Corporate Governance Code, was waived. A cap was provided for the plans issued in 2006.

- In Item 4.2.4, 2nd Sentence, the German Corporate Governance Code of June 2, 2005 recommended that the disclosures on compensation for Board of Management members should be individualized in the notes to the consolidated financial statements. This provision was not observed in the notes to the consolidated financial statements in 2005. In the annual financial statements and consolidated financial statements for the 2006 financial year, compensation for the Board of Management is disclosed pursuant to Item 4.2.4 of the German Corporate Governance Code of June 12, 2006. See also No. 30 of the notes to the annual financial statements.

Board of Management Remuneration Report

Remuneration for members of the Board of Management is determined by the Supervisory Board and is comprised of fixed and performance-based components. The fixed components include fixed remuneration and benefits in kind, while the performance-based components are subdivided into profit sharing bonuses and components with long-term incentive effect (value appreciation rights). Criteria that are taken into consideration in the measurement of overall remuneration include the duties and services of the respective Board of Management member, the general economic situation, the strategic five-year planning and pertaining goals, the long-term nature of the achieved results, the long-term earnings prospects of the company, and international benchmark comparisons.

The fixed component, or fixed basic remuneration, is paid as salary on a monthly basis. In addition, members of the Board of Management also receive benefits in kind such as the use of company car and insurance policies which are recorded in the amounts required under tax guidelines. Generally, these benefits are available equally to all Board of Management members and are included in the fixed component of their remuneration.

As a performance-based component, the profit sharing bonus is oriented towards the operating profit of the PUMA Group and is graded in accordance with the degree of target achievement. An upper limit for the bonus is also agreed.

The remuneration component with long-term incentive effect (value appreciation options) is determined in accordance with the five-year plans. The number of value appreciation rights issued per year is measured as a component of total remuneration. Valuation is based on the fair value of the option at the allocation date. An upper limit or cap is determined as maximum remuneration in the event of unforeseen extraordinary developments. Details concerning the parameters of the respective programs are included in the notes to the consolidated financial statements under No. 20.

The individualization of salary components is presented in the notes to the consolidated financial statements under No. 30.

Supervisory Board Remuneration Report

Under PUMA's Articles of Association, the Supervisory Board has six members. Supervisory Board members remuneration, which is determined by the Annual Meeting, is comprised of a fixed and a performance-based component. The fixed remuneration component amounts to T€ 30 for an individual member. The Chairman of the Supervisory Board receives twice this amount, and his deputy receives one and a half times this amount. The performance-based component is measured on the basis of corporate profits and amounts to € 20.00 for every € 0.01 of (undiluted) earnings per share reported in the consolidated financial statements that exceeds the minimum amount of € 16.00, up to a maximum of T€ 10 per year. The Supervisory Board Chairman receives twice this amount, and his deputy receives one and a half times this amount.

The individualization of remuneration components is presented in the notes to the consolidated financial statements in No. 30.

CONSOLIDATED BALANCE SHEET

	Notes	2006 € mio.	2005 € mio.
Assets			
Cash and cash equivalents	4	459.2	475.5
Inventories	5	364.0	238.3
Trade receivables	6	373.8	277.5
Other current assets	7	105.8	80.1
Current assets		**1,302.8**	**1,071.4**
Deferred income taxes	8	63.3	48.6
Property, plant and equipment	9	155.1	121.9
Intangible assets	10	180.5	59.4
Other non-current assets	11	13.2	19.8
Non-current assets		**412.1**	**249.6**
Total assets		**1,714.8**	**1,321.0**
Liabilities and equity			
Current bank liabilities	12	65.5	45.1
Trade payables	13	208.7	178.7
Tax provisions	16	38.5	24.2
Other current provisions	17	59.1	51.1
Liabilities from acquisitions	18	23.6	6.9
Other current liabilities	14	123.3	78.5
Current liabilities		**518.7**	**384.5**
Deferred income taxes	8	13.0	20.0
Pension provisions	15	21.9	22.6
Liabilities from acquisitions	18	100.3	10.7
Other non-current liabilities	14	12.0	7.8
Non-current liabilities		**147.2**	**61.2**
Subscribed capital		44.1	43.2
Group reserves		423.4	307.0
Accumulated profits		799.3	680.3
Treasury stock		-225.6	-159.6
Minority interest		7.7	4.5
Shareholders' equity	19	**1,049.0**	**875.4**
Total liabilities and shareholders' equity		**1,714.8**	**1,321.0**

CONSOLIDATED INCOME STATEMENT

	Notes	2006 € mio.	2005 € mio.
Net sales	26	**2,369.2**	**1,777.5**
Cost of sales	26	-1,169.9	-847.8
Gross profit	26	**1,199.3**	**929.8**
Royalty and commission income		37.0	55.7
		1,236.3	985.4
Selling, general and administrative expenses	21	-831.8	-563.5
Depreciation		-38.4	-24.3
Profit from operations	26	366.2	397.7
Financial result	22	7.9	6.4
Earnings before taxes		**374.0**	**404.1**
Income tax	23	-108.1	-117.2
Net earnings before attribution		**266.0**	**286.9**
Net earnings attributable to miniority interest	19	-2.8	-1.1
Net earnings		**263.2**	**285.8**
Net earnings per share (€)	24	16.39	17.79
Net earnings per share (€) - diluted	24	16.31	17.68
Weighted average shares outstanding	24	16.054	16.066
Weighted average shares outstanding, diluted	24	16.139	16.163

CONSOLIDATED CASHFLOW STATEMENT

	Notes	2006 € mio.	2005 € mio.
Operating activities			
Profit before tax		374.0	404.1
Adjustments for:			
Depreciation	9,10	38.4	24.3
Non-realized currency gains/losses, net		-8.2	9.7
Interest received	22	-15.6	-11.5
Interest paid	22	7.8	5.1
Income from the sale of fixed assets		0.1	0.0
Additions to pension accruals	15	-0.7	1.4
Other cash effected expenses		0.0	0.0
Gross Cashflow	27	**395.7**	**432.9**
Increase in receivables and other current assets	6,7	-96.8	-84.1
Increase in inventories	2	-92.7	-18.5
Increase in trade payables and other current liabilities	13,14	73.3	31.6
Cash provided by operations		279.5	361.9
Interest paid	22	-4.7	-4.7
Income taxes paid		-121.5	-155.5
Net cash from operating activities	27	**153.4**	**201.6**
Cash flows from investment activities			
Payment for goodwill (previous year: purchase of participations)	3	-81.2	-17.9
Purchase of property and equipment	9,10	-72.7	-61.9
Proceeds from sale of property and equipment		1.2	1.7
Increase/decrease in other non-current assets		-5.9	-0.5
Interest received	22	15.6	11.3
Net cash used in investing activities	27	**-143.0**	**-67.3**
Cash flows from financing activities			
Payments made regarding non-current liabilities		-3.9	0.4
Payments received regarding non-current bank borrowing	12	20.8	17.1
Payments made regarding convertible bonds	20	0.0	0.0
Dividend payments	19	-31.8	-16.0
Capital increase	20	70.7	16.2
Purchase of treasury stock	19	-66.0	-59.4
Other changes		0.4	1.0
Net cash used in financing activities	27	**-9.8**	**-40.8**
Effect of exchange rates on cash		-17.0	12.6
Increase in cash and cash equivalents		**-16.3**	**106.2**
Cash and cash equivalents at beginning of financial year		475.5	369.3
Cash and cash equivalents at year-end	4,27	**459.2**	**475.5**

CHANGES IN EQUITY

in € mio.	Subscribed capital	Groupe reserves: Capital reserve	Groupe reserves: Revenue reserves	Groupe reserves: Difference from currency conversion	Groupe reserves: Cashflow hedges	Consolidated profit/net Income for the year	Treasury stock	Total equity before minorities	Minorities	Total
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 reserve			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 services		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**
Dividend payment						-31.8		-31.8		**-31.8**
Transfer to profit reserves			77.2			-77.2				
Currency changes				-41.0				-41.0	0.4	**-40.5**
Release to the income statement					-9.4			-9.4		**-9.4**
Market value for cashflow hedges					-16.6			-16.6		**-16.6**
Capital increase	0.9	69.7						70.7		**70.7**
Value of employees services		1.3						1.3		**1.3**
Consolidated profit						263.2		263.2	2.8	**266.0**
Purchase of treasury stock			35.0			-35.0	-66.0	-66.0		**-66.0**
Dec. 31, 2006	**44.1**	**170.7**	**291.8**	**-34.7**	**-4.5**	**799.3**	**-225.6**	**1,041.3**	**7.7**	**1,049.0**

DEVELOPMENT OF FIXED ASSETS

	Purchase costs				
Development in 2005	Balance Jan. 1, 2005 € mio.	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2005 € mio.
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**

Development in 2006	Balance Jan. 1, 2006 € mio.	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2006 € mio.
PROPERTY, PLANT AND EQUIPMENT					
Land, land rights and buildings including buildings on third party land	56.1	0.5	11.9	0.1	68.4
Technical equipment and machines	3.0	0.6	1.3	0.5	4.5
Other equipment, factory and office equipment	131.2	-4.1	50.7	5.8	172.0
Payments on account and assets under construction	2.7	-0.3	3.1	0.0	5.5
	193.0	**-3.3**	**67.0**	**6.5**	**250.3**
INTANGIBLE FIXED ASSETS					
Goodwill	54.1	-3.9	120.7	0.0	170.8
Intangible fixed assets with a non-defined useful life	5.5	0.0	-5.5	0.0	0.0
Other intangible fixed assets	20.7	-0.3	15.6	0.5	35.5
	80.3	**-4.3**	**130.8**	**0.5**	**206.3**
OTHER NON-CURRENT ASSETS					
Other loans	1.0	0.0	0.0	0.6	0.4
Other assets	5.5	-0.4	6.5	0.2	11.4
	6.4	**-0.4**	**6.5**	**0.8**	**11.8**

Accumulated depreciation					Book values	
Balance Jan. 1, 2005 € mio.	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2005 € mio.	Balance 2005 € mio.	Balance 2004 € mio.
8.7	0.1	2.4	0.3	11.0	45.1	31.4
1.0	0.1	0.5	0.1	1.4	1.6	0.9
41.4	2.6	18.8	4.0	58.7	72.4	48.8
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**
9.4	0.1	0.0	0.0	9.5	44.7	20.0
0.0	0.0	0.0	0.0	0.0	5.5	0.0
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**
0.0	0.0	0.0	0.0	0.0	1.0	0.9
0.0	0.0	0.0	0.0	0.0	5.5	4.4
0.0	0.0	0.0	0.0	0.0	0.0	0.6
0.0	**0.0**	**0.0**	**0.0**	**0.0**	**6.4**	**5.9**

Balance Jan. 1, 2006 € mio.	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2006 € mio.	Balance 2006 € mio.	Balance 2005 € mio.
11.0	-0.1	3.7	0.1	14.5	53.9	45.1
1.4	-0.2	0.5	0.2	1.6	2.9	1.6
58.7	-2.9	28.5	5.0	79.2	92.8	72.4
0.0	0.0	0.0	0.0	0.0	5.5	2.7
71.2	**-3.2**	**32.7**	**5.4**	**95.2**	**155.1**	**121.9**
9.4	-0.1	0.0	0.0	9.3	161.5	44.7
0.0	0.0	0.0	0.0	0.0	0.0	5.5
11.5	-0.3	5.6	0.3	16.5	19.0	9.2
21.0	**-0.4**	**5.6**	**0.3**	**25.9**	**180.5**	**59.4**
0.0	0.0	0.0	0.0	0.0	0.4	1.0
0.0	0.0	0.1	0.0	0.1	11.4	5.5
0.0	**0.0**	**0.1**	**0.0**	**0.1**	**11.8**	**6.5**

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 products including footwear, apparel and accessories. The company is a joint stock company under German law, with 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 required to be applied in the EU that are obligatory for financial years as from January 1, 2006 have been applied. In August 2005, the IASB published IFRS 7 "Financial Instruments: Disclosures" which will lead to a change in disclosure 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 of financial instruments that are already in place. The standard is valid as from January 1, 2007 and was 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.

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, 2006.

The capital consolidation of subsidiaries acquired after January 1, 2005 is based on the acquisition method. The acquisition costs of the business combination also include the costs directly allocable to the purchase as well as all debts arising within the scope of the acquisition transaction. Upon initial consolidation, assets, debts and contingent liabilities identified in the context of a business combination are stated at the fair value applicable at the acquisition date, independent of the scope of minority interests.

The surplus of the 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 are stated at market value, the difference is reported directly in the income statement.

With the exception of the joint venture in Argentina (Unisol S.A.), PUMA is the equitable owner of all joint ventures due to the contract signed with the joint venture partners. Consequently, these companies are fully included in the consolidated financial statements without disclosure of a minority interest. The present values of capital shares attributable to the minority shares as well as the present values of the residual purchase prices expected due to corporate development are included in capital consolidation as investment acquisition costs. Later deviations lead to a subsequent adjustment of acquisition costs with neutral effect on profits. 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 as well as intra-Group investment income are eliminated with an effect on profits.

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:

2005	**61**
Formation and acquisition of companies (including majority holdings)	10
Disposal of companies	1
2006	**70**

With respect to regions, changes in the consolidated group in financial year 2006 were as follows:

Europe/Middle East/Africa (EMEA)

In the EMEA region, the company of "A.C.K. Spor Giyim Tekstil Ürünleri Sanayi ve Ticaret A.S." was returned to the former distributor for Turkey after the operative business had been transferred to "PUMA Spor Giyim Sananyi ve Ticaret A.S.". As a consequence of further expansion of the East European market, the company of "PUMA Baltic OU" was founded in Estonia, and "PUMA Sport Hrvatska d.o.o." was founded in Croatia.

Asia/Pacific

EffectiveJanuary 1, 2006, "PUMA Apparel Japan K.K.", which had been established in the previous year, took over the operative apparel business in Japan. In Taiwan, the consolidated group was extended to include "PUMA Taiwan Sports Ltd.". Moreover, in the British Virgin Islands, the company of "Liberty China Holding Ltd." was acquired, which in turn holds the company: "Liberty Sports Marketing Ltd." in Hong Kong including its subsidiary "Liberty Shanghai Ltd." in China. These companies took over operative responsibility in the respective markets effective January 1,2006. Furthermore, "PUMA Korea Ltd." was founded as a fully owned subsidiary. The subsidiary is to assume full sales responsibility in Korea after expiry of the existing license agreement as of January 1, 2008.

Americas

The majority in "Unisol S.A." was acquired from the former distributor and license holder in Argentina effective January 1, 2006. Within this context, the investment in Chile was also taken over by the joint venture partner "Unisol S.A.". In Canada, the "ATA Inc." company was taken over to 100% from the former license holder and merged with "PUMA Canada Inc." which, to date, has not been an active company. In Mexico, PUMA acquired the shares of the former license holder/distributor and renamed the company as "PUMA Mexico Sport S.A. de C.V.". The company of "PUMA Sports LA S.A." (with registered head office in Montevideo, Uruguay), which will assume a central sales functions for the countries in Latin America is in the process of being founded, with a view to further expansion of the Latin American market.

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

Tretorn Vertrieb GmbH made use of the exemption provision defined in Section 264 (3) HGB.

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		
	EMOA			
2.	PUMA UNITED KINGDOM Ltd.	Leatherhead/Großbritannien	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 (Schweiz)	Oensingen/Switzerland	direct	100%
6.	PRETAG (Schweiz)	Oensingen/Switzerland	indirect	100%
7.	PUMA Schweiz AG	Oensingen/Switzerland	indirect	100%
8.	Austria PUMA Dassler Ges. m.b.H.	Salzburg/Austria	direct	100%
9.	PUMA Benelux B.V.	Leusden/Netherlands	direct	100%
10.	PUMA Italia S.r.l.	Mailand/Italy	indirect	100%
11.	PUMA Hellas S.A.	Athen/Greece	direct	100%*
12.	PUMA Spor Giyim Sananyi ve Ticaret A.S.	Istanbul/Turkey	indirect	100%*
13.	Tretorn Vertrieb GmbH	Herzogenaurach/Germany	direct	100%
14.	Tretorn AB	Helsingborg/Sweden	direct	100%
15.	PUMA Nordic AB	Helsingborg/Sweden	indirect	100%
16.	PUMA Norway AS	Oslo/Norway	indirect	100%
17.	PUMA Finland Oy	Espoo/Finland	indirect	100%
18.	PUMA Denmark A/S	Skanderborg/Denmark	indirect	100%
19.	PUMA Baltic OU	Talin/Estonia	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 activ)	indirect	100%
24.	Tretorn R&D Ltd.	Laoise/Ireland (non activ)	indirect	100%
25.	Hunt Sport AB	Helsingborg/Sweden (non activ)	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/Greet Britan	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.	Bratsislava/Slovakia	indirect	100%
38.	PUMA Ukraine Ltd.	Kiew/Ukraine	indirect	100%
39.	PUMA Bulgaria Ltd.	Sofia/Bulgaria	indirect	100%*
40.	PUMA Sport Hrvatska d.o.o.	Zagreb/Croatia	indirect	100%
41.	PUMA Sports S.A.	Kapstadt/South Africa	indirect	100%
42.	PUMA SPORTS DISTRIBUTORS (PTY) LIMITED	Kapstadt/South Africa	indirect	100%
43.	PUMA Middle East FZ LLC	Dubai/United Arab Emirates	indirect	100%
44.	PUMA UAE LLC	Dubai/United Arab Emirates	indirect	49%
	Asia/Pacific			
45.	PUMA Australia Pty. Ltd.	Moorabbin/Australia	indirect	100%
46.	White Diamond Australia Pty. Ltd.	Moorabbin/Australia (non activ)	indirect	100%
47.	White Diamond Properties	Moorabbin/Australia (non activ)	indirect	100%
48.	PUMA New Zealand Ltd.	Auckland/New Zealand	indirect	100%
49.	World Cat Ltd.	Kowloon/Hongkong	direct	100%
50.	World Cat (S) Pte Ltd.	Singapore	indirect	100%
51.	World Cat Trading Co.Ltd	Taichung/Taiwan	indirect	100%
52.	Development Services Ltd.	Kowloon/Hongkong	indirect	100%
53.	PUMA FAR EAST Ltd.	Kowloon/Hongkong	direct	100%
54.	Liberty China Holding Ltd.	British Virgin Islands	indirect	100%*
55.	Liberty Sports Marketing Ltd.	Kowloon/Hongkong	indirect	100%*
56.	Liberty Shanghai Ltd.	Shanghai/China	indirect	100%*
57.	PUMA JAPAN K.K.	Tokio/Japan	indirect	100%
58.	PUMA Apparel JAPAN K.K.	Tokio/Japan	indirect	100%*
59.	PUMA Taiwan Sports Ltd.	Taipei/Taiwan	indirect	100%*
60.	PUMA Korea Ltd.	Seoul/Korea	direct	100%
61.	PUMA Sports India Pvt Ltd.	Bangalore/India	indirect	100%
	America			
62.	PUMA Suede Holding, Inc.	Westford/USA	indirect	100%
63.	PUMA North America, Inc.	Westford/USA	indirect	100%
64.	PUMA Canada, Inc.	Ontario/Canada	indirect	100%
65.	PUMA CHILE S.A.	Santiago/Chile	direct	100%*
66.	Distruibuidora Deportiva PUMA S.A.C.	Lima/Peru	indirect	100%
67.	PUMA Mexico Sport S.A. de C.V.	Mexico City/Mexico	direct	100%*
68.	PUMA Sports LA S.A.	Montevideo/Uruguay	direct	100%
69.	PUMA Sports Ltda.	Sao Paulo/Brazil	indirect	100%
70.	Unisol S.A.	Buenos Aires/Argentinia	direct	65%

** subsidiaries which are assigned to be economical 100% PUMA Group*

Currency Translation

As a general rule, monetary items denominated in foreign currencies are disclosed in the individual financial statements of consolidated companies at the rates valid at the balance sheet date. 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 Euros 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 exchange rates that had changed in comparison with the previous year were netted in equity capital with neutral effect on profits. Any goodwill arising within the scope of initial consolidation is translated into Euro and extrapolated accordingly.

The significant translation rates per Euro are as follows:

Currency	Reporting date exchange rate	Average rate
USD	1.3178	1.2569
HKD	10.2400	9.7646
JPY	156.6700	146.1608
GBP	0.6714	0.6823
CHF	1.6080	1.5751

Derivative Financial Instruments/Hedge Accounting

Upon conclusion of a 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 the hedging 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 in 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 set off in equity with neutral effect on profits. If effectivity is not fully provided for, the ineffective portion is included in operating results. The amounts recorded as a special item under equity are included in operating results in 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, 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.

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.

Cash and Cash Equivalents

Cash and cash equivalents 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 cash and cash equivalents 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 realizable market prices in a manner that is standard throughout the Group.

Receivables and Other Assets

Receivables and other assets are initially stated at fair value, and subsequently stated at depreciated acquisition costs net of value adjustments. All recognizable risks are sufficiently accounted for in the form of individual risk assessments using historical values.
long-term 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. Buildings are subject to a useful life of ten to fifty years, and a useful life of between three and ten years is assumed for moveable assets.
The cost of maintenance and repair is recorded as expense at the time of origin. Significant improvements and renewals are capitalized to the extent that the criteria for valuation of an asset item apply.

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.

Goodwill

Goodwill is derived from the difference between the purchase price and fair value of the acquired asset and liability items. With respect to acquisitions made, goodwill is largely attributable to the infrastructure taken over by the Seller and the opportunity connected therewith to make a positive contribution to corporate value. An impairment test is performed at least 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 amortization. The amortization period is between three to five years, whereby the straight-line method is applied.

Impairment of Assets

Assets with an indefinite useful life are not depreciated according to schedule but are subjected to an annual impairment test. Property, plant and equipment and other intangible assets 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 realizable amount of the asset concerned (or the higher amount from net sales proceeds and usage value) is compared with the book value of the asset. If the realizable 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.

An impairment test is performed using the discounted cashflow method. The determination of expected cashflows is based on corporate planning data. Expected cashflows are discounted using an interest rate in line with market conditions.

Financial Debts

As a general rule, financial debts are reported at fair value and are subsequently stated at depreciated 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, or the lower present value at the beginning of a lease relationship, and are extrapolated for the amount of lease installments 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.

Provisions 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. 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 ten percent 'corridor' approach described in IAS 19.92. The provision is reduced by the value of 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. The service cost and interest component are disclosed within personnel expenses. In the event of defined contribution plans, the contribution is recognized 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 unfavorable contracts where unavoidable costs exceed the economic benefit expected from the contract.

Treasury Stock

Treasury stock is recorded under shareholders' equity at the market price valid at the date of acquisition plus incidental acquisition costs. Initially, the company keeps the repurchased shares as "Treasury Stocks" in the balance sheet.
In accordance with an authorization by the Annual Shareholders' Meeting, treasury stock can be used as acquisition currency for the flexible management of capital requirements or it can be called in. At present, calling in these shares is not planned.

Equity Participation Plans/Management Incentive Program

In conformity with IFRS 2, stock-based remuneration systems are reported at fair value and charged to personnel expenses. The standard applies to stock-based remuneration systems granted after November 7, 2002. At PUMA, the stock-based remuneration systems encompass stock options (SOP) and stock appreciation rights (SAR). The fair value of the options is recorded as expense incurred for services provided by employees.

SOP

The expense relating to SOP is determined from the fair value of the options at the date of their being granted, without taking into account the effect of non-market oriented exercise hurdles. The expense is distributed as personnel expense over the period up to the non-forfeitability of options (blocking period) and reported as a capital reserve. Non-market oriented exercise hurdles are taken into account in the assumptions concerning the number of options which are expected to be exercised. The estimate concerning options expected to be exercised is reviewed at each balance sheet date. The effects of any changes in the assumptions respecting the number of options expected to be exercised are recognized in the income statement and through a respective adjustment in the equity capital over the remaining term up to non-forfeitability.

SAR

Initially, the fair value of SARs is determined at the time of their being granted and subsequently at each balance sheet date. The resulting expense is distributed as expense over the term of the respective blocking period and recorded as a provision/liability. After expiry of the blocking period, a value change due to revaluation of subsequent valuation, respectively, is recognized directly in personnel expense and the provision/liability is adjusted accordingly.

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 and rebates.

Royalty and Commission Income

Royalty income is treated as income in accordance with the invoices to be presented by the license holders. 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. 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 loans. In addition, this item includes interest expenses from discounted non-current liabilities which are primarily associated with corporate acquisitions.
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 taxable entity, 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 concerning reversal in the individual countries, and which are in force or were approved at 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 realization 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 as well as 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

Transactions associated with corporate acquisitions impacted as follows on the net assets and financial position in financial year 2006:

	2006 € mio.
Inventories	45.2
Receivables	27.1
Goodwill	119.2
Other assets/other liabilities	1.7
Minority interests	-6.6
Purchase price	**186.6**

With the exception of Unisol S.A., all subsidiaries are economically allocated to the Group to 100%.

4. Cash and Cash Equivalents

The Company's cash and cash equivalents amounted to € 459.2 million (previous year: € 475.5 million) as of December 31, 2006. In addition to cash, they largely include fixed-term deposits or money market funds. The average effective interest rate was 3.1% (previous year: 1.8%). There were no restraints on disposal.

5. Inventories

Inventories are divided into the following main categories:

	2006 € mio.	2005 € mio.
Raw materials and supplies	2.4	0.5
Finished goods and merchandise		
Footwear	196.3	114.2
Apparel	123.1	86.5
Accessories/Others	23.6	19.5
Goods in transit	89.7	76.1
Inventories, gross	435.0	296.8
Net of value adjustments	-71.0	-58.5
Inventories, net	**364.0**	**238.3**

Of the total amount of reported inventories, the amount of € 89.3 million (previous year: € 63.6 million) is stated at net realizable value.

6. Trade Receivables

This item consists of the following:

	2006 € mio.	2005 € mio.
Trade receivables, gross	405.7	303.3
net of value adjustments	-31.9	-25.8
Trade receivables, net	**373.8**	**277.5**

7. Other Current Assets

This item consists of the following:

	2006 € mio.	2005 € mio.
Prepaid expense for the subsequent period	18.8	12.9
Advance payments on corporate acquisitions	0.0	9.6
Fair value of derivative financial instruments	8.4	15.8
Other receivables	78.6	41.8
Total	**105.8**	**80.1**

The other current assets are due within one year. The fair value represents the book value.

8. Deferred Taxes

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

	2006 € mio.	2005 € mio.
Accumulated tax losses carried forward	3.5	1.4
Non-current assets	7.9	6.3
Current assets	39.5	30.7
Provisions and other liabilities	27.0	22.1
Value adjustments from netting in capital with neutral effect on profits	1.8	-11.1
Value adjustments	-2.4	-1.2
Deferred tax assets (before netting)	77.4	48.2
Non-current assets	23.4	16.5
Current assets	2.3	1.8
Provisions and other liabilities	1.3	1.4
Deferred tax liabilities (before netting)	27.1	19.6
Deferred tax assets, net	**50.3**	**28.6**

Of deferred tax assets, the amount of € 68.4 million (previous year: € 41.7 million) and of deferred tax liabilities the amount of € 3.7 million (previous year: € 3.1 million), are short-term.

As of December 31, 2006, tax losses carried forward totaled € 11.8 million. (previous year: € 3.5 million), resulting in deferred tax assets of € 3.5 million (previous year: € 1.4 million). Following value adjustment, claims from tax losses carried forward were included in deferred tax assets to the amount of € 1.1 million (previous year: € 0.2 million). The tax losses carried forward relate mainly to inactive companies and their use is therefore not considered probable. 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.

Deferred tax assets and liabilities are netted if they relate to a taxable entity. Accordingly, they are disclosed in the balance sheet as follows:

	2006 € mio.	2005 € mio.
Deferred tax assets	63.3	48.6
Deferred tax liabilities	13.0	20.0
Deferred tax assets, net	**50.3**	**28.6**

Deferred tax assets developed as follows:

	2006 € mio.	2005 € mio.
Deferred tax assets, previous year	48.6	51.6
Recognized in the income statement	4.3	21.6
Currency effects and inclusion in equity, neutral in effect on profits	10.4	-24.6
Deferred tax assets	**63.3**	**48.6**

Deferred tax liabilities developed as follows:

	2006 € mio.	2005 € mio.
Deferred tax liabilities, previous year	20.0	9.6
Recognized in the income statement	-7.0	10.4
Deferred tax liabilities	**13.0**	**20.0**

9. Property, Plant and Equipment

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

	2006 € mio.	2005 € mio.
Land and buildings, including buildings on third party land	53.9	45.1
Technical equipment and machines	2.9	1.6
Other equipment, factory and office equipment	92.8	72.4
Assets under construction	5.5	2.7
Total	**155.1**	**121.9**

The book values of property, plant and equipment are derived from acquisition costs. Accumulated depreciation for this item amounted to € 95.2 million (previous year: € 71.2 million).

Property, plant and equipment include leased assets (finance lease) to the amount of € 1.1 million (previous year: € 1.9 million), which largely relate to a building, and factory and office equipment at various subsidiaries.

The development of property, plant and equipment in financial year 2006 is presented in the Appendix as: "Schedule of Fixed Assets". Impairment losses exceeding depreciation were not recorded in financial year 2006.

10. Intangible Assets

The development of intangible assets in financial year 2006 is presented in the Appendix as: "Development of Fixed Assets".

This item concerns mainly goodwill and assets associated with the Company's own retail activities.

In accordance with IFRS 3, goodwill is no longer amortized according to schedule. An impairment test 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 required to be recorded in financial year 2006.

The increase in goodwill results from extension of the consolidated group in the context of regional expansion.

Goodwill is allocated to the identifiable and cash-generating units (CGUs) of the Group on the basis of country of activity. Summarized by regions, goodwill is allocated as follow:

	2006 € mio.	2005 € mio.
EMEA	31.0	29.7
America	41.6	0.0
Asia/Pacific	88.9	14.9
Total	**161.5**	**44.7**

Assumptions underlying the impairment test:

	EMEA	America	Asia
Tax rate (range)	24.0% - 35.0%	30.0% - 50.5%	17.5% - 42.0%
WACC before tax (range)	10.4% - 31.4%	17.7% - 31.2%	9.6% - 12.9%
WACC after tax (range)	8.3% - 24.1%	9.6% - 22.1%	6.4% - 11.1%
Growth rate	2.0%	2.0%	2.0%
Beta	1.02	1.02	1.02

11. Other Non-Current Assets

This item consists of the following:

	2006 € mio.	2005 € mio.
Loans	0.4	1.0
Other assets	11.4	5.5
Sub-total	**11.8**	**6.5**
Fair value of derivative financial instruments	1.5	13.3
Total	**13.2**	**19.8**

The development for financial year 2006 relating to the sub-total of € 11.8 million (previous year: € 6.5 million) is presented in the Appendix as: "Development 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:

	2006 € mio.	2005 € mio.
Current bank liabilities	**65.5**	**45.1**

The PUMA Group's available credit lines total € 271.7 million (previous year: € 216.0 million), which may be used for bank loans or guarantee credits. In addition to bank liabilities in the amount of € 65.5 million (previous year: € 45.1 million) guarantee credits amounted to € 15.4 million (previous year: € 6.9 million) as of December 31, 2006. In addition to cash and cash equivalents, the company had unused credit lines of € 190.8 million (previous year: € 164.1 million) as at December 31, 2006.

The effective interest rate of financial liabilities ranged from 3.3% - 5.5% in the year under review.

13. Trade Payables

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

	2006 € mio.	2005 € mio.
Trade payables	**208.7**	**178.7**

Trade payables are due within one year.

14. Other Liabilities

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

	2006				2005			
		Residual term				Residual term		
	Total € mio.	Up to 1 year € mio.	1 to 5 years € mio.	more than 5 years € mio.	Total € mio.	Up to 1 Jahr € mio.	1 to 5 years € mio.	more than 5 years € mio.
Other liabilities								
Liabilities from taxes	22.0	22.0	0.0	0.0	15.7	15.7	0.0	0.0
Liabilities within the scope of social security	2.9	2.9	0.0	0.0	3.4	3.4	0.0	0.0
Liabilities to employees	35.1	33.3	1.8	0.0	41.6	35.8	5.8	0.0
Liabilities from the market assessment of foreign exchange deals	17.7	11.5	6.2	0.0	1.5	1.5	0.0	0.0
Leasing liabilities	0.3	0.3	0.0	0.0	0.6	0.6	0.0	0.0
Other liabilities	57.2	53.3	3.9	0.0	23.5	21.5	2.0	0.0
Gesamt	**135.2**	**123.3**	**12.0**	**0.0**	**86.3**	**78.5**	**7.8**	**0.0**

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

15. Pensions Provisions

Pension provisions totaled € 21.9 million (previous year: € 22.6 million) and are reduced by the value of the plan assets. The present value of the plan assets includes employers' pension liability insurance and trustee securities at a fair value of € 16.4 million; it does not include financial instruments. The plan assets saw an actual increase in value of € 1.9 million (previous year: € 2.1 million) in 2006.

Total provisions include the amount of € 16.4 million or 74.9% (previous year: € 17.0 million or 75.2%) which is attributable to PUMA AG.

The determination of PUMA AG pension provisions is based on the Dr. Klaus Heubeck "2005 G" mortality tables. The valuation was performed using the projected unit credit method as defined in IAS 19. The general regulations concerning PUMA AG's pension plan provide for pension payments to a maximum amount of € 127.82 per month and per eligible employee, in addition to individual commitments (fixed amounts of varying size) as well as vested rights from salary conversion.

The following actuarial assumptions were applied respecting PUMA AG's pension plans:

	2006	2005
Discounting rate	4.25%	4.0%
Future pension increases	2.25%	2.25%
Fluctuation rate	1.5%	1.5%

The pension provision for the Group is calculated as follows:

	2006 € mio.	2005 € mio.
Present value of non-funds financed pension claims pursuant to actuarial opinion	**22.5**	**24.8**
Present value of funds-financed pension claims	20.5	17.1
Net of the fair value of the plan assets	-16.4	-13.4
Short cover/surplus cover of the plan assets	**4.1**	**3.6**
Present value of pension claims	**26.6**	**28.4**
Adjustment amount due to non-recorded actuarial gains/losses (-)	-4.7	-5.8
Pension provision, Dec. 31	**21.9**	**22.6**

An expected interest rate of between 4% and 8% was used in the valuation of plan assets.

Development of the pension provision for the Group is structured as follows:

	2006 € mio.	2005 € mio.
Pension provisions, previous year	22.6	21.2
Currency translation	0.2	-0.2
Addition from corporate acquisitions	0.0	0.1
Pension expense	3.1	3.5
Pension payments	-4.0	-2.0
Pension provision, Dec. 31	**21.9**	**22.6**

Pension payments for the year 2007 are expected to be below the previous year's level.

Pension expense in financial year 2006 is structured as follows:

	2006 € mio.	2005 € mio.
Expense for pension claims arising during the reporting year	2.0	2.4
Interest expense for acquired pension claims	1.8	1.6
Expected plan asset income	-0.9	-0.7
Adjustment amount due to recorded actuarial gains/losses	0.2	0.2
Expense for defined benefit plans	**3.1**	**3.5**
Expense for defined contribution plans	**1.9**	**2.3**
Total pension expense	**5.0**	**5.8**

16. Tax Provisions

	2005					2006
		Currency-adjustments, reclassifications	Utilization	Release	Addition	
	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	**€ mio.**
Tax provisions	**24.2**	-2.2	-21.6	-0.4	38.5	**38.5**

Tax provisions mainly include income taxes due but not yet paid for financial year 2006, as well as expected tax payments for previous years; they do not include 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

	2005					2006
		Currency-adjustments, reclassifications	Utilization	Release	Addition	
	€ mio.	€ mio.	€ mio.	€ mio.	€ mio.	**€ mio.**
Provisions for:						
Warranties	**16.3**	-0.8	-13.1	-0.3	11.5	**13.6**
Purchasing risks	9.6	-0.7	-4.3	-0.3	3.5	7.8
Others	25.2	-1.2	-4.1	-4.1	21.9	37.7
Total	**51.1**	**-2.7**	**-21.5**	**-4.7**	**36.9**	**59.1**

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.

Purchasing risks primarily relate to materials risks and to the forms needed for shoe manufacture. The item also includes anticipated losses associated with purchasing transactions. The provision will probably lead to a 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 most of the amount will be utilized largely within the next two years.

18. Liabilities from Acquisitions

In accordance with the agreements concluded, the liabilities from acquisitions in the context of corporate acquisitions in 2005 and 2006 leads to prorated payments (see paragraph 2). The resulting nominal amounts were discounted depending on the expected time of payment and applying an adequate market interest rate.

The purchase price liability is structured as follows:

	2006 € mio.	2005 € mio.
Due within one year	23.6	6.9
Due in more than one year	100.3	10.7
Total	**123.8**	**17.6**

19. Shareholders' 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 € 44.1 million. It is split up into 17,233,714 shares of stock. Capital reserves were increased by € 71.1 million in 2006 through the issuance of new shares in the context of the Management Incentive Program. As of the balance sheet date the company holds 1,120,000 shares of stock in its own portfolio (see below: "Own Shares").

In a letter dated August 29, 2006 the firm of "Mayfair Vermögensverwaltungsgesellschaft mbH" reported that it holds 25.1% of the subscribed capital. At the year-end, Mayfair was the only major shareholder, holding a stake of over 25%. 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 amounting to € -4.5 million (previous year: € 21.5 million) is already reduced by deferred taxes of € 1.8 million (previous year: € -11.1 million).

Own Shares/Treasury Stock

The Shareholders' Meeting on April 27, 2006 authorized 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 made use of this authorization and repurchased a total of 1,120,000 PUMA shares (previous year: 890,000 shares of stock), or 6.5% of the subscribed capital, up to the balance sheet date; these shares are held as treasury stock in the company's own portfolio. The amount invested to this end totals € 225.6 million.

Authorized Capital

Pursuant to Article 4, Items 6 and 7 of the PUMA AG Articles of Association, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share 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).

It is intended to obtain an authorization for a further five years from the General Shareholders' Meeting on April 11, 2007. Currently, there are no plans to use the authorized capital

Conditional Capital

Pursuant to Article 4 (5) of the Articles of Association, conditional capital was created to the amount of € 3.9 million in 2001 in order to finance a total of 1,530,000 stock options. The stock options were issued in several tranches to Management within the scope of the Stock Option Program. As of December, 2006, conditional capital was still available to the amount of € 0.4 million.

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 and the Supervisory Board propose to the General Shareholders' Meeting that a dividend of € 2.50 per outstanding share or a total of € 40.3 million from the PUMA AG net retained earnings be approved for distribution to the shareholders for financial year 2006. This corresponds to a payout rate of 15.2% relative to the consolidated net income, in comparison to 11.2% in the previous year.

Use of net retained earnings of PUMA AG:

		2006	2005
Net retained earnings of PUMA AG as of Dec. 31	€ mio.	44.9	34.4
Dividend per share	€	2.50	2.00
Number of shares outstanding on Dec. 31	share of stock	16,113,714	15,974,214
Dividend, total	€ mio.	40.3	31.9
Carryforward to the new accounting period	€ mio.	4.6	2.5

Minority Shares

The minority share as of the balance sheet date relates to Unisol S.A. in Argentina (35%).

20. Equity Participation Plans/Management-Incentive-Program

PUMA implements share-based remuneration systems in the form of stock option programs (SOP) and stock appreciation rights (SAR) with a view to providing long-term incentive effects and thus retaining management staff in the company over the long-term. The current programs are described below:

Explanatory Comment: "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 an opportunity to acquire PUMA shares at the exercise price within a period of between one to five years, and following a two-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 as reflected in the table below. The SOPs outstanding as of the balance sheet date are exclusively held by Management (members of the management bodies of affiliated companies and executive staff of PUMA AG and affiliated companies).

Development in the Financial Year:

	Issue date	Number issued	Exercised in 2006	Average stock price when exercised	Lapsed in 2006	In circulation as of December 31		Exercise price
						2006	2005	
Tranche I	29.08.2001	444,714	-10,500	311.57	0	0	10,500	€ 24.61
Tranche II	09.04.2002	435,000	-22,000	294.34	0	0	22,000	€ 56.38
Tranche III	31.03.2003	190,000	-2,500	290.00	0	2,500	5,000	€ 85.68
Tranche IV	31.03.2004	459,000	-334,500	310.92	-3,500	85,500	423,500	€ 206.20

The following parameters were used to determine the fair value:

	Tranche III	Tranche IV
Share price at the time of the shares being granted	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%

Explanatory Comment: "SAR"

The Long-Term-Incentive-Program was extended to include Stock Appreciation Rights (SAR) to members of the PUMA AG Board of Management, members of the management bodies of affiliated companies, and executive staff of PUMA AG and affiliated companies who are responsible for the long-term-increase in corporate value.

Under the **"SAR 2004"** program, the term of non-forfeitable option rights is five years as from the date of issue; the options 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 was agreed upon.

Within the scope of the "SAR 2006" program, it is planned to discontinue the existing "SAR 2004" program over the medium term. To this end, Tranche II (2005/2010) was redeemed in the financial year and a maximum exercise gain of 50% on the exercise price was introduced for Tranche III (2006/2011) following the Corporate Governance requirement to apply a capping limit. In addition, the company may redeem outstanding tranches for the following two years and thus achieve adjustment or conversion to the "SAR 2006" program over the medium term.

Development of the "SAR 2004" program during the year:

	Issue date	Number issued	Change in 2006	In circulation as of December 31		Exercise price
				2006	2005	
2004/2009 - Tranche I	20.04.2004	100,000	-100,000	0	100,00	€ 200.00
2005/2010 - Tranche II	25.04.2005	150,000	-150,000	0	150,00	€ 210.81
2006/2011 - Tranche III	25.04.2006	150,000	0	150,00	0	€ 345.46

The following parameters were used to determine the fair value:

	Tranche III
Share price as of Dec. 31, 2006	€ 295.67
Expected volatility	30.7%
Expected dividend payment	1.32 %
Risk-free interest rate	3.9 %

Volatility of 30.7% is recorded for valuation of the tranche issued in the financial year. The volatility is based on historical prices for the PUMA Share. The historical volatility for the year prior to the date of valuation was used to determine expected volatility.

The maturity of option rights concerning the **"SAR 2006"** program is five years overall, as from receipt of the acceptance statement. The option rights may be exercised after a blocking period of one year at the earliest, whereby only 25% can be exercised as a maximum in the second year, a maximum of 50% in the third year, up to 75% in the fourth year, and the full 100% only in the last year. The options can only be exercised if, at the exercise date, the exercise price relative to the allotment price increased by at least 20% in the second year, by at least 24% in the third year, by at least 27 % in the fourth year, and in the fifth year by at least 29% (exercise hurdle). Each stock appreciation right entitles the owner to realize as profit the positive difference between the share price at the exercise date (at a maximum, however, of twice the allotment price), and the allotment price plus the respective exercise hurdle. The allotment price is calculated from the average of closing prices for the twenty days preceding the granting of the rights.
Comparable programs are planned for 2007 and 2008.

Development of the "SAR 2006" program in the financial year:

	Issue date	Number issued	Exercised in 2006	Lapsed in 2006	In circulation as of December 31		Allotment price
					2006	2005	
Tranche I	01.10.2006	66,250	0	0	66,250	0	€ 264.36

The following parameters were used to determine fair value as of the balance sheet date:

	Tranche 2006
Share price as of Dec, 31, 2006	€ 295.67
Expected volatility	30.7 %
Expected dividend payment	1.32 % - 1.68 %
Risk-free interest rate	3.9 %

Volatility of 30.7% is applied for valuation of the tranche issued in the financial year. Volatility is based on historical price data of the PUMA Share. The historical volatility for the year prior to the valuation date was determined as the historical volatility.

21. Selling, General and Administrative 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, as in the previous year, income typical of the business which is associated with sourcing is included to the amount of € 38.7 million (previous year: € 29.4 million) in other selling, general and administrative expenses. Rental/leasing expenses concerning the company's own retail operations included sales-dependent rental components.

Operating expenses include expenses for the annual auditor of PUMA AG in the amount of € 0.7 million. Of this amount, audit fees account for € 0.4 million, tax consultancy costs account for € 0.2 million, and € 0.1 million are attributable to 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, this item also includes expenses associated with the Company's own retail activities as well as internal administration costs in the field of marketing.

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

	2006 € mio.	2005 € mio.
Marketing/retail	419.6	272.0
Product development and design	56.7	42.0
Other selling, general and administrative expenses	355.4	249.6
Total	**831.8**	**563.5**

Personnel costs consist of the following:

	2006 € mio.	2005 € mio.
Wages and salaries	201.3	147.8
Social security contributions	30.2	23.0
Expenses from option programs	16.9	12.5
Expenses for pension schemes and other personnel expenses	19.1	16.1
Total	**267.5**	**199.4**

The annual average number of staff was as follows:

	2006	2005
Marketing	290	183
Sales/retail	3,802	2,461
Product management/development	555	374
Sourcing/logistics/production	1,441	831
Central units	743	576
Total annual average	**6,831**	**4,425**

A total of 7,742 employees were employed at year-end (previous year: 5,092).

22. Financial Result

The financial result is made up as follows:

	2006 € mio.	2005 € mio.
Other interest and similar income	15.6	11.5
Interest and similar expenses	-7.8	-5.1
Total	**7.9**	**6.4**

Interest expenses include the amount of € 3.1 million which is associated with accumulated purchase price liabilities from corporate acquisitions.

23. Income Taxes

	2006 € mio.	2005 € mio.
Current income taxes		
Germany	13.2	35.7
Other countries	104.4	93.4
Total current income taxes	**117.6**	**129.1**
Deferred taxes	**-9.5**	**-11.9**
Total	**108.1**	**117.2**

In general, PUMA AG and its German subsidiaries are subject to corporation tax plus a solidarity surcharge, and trade tax which is deductible within the scope of determination of income subject to corporation tax. For the financial year, a weighted mixed tax rate of 36.91% applied.

Numerical reconciliation of theoretical tax expense with current tax expense:

	2006 € mio.	2005 € mio.
Earnings before income taxes	**374.0**	**404.1**
Theoretical tax expense Tax rate of AG = 36.91% (previous year: 36.91%)	138.1	149.3
Difference from tax rate in other countries	-31.3	-35.9
Other tax effects: Intra-group entries	-3.0	6.2
Value adjustment on deferred taxes	1.2	-0.8
Tax provisions	2.0	-1.6
Other non-deductible expenses and income, and consolidation and other effects	1.2	1.5
Tax refund from expenses associated with the Management Incentive Program	0.0	-1.6
Current tax expense	**108.1**	**117.2**
Current tax rate	28.9%	29.0%

24. Earnings per Share

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

The calculation is presented in the table below:

		2006	2005
Net earnings	€ mio.	263.2	285.8
Average number of shares outstanding	share	16,054,246	16,065,688
Diluted number of shares	share	16,138,717	16,162,821
Earnings per share	€	16.39	17.79
Earnings per share, diluted	€	16.31	17.68

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 largely invoiced in other currencies; in addition, the company earns royalty income mainly in USD. The resulting assets and liabilities are subject to exchange-rate fluctuations.

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 into 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 between twelve and twenty-four months in advance. At year end 100% of the net exposure for the next 15 months is hedged. Thus the planning period for the year 2007 and the first quarter of 2008 are hedged 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 Euros which were concluded with international renowned financial institutions only. The credit risk is therefore assessed as being very low or unlikely. 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 2006 € mio.	Nominal amount 2005 € mio.	**Market value 2006 € mio.**	Market value 2005 € mio.
Total forward exchange transactions	**557.6**	616.1	**-8.0**	27.6

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 a 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.

Underlying and hedging transactions will impact results within the next fifteen months.

Management does not expect any adverse influences on the Group's financial position to arise 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: 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 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 segments' 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 which is 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/amortization relate to additions to and depreciation/amortization 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.

Segment Reporting

Primary segment data

Regions	Sales (total)		Internal sales		External sales with third parties		Gross profit		Sales	
	nach Sitz der Kunden								by head office locations	
	2006 € mio.	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.
EMEA	**1,321.1**	1,221.0	**-162.5**	-116.1	**1,158.7**	1,104.9	**623.2**	599.7	**1,322.8**	1,222.5
Asia/Pacific	**515.0**	213.0	**-28.5**	-16.7	**486.5**	196.3	**242.4**	97.2	**515.1**	213.6
America	**743.1**	476.3	**-19.0**	-0.0	**724.1**	476.3	**333.7**	232.9	**741.3**	474.2
Central units/consolidation									**-210.0**	-132.8
	2,579.2	1,910.3	**-210.0**	-132.8	**2,369.2**	1,777.5	**1,199.3**	929.8	**2,369.2**	1,777.5

Regions	Profit from operations		Gross assets (balance sheet total)		Liabilities		Investments		Depreciation	
	by head office location of group companies									
	2006 € mio.	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.	**2006 € mio.**	2005 € mio.
EMEA	**255.4**	302.5	**969.9**	943.8	**430.5**	383.8	**40.1**	45.0	**21.7**	15.7
Asia/Pacific	**106.7**	41.2	**197.3**	89.6	**140.5**	56.4	**11.4**	1.3	**3.6**	2.2
America	**125.8**	93.6	**321.9**	198.5	**211.9**	126.3	**37.3**	19.7	**11.8**	6.9
Central units/consolidation	**-121.7**	-39.6	**225.8**	89.2	**-117.1**	-120.8	**121.5**	25.1	**1.3**	-0.4
	366.2	397.7	**1,714.8**	1,321.0	**665.8**	445.7	**210.3**	91.0	**38.4**	24.3

Breakdown of Sales and Gross Results by Product Categories

	External sales with third parties		Gross profit in %	
	2006 € mio.	2005 € mio.	**2006**	2005
Footwear	**1,420.0**	1,175.0	**50.3%**	52.7%
Apparel	**795.4**	473.9	**50.7%**	51.8%
Accessories	**153.8**	128.6	**53.3%**	50.4%
	2,369.2	1,777.5	**50.6%**	52.3%

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. The gross cashflow, derived from earnings before taxes on income and adjusted for non-cash income and expense items, is determined within the cashflow from operating activities. Free cashflow is understood to be 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

	2006 € mio.	2005 € mio.
Bill commitments	0.3	0.6

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 five years. The term of rental contracts concerning the retail business is between five and fifteen years. The terms of all other rental and lease contracts are between one and five years.

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

	2006 € mio.	2005 € mio.
From license, promotion and advertising contracts:		
2007 (2006)	49.5	47.4
2008 - 2011 (2007 - 2010)	136.2	170.5
From rental and lease contracts:		
2007 (2006)	61.9	46.6
2008 - 2011 (2007 - 2010)	191.4	153.3
ab 2012 (ab 2011)	85.4	81.3

30. Board of Management and Supervisory Board

Board of Management Remuneration Report

The remuneration of Board of Management members is determined by the Supervisory Board and is comprised of fixed and performance-based components. The fixed components include fixed remuneration and benefits in kind, while the performance-based components are subdivided into profit sharing bonuses and components with long-term incentive effect (Stock Appreciation Rights). Criteria that are taken in consideration in the measurement of the overall remuneration include the duties and services of the respective Board of Management member, the general economic situation, the strategic 5-year planning and pertaining goals, the long-term nature of the achieved results, the long-term earnings prospects of the company, and international benchmark comparisons.

The fixed component, or fixed basic remuneration, is paid as salary on a monthly basis. In addition, the members of the Board of Management also receive benefits in kind such as company cars and insurance premiums, which are recorded in the amounts as defined under tax guidelines. Generally, these benefits are equally available to all Board of Management members and are included in the fixed component of their remuneration. The profit sharing bonus as performance-based remuneration is oriented towards the operating profit of the PUMA Group.

In the financial year, the amount of € 9.65 million was recorded as expense for fixed and performance-based (profit sharing bonus) remuneration in comparison with € 9.78 million in the previous year.

	Fixed component € mio.	Performance based component (profit sharing bonus) € mio	**Total 2006** **€ mio.**
Jochen Zeitz - Chief Executive Officer, Chairman	3.17	4.00	**7.17**
Martin Gänsler - Chief Product Officer, Deputy Chairman	0.77	1.05	**1.82**
Dieter Bock - Chief Financial Officer	0.36	0.30	**0.66**
Total	**4.30**	**5.35**	**9.65**

The Long-Term-Incentive-Program represents another performance-based remuneration component with long-term incentive effect. In the financial year, the Board of Management was granted a total of 156,000 options from the SAR programs. Of these, 150,000 options ("SAR 2004"; fair value as of the allocation date: € 34.51 per option) were attributable to the Chairman of the Board, and 6,000 were attributable to the Chief Financial Officer ("SAR 2006"; fair value at the allocation date: € 30.12 per option).

This results in personnel expenses of € 3.51 million in 2006, whereby the amount of € 3.48 million is attributable to the Chairman of the Board, and € 0.03 million to the Chief Financial Officer. The amount which is recognized as personnel expense corresponds with the fair value as of the balance sheet date, spread over the period of the respective blocking period.

In the event of premature termination of the employment relationship, the Chairman of the Board is paid the current salary components up to initial contract termination, whereby a subsiding scale depending on the actual termination date has been agreed upon with respect to the performance-based component. Respecting the salary components from the Long-Term-Incentive Program (SAR), it is agreed that rights not exercised at the date of departure are paid out on the basis of a value determined in accordance with "Black-Scholes". Furthermore, the company is entitled to discontinue programs not yet issued and the pertaining rights up to 2008 in exchange for payment. In accordance with an agreement concluded with the Deputy Chairman, he will be available to the company for financial year 2007. As total remuneration in 2007, a payment in the amount of the actual remuneration for 2006 is made which also includes a competition covenant.

The Chairman of the Board is provided with a pension commitment for which the company took out a pension liability insurance policy. The proportion of the pension capital which is already financed through contributions to the pension liability insurance is deemed to be a vested claim. As of the balance sheet date, this results in a pension claim of T€ 150 p.a., or a one-off capital compensation to the amount of the present value upon occurrence of retirement.

Pension commitments to former Board members amounted to € 2.28 million (previous year: € 2.50 million); they are recorded under pension provisions. The amount of € 1 million was paid for pensions and indemnity concerning pension claims to former Management Board members.

The option programs issued in previous years result in personnel expenses of € 11.99 million. Of this amount, € 11.78 million are attributable to the Chairman of the Board, € 0.11 million are attributable to the Deputy Chairman, and € 0.10 million are attributable to the Chief Financial Officer.

Supervisory Board Remuneration Report

In accordance with the Articles of Association, the Supervisory Board has six members.

Remuneration for Supervisory Board members which is resolved upon by the General Shareholders' Meeting consists of a fixed and a performance-based component.

Fixed annual remuneration amounts to T€ 30.0 for each Supervisory Board member. The Supervisory Board Chairman receives twice this amount, and the Vice Chairman one and a half times this remuneration. The performance-based remuneration amounts to € 20.00 per € 0.01 of the earnings per share as reported in the consolidated financial statements (before dilution) that exceed a minimum amount of € 16.00, the maximum amount being T€ 10.0 per year, however. The Chairman of the Supervisory Board receives twice this amount, and the Vice Chairman receives one and a half times the amount. Owing to earnings per share of € 16.39 in the financial year, the Supervisory Board Chairman receives performance-based remuneration of T€ 1.6, and his deputy receives the amount of T€ 1.2 . Each other member receives the amount of T€ 0.8.

Fixed remuneration to a total amount of T€ 213.2 (previous year: T€ 225.0) was paid in the financial year, and performance-based remuneration totaled T€ 5.5 (previous year: T€ 26.9).

31. Corporate Governance

The Board of Management and the Supervisory Board have issued the required Compliance Declaration respecting 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). Attention is also drawn to the Corporate Governance Report.

32. Events after the Balance Sheet Date

No events occurred after the balance sheet date that would significantly impact the company's net assets, financial position and results of operations.

Herzogenaurach, February 9, 2007

Board of Directors

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 of 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 consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.”

Frankfurt am Main, January 9, 2007

PRICEWATERHOUSECOOPERS

Wirtschaftsprüfungsgesellschaft

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

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The past financial year marked another milestone in the corporate history of PUMA. Management successfully introduced Phase IV of the long-term oriented business plan which is associated with heavy investments, the launching of new product categories and expansion of PUMA's geographic presence. The year 2006 was, of course, inseparably linked with the World Cup, which was an outstanding event for the brand and the company.

The Supervisory Board was closely involved during this exciting year. At meetings held on February 10, April 27, August 9, September 29 and November 6, the Supervisory Board discussed current business developments with the Board of Management and, moreover, also held oral and written contact with the Board of Management outside these meetings. 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 on the following significant issues:

- Review and approval of the 2005 annual financial statements
- Current business development, 2006
- Corporate planning, 2007
- Continuation of Phase IV of the long-term oriented business plan, including planned acquisitions and expansion targets
- Management Incentive Program
- Corporate Governance Code/Compliance Declaration
- Contractual issues concerning the Board of Management
- New elections concerning the Supervisory Board
- Share buyback
- Dividend policy

Personnel Committee

The Personnel Committee met three times in 2006, each time in connection with Supervisory Board meetings. The main issues dealt with by the Personnel Committee were the Management Incentive Program (SAR), compensation and contract-related issues, as well as various personnel-related matters. The committee also discussed pension agreements of former Management Board members. In financial year 2006, members of the Personnel Committee were Werner Hofer, Thore Ohlsson, Günter Herz 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 on an ongoing basis. Moreover, the Audit Committee addressed accounting and performance-related issues and discussed these with Management. After the Supervisory Board had placed the audit engagement for financial year 2006, 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 2006 was discussed in detail with the annual auditor at a meeting held on February 18, 2007. In financial year 2006, members of the Audit Committee were Thore Ohlsson (Chairman), Werner Hofer (until April 27, 2006), Rainer Kutzner (from April 27, 2006) and 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.

At present, the Company fulfils all requirements stipulated in the DCGK and expresses compliance with these requirements in a Compliance Declaration. The Compliance Declaration is made permanently available to our shareholders on the company's homepage.

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 Aktiengesellschaft, Frankfurt am Main, who were appointed by the Annual General Meeting on April 27, 2006, and engaged by the Supervisory Board to audit the annual financial statements and the consolidated accounts.

In his report, the annual auditor arrives 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 for taking appropriate counteraction. 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 the 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 18, 2007, and at the Supervisory Board meeting on this day. No inconsistencies were found. In addition, at today's meeting, the Supervisory Board had the Board of Management explain the details provided in the management report pursuant to Section 289 (4) and Section 315 (4) HGB.

After thorough examination, we approve the annual financial statements and consolidated financial statements prepared by the Board of Management and concur with the auditor's 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 € 2.00 to € 2.50 per share. A total of € 40 million from the retained earnings of PUMA AG will be used to this end. The remaining retained earnings of € 4.6 million shall be carried forward to the new accounting period.

Changes in the Supervisory Board
Rainer Kutzner was legally appointed as a Supervisory Board member with effect from February 15, 2006 through to the next Annual General Meeting. On April 27, 2006, the Annual General Meeting appointed Günter Herz and Rainer Kutzner as members of the Supervisory Board.

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 managements of the Group companies, to the staff's chosen representatives, and to all employees for the sustained successful performance of our company and the work involved in achieving it.

Herzogenaurach, February 19, 2007

On behalf of the Supervisory Board

Werner Hofer
Chairman

Supervisory Board

Werner Hofer (Chairman)
Hamburg
Lawyer

Member of other Supervisory Boards or similar boards:
- H & M Hennes & Mauritz GmbH, Hamburg/Germany
- Electrolux Deutschland GmbH (Chairman), Nuremberg/Germany
- D + H Mechatronic AG (Chairman), Hamburg/Germany
- 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
- T.M.C. AB (Chairman), Skanör/Sweden

Günter Herz (from April 27, 2006)
Hamburg
Merchant

Dr. Rainer Kutzner (from February 15, 2006)
Hamburg
Managing Director of Mayfair
Vermögensverwaltungsgesellschaft mbH, Hamburg

Arnon Milchan (until January 9, 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,
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, Legal Affairs and Industrial Property Rights)

Dieter Bock
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)

Klaus Bauer (Operations, Human Resources)

John Mollanger (Business Units)

Reiner Seiz (Sourcing, Logistics)

Impressum

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