## PUMA Year-on-Year Comparison

<table>
<thead>
<tr>
<th>2005</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ million</td>
<td>€ million</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td></td>
</tr>
<tr>
<td>Brand sales</td>
<td>2,387.0</td>
</tr>
<tr>
<td>Consolidated sales</td>
<td>1,777.5</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
</tr>
<tr>
<td>Gross profit</td>
<td>929.8</td>
</tr>
<tr>
<td>Earnings before interest and tax (EBIT)</td>
<td>397.7</td>
</tr>
<tr>
<td>Earnings before taxes (EBT)</td>
<td>404.1</td>
</tr>
<tr>
<td>Net earnings</td>
<td>285.8</td>
</tr>
<tr>
<td><strong>Balance sheet information</strong></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>875.4</td>
</tr>
<tr>
<td><strong>Growth and Investments</strong></td>
<td></td>
</tr>
<tr>
<td>Sales growth</td>
<td>455.9</td>
</tr>
<tr>
<td>Free cashflow (before acquisition)</td>
<td>256.6</td>
</tr>
<tr>
<td><strong>Risk management</strong></td>
<td></td>
</tr>
<tr>
<td>Capital return on invested capital</td>
<td>32.5%</td>
</tr>
<tr>
<td>Return on capital employed (ROCE)</td>
<td>102.0%</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
</tr>
<tr>
<td>Employees on yearly average</td>
<td>4,425</td>
</tr>
<tr>
<td>Sales per employee (T€)</td>
<td>401.7</td>
</tr>
<tr>
<td><strong>PUMA Share</strong></td>
<td></td>
</tr>
<tr>
<td>Stock exchange rate at year-end (in €)</td>
<td>245.50</td>
</tr>
<tr>
<td>Average outstanding shares (in million)</td>
<td>10.80</td>
</tr>
<tr>
<td>Earnings per share (in €)</td>
<td>4.43</td>
</tr>
<tr>
<td>Free cashflow per share</td>
<td>0.48</td>
</tr>
<tr>
<td><strong>Stock market value</strong></td>
<td></td>
</tr>
<tr>
<td>Stock market value (in million €)</td>
<td>3,937.6</td>
</tr>
<tr>
<td>Average trading volume (amount/day)</td>
<td>159,285</td>
</tr>
</tbody>
</table>

*restated
Dear Fellow Shareholder,

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

Since the beginning of Phase III, consolidated sales nearly tripled, our gross margin climbed from 44% to over 52%, and EBIT grew around 600% to 398 million Euro, which translates into an EBIT margin of 22% and an all-time high of almost 22%. Just as in Phase I and II, we were able to significantly exceed our original Phase III targets well ahead of schedule, allowing us to close Phase III one year earlier than initially expected. Shareholder value and market capitalization increased in kind, by over 3,500% to nearly 4 billion Euro since we started the long-term development plan in 1993.

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

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

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

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

Following a similar pattern to Phase III, the beginning of Phase IV will be marked by increased investment in the brand and our regional expansion to kickstart our road to fully explore the potential of the PUMA brand and company. As always, our focus will remain on brand and earnings growth simultaneously as well as supporting the brand even further.

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

Best regards,

Jochen Zeitz

06 07
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„The most desirable Sportlifestyle company”
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In the 2005 financial year PUMA followed up on its success story with a new record high in sales and earnings. The initial targets set for Phase III of the company's long-term development plan were not only achieved, but also significantly exceeded in 2005. This marks yet another successful conclusion of a phase in the company's long-term development ahead of schedule. Overall, PUMA succeeded in strengthening and further expanding its position as desirable Sportlifestyle brand.

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

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

Early Achievement of Phase III Targets

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General Economic Conditions

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

Economic dynamics in the Euro zone remained weak. The rise in oil prices will continue to depress consumer demand for some time. In addition, the slowdown in the Euro zone is likely more positive, not least because of a growing intake of new orders. In general, the slowdown in the Euro zone during the year and the low, long-term interest rates had a stimulating effect. Overall, the gross domestic product in the USA and China growth centers continued on its steady upward course at a fast pace in the first six months of the year, and Japan followed suit with significant improvements following the preceding period of stagnation. This process created an additional upswing in the world economy.

Strategic Development

Strategy of the PUMA Group

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


When PUMA launched Phase I of the long-term corporate development strategy in 1993 – after seven years of recording a loss following stock market flotation in 1986 – the initial goal was to return the company to profitability and to create a solid business foundation for the future. PUMA did not only achieve the DM 26.8 million profit, but went on to post record-high profits in the years 1994 to 1997.

PUMA’s key area of concentration in Phase I was not primarily on growth. The focus was set on extensive restructuring and optimization of the global organizational structure, with the goal of generating profitability and a solid financial base for the future. Nonetheless, sales rose from € 210 million to € 269 million. The gross profit margin climbed from less than 33% to just under 37%. Shareholders’ equity improved from minus € 53 million to € 100 million, with an equity ratio of 55%.


Following effective restructuring and the creation of a solid financial base, PUMA launched Phase II, which involved disproportionate high investments in the brand aimed at making PUMA one of the most desirable Sportlifestyle brands. To this end, marketing expenses were raised from 18% to 25%. This process was excellently prepared for the upcoming World Cup.

PUMA developed many of the foundations for future success during Phase II. Market capitalization were nearly tripled. The course for long-term corporate development was started in 1993, with focus and perseverance. Management has led the company through various phases and transformed PUMA into a highly desirable and a highly profitable company. The strategy, which is divided in sequential phases of development, can be summarized as follows:


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After achieving or exceeding Phase II targets ahead of schedule, PUMA launched Phase III in 2005 with the aim of reaching and exceeding the Phase II targets. PUMA was the most desirable sportlifestyle brand and was already popular in the world, as confirmed by many market research studies. At the end of the year 2005, PUMA had already achieved and exceeded the Phase II targets. Thus, Phase III of the long-term corporate development plan was also completed one year ahead of schedule.

Summary Phase I – Phase II

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

Phase I: 1993

- Target: To establish PUMA as a leading brand in the sporting goods industry and to pursue the long-term objective of becoming the most desirable sportlifestyle company.
- Priorities: Brand building, market leadership, and cost leadership.

Phase II: 2001 to 2005

- Target: To become the most desirable sportlifestyle brand in the world.
- Priorities: Brand building, market leadership, and cost leadership.

Phase III: 2005 to 2010

- Target: To become the most desirable sportlifestyle brand in the world.
- Priorities: Brand building, market leadership, and cost leadership.

Expansion of Product Categories

The expansion of product categories in Phase IV will involve growth in already existing business segments as well as entry into new product categories. Expansion of the existing product portfolio will be driven by a strong new product development strategy. PUMA will also examine other selected growth possibilities that could arise outside the PUMA brand. Phase IV will therefore be characterized by expansion with the aim of becoming the most desirable sportlifestyle brand. The priority will be on brand appeal, not on growth at any price.

Expansion of Non-PUMA Brands

After achieving or exceeding Phase II targets ahead of schedule, PUMA also plans a selective expansion with non-PUMA brands, which must fulfill a set of clear criteria. On this basis, the Tretorn brand, which had been purchased in 2001, was repositioned with an expanded product range. Further acquisitions could follow if, after a comprehensive examination and the fulfillment of further criteria, they can contribute to increases in the cash flow return on investment and thus to the added value of the company.

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 sale instruments will improve business relationships with existing trading partners and will further increase the presence and visibility of the PUMA brand. In particular, in the already strongly developed markets, PUMA related stores will not only be a unique window for this brand but will also provide for the possibility to offer new products on the market at an early stage as well as the opportunity to swiftly react to new trends.

Exposure to New Trends

In addition to the expansion of product categories, regional expansion, and new products, PUMA also plans to react to new trends. On the one hand, the Tretorn brand, which had been purchased in 2001, can position itself with a new product portfolio. Further acquisitions could follow if, after a comprehensive examination and the fulfillment of further criteria, they can contribute to increases in the cash flow return on investment and thus to the added value of the company.

Conclusion

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

Consolidated sales tripled from € 564 million to € 1.6 billion. The EBIT margin rose from 22.4% to 33.9%, the gross margin climbed from 42% to more than 52%, which was a record high level for the sporting goods industry, and earnings before taxes jumped over € 4.4 billion million to approximately € 4 billion.

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Consolidated Sales at € 1.8 billion
Sales in the year 2005 were marked by yet another record high. After eleven years of growth, consolidated sales reached the € 1,778 million mark. This corresponds to a rise of 16.2% from the previous year's level of € 1,530 million. Currency-adjusted, sales were up 15.8%, which was significantly above the original expectations.

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

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

Accessories sales, consisting mainly of bags, balls and sport accessories, posted an increase of 25% bringing sales up from € 103 million to € 129 million. This enabled the Accessories segment to increase its share in consolidated sales from 6.7% to 7.2%. Thus, growth could be realized in the Sport as well as Sportlifestyle areas.
Consolidated sales rose from 11% to 13.9%.

stores were up by 47.2%, rising to €247 million. The share of respective countries. This ensures the regional availability and operates factory outlets as part of its retail operations in the

In addition to the concept and PUMA stores, the Group also

which enables PUMA to position itself as a Sportlifestyle brand.

were opened worldwide. Thus, at year-end, PUMA had 66

innovative products in a brand-conformant atmosphere.

experience which enables the consumer to be presented with market (speed-to-market), while also creating a unique brand

sales accelerate the speed with which products appear on the

brand strategy and will continue to gain in importance. Direct

The Group's own retail stores are a significant element of the

Expansion of Retail Operations

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Letter to Shareholders | Mission |

integrated into the PUMA Group.

subsidiaries or joint venture companies which will then become

development planning, beginning in 2006, PUMA distribution

As already announced in Phase IV of the long-term corporate development planning, beginning in 2006, PUMA distribution licenses will be increasingly recalled and transferred to independent partners who are responsible for the design, sourcing and distribution of special products (such as perfumes, bodywear and watches). Moreover, PUMA distribution licenses are also issued for PUMA core products in various markets, particularly in Asia and Latin America. Together with the global distribution, they are a significant source of sales. Since the licensed sales are realized outside the PUMA Group, they are not consolidated.

Overall, license sales were up significantly by 28.4%, climbing from €486 million to €610 million, or 24.7% after currency adjustment. Royalty and commission income earned with license sales totalled €56 million and compared to €44 million in the previous year.

This corresponds to a margin improvement by 40 basis points. Both the product mix and regional effects were more

Gross Profit Margin Exceeds 52%

The desirability of the brand is also reflected in the gross profit margin, which positions the company at the upper end of the margins spread within the sporting goods industry. As a percentage of sales, the margin in the 2005 reporting year climbed to a new record high of 52.3% from the previous year's level of 51.9%.

The margin in Apparel rose from 63.1% to 63.9%, while that in Footwear climbed to a new record high of 52.3% from the previous year's level of 51.8%. A record margin of 53.5% was reported for Accessories, reflecting the breadth and strength of the product range in this area. As a percentage of sales, the margin in the 2005 reporting year climbed to a new record high of 52.3% from the previous year's level of 51.9%.

The margin in each product area is strongly influenced by both the product mix and regional effects. Both the product mix and regional effects were more than compensated for by favorable exchange rates. In absolute figures, gross profit was up by a total of 17.1%, rising from €794 million to €930 million.

results of Operations

Sales, general and administrative expenses 206.3 20.4% 289.4 23.0% 24.7% Royalty and commission income 55.7 4.3% 43.7 3.5% Depreciation 43.7 3.4% 43.7 3.5% EBIT 258.7 20.4% 235.0 19.0% 15.7% Ordinary income 317.2 6.2% 154.1 8.5% 103.1% Minority interests -9.5 -0.2% -9.7 -0.3% -1.9% Net income 307.7 6.0% 144.4 8.2% 13% Weighted average shares outstanding (diluted) 16,163 15.8 14.5 11.5% Weighted average shares outstanding, diluted (million) 16,163 15.8 14.5 11.5%

Retail sales, Royalty in %

2001 2002 2003 2004 2005

% of total sales

Retail sales

License sales, Royalty in %

2001 2002 2003 2004 2005

% of total sales

License sales

Management Income Statement 2005 2004* +/- %

Cost of material 847.8 47.7% 786.1 45.8% 7.7%

Consolidated sales 1,777.9 100.0% 1,555.3 100.0% 16.2% Cost of goods sold 900.6 47.0% 874.8 48.0% 3.0% Gross margins 877.3 52.3% 680.5 52.0% 27.4% Royalty and commission income 55.7 3.1% 37.3 2.4% 56.6% Netting, general and administrative expenses 195.5 12.8% 229.7 14.6% 15.3% EBIT 258.7 15.7% 221.5 14.4% 17.3% Cost of goods sold 1,067.7 59.4% 1,034.9 60.9% 3.2% EBITDA 304.4 17.1% 270.0 17.0% 12.7% Depreciation 43.7 2.9% 43.7 2.9% Income taxes 117.2 6.6% 98.4 6.4% 18.4% EBIT 258.7 15.7% 221.5 14.4% 17.3% Minority interests -9.5 -0.2% -9.7 -0.3% -1.9% Net income 307.7 6.0% 144.4 8.5% 103.1% Weighted average shares outstanding, diluted (million) 16,066 0.3% 16,025 0.3% 0.3% Weighted average shares outstanding, diluted (million) 16,066 0.3% 16,025 0.3% 0.3% Weighted average shares outstanding, diluted (million) 16,066 0.3% 16,025 0.3% 0.3%
Pre-Tax Profit Exceeds € 400 million
Net interest income rose from € 5.7 million to € 6.4 million and earnings before taxes (EBT) were up by 10.8%, climbing from € 365 million to € 404 million. Thus, for the first time in the company's history, the € 400 million mark was passed. As a percentage of sales, this corresponds to a gross return of 22.7%, compared to 23.8% in the previous year.

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

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

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

PUMA plans a dividend pay-out ratio of between 20% and 25% for the long-term.

Cost Structure Increases as Planned
Operating expenses for financial year 2005 consisting of selling, general and administrative expenses rose steadily by 22.7% to € 364 million. Due to further investments in company-owned retail operations and the related higher operative expenditures, the cost structure increased from 30% to 31.7% of sales.

Investments in marketing retail totalled € 275 million or 15.3% of revenue, compared to the previous year’s level of € 215 million or 14%. This corresponds to a 26.8% or 0.7 million increase in brand image building expenses. Product development and design expenses rose by 13.8% from € 37 million to € 43 million, remaining constant at 2.4% of sales. Other selling, administration and general expenses were up by 25% to € 250 million. As a percentage of sales, this corresponds to an increase from 15.6% to 16.4%. The increase is partly due to the balance sheet recognition of the share-based compensation system for management.

Depreciation:
Depreciation rose by 26% from € 99 million to € 24 million. This increase is mainly due to the expansion of own retail operations and the related investments.

Operating Profit above 22%
Despite the higher expenses, absolute profitability continued to increase. Operating profit before interest and tax (EBIT) is up by 10.8%, rising from € 359 million to € 398 million. As a percentage of sales this corresponds to an operating margin of 22.4%, compared to 21.5% in the previous year.

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

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

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

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

The gross profit margin in the Americas region showed a slight decrease of 4 basis points from 49.3% to 48.9%. The operating margin remained constant at the previous year’s level of 19.6%. After currency adjustments and including the acquisition in Argentina and Canada, orders on hand at the 2005 year-end were up significantly to 47.1% in the overall region. Growth continued to accelerate in the US market. As of December 31, 2005 orders on hand amounted to USD 244 million, which corresponds to an increase of 33.6%. There was also a doubling of orders in Latin America.

Sales in the EMEA were up by 5.5%, rising from € 1,047 million to € 1,105 million, and were thus slightly above initial expectations. Despite the difficult economic environment in a number of European core markets, overall sales developed positively in the financial year. The EMEA region currently accounts for 62.2% of consolidated sales, compared to 68.4% last year.

Divided into segments, Footwear rose by 1.5% (adjusted by 1%), and Accessories by an modest 22.8%. In particular, the continued expansion of the Group’s own retail operations impacted positively on sales.

Once again, the gross profit margin was improved despite the difficult market environment, which reflects the desirability of the brand. The gross profit margin reached 54.3%, compared with 52.3% in the previous year. As a percentage of regional sales the operating margin (EBIT) reached 25.4% after 21.9% in the previous year. The orders volume developed very positively and, after two quarters of falling orders, closed the year at € 624 million or a 3.5% increase in comparison with the previous year.

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Regional Expansion Impacts Working Capital

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

Increase in Other Assets

Other current assets were up by 132.5% to €80 million. This increase mainly resulted from advance payments for acquisitions (€10 million), a change in the fair values of derivative financial instruments (€16 million) and tax refund claims.

Other long-term assets rose by 70.8% to €201 million. The ongoing expansion of the Group's own retail operations led to increases in property, plant and equipment (€37 million), and an increase in goodwill (€25 million) from acquisitions. Other effects resulted from the change in fair values of long-term derivative financial instruments (€13 million).

Equity Ratio in Excess of 66%

As of December 31, 2005, the PUMA Group's shareholders' equity amounted to €875 million, compared to €550 million in the previous year. This corresponds to an equity ratio of 66.3% compared to 58.4%. The balance sheet total in the period under review rose by 40.2% from €942 million to €1,321 million. A renewed rise in the equity ratio reaffirms the strength of the Company's net assets, financial position and results of operations.

Consolidated Balance Sheet Structure

<table>
<thead>
<tr>
<th></th>
<th>2005 € million</th>
<th>% of sales</th>
<th>2004 € million</th>
<th>% of sales</th>
<th>+/- %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>47.5</td>
<td>3.6%</td>
<td>36.8</td>
<td>4.0%</td>
<td>29.3%</td>
</tr>
<tr>
<td>Inventories</td>
<td>238.3</td>
<td>18.0%</td>
<td>201.1</td>
<td>21.3%</td>
<td>18.5%</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>277.5</td>
<td>21.0%</td>
<td>168.1</td>
<td>17.8%</td>
<td>65.0%</td>
</tr>
<tr>
<td>Other current assets</td>
<td>30.1</td>
<td>2.4%</td>
<td>14.4</td>
<td>1.5%</td>
<td>110.3%</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,071.4</td>
<td>81.1%</td>
<td>773.0</td>
<td>82.0%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>48.6</td>
<td>3.7%</td>
<td>51.6</td>
<td>5.5%</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>201.0</td>
<td>15.2%</td>
<td>117.7</td>
<td>12.5%</td>
<td>70.8%</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>249.6</td>
<td>18.9%</td>
<td>169.3</td>
<td>18.0%</td>
<td>47.4%</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,321.0</td>
<td>100.0%</td>
<td>942.3</td>
<td>100.0%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Current bank liabilities</td>
<td>45.1</td>
<td>3.4%</td>
<td>12.9</td>
<td>1.4%</td>
<td>248.4%</td>
</tr>
<tr>
<td>Tax provisions</td>
<td>24.2</td>
<td>1.8%</td>
<td>33.7</td>
<td>3.6%</td>
<td>-28.3%</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>315.2</td>
<td>23.9%</td>
<td>286.3</td>
<td>30.4%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>384.5</td>
<td>29.1%</td>
<td>333.0</td>
<td>35.3%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>20.0</td>
<td>1.5%</td>
<td>9.6</td>
<td>1.0%</td>
<td>108.3%</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>22.6</td>
<td>1.7%</td>
<td>21.2</td>
<td>2.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>18.5</td>
<td>1.4%</td>
<td>28.4</td>
<td>3.0%</td>
<td>-34.8%</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>61.2</td>
<td>4.6%</td>
<td>59.2</td>
<td>6.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>875.4</td>
<td>66.3%</td>
<td>550.2</td>
<td>58.4%</td>
<td>59.1%</td>
</tr>
<tr>
<td>Total liabilities and shareholders' equity</td>
<td>1,321.0</td>
<td>100.0%</td>
<td>942.3</td>
<td>100.0%</td>
<td>40.2%</td>
</tr>
<tr>
<td>Working capital</td>
<td>479.6</td>
<td>36.3%</td>
<td>383.2</td>
<td>40.6%</td>
<td>24.6%</td>
</tr>
</tbody>
</table>

Working capital as % of sales

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Net Assets and Financial Position

Perceptible Improvement in Liquidity

Liquid assets rose from €70 million to €475 million while liabilities to banks increased from €12 million to €45 million. Thus, net liquidity improved significantly and rose from €58 million to €430 million, despite the investment activity and utilisation of funds for the repurchase of treasury stock in the reporting year.

Regional Exposure Impacts Working Capital

Inventories were up 18.5% to €236 million and trade receivables increased by 65% to €278 million. In particular, regional expansion contributed to a disproportionately high increase in current assets. Due to the only minor increase in liabilities, working capital (net current assets) as of December 31, 2005 was up from €148 million to €256 million, reaching 14.4% of sales compared to 9.7% in the previous year. Including the expansion of the consolidated group, working capital grew by 44%. The effects on the net assets and financial position at the time of initial consolidation are presented in the Notes to the Financial Statements.

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

Cash out-flow for working capital was € 71 million compared to the net in-flow of € 1.2 million posted in the previous year. The change was due mainly to regional expansion. Taxes, interest and other payments increased significantly from € 100 million to € 160 million. Overall, cash provided by operating activities was € 202 million, compared to € 386 million in the previous year.

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

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

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

*restated
Value-Based Management

Profitable growth ensures a competitive edge in international competition. The goal of the company is to achieve sustained value increase.

Cost of Capital

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Value Contribution

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

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

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

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**Sourcing**

**Sourcing Organization**

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

**Ethical and Social Standards**

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

Realisation of the sustainability idea is supported by a code of conduct which is binding for management, employees and manufacturers. PUMA’s S.A.F.E. Team (Social Accountability and Fundamental Environmental Standards) provides the necessary training and monitors compliance with the integrity code at international level.

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

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

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

**Product Development and Design**

**PUMA’s Product Philosophy**

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

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

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

Management Incentives and Bonus Programs

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

Employees

Rising Employee Numbers

PUMA created a large number of new jobs domestically and internationally in financial year 2005. For an annual average, the total workforce of 4,455 employees increased by 23.3% from the previous year’s level of 3,475 employees. The total increase included 176 employees hired in connection with the expansion of the consolidated group.

Personnel expense rose from € 163 million to € 199 million, or by 22%. The average expense per employee decreased from € 47 to € 45.

As of December 31, 2005, PUMA employed 5,820 employees worldwide, compared to 5,031 employees as of the 2004 balance sheet date. This corresponds to an increase by 1,789 employees, or 32.2%.

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

The marketing staff grew by 29.6%, which brought the number of marketing employees from 152 to 197. The number of employees in the area of product management/product development and design increased 16.9%, from 344 to 402 employees.

The number of sourcing and logistics staff increased by 4.6%, from 802 to 839 employees. In the central departments, the increase was 17.5%, from 532 to 625 employees.
As a globally operating company, PUMA is exposed to a number of different risks in the course of its business activities. These risks are inseparably linked with any entrepreneurial activity. Potential risks must be recognized early, the consequences must be estimated and appropriate preventive and security measures must be undertaken. The early recognition of risks, as well as their recording, valuation and monitoring provide the foundation for successful corporate management.

The guidelines and organisation of the regional risk management system are based on 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" process. This ensures that risks can be detected early and reported to the "Risk Management Committee" (RMC).

The risk areas to be reported on, as well as any findings in the risk portfolio, are defined by RMC and evaluated in accordance with a guideline. Any changes are promptly communicated to the Board of Management.

The central, corporate-wide controlling and reporting system is an integral component of PUMA's risk management. The opportunities and risks involved in all business activities are monitored continuously through a reporting system directed towards the decision-making bodies in the company and any deviations are reported to the Board of Management and Supervisory Board on a monthly basis. In effect, the decision-making bodies in the company are in a position to detect adverse developments early and to initiate the necessary measures at an early stage. In addition, the company has cross-departmental instruments as well as special projects such as margin control and process optimisation in addition to process- or risk-specific systems, in particular for supplier checks and the hedging of currency fluctuations.

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Financial Risks

As a multinational company, PUMA is exposed to currency risks. Business activities are associated with delivery and payment flows in different currencies. Asia is PUMA’s target sourcing market and the sourcing volume is therefore largely corresponding. USD-denominated sales are based on a system of worldwide distribution. However, USD currency requirements are provided only in part by sales in the USD zone. PUMA manages the risk of currency fluctuations in accordance with an internal guidelines and through the use of primary and derivative financial instruments (hedging).

Product and Market Environment

Sportlifestyle has become a well-established prestigious market and is a part of global culture which appeals to a broad spectrum of consumers. In today’s society, sport has become a philosophy of life representing a certain lifestyle, which bears a direct connection to individual values, distinctive aesthetic values, and the personal goals of many people. In society, the border between sport and lifestyle is increasingly dissolving, and sportlifestyle appeals to different consumer groups: The athletes who use a product in exercising their sport, the fans, active people, or simply those individuals who are characterized by spontaneity and individualism. Dissolution of the border between sport and lifestyle opens the market to fashion companies with a sporty orientation. This has the effect that the fans, active people, or simply those individuals who are characterized by spontaneity and individualism.

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

Strategic Planning

Management believes that, in the overall assessment of the risk situation, the risks are limited and manageable and do not represent a hazard to the going concern of the PUMA Group. However, USD currency requirements are provided only in part by sales in the USD zone. PUMA manages the risk of currency fluctuations in accordance with an internal guidelines and through the use of primary and derivative financial instruments (hedging).

Retail Operations

The international expansion of retail operations, i.e. distribution through the Group’s own retail stores, enables PUMA to present all product lines extremely effectively and efficiently in its own shops. On the one hand, the speed with which new products come onto the market is increased, while also creating a unique brand experience and promoting the most innovative products in a brand-conformant atmosphere. On the other hand, the Group has to deal with investment risks, higher fixed costs, and long-term rental commitments.

Organizational Challenges

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

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

Negative business development, these fixed costs would impact negatively on profitability and this could be associated with shop changes, special shoe drives, and provisions for pending losses. PUMA addresses these risks through careful selection of retail locations, the recruitment of personnel with years of experience in the retail business and a system of daily revenue reporting and controlling.
For the year 2006 PUMA again expects a very successful year. The Soccer World Cup offers PUMA an ideal platform for highlighting the brand presence while also impressively highlighting its product capabilities. With a total of 32 teams and numerous individual players, PUMA has the largest World Cup portfolio and is therefore the leading outfitter of this tournament. In addition to the three-time World Champions, Italy, eleven more nations will contribute to a strengthening of the brand presence. Through the use of new technologies, innovative designs and creative concepts as well as the biggest advertising campaign in the company’s history, PUMA will set strong accents at the World Cup with the aim to further consolidate its position as one of the leading soccer brands worldwide.

Further Expansion of the Global Economy in 2006

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

Strengthening of the corporate sector will result in a more pronounced increase in investment activity. The result in the overall economy is expected to remain cautious, however. The world economic forecasts should also make themselves felt in the sporting goods sector since global economic development can significantly influence general consumer behaviour. Particularly in the year of the World Soccer Championships, an upswing in the sporting goods industry is to be expected in Europe. In the 2006 World Soccer Championships year, PUMA will present new product innovations in typical PUMA style. The products will have an authentic brand design, high functionality and unmistakable marketing. The year 2006 will also see the largest marketing campaign in the company’s history. The aim is to achieve a high market presence through the soccer products and the global marketing campaigns, and therefore to strengthen the brand image even further.

Outlook

Orders Position

Orders on hand at the end of the year jumped, for the tenth consecutive time, to €4.1 billion, and topped the €4 billion mark for the first time. Total orders jumped from €3.623 billion to €4.602 billion, in a significant 30% increase over the previous year’s level, representing a substantial acceleration of growth. The record high orders at the start of Phase IV of the long-term corporate development showed double-digit growth for the seventh consecutive time. The orders on hand mainly relate to deliveries for the first and second quarter of 2006. Currency-adjusted orders were up by 25.7% from the previous year.

The order books also contain orders of the new subsidiaries and joint ventures which are consolidated for the first time as of January 1, 2006. Even without the change in the consolidated group, the orders increase of 31.5% is also apparent in the currency-adjusted orders.

Classified by segments, Footwear accounted for €714 million of consolidated orders in the year 2005. This corresponds to growth of 23%. Apparel orders showed a significant increase by 50.1%, and thus jumped significantly from €196 million to €295 million. Orders in the Accessories segment were up 31.5%, rising from €46 million to €61 million. EMEA accounted for 3.5%, rising from €137 million to €287 million as of December 31, 2005. In local currency, the orders increased by 85.7% and thus jumped significantly from €83 million to €159 million.

The largest growth of more than 100% was in Asia, the orders on hand increased from €602 million to €624 million. This is a significant increase over the previous year. By regions, orders in the EMEA region were up 3.5%, rising from €46 million to €61 million. The Americas region achieved in the last two quarters. The largest growth was in Asia, where orders on hand increased by nearly 100% from €83 to €159 million.

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

Due to a significant improvement in the actions position for the EMEA region, as well as at the beginning of the year, Management raised the original sales target for the first year of Phase IV. On a currency-neutral basis, a growth of approximately 30% on consolidated sales, and thus a new record high of approximately €2.3 billion is expected. America will continue to yield 27%, while the EMEA region is expected to decline from 62% to approximately 52% according to plan.

Sales Increases in All Regions

The planned sales growth will extend throughout all regions. Due to the takeover of individual license markets, the regional distribution of sales will improve as planned. The share of Asia/Pacific should grow from 11% to 20% of consolidated sales.

Operating Profit Raised to €3.5 Billion

As already announced in the publication of Phase IV measures, the regional change will impact the average gross profit margin. Overall, the gross profit margin in 2006 is expected to fluctuate within the range of 50% and 51%. The takeover of six license markets into the consolidated business will lead to a corresponding reduction in overhead and commissions income. Selling, general and administrative expenses will be impacted in particular by disproportionate high marketing expenses for the World Cup and other PUMA campaigns, as well as by planned expansion of the Group’s retail operations and higher expenses for product development, design and distribution. Overall, the gross profit margin in 2006 is expected to decline from 62% to approximately 53% according to plan. The operating margin in 2006 is expected to decrease to approximately 15% as a result of building up investment in 2006 and conversion of the license businesses into consolidated business. Based on the very positive orders position and the rapid implementation of Phase IV measures, Management now expects operating profit of at least €350 million, compared to the original expectation of between €300 million and €330 million. The tax rate is expected to lie in the 31% to 32% range.

Despite the planned strategic expenditure, consolidated earnings are expected to fall only 10% to 15% below the previous year’s level of €400 million to €420 million. Post-tax earnings of at least €3.5 billion in Phase IV, or approximately €350 million, compared to the original expectation of between €300 million and €330 million. The tax rate is expected to lie in the 31% to 32% range.

Expansion of the Consolidation Group in 2006

Beginning in financial year 2006, the consolidated group will be expanded by companies in Japan, Taiwan, China, Hong Kong, Argentina and Canada. This effects on the net assets, financial position, and results of operations are presented in the notes. The targeted investments at the start of Phase IV of the long-term corporate development will lead to introduction of the new sales records are expected for the year 2006. The planned sales growth will extend throughout all regions.

Capital Expenditures

The investment planning for 2006 provides for capital expenditure of between €400 million and €550 million. Investments in intangible assets will be necessary, primarily for continued expansion of the Group’s own retail operations. Capital expenditure of approximately €70 million for the acquisition of new subsidiaries and joint venture companies is included in this calculation. The investment planning for 2006 provides for capital expenditure of between €400 million and €550 million. Investments in intangible assets will be necessary, primarily for continued expansion of the Group’s own retail operations. Capital expenditure of approximately €70 million for the acquisition of new subsidiaries and joint venture companies is included in this calculation.

Management is Optimistic

Management is optimistic that the PUMA brand will take yet another large and successful leap in international competition in the year of the Soccer World Cup and during the first year of Phase IV. New sales records are expected for the year 2006. The high level of planned investment activity and associated increase in the cost ratio at the start of Phase IV should impact profits to a significantly lesser extent than originally expected. Therefore, the operating profit in the current year is expected to exceed the original expectations.

The Board of Management

Zeitz Gänsler          Bock

Herzogenaurach, January 25, 2006
The German stock index (DAX) closed the year 2005 with overall favourable development and, compared to 5,408 points or a plus of 27% as of the year end. The MDAX, in which the PUMA share is listed, closed with 7,312 points and was thus 36% up on the previous year.

For the PUMA share, the 2005 stock exchange year again proved to be very positive. At a closing price of € 246.50, the value of the share increased by 22% in a year-on-year comparison and thus almost reached an all time high. Since 2001 alone, share price increases of more than 600% were achieved. As from the beginning of Phase I of corporate development planning, the price of the PUMA share has even risen by an incredible 3,000%.

The development of the PUMA share during the financial year ranged between € 177.04 and € 249.00. The share reached its lowest point for the year on March 4, 2005 at € 177.04. The high for the year was realised at € 249.00 on December 29, 2005. The average trading volume was 13% up from the previous year’s level, rising to 159,285 shares per day. The share continued to move ahead significantly during the first weeks of the current year and closed on January 26, 2006 with a new all time high of above € 262.

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

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

The PUMA Share continues to move ahead by 22%
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<td>Sales</td>
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<tr>
<td>Results of Operations</td>
<td>17</td>
</tr>
<tr>
<td>Dividend</td>
<td>19</td>
</tr>
<tr>
<td>Regional Development</td>
<td>20</td>
</tr>
<tr>
<td>Net Assets and Financial Position</td>
<td>21</td>
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<tr>
<td>Dividend Management</td>
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</tr>
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<td>27</td>
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<tr>
<td>Board of Management</td>
<td>109</td>
</tr>
</tbody>
</table>
### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Notes</th>
<th>2005</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4</td>
<td>475.5</td>
</tr>
<tr>
<td>Inventories</td>
<td>5</td>
<td>238.3</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>6</td>
<td>277.5</td>
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<tr>
<td>Other current assets</td>
<td>7</td>
<td>80.1</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
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<td>Deferred income taxes</td>
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<td>48.6</td>
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<td>Property, plant and equipment</td>
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<td>121.9</td>
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<tr>
<td>Intangible assets</td>
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<td>59.4</td>
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<td>Other non-current assets</td>
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<td>19.8</td>
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<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td>249.6</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>1,321.0</td>
</tr>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current bank liabilities</td>
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<tr>
<td>Trade payables</td>
<td>13</td>
<td>178.7</td>
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<tr>
<td>Tax provisions</td>
<td>16</td>
<td>24.2</td>
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<tr>
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<td>51.1</td>
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<td>Liabilities from acquisitions</td>
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<td>6.9</td>
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<td>Other current liabilities</td>
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<td>78.5</td>
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<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td>384.5</td>
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<tr>
<td>Deferred income taxes</td>
<td>8</td>
<td>20.0</td>
</tr>
<tr>
<td>Pension provisions</td>
<td>15</td>
<td>22.6</td>
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<tr>
<td>Liabilities from acquisitions</td>
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<td>10.7</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
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<td>7.8</td>
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<tr>
<td><strong>Non-current liabilities</strong></td>
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<td>61.2</td>
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<td>Subscribed capital</td>
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<tr>
<td>Group reserves</td>
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<tr>
<td>Accumulated profits</td>
<td>680.3</td>
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<tr>
<td>Treasury stock</td>
<td>-159.6</td>
<td>-100.2</td>
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<tr>
<td>Minority interest</td>
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<td>2.4</td>
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<tr>
<td><strong>Shareholders’ equity</strong></td>
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<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
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<td>1,321.0</td>
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*restated

### Consolidated Income Statement

<table>
<thead>
<tr>
<th>Notes</th>
<th>2005</th>
<th>2004*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>26</td>
<td>1,777.5</td>
</tr>
<tr>
<td>Gross profit</td>
<td>26</td>
<td>929.8</td>
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<tr>
<td>Royalty and commission income</td>
<td>55.7</td>
<td>43.7</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>21</td>
<td>-563.5</td>
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<tr>
<td>Depreciation</td>
<td>-24.3</td>
<td>-19.3</td>
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<tr>
<td>Profit from operations</td>
<td>26</td>
<td>397.7</td>
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<tr>
<td>Financial result</td>
<td>22</td>
<td>6.4</td>
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<tr>
<td>Earnings before taxes</td>
<td>404.1</td>
<td>364.7</td>
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<tr>
<td>Income tax</td>
<td>23</td>
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<tr>
<td><strong>Earnings before attribution</strong></td>
<td>286.9</td>
<td>260.4</td>
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<tr>
<td><strong>Net earnings</strong></td>
<td>285.8</td>
<td>258.7</td>
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<tr>
<td><strong>Net earnings per share (€)</strong></td>
<td>24</td>
<td>17.79</td>
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<tr>
<td><strong>Weighted average shares outstanding</strong></td>
<td>24</td>
<td>16.066</td>
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*restated
### Consolidated Cashflow Statement

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes</th>
<th>€ million</th>
<th>€ million</th>
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<tr>
<td>2003</td>
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#### Changes in Equity

<table>
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<th>Year</th>
<th>Shares</th>
<th>Common stock</th>
<th>Capital</th>
<th>Reserve</th>
<th>Difference</th>
<th>Profit</th>
<th>Cashflow Profit</th>
<th>Net</th>
<th>Minorities</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
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<td></td>
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</tr>
</tbody>
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---

### Changes in Equity

<table>
<thead>
<tr>
<th>Year</th>
<th>Shares</th>
<th>Common stock</th>
<th>Capital</th>
<th>Reserve</th>
<th>Difference</th>
<th>Profit</th>
<th>Cashflow Profit</th>
<th>Net</th>
<th>Minorities</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

### Notes

- **Operating activities**: Profit before tax, Adjustments for: Depreciation, Non-realized currency gains/losses, net, Selling and marketing, Interest paid, Other cash inflows and outflows.

- **Consolidated Financial Statements**: Changes in Equity, Consolidated Cashflow Statement, Changes in Equity, Consolidated Profit.
Notes to the Consolidated Financial Statements

I. General Remarks

Under the "PUMA" brand name, PUMA Aktiengesellschaft ("PUMA AG") and its subsidiaries are engaged in the development and sale of a broad range of sport and sportlifestyle articles that include footwear, apparel and accessories. The company is a joint stock company under German law with its registered head office in Herzogenaurach, Federal Republic of Germany. In responsible court of registration is at Fürth (Bavaria, Germany).

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

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

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

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

---

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

#### PROPERTY, PLANT AND EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Jan. 1, 2005</th>
<th>Changes and retransfers</th>
<th>Dec. 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, land rights and buildings</td>
<td>161.3</td>
<td>3.5</td>
<td>159.9</td>
</tr>
<tr>
<td>Technical equipment and machines</td>
<td>1.7</td>
<td>0.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Other equipment, factory and office equipment</td>
<td>21.8</td>
<td>0.9</td>
<td>22.7</td>
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<tr>
<td>Payments on account and assets under construction</td>
<td>123.8</td>
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<td>122.3</td>
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#### INTANGIBLE FIXED ASSETS

<table>
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<th>Jan. 1, 2005</th>
<th>Changes and retransfers</th>
<th>Dec. 31, 2005</th>
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</thead>
<tbody>
<tr>
<td>Intangible fixed assets with a non-defined useful life</td>
<td>25.0</td>
<td>0.5</td>
<td>25.5</td>
</tr>
<tr>
<td>Other intangible fixed assets</td>
<td>16.3</td>
<td>0.3</td>
<td>16.6</td>
</tr>
<tr>
<td>Goodwill</td>
<td>28.3</td>
<td>0.5</td>
<td>28.8</td>
</tr>
<tr>
<td>Intangible fixed assets with a non-defined useful life</td>
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<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Other intangible fixed assets</td>
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<td>17.3</td>
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<tr>
<td>Goodwill</td>
<td>29.3</td>
<td>0.5</td>
<td>29.8</td>
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</tbody>
</table>

#### OTHER NON-CURRENT ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Jan. 1, 2005</th>
<th>Changes and retransfers</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Shares in associated companies</td>
<td>0.0</td>
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<td>0.0</td>
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<tr>
<td>Other loans</td>
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<td>0.0</td>
<td>0.6</td>
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<tr>
<td>Other assets</td>
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<td>0.1</td>
<td>4.4</td>
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<tr>
<td>Shares in associated companies</td>
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</tbody>
</table>

#### Accumulated depreciation Book values

<table>
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<th>Changes and retransfers</th>
<th>Dec. 31, 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, land rights and buildings</td>
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<td>0.1</td>
<td>9.8</td>
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<tr>
<td>Technical equipment and machines</td>
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<td>1.1</td>
</tr>
<tr>
<td>Other equipment, factory and office equipment</td>
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<td>2.6</td>
<td>44.0</td>
</tr>
<tr>
<td>Payments on account and assets under construction</td>
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<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Goodwill</td>
<td>9.4</td>
<td>0.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Intangible fixed assets with a non-defined useful life</td>
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<td>0.0</td>
<td>0.0</td>
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</tr>
<tr>
<td>Goodwill</td>
<td>9.4</td>
<td>0.1</td>
<td>9.5</td>
</tr>
</tbody>
</table>

### Income Statement for the Year Ended December 31, 2005

- Sales and Other Operating Income: 
- Costs of Goods Sold: 
- Operating Expenses: 
- Other Operating Income: 
- Other Expenses: 
- Income from Associated Companies: 
- Income before Income Tax: 
- Income Tax Expense: 
- Income from Continuing Operations: 
- Extraordinary Items: 
- Income from Continuing Operations before Extraordinary Items: 
- Earnings (Loss) per Share: 

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Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Financial Statements
2. Significant Consolidation, Accounting and Valuation Principles

Consolidation Principles

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

The capital consolidation of subsidiaries acquired after January 1, 2005 is based on the acquisition method. The acquisition costs of the purchase considered with the fair value of the assets transferred and the debt accrued or transferred as of the transaction date, in addition to the costs directly attributable to the acquisition transaction. Upon initial consolidation, assets, debts, and contingent liabilities identified in the context of a business combination are stated at their fair value applicable at the acquisition date, independent of the scope of minority interests.

The excess of acquisition costs of the purchase in comparison with the net assets (stated at market value) is reported as Goodwill. If acquisition costs are included in equity with neutral effect on profits, that they accrued during the reporting period. If the receivables and liabilities are long-term in nature, a carryover 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. Unrealized profits not yet realized within the Group are not recognized as income.

Consolidated Group and Associated Companies

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

Europe

The capital consolidation of subsidiaries acquired after January 1, 2005 is based on the acquisition method. The acquisition costs of the purchase considered with the fair value of the assets transferred and the debt accrued or transferred as of the transaction date, in addition to the costs directly attributable to the acquisition transaction. Upon initial consolidation, assets, debts, and contingent liabilities identified in the context of a business combination are stated at their fair value applicable at the acquisition date, independent of the scope of minority interests.

The excess of acquisition costs of the purchase in comparison with the net assets (stated at market value) is reported as Goodwill. If acquisition costs are included in equity with neutral effect on profits, that they accrued during the reporting period. If the receivables and liabilities are long-term in nature, a carryover 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. Unrealized profits not yet realized within the Group are not recognized as income.

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

Europe

- The Group's investment in "PUMA Spor Giyim Sanayi ve Ticaret A.S." was increased from 51% to 100% with effect from January 1, 2005, and the investment in "PUMA SPORTS DISTRIBUTORS Lda." was increased from 51% to 100% with effect from January 1, 2005.
- The subsidiary "Distruibuidora Deportiva PUMA S.A.C." was founded in Peru in April 2005 within the scope of further expansion of the South American market.
- The subsidiary "PUMA Portugal Artigos Desportivos Lda." was founded in Portugal in September 2005; the subsidiary will be responsible for the operative business in a joint venture with the previous distributor for apparel in Portugal. From 2006 on, the company will be responsible for the operative business in a joint venture with the previous distributor for apparel in Spain (see paragraph 33 of these Notes).
- The companies "PUMA Premier Ltd.", UK, "PUMA Malta Ltd.", and "PUMA Blue Sea Ltd.", Malta, were founded for the purpose of administration, management and realization of companies within the PUMA Group.
- The investment in "PUMA Almancasport Ltd." (formerly "Sportlifestyle Magazacilik Sanayi ve Ticaret A.S.") was acquired.
- The purchase of "PUMA Apparel Japan K.K." From 2006 on, the company will be responsible for the operative business in a joint venture with the previous distributor for apparel in Japan (see paragraph 33 of these Notes).
- The subsidiary "Distribuidora Deportiva PUMA S.A.C." was founded in Peru in April 2005 within the scope of further expansion of the South American market.

Asia/Pacific

- "PUMA Sports India Pvt Ltd." was founded in September 2005, the subsidiary will be responsible for the operative business of the former distributor for India as from 2006.
- A non-operating company was acquired in 2005 with the purchase of "PUMA Australia Apparel & Accessories Ltd." From 2006 on, the company will be responsible for the operative business in a joint venture with the previous distributor for apparel in Japan (see paragraph 33 of these Notes).
- The subsidiary "Distribuidora Deportiva PUMA S.A.C." was founded in Peru in April 2005 within the scope of further expansion of the South American market.

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

In India, the subsidiary "PUMA Sports India Pvt Ltd." was founded in September 2005, the subsidiary will be responsible for the operative business of the former distributor for India as from 2006.

A new non-operating company was acquired in 2005 with the purchase of "PUMA Australia Apparel & Accessories Ltd." From 2006 on, the company will be responsible for the operative business in a joint venture with the previous distributor for apparel in Japan (see paragraph 33 of these Notes).

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

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

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

Additional companies will be acquired or founded in 2006. Please see paragraph 3 of these Notes. "Events after the Balance Sheet Date".

<table>
<thead>
<tr>
<th>Index</th>
<th>Description</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>Acquisition and acquisition of companies (including majority, holding)</td>
<td>12</td>
</tr>
<tr>
<td>67</td>
<td>Capital consolidation</td>
<td>27</td>
</tr>
</tbody>
</table>

24 Consolidated Financial Statements

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

- PUMA Sports Ltda. Sao Paulo/Brazil indirect 100%
- Distriubuidora Deportiva PUMA S.A. Lima/Peru indirect 100%
- PUMA CHILE S.A. Santiago/Chile direct 51%
- PUMA Canada, Inc. Ontario/Canada indirect 100%
- PUMA Sports India Pvt Ltd. Bangalore/India indirect 100%
- PUMA Apparel JAPAN K.K. Tokio/Japan indirect 100%
- PUMA JAPAN K.K. Tokio/Japan indirect 100%
- PUMA FAR EAST Ltd. Kowloon/Hong Kong direct 100%
- World Cat (S) Pte Ltd. Singapore indirect 100%
- World Cat Ltd. Kowloon/Hong Kong direct 100%
- PUMA New Zealand Ltd. Auckland/New Zealand indirect 100%
- White Diamond Australia Pty. Ltd. Moorabbin/Australia (non active) indirect 100%
- PUMA Australia Pty. Ltd. Moorabbin/Australia indirect 100%
- PUMA UAE LLC Dubai/United Arab Emirates indirect 49%
- PUMA Middle East FZ LLC Dubai/United Arab Emirates indirect 100%
- PUMA Bulgaria Ltd. Sofia/Bulgaria indirect 56%
- PUMA Ukraine Ltd. Kiew/Ukraine indirect 100%
- PUMA Slovakia s.r.o. Bratsilava/Slovakia indirect 100%
- PUMA Czech Dassler s.r.o. Prag/Czech Republic indirect 100%
- PUMA–RUS GmbH Moskau/Russia indirect 100%
- PUMA Polska Spolka z.o.o. Warschau/Poland indirect 100%
- PUMA Blue Sea Ltd. St.Juliens/Malta indirect 100%
- PUMA Premier Ltd. Leatherhead/Great Britain indirect 100%
- PUMA Speedcat SAS Illkirch/France indirect 100%
- PUMA Avanti GmbH Herzogenaurach/Germany indirect 100%
- PUMA Sprint GmbH Herzogenaurach/Germany direct 100%
- Hunt Sport AB Helsingborg/Sweden (non active) indirect 100%
- Tretorn R&D Ltd. Laoise/Ireland (non active) indirect 100%
- Tretorn Tennis Ltd. Laoise/Ireland (non active) indirect 100%
- Tretorn Sport Ltd. Laoise/Ireland indirect 100%
- Tretorn Finland Oy Helsinki/Finland indirect 100%
- PUMA Finland Oy Espoo/Finland indirect 100%
- PUMA Nordic AB Helsingborg/Sweden indirect 100%
- Tretorn Vertrieb GmbH Herzogenaurach/Germany direct 100%
- PUMA Hellas S.A. Athen/Greece direct 56%
- PUMA Italia S.r.l. Mailand/Italy indirect 100%
- Austria PUMA Dassler Ges. m.b.H. Salzburg/Austria direct 100%
- PUMA Switzerland AG Oensingen/Switzerland indirect 100%
- PRETAG (Switzerland) Oensingen/Switzerland indirect 100%
- Mount PUMA AG (Switzerland) Oensingen/Switzerland direct 100%
- PUMA FRANCE SAS Illkirch/France indirect 100%
- PUMA UNITED KINGDOM LTD. Leatherhead/Great Britain indirect 100%

Currency Translation

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

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

The significant translation rates per Euro are as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Requiring date exchange rate</th>
<th>Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>1.1835</td>
<td>1.2474</td>
</tr>
<tr>
<td>GBP</td>
<td>0.6871</td>
<td>0.6852</td>
</tr>
<tr>
<td>JPY</td>
<td>139.1200</td>
<td>137.2385</td>
</tr>
<tr>
<td>HKD</td>
<td>9.1800</td>
<td>9.6962</td>
</tr>
<tr>
<td>CHF</td>
<td>1.5553</td>
<td>1.5475</td>
</tr>
<tr>
<td>HKD</td>
<td>9.1800</td>
<td>9.6962</td>
</tr>
</tbody>
</table>

Derivative Financial Instruments/Hedge Accounting

Upon conclusion of contract, derivative financial instruments are 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. If the company has a hedge relationship with the company's financial instruments used to hedge, these gains or losses are recognized in operating results. If the company does not have a hedge relationship, these gains or losses are recognized in equity. The fair value of the hedge instrument is determined at fair value and added to the underlying strategy. Changes in the market value of the hedge instrument are recognized in the profit or loss account as gains or losses on financial instruments. The fair value of the hedge instrument is recognized in the income statement. If, however, a hedged item is not hedged as a hedge of a planned transaction (cashflow hedge), or as a hedge of a set investment in an economically independent foreign subsidiary, the gains or losses from derivative financial instruments used as a hedge of a non-financial asset or a liability are included in the initial valuation of acquisition costs or in the respective asset or liability. The fair value of derivative financial instruments used to hedge financial transactions are disclosed under other current assets as financial assets available for sale in accordance with IAS 39.45.
**Liquid Assets**

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

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower net realisable 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 realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Inventories
- Receivables and other assets
- Inventories
- Property, plant and equipment
- Receivables and other assets
- Receivables

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

**Accruals**

As a general rule, the acquisition cost of receivables and other assets is initially reported at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, the straight-line method is used. The useful life depends on the type of assets involved.

**Receivables and Other Assets**

Receivables and other assets classified as financial assets in accordance with IAS 39, i.e. loans and other receivables. The acquisition costs of receivables and other assets are initially reported at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, non-interest bearing loans and receivables are discounted to present value.

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower of net realizable value or cost. The net realizable value is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, the straight-line method is used. The useful life depends on the type of assets involved.

**Debtors**

Debtors are stated at acquisition cost, net of value adjustments. The acquisition costs of receivables and other assets are initially reported at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, non-interest bearing loans and receivables are discounted to present value.

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower of net realizable value or cost. The net realizable value is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, non-interest bearing loans and receivables are discounted to present value.

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower of net realizable value or cost. The net realizable value is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, non-interest bearing loans and receivables are discounted to present value.

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower of net realizable value or cost. The net realizable value is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

As a general rule, non-interest bearing loans and receivables are discounted to present value.

**Inventories**

Inventories are valued at acquisition or manufacturing costs or at the lower of net realizable value or cost. The net realizable value is determined using the average cost method. Value adjustments are recorded to a sufficient extent, depending on age, seasonality and realistic market prices.

**Property, plant and equipment**

Property, plant and equipment are stated at acquisition costs net of value adjustments. All recognisable assets are stated at fair value and subsequently stated at depreciated acquisition costs, net of value adjustments. Non-recognisable assets involved:

- Receivables and other assets
- Receivables
- Other assets

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

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

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

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

In addition to defined benefit plans, some companies introduced defined contribution plans which, apart from current contributions, do not involve any further pensions commitment. For defined benefit plans the “Projected-Unit-Credit” Method is used in general. This method not only accounts for annuities and accrued pension benefits known at the balance sheet date, but also for expected salary and annuity increases. Actuarial gains and losses are distributed over the average residual term of service. No use is made of the 10 percent “rambler” approach directed in IAS 19. The provision is reduced by the value of the plan assets. The service cost and interest component are disclosed within personnel expenses. The present value of defined benefit obligations (DBO) is calculated by discounting the expected future outflows of funds with the interest rate of first-class corporate bonds denominated in the currency of the amounts paid and where these comply with those of the pension obligation. 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.

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

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

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

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

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

**Royalty and Commission Income**
Royalty income is treated as income in accordance with the statements to be presented by the licensees. In certain cases, values must be assessed in order to permit accounting on an accrual basis. Commission income is included in the balance sheet at the time of the underlying transaction. 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.

**Advertising and Promotion Expenses**
The company recognizes advertising expenses at the time of origin. Generally, promotion expenditure is agreed over the contract term as an expense on an accrual basis.

**Accruals for Pensions and Similar Obligations**
In accordance with IAS 19, 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 reductions were uncertain. The provisions are stated at their settlement amount; they are not offset against positive income. Provisions are also created to account for unfavorable contracts where uncollectable costs exceed the economic benefit expected from the contract.
3. Corporate Acquisitions

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

The goodwill acquired in the financial year is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>18.0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Item</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total purchase price</td>
<td>35.6</td>
</tr>
<tr>
<td>of which paid</td>
<td>17.9</td>
</tr>
<tr>
<td>Fair value of acquired net assets</td>
<td>11.0</td>
</tr>
<tr>
<td>Goodwill</td>
<td>24.6</td>
</tr>
<tr>
<td>Other assets</td>
<td>22.6</td>
</tr>
<tr>
<td>Bank debt</td>
<td>-14.8</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>-38.1</td>
</tr>
<tr>
<td>Purchase price</td>
<td>35.6</td>
</tr>
</tbody>
</table>

4. Liquid Assets

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

The effective interest rate was 1.8% (previous year: 2.3%).

4. Product Development

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

4. Assumptions and Estimates

Preparation of the consolidated financial statements may involve assumptions and estimates which have an impact on the amount and disclosure of the reported assets and liabilities, on income, expenses and contingences. 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.

4. Financial Result

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

4. Income Taxes

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

4. 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 recorded according to tax country and declared either as deferred tax assets or liabilities. A charge to earnings is recognized if the realization of the respective deferred tax asset or reduction claim resulting from the expected use of existing tax losses carried forward to subsequent years if their realization is ensured with sufficient certainty. Deferred taxes are determined on the basis of tax rates applicable for reversal in the individual countries, and which are in force or were approved on the balance sheet date. Deferred taxes may also result from accounting procedures which are neutral in their effects on profits. Deferred tax assets are recorded only to the extent that 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.

4. Assumptions and Estimates

Preparation of the consolidated financial statements may involve assumptions and estimates which have an impact on the amount and disclosure of the reported assets and liabilities, on income, expenses and contingences. 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.

4. Product Development

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

Inventories are divided into the following main categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and supplies</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Finished goods and merchandise</td>
<td>114.2</td>
<td>106.9</td>
</tr>
<tr>
<td>Apparel</td>
<td>58.3</td>
<td>45.1</td>
</tr>
<tr>
<td>Footwear</td>
<td>86.5</td>
<td>78.6</td>
</tr>
<tr>
<td>Apparel/other goods</td>
<td>11.9</td>
<td>10.7</td>
</tr>
<tr>
<td>Goods in transit</td>
<td>76.1</td>
<td>54.0</td>
</tr>
<tr>
<td>Total</td>
<td>296.8</td>
<td>251.6</td>
</tr>
</tbody>
</table>

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

6. Trade Receivables

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables, gross</td>
<td>303.3</td>
<td>188.2</td>
</tr>
<tr>
<td>Value adjustments</td>
<td>-25.8</td>
<td>-20.1</td>
</tr>
<tr>
<td>Trade receivables, net</td>
<td>277.5</td>
<td>168.1</td>
</tr>
</tbody>
</table>

7. Other Current Assets

This item consists of the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expense for the subsequent period</td>
<td>12.9</td>
<td>5.4</td>
</tr>
<tr>
<td>Advance payments on acquisitions</td>
<td>9.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Fair value of financial instruments</td>
<td>9.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Other receivables</td>
<td>41.8</td>
<td>28.7</td>
</tr>
<tr>
<td>Other current assets</td>
<td>80.1</td>
<td>34.4</td>
</tr>
</tbody>
</table>

Deferred taxes

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated losses carried forward</td>
<td>6.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>6.9</td>
<td>4.0</td>
</tr>
<tr>
<td>Taxable assets</td>
<td>30.0</td>
<td>29.8</td>
</tr>
<tr>
<td>Provision and other liabilities</td>
<td>32.0</td>
<td>34.1</td>
</tr>
<tr>
<td>Non-deferring in equity to be included in profit</td>
<td>11.1</td>
<td>16.8</td>
</tr>
<tr>
<td>Other receivables</td>
<td>10.9</td>
<td>9.8</td>
</tr>
<tr>
<td>Current assets</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>25.3</td>
<td>24.4</td>
</tr>
<tr>
<td>Deferred tax assets, net</td>
<td>48.6</td>
<td>51.6</td>
</tr>
</tbody>
</table>

Of deferred tax assets, the amount of € 42 million is current (previous year: € 36 million); of deferred tax liabilities, the amount of € 3 million is current (previous year: € 3 million).

As at December 31, 2005, tax losses carried forward totaled € 4 million (previous year: € 5 million), resulting in deferred tax assets of € 8 million (previous year: € 10 million) following value adjustment, claims from tax losses carried forward were included in deferred tax assets to the amount of € 4.3 million (previous year: € 4.5 million). The tax losses carried forward mainly relate to foreign companies and their use is therefore not considered as possible. Therefore tax losses can be carried forward for an indefinite period of time.

Deferred tax liabilities for withholding tax from possible dividends on subsidiaries’ distributable profits which are required by the respective company as a refinancing facility were not recorded. The change in deferred taxes includes effects from changes in tax rates in the USA and France.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td>44.6</td>
<td>23.6</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>28.5</td>
<td>29.8</td>
</tr>
<tr>
<td>CURRENT TAX ASSETS, NET</td>
<td>16.6</td>
<td>28.0</td>
</tr>
</tbody>
</table>


### 10. Intangible Assets

The development of deferred tax assets was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets, previous year</td>
<td>€ 51.6</td>
<td>€ 36.7</td>
</tr>
<tr>
<td>Recognised in the current statement</td>
<td>€ 21.6</td>
<td>€ 7.8</td>
</tr>
<tr>
<td>Currency effects and inclusion in equity with neutral effect on profits</td>
<td>- € 24.6</td>
<td>€ 7.0</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>€ 48.6</td>
<td>€ 51.6</td>
</tr>
</tbody>
</table>

The development of deferred tax liabilities was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax liabilities, previous year</td>
<td>€ 9.6</td>
<td>€ 3.2</td>
</tr>
<tr>
<td>Recognised in the current statement</td>
<td>€ 10.4</td>
<td>€ 6.4</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>€ 20.0</td>
<td>€ 9.6</td>
</tr>
</tbody>
</table>

### 9. Property, Plant and Equipment

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings, including buildings on third party land</td>
<td>€ 45.1</td>
<td>€ 31.4</td>
</tr>
<tr>
<td>Technical equipment and machines</td>
<td>€ 1.6</td>
<td>€ 0.9</td>
</tr>
<tr>
<td>Other equipment, factory and office equipment</td>
<td>€ 72.5</td>
<td>€ 48.8</td>
</tr>
<tr>
<td>Assets under construction</td>
<td>€ 2.7</td>
<td>€ 3.6</td>
</tr>
<tr>
<td>Total</td>
<td>€ 121.9</td>
<td>€ 84.7</td>
</tr>
</tbody>
</table>

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

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

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

### 11. Intangible Assets

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

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

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

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

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>€ 26.7</td>
<td>€ 8.7</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>€ 14.9</td>
<td>€ 11.3</td>
</tr>
<tr>
<td>Total</td>
<td>€ 41.6</td>
<td>€ 19.0</td>
</tr>
</tbody>
</table>

### Assumptions underlying the impairment test:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax rate (range)</td>
<td>23.5% - 35.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Beta</td>
<td>1.12</td>
<td>1.12</td>
</tr>
<tr>
<td>Growth rate</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

The development in financial year 2005 is reflected in these notes under “Statement of Movements of Fixed Assets”.

06 87
14. Other Liabilities

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

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>€ million</td>
</tr>
<tr>
<td>Up to 1 year</td>
<td>6 million</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>5 million</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>9 million</td>
</tr>
</tbody>
</table>

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

15. Pension Provisions

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

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

The determination of PUMA AG pension provisions (74% of total pension provisions) is based on the Dr. Klaus Heubeck mortality tables “2005 G”. Valuation is in accordance with the projected unit credit method as defined in IAS 19. The PUMA AG pension plan covers general commitments that are, as a rule, based on the employment commitment of each entitled employee, and on individual commitments. The following actuarial assumptions were applied for the pension plans:

- Discounting rate: 4.0% (4.0%)
- Expected increase in salary: 3.0% (3.0%)
- Retirement age: 65 (65)

The table below shows the details of the pension provisions:

<table>
<thead>
<tr>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discounting rate</td>
<td>4.0%</td>
</tr>
<tr>
<td>Expected increase in salary</td>
<td>3.0%</td>
</tr>
<tr>
<td>Retirement age</td>
<td>65</td>
</tr>
</tbody>
</table>
The pension provision for the Group is calculated as follows:

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td>€ million</td>
</tr>
<tr>
<td>Pension provision, previous year</td>
<td>21.2</td>
<td>18.5</td>
</tr>
<tr>
<td>Currency translation</td>
<td>-0.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Addition from acquisitions</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Pension expense</td>
<td>3.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Pension payments</td>
<td>-2.0</td>
<td>-2.2</td>
</tr>
<tr>
<td>Pension provision, Dec. 31</td>
<td>22.6</td>
<td>21.2</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td>€ million</td>
</tr>
<tr>
<td>Expense for pension claims arising during the reporting year</td>
<td>2.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Interest expense for acquired pension claims</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Expected plan asset income</td>
<td>-0.7</td>
<td>-0.6</td>
</tr>
<tr>
<td>Adjustment amount due to recorded actuarial gains/losses</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Other provisions</td>
<td>3.5</td>
<td>4.9</td>
</tr>
<tr>
<td>Total expense</td>
<td>5.8</td>
<td>5.9</td>
</tr>
</tbody>
</table>

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.

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

Liabilities from Acquisitions

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

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

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

Tax Provisions

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

Other Provisions

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

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

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

Liabilities from Acquisitions

In accordance with the agreements concluded, the purchase price for acquisition of 100% of joint ventures leads to an outflow of funds, in as much as it consists of the joint venture partner's capital share, after the expiry of the joint venture period, and in as much as future "profit shares" of the joint venture partner are converted, by distribution of profits. The resulting nominal amounts were discounted at an adequate market interest rate depending on the expected date of payment. The form relates to the companies in Greece and Turkey. Of the total amount, € 7 million fall due within one year and the residual amount is due within 5 years.
Subscribed Capital
The subscribed capital corresponds to the subscribed capital of the parent company, PUMA AG. As at the balance sheet date, the subscribed capital amounted to € 43 million. It is split up into 16,864,214 shares of stock. Capital reserves were increased by € 21 million in 2005. The company holds 890,000 shares of stock in its own portfolio as at the balance sheet date (see below “Own Shares”).

Cashflow Hedges
The item “cashflow hedges” is disclosed in the statement of earnings, in comparison to 6.2% in the previous year. The Board of Management proposes that a dividend of € 2.00 per share be approved for distribution to the shareholders for financial year 2005. This corresponds to a dividend rate of 11.0% relative to the consolidated net income, in comparison to 10.4% in the previous year. Use of net retained earnings of PUMA AG:

Minority Shares
The minority shares for PUMA Portugal and PUMA Sports Distributors (South Africa) included in the previous year concerning the other joint ventures acquired during the financial year were not required to be reported since, economically, these shares are attributable to PUMA pursuant to contractual agreement (see paragraph 2 of these Notes).
In 1996, PUMA introduced long-term Incentive Plans with the aim of retaining management staff in the company over the longer term. Convertible bonds, stock option programs (SOP) and stock appreciation rights (SAR) were implemented as long-term incentives.

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

#### Development in 2005:

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Number Issued</th>
<th>Converted in 2005</th>
<th>Lapsed in 2005</th>
<th>Conversion price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec. 21, 2004</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
<td>1000 € 16.64</td>
</tr>
</tbody>
</table>

### 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. Grantees are given the opportunity to acquire PUMA shares at the exercise price within a period of up to five years and following a 2-year blocking period as from the date of issue. The exercise price is the mean value of the closing prices on the five trading days prior to issuance of the option rights or, if higher, the closing price on the date of issue of the respective tranche, in addition to a 15% performance target. On the basis of the respective share price, each share acquisition leads to a value appreciation which results after deduction of the corresponding exercise price. From 2001 to 2004, option rights were issued under four different tranches.

#### Development in 2005:

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Number Issued</th>
<th>Exercised in 2005</th>
<th>Lapsed in 2005</th>
<th>In circulation as of Dec. 31, 2004</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug. 29, 2001</td>
<td>444,714</td>
<td>7,000</td>
<td>216.77</td>
<td>10,500 17,500</td>
<td>24.61</td>
</tr>
<tr>
<td>Apr. 9, 2002</td>
<td>435,000</td>
<td>8,500</td>
<td>206.54</td>
<td>22,000 30,500</td>
<td>56.38</td>
</tr>
<tr>
<td>Mar. 31, 2003</td>
<td>190,000</td>
<td>181,000</td>
<td>196.54</td>
<td>5,000 186,000</td>
<td>85.68</td>
</tr>
<tr>
<td>Mar. 31, 2004</td>
<td>459,000</td>
<td>0</td>
<td>0</td>
<td>34,000 423,500 457,500</td>
<td>206.20</td>
</tr>
</tbody>
</table>

#### SAR
The long-term Incentive Program was extended by stock appreciation rights in 2004. The term of the stock-for-fair-value option rights is five years from the date of issue; they may be exercised following a 3-year blocking period at the earliest. An exercise gain arises from the positive difference between the current price of the share, given a virtual sale, and the exercise price. With respect to Tranche I (2004/2009) a minimum exercise gain of 10% and a maximum exercise gain of 50% of the exercise price upon settlement is defined, which applies within the scope of the existing employment contract. A minimum exercise price of 4.4% per option is deemed agreed upon with respect to Tranche II (2005/2010). Comparable programs have been agreed for the years from 2006 to 2008, whereby the exercise price is determined from the average of closing prices of the rights distribution during the five preceding days, plus an exercise hurdle of 10%. The options outstanding as of December 31, 2005 are held by the Board of Management.

#### Development in 2005:

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Number Issued</th>
<th>Exercised in 2005</th>
<th>Lapsed in 2005</th>
<th>In circulation as of Dec. 31, 2004</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr. 20, 2004</td>
<td>100,000</td>
<td>0</td>
<td>0</td>
<td>100,000 100,000</td>
<td>200.00</td>
</tr>
<tr>
<td>Apr. 25, 2005</td>
<td>150,000</td>
<td>0</td>
<td>0</td>
<td>150,000 0</td>
<td>210.10</td>
</tr>
</tbody>
</table>

The following parameters were used to determine the fair value:

#### Tranche I

- **Share price at the time of rights distribution:** EUR 74.50 (ETR 179.30)
- **Expected volatility:** 23.1% (23.1%)
- **Expected dividend payment:** 0.91% (1.08%)
- **Risk-free interest rate:** 2.84% (2.94%)

#### Tranche II

- **Share price at the time of rights distribution:** EUR 200.00 (ETR 200.50)
- **Expected volatility:** 23.1% (23.1%)
- **Expected dividend payment:** 1.08% (1.08%)
- **Risk-free interest rate:** 2.90% (2.90%)

The following parameters were used to determine the fair value:
21. Selling, Administration and General Expenses

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

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

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

The financial result is made up as follows:

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

Personnel costs included in operating expenses consist of the following:

The annual average number of staff was as follows:

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

22. Financial Result

The financial result is made up as follows:

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

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

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

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

Numerical reconciliation of theoretical tax expense with current tax expense:
24. Earnings per Share

Earnings per share are determined in accordance with IAS 33 by dividing earnings attributable to the average number of outstanding shares. A dilution of this indicator results from potential shares from the Management Incentive Program. The calculation is presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings per share</td>
<td>25.82</td>
<td>25.74</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>25.77</td>
<td>25.68</td>
</tr>
<tr>
<td>Average number of shares outstanding</td>
<td>16,065,688</td>
<td>15,985,243</td>
</tr>
<tr>
<td>Diluted number of shares</td>
<td>16,162,821</td>
<td>16,352,761</td>
</tr>
<tr>
<td>Earnings per share, diluted</td>
<td>1.69</td>
<td>1.66</td>
</tr>
</tbody>
</table>

Earnings per share in the previous year were restated from € 0.44 to € 1.44 and diluted earnings per share from € 1.74 to € 1.82.

25. Management of the Currency Risk

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

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

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal amount</td>
<td>€ million</td>
<td>€ million</td>
</tr>
<tr>
<td>Forward exchange transactions</td>
<td>616.1</td>
<td>724.6</td>
</tr>
</tbody>
</table>

The nominal amount corresponds to the amounts of the respective hedging transactions as agreed upon between the parties involved. The market value is the amount at which the financial instrument would be traded between interested parties on the balance sheet date. As a general rule, the market values are determined on the basis of the market values communicated by the respective banks. The market value is reported under Other Financial Assets or Other Liabilities (hedge accounting) and, to this extent do not impact the net inorganic loss for the year.

26. Financial Instruments

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

In the financial year, the amount of € 22 million was reclassified from equity as inventory acquisition costs (IAS 32.31).

Management does not expect any adverse influences on the Group's financial position from the use of derivative financial instruments.
Primary segment reporting is based on geographical regions. PUMA AG is engaged in only one business segment, namely the sporting goods industry. Secondary reporting is split up into the product segments of Footwear, Apparel and Accessories in the sporting goods industry, since PUMA is engaged in only one business segment, namely the sporting goods industry.

In primary segment reporting, as a first step, sales and gross profit are shown according to the geographical region where the sales are realised (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. Inter-group sales are eliminated. Allocation of the remaining segment information is also determined on the basis of the head office of the respective group company’s head office. The sum totals equal the segment information is also determined on the basis of the head office of the respective group company is located.

Intra-group sales are eliminated. Allocation of the remaining amounts on the income statement or on the balance sheet, respectively, 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.

The operating result for the respective region was adjusted for intra-group settlements such as royalty and commission payments. Worldwide royalty income, largely realized by PUMA and of intangible assets during the current financial year.

Investments and depreciation/amortisation relate to additions to 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.

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Investments and depreciation/amortisation relate to additions to 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.

The operating result for the respective region was adjusted for intra-group settlements such as royalty and commission payments. Worldwide royalty income, largely realized by PUMA and of intangible assets during the current financial year.

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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.
27. Notes to the Cashflow Statement

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

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

28. 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 sales premises for its own retail business. The residual terms of the lease contracts for the logistics centre in Germany are between 4 and 6 years. The term of the lease contract for the logistics centre in Germany concerning the retail business is between 5 and 15 years. The terms of all other rental and lease contracts are between 1 and 5 years.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>From license, promotion and advertising contracts:</td>
<td>€ 170.5 million</td>
<td>€ 53.4 million</td>
</tr>
<tr>
<td>Total</td>
<td>€ 426.8 million</td>
<td>€ 107.4 million</td>
</tr>
</tbody>
</table>

29. Other Financial Obligations

29.1. Contingencies

In accordance with a resolution of the Shareholders’ Meeting held on March 30, 2005, remuneration for the Supervisory Board as from March 31, 2005 was determined as follows:

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

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

30. Disclosures concerning Related Parties

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

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

The members of the Supervisory Board received remuneration for consulting services to the amount of T€ 205, in addition to current Supervisory Board remuneration.

- Board of Management

Remuneration for the Board of Management includes, in addition to a fixed and a variable component, a variable remuneration component in the form of options in accordance with the long-term incentive plan (see paragraph 20 of these Notes). In the financial year, fixed remuneration for the four Management Board members (previous year three Management Board members) amounted to € 4.4 million (previous year € 4.3 million), and variable remuneration amounted to € 5.2 million (previous year: € 4.7 million). The notional value of SAR and SOP for coming years which are not yet convertible is recognised as personnel expense options. Taking the valuation parameters indicated under paragraph 20 of these Notes into consideration, the personnel expense amounted to € 8.4 million for 2005, in comparison with € 4.2 million (restated) in the previous year. The criteria applied to determine remuneration are, in addition to the individual duties and performance of the Management Board members, the company’s financial position, its performance, and the future prospects of the company.

- Supervisory Board

In accordance with a resolution of the Shareholders’ Meeting held on March 30, 2005, the fixed remuneration for the Supervisory Board as from March 31, 2005 was determined as follows:

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

2. Performance-based remuneration to the amount of € 20,000 per € 0.01 of the earnings per share reported in the consolidated financial statements (before dilution) that exceed a minimum amount of € 3.00, the maximum amount being € 50,000 (per year). However, the Chairman of the Supervisory Board receives twice this amount, and the Vice-Chairman receives one and half times this remuneration.

Fixed remuneration was paid to a total amount of T€ 225 in the financial year (previous year: T€ 194) and performance-based remuneration (based on T€ 27 in the previous year: T€ 9). In addition, as in the previous year, the former Board member (a former member of the Management Board) received remuneration amounting to € 2.5 million (previous year: € 2.7 million); they are recorded as a liability within pension provisions. As in the previous year, retirement benefits amounting to € 0.1 million were paid to a former Board member.
32. Events after the Balance Sheet Date

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

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

<table>
<thead>
<tr>
<th>Item</th>
<th>Amounts (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total purchase price</td>
<td>73.6 42.4 115.9</td>
</tr>
<tr>
<td>Fair value of the net assets acquired</td>
<td>25.5 20.9 46.4</td>
</tr>
<tr>
<td>Goodwill</td>
<td>48.0 21.5 69.5</td>
</tr>
</tbody>
</table>

Herzogenaurach, January 25, 2006

The Board of Management

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

31. Corporate Governance Report

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

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

With respect to individualised remuneration of Supervisory Board members, please see paragraph 30 of these Notes.
Dear Shareholders,

Once again, the annual report is an important part of our financial statements. The report provides a comprehensive overview of the financial position and results of operations of the Puma Group, as well as a detailed analysis of the company’s performance.

The main emphasis was placed on the following significant issues:

- **Audit and Approval of the 2016 Annual Financial Statements**
- **Current Business Development**
- **Focus on the Long-Term Corporate Development**, including the acquisition of the Formula E team

The main emphasis was placed on the following significant issues:

- **Audit and Approval of the 2016 Annual Financial Statements**
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We welcome the German Corporate Governance Code (DCGK) as a framework for responsible corporate governance. It is designed to ensure that companies maintain a transparent and effective management of net assets, the financial position and results of operations. The DCGK also includes standards for responsible corporate governance, which describes significant legal provisions and recommendations for the management and monitoring of listed companies.

Audit Committee

The Audit Committee received the PUMA Group's financial data on a monthly basis and was thus in a position to track the development of net assets, the financial position and results of operations as well as the development of the orders position directly. In addition, the Audit Committee was concerned with accounting and performance-related issues and discussed these with the Board of Management. After the Supervisory Board had placed the audit engagement for the financial year 2005, the Audit Committee discussed the audit engagement as well as final points of the audit with the annual auditor during a telephone conference. In our opinion based on the results of our audit the consolidated financial statements and the consolidated accounts. We believe that there were no misstatements.

The main emphasis was placed on the following significant issues:

- **Audit and Approval of the 2016 Annual Financial Statements**
- **Current Business Development**
- **Focus on the Long-Term Corporate Development**, including the acquisition of the Formula E team

In our opinion based on the results of our audit the consolidated financial statements and the consolidated accounts. We believe that there were no misstatements.

The main emphasis was placed on the following significant issues:

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In our opinion based on the results of our audit the consolidated financial statements and the consolidated accounts. We believe that there were no misstatements.
In their report, the auditors arrive at the conclusion that PUMA’s institutionalized risk management system pursuant to Section 91, (2) Stock Corporation Act, is suitable for the early recognition of any developments that may endanger the Company as a going concern, and also for taking counteraction against same. To this end, the Board of Management has informed the Supervisory Board at regular intervals about the assessment of market and source risks, financial risks including currency risks, and also about risks that may arise in the organizational area.

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

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

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

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

Herzogenaurach, February 10, 2006
On behalf of the Supervisory Board
Werner Hofer
Chairman

SUPERVISORY BOARD

Werner Hofer (Chairman)
Hamburg, Germany
Lawyer

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

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

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

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

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

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

Member of other Supervisory Boards or similar boards: - Monarchy Enterprises Holdings B.V., LLC, Rotterdam/The Netherlands - The Silver Linings 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. - FP USA, Amsterdam/Netherlands

Katherine Wilczak (Employees’ Representative)
Aurachtal-Falkendorf, Germany
Works Council Chairperson

Erik Høiland (Employees’ Representative)
Herzogenaurach, Germany
Sales Administration Manager

On behalf of the Supervisory Board
Werner Hofer
Chairman

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Herzogenaurach, February 10, 2006
On behalf of the Supervisory Board
Werner Hofer
Chairman
Group Executive Committee

Beside the Board of Management, the “Global Functional Directors” comprise the “Group Executive Committee”:

Antonio Bertone
(Namibia, Sales, Administration, Human Resources)

Peter Mahrer
(International Sales)

Klaus Bauer
(Operations, Human Resources)

Martin Glässer
(Gttemhofen, Germany)

Deputy Chairman

Chief Product Officer

Ulrich Heilig (until December 31, 2005)
(Namibia, Germany)

Chief Legal Officer

Ulrich Heilig (from August 1, 2005)
(Research, Development, Design and Sourcing, Environmental and Social Affairs)

Eckart Bock (from August 1, 2005)
(Namibia, Germany)

Chief Financial Officer

Ulf Heidtke (from August 1, 2005)
(Professor, Controlling, Tax, Investor Relations)

Group Executive Committee

Beside the Board of Management, the “Global Functional Directors” comprise the “Group Executive Committee”:

Antonio Bertone (Brand Management)

Peter Mahrer (International Sales)

Klaus Bauer (Operations, Human Resources)