PUMA Year-on-Year Comparison

	2007	*2006	Deviation
	€ million	€ million	
Sales			
Brand sales	2,738.8	2,755.1	-0.6%
Consolidated sales	2,373.5	2,369.2	0.2%
Result of operations			
Gross profit	1,241.7	1,199.3	3.5%
EBIT	372.0	368.0	1.1%
EBT	382.6	374.0	2.3%
Net earnings	269.0	263.2	2.2%
Profitability			
Gross profit margin	52.3%	50.6%	1.7%pt
EBT margin	16.1%	15.8%	0.3%pt
Net margin	11.3%	11.1%	0.2%pt
Return on capital employed (ROCE)	54.8%	58.0%	-3.2%pt
Return on equity (ROE)	23.3%	25.1%	-1.8%pt
Balance sheet information			
Shareholders' equity	1,154.8	1,049.0	10.1%
- Equity ratio	62.0%	61.2%	0.8%pt
Working capital	406.5	401.6	1.2%
- in % of Consolidated sales	17.1%	16.9%	0.2%pt
Cashflow and investments			
Gross cashflow	420.2	395.7	6.2%
Investments (before acquisition)	103.4	72.7	42.3%
Free cashflow (before acquisition)	218.3	91.6	138.3%
Acquisition investment	9.4	81.2	-88.4%
Value management			
Cashflow Return on Investment (CFROI)	22.4%	24.0%	-1.6%pt
Absolute value contribution	198.9	203.4	-2.2%
Employees			
Employees on yearly average	8.338	6.831	22.1%
Sales per employee (T€)	284.6	373.1	-23.7%
PUMA share			
Share price (in €)	273.00	295.67	-7.7%
Earnings per share (in €)	16.80	16.39	2.5%
Free cashflow (before acquisition) per share (in €)	13.63	5.71	138.9%
Equity per share (in €)	72.62	65.10	11.5%
Market capitalization	4,342	4,764	-8.9%
Average trading volume (amount/day)	141,082	128,185	10.1%

* Reclassification interest expense from pensions from personnel costs to financial result

PUMA Group Development

	Expansion		Momentum				Investment				Restructuring				
	2007	**2006	2005	*2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Sales															
Brand sales 1)	2,738.8	2,755.1	2,387.0	2,016.6	1,691.5	1,380.0	1,011.7	831.1	714.9	647.4	622.5	594.0	577.2	554.2	541.3
- Change in %	-0.6%	15.4%	18.4%	19.2%	22.6%	36.4%	21.7%	16.2%	10.4%	4.0%	4.8%	2.9%	6.6%	2.4%	
Consolidated sales	2,373.5	2,369.2	1,777.5	1,530.3	1,274.0	909.8	598.1	462.4	372.7	302.5	279.7	250.5	211.5	199.5	210.0
- Change in %	0.2%	33.3%	16.2%	20.1%	40.0%	52.1%	29.3%	24.1%	23.2%	8.1%	11.7%	18.4%	0.7%	-5.0%	
- Footwear	1,387.9	1,420.0	1,175.0	1,011.4	859.3	613.0	384.1	270.9	209.0	202.5	193.8	176.2	154.4	143.5	141.9
- Apparel	827.3	795.4	473.9	416.0	337.0	238.5	169.5	163.5	139.0	85.8	73.1	64.4	50.3	49.9	59.8
- Accessories	158.3	153.8	128.6	102.9	77.7	58.3	44.5	28.0	24.7	14.2	12.9	9.9	6.8	6.2	8.4
Result of operations															
Gross profit	1,241.7	1,199.3	929.8	794.0	620.0	396.9	250.6	176.4	141.7	108.2	102.3	94.0	79.0	69.5	62.8
- Gross profit margin	52.3%	50.6%	52.3%	51.9%	48.7%	43.6%	41.9%	38.2%	38.0%	35.8%	36.6%	37.5%	37.4%	34.8%	29.9%
Royalty and commission income	35.6	37.0	55.7	43.7	40.3	44.9	37.2	28.9	23.9	24.5	25.9	25.5	26.0	27.1	21.4
EBIT	372.0	368.0	397.7	359.0	263.2	125.0	59.0	22.8	16.3	4.7	36.3	33.3	31.0	23.1	-26.2
- EBIT margin	15.7%	15.5%	22.4%	23.5%	20.7%	13.7%	9.9%	4.9%	4.4%	1.5%	13.0%	13.3%	14.7%	11.6%	-12.5%
EBT	382.6	374.0	404.1	364.7	264.1	124.4	57.4	21.2	14.4	3.4	37.4	33.2	26.5	17.3	-35.4
- EBT margin	16.1%	15.8%	22.7%	23.8%	20.7%	13.7%	9.6%	4.6%	3.9%	1.1%	13.4%	13.2%	12.5%	8.7%	-16.8%
Net earnings	269.0	263.2	285.8	258.7	179.3	84.9	39.7	17.6	9.5	4.0	34.6	42.8	24.6	14.9	-36.9
- Net margin	11.3%	11.1%	16.1%	16.9%	14.1%	9.3%	6.6%	3.8%	2.6%	1.3%	12.4%	17.1%	11.7%	7.5%	-17.6%
Expenses															
Expenses for marketing and retail	424.9	419.6	272.0	214.6	163.9	125.1	86.9	67.0	61.0	47.9	29.0	-	-	-	-
Costs of product development and design	57.5	56.7	42.0	36.9	29.9	24.2	19.9	18.2	15.2	15.2	7.3	-	-	-	-
Personnel expenses	278.0	265.7	199.4	163.4	126.6	103.0	81.1	64.4	51.5	41.3	35.2	-	-	-	-
Balance sheet															
Total assets	1,863.0	1,714.8	1,321.0	942.3	700.1	525.8	395.4	311.5	266.6	222.9	176.6	147.7	106.5	100.0	121.9
- Equity in % of total assets	62.0%	61.2%	66.3%	58.4%	54.7%	48.0%	44.7%	42.1%	42.1%	43.8%	54.7%	41.7%	-12.8%	-38.1%	-43.5%
Working capital	406.5	401.6	255.7	148.4	155.7	114.0	110.3	78.8	76.6	70.6	69.6	21.2	17.8	6.6	34.1
- thereof: inventories	373.6	364.0	238.3	201.1	196.2	167.9	144.5	95.0	85.1	63.4	58.4	41.9	36.9	33.3	44.0
Cashflow															
Free cashflow	208.8	10.4	134.4	256.6	107.4	100.1	3.0	9.1	0.8	-12.1	-8.6	39.5	17.7	39.7	-4.6
Net cash position	461.2	393.6	430.4	356.4	173.8	94.3	-7.8	4.8	1.1	7.8	22.0	34.5	4.7	2.5	-50.7
Investment (incl. Acquisitions)	112.9	153.9	79.8	43.1	57.3	22.5	24.8	9.4	14.3	15.7	4.1	2.9	1.8	1.4	2.9
Profitability															
Return on equity (ROE)	23.3%	25.1%	32.6%	47.0%	46.8%	33.7%	22.5%	13.4%	8.5%	4.1%	35.8%	-	-	-	-
Return on capital employed (ROCE)	54.8%	58.0%	96.7%	156.5%	120.7%	81.1%	32.8%	20.6%	17.8%	6.8%	41.4%	-	-	-	-
Cashflow return on investment (CFROI)	22.4%	24.0%	32.0%	42.1%	43.5%	32.2%	20.3%	13.8%	11.1%	4.6%	18.3%	-	-	-	-
Additional information															
Orders on hand	1,187.7	1,119.7	1,069.1	822.6	722.0	531.1	360.1	232.1	187.2	133.5	130.8	111.4	90.9	94.4	85.2
Number of employees (year-end)	9.204	7.742	5.092	3.910	3.189	2.387	2.012	1.522	1.424	1.145	1.078	807	745	703	714
Number of employees (annual average)	8.338	6.831	4.425	3.475	2.826	2.192	1.717	1.524	1.383	1.149	1.041	795	728	725	1.012
PUMA share															
Share price (in €)	273.00	295.67	246.50	202.30	140.00	65.03	34.05	12.70	17.20	11.25	18.61	26.29	18.41	14.93	7.75
Earnings per share (in €)	16.80	16.39	17.79	16.14	11.26	5.44	2.58	1.14	0.62	0.26	2.25	1.98	1.76	1.06	-2.63
Average outstanding shares (in million)	16.018	16.054	16.066	16.025	15.932	15.611	15.392	15.390	15.390	15.390	15.390	15.390	14.000	14.000	14.000
Number of shares outstanding (in million)	15.903	16.114	15.974	16.062	16.059	15.846	15.429	15.390	15.390	15.390	15.390	15.390	14.000	14.000	14.000
Market capitalization	4.342	4.764	3.937.6	3.249.3	2.248.2	1.030.5	525.4	195.5	264.7	173.1	286.4	404.6	257.7	209.0	108.5

1) including sales of licensees * restated ** Reclassification interest expense from pensions from personnel costs to financial result












Dear Fellow Shareholder,

Our industry is currently changing. The market segment that we created, Sportlifestyle, has proven to be fundamentally different from the traditional sporting goods business.

Brand and product requirements, consumer consumption rates, and value chain relationships are all shifting as a result of the ever-growing use of our products as lifestyle accessories. In 2007, we continued to prepare PUMA to tackle those changes while working diligently towards our Phase IV targets.

While we maintained industry leading profitability ratios, it proved difficult to follow our 2006 increase in sales of 34% with another year of strong growth. But we were able to make solid progress on our Phase IV roadmap, helping to position PUMA for the long-run.

We continued our geographic expansion by starting fully-owned subsidiaries in South Korea, Croatia and Romania, all of which became operational in January 2008. Additionally, we solidified our new Phase IV categories of Golf, Moto and Denim with successful new product launches, and also announced our launch of a sailing performance and lifestyle collection, headlined by our entry in the around-the-world 2008-09 Volvo Ocean Race in Alicante in October.

In our dynamic industry, innovation in business strategy is just as critical to our long-term success as innovation in our brand and product. Therefore, some of our most crucial accomplishments in 2007 involved the development and enhancement of our organizational and operational capabilities necessary to remain a leader in Sportlifestyle. In particular, we continue to focus on optimizing our value chain to help deliver improvements in productivity and speed-to-market.

We have also taken steps to integrate the functional expertise needed to succeed, by strengthening our Board as of this year in order to complement PUMA's existing skill-set.

But 2007 may ultimately be remembered as the year in which we found our ideal long-term strategic shareholder in PPR, resulting in the pairing of two companies that share vision and a similar culture. Our newly forged partnership is a symbiotic relationship in which each company has the ability to support the other to further its strategic objectives.

It's been an entirely fluid integration, which has only reinforced the board's belief that the take over offer of 330 Euros per share by PPR was fair and in the best interest of our shareholders. In total, 35 percent of all shareholders accepted the offer last year, resulting in a 62.1 percent stake by PPR in PUMA, which includes the 27 percent stake that PPR acquired from the previous major shareholder. PUMA and PPR spent the second half of 2007 getting acquainted and initiated joint projects in several areas.

The Sportlifestyle industry continues to evolve at break-neck speed, and with our heritage in performance combined with our innovation in sports fashion, we are well prepared for the future. While we have come a long way since the beginning of Phase I in 1993, there is no question that PUMA's best days are still ahead. From the 2008 Olympics in Beijing and the European Championships, hosted by the PUMA-sponsored Swiss and Austrian football federations, to the 2010 World Cup in PUMA's home away from home, Africa, to the increasing efficiencies achieved in our operations, to the unique ability to continuously define Sportlifestyle with PPR, our opportunities are plentiful.

Yet, as always in business, a lot still remains to be done to ensure that we convert opportunities to success. But with focus, discipline and determination, we will give our best to continue along our road to excellence and build the most desirable sportlifestyle company in the world.

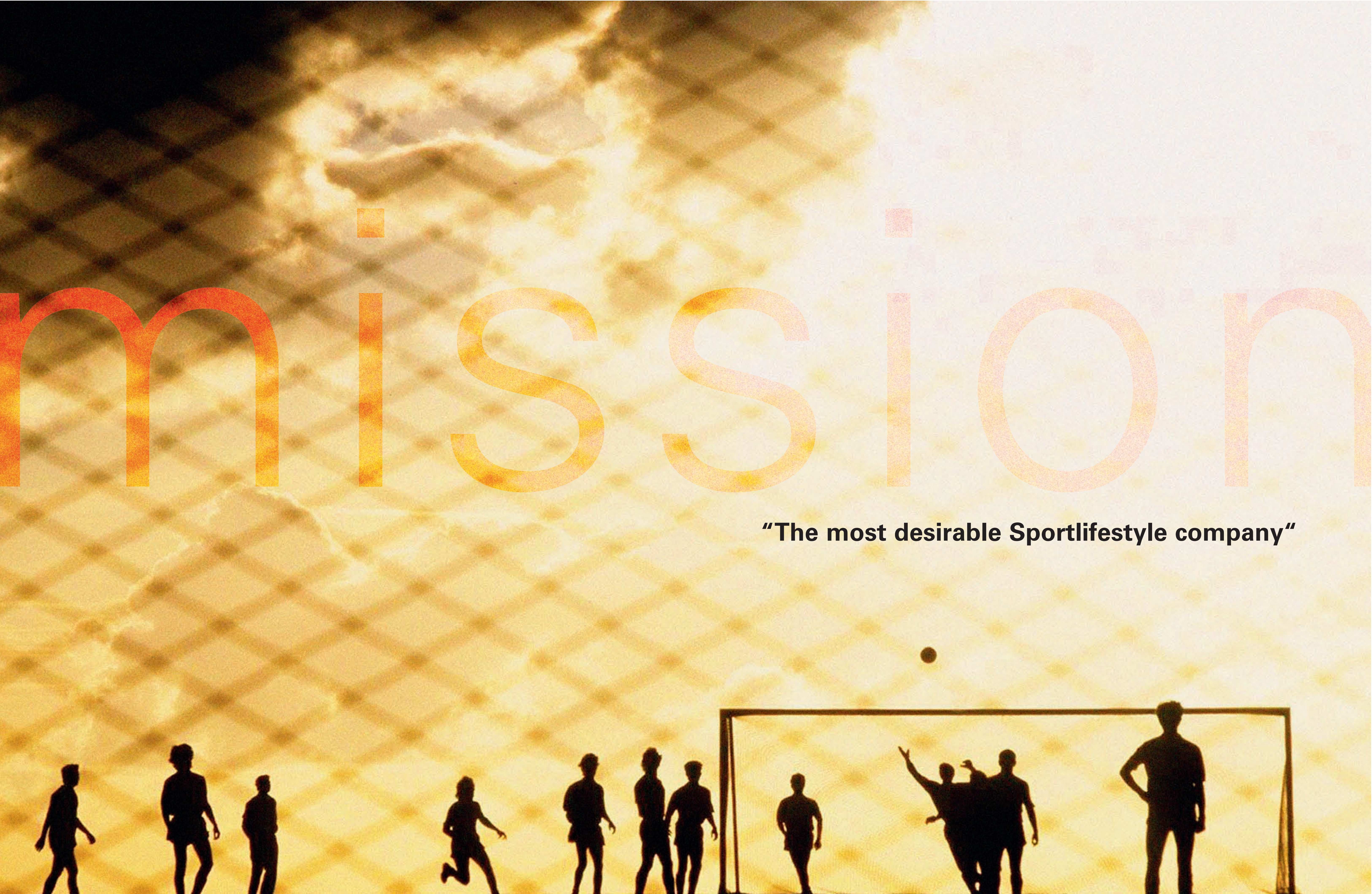
We would like to take this opportunity to thank our customers, committed employees and shareholders for trusting us.

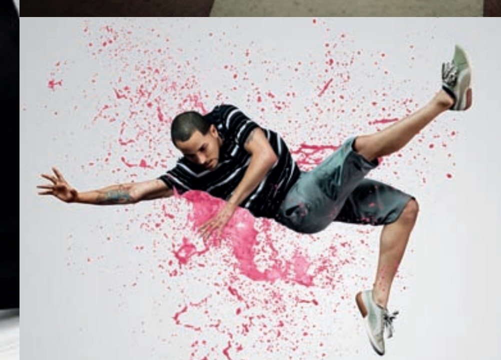
Best regards,

Jochen Zeitz

mission

“The most desirable Sportlifestyle company“





The Year 2007

The year 2007 was a challenging year with only a few sports events. Nevertheless, most of the targets set were reached and even exceeded in many points. The Company succeeded in further strengthening its position as a desirable sportlifestyle brand, as is particularly reflected in the improved gross profit margin.

In 2007, worldwide brand sales were up 3.4% currency adjusted, reaching € 2.7 billion. On a comparable basis, consolidated sales climbed by 4.7% to € 2.4 billion. The gross profit margin jumped by 170 basis points to over 52%, and operating profit was above previous year, totalling € 372.0 million. Earnings per share increased from € 16.39 to € 16.80.

The PUMA share closed at € 273.00. This corresponds to a market capitalization of approximately € 4.3 billion.

General Economic Conditions

According to an appraisal report of the "Projektgruppe Gemeinschaftsdiagnose" (Joint Diagnosis Project Group: a project for joint diagnosis conducted by a group of leading economic research institutes in Germany) dated October 18, 2007, the global economy continued to expand strongly in the past year, although economic risks were on the rise. Problems on the financial markets triggered by the real estate crisis in the USA led to a reassessment of credit risks. As a result, it was feared that companies would face higher financing costs, which could have a negative impact on real economic activity. In the newly industrializing countries, the expansion picked up speed in the course of 2007 primarily in the Asian region, and particularly in China. In contrast, production in the industrial countries continued at a moderate pace. In the USA, the economy had already slowed down perceptibly since mid 2007. In the Euro Region and Japan, where the real gross domestic product had previously shown strong growth, the basic level of business activity weakened.

Despite the few important sports events, the sporting goods industry as a whole continued to record further growth. The healthy growth in the sportlifestyle segment was due to the sustained trend toward more fitness and wellness, the increasingly important connection between sport and lifestyle, and the progressive verticalization of sales & marketing. In view of the positive consumer climate, trade and industry are looking to the future with optimism. This positive outlook is also supported by numerous consumer behaviour and consumer goods studies.

At the same time, consolidation processes in the sporting goods industry continued during the course of the year. PUMA also received a new majority shareholder through the participation of the French luxury group PPR. Integration into the PPR Group will bolster PUMA's market position in the sportlifestyle segment further and yield qualitative synergies. PUMA now not only has the support of a leading, financially strong international luxury group, but can also profit from PPR's global orientation, strong portfolio of premium brands, and also its know-how and expertise in retail operations.

Phase IV Strategy

With the objective of being "The Most Desirable Sportlifestyle Company", PUMA intends to bolster its position as one of the few true, multi-category brands, and to make effective use of the many opportunities offered by the sportlifestyle market in all categories and regions. Being a multi-category brand means filling those categories and business segments which offer PUMA the possibility to achieve sustained value increases through utilization of its unique brand positioning.

Phase IV is characterized by expansion, which is focused on three areas:

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

Expansion of Product Categories

The expansion of product categories in Phase IV involves both growth in already existing categories and entering into new categories. The expansion of the existing product categories will be driven by a product offensive that covers the entire sportlifestyle spectrum from sports to fashion. In addition, PUMA will also expand into new categories with promising growth potential. These will mostly be product categories which distinguish the PUMA brand from the market and from competition in a unique manner.

Regional Expansion

In addition to the expansion of product categories, PUMA aims at regional expansion both in the wholesale and in its own retail business. Expansion of the shop-in-shop systems and other sales-promoting instruments will help to intensify business relationships with existing trading partners and thus further increase the presence and visibility of the PUMA brand. A further goal is to terminate or prematurely redeem the major distribution licenses and to consolidate the business. This should lead to more rapid exploitation of existing brand potential in the respective markets and its subsequent conversion into profitable growth. In the already strongly developed markets, in particular, PUMA's retail stores will not only serve as a unique window for the brand, but will also offer the possibility to react swiftly to new trends and, as a consequence, to offer innovative products on the market at an early stage. The targeted expansion strategy in conjunction with the more pronounced verticalization of business processes should lead to further strengthening and expansion of the share of retail operations in consolidated sales.

Expansion with Non-PUMA Brands

In addition to the Tretorn Brand (since 2001) PUMA does not rule out expansion with non-PUMA brands. Further acquisitions may follow if, after thorough evaluation and examination, they can contribute to a sustained value increase for the Company.

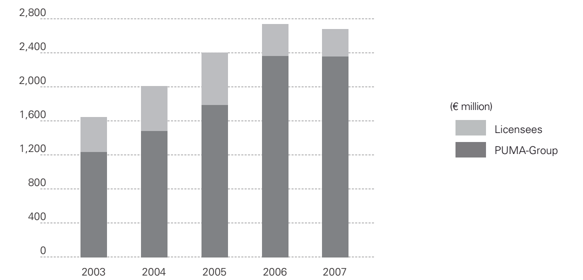
Business Development

Sales

Brand Sales

PUMA brand sales which are comprised of consolidated and license sales, rose currency adjusted by 3.4% to € 2.7 billion. Due to the ongoing weakness of the US Dollar, in particular, as well as of other currencies, compared to the Euro, brand sales in the reporting currency were slightly below last year.

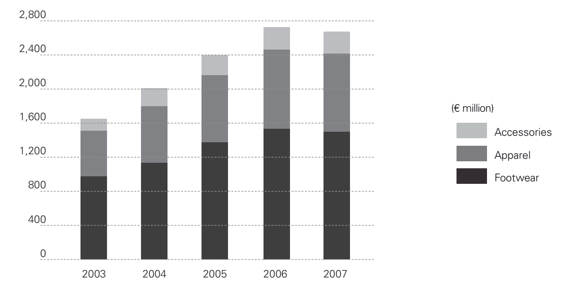
Brand sales



Like-for-like Footwear sales improved 1.9% to € 1,477.9 million, Apparel 5.7% to € 998.7 million, and Accessories 3.7% to € 262.2 million.

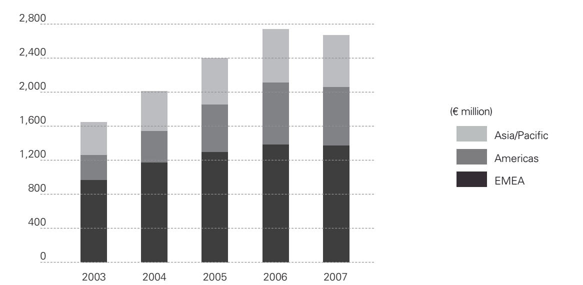
The Footwear share in brand sales was 54.0% (54.9%), Apparel 36.5% (35.6%), and Accessories 9.6% (9.4%)

Brand sales by product segments



Broken down by regions, brand sales are allocated as follows: EMEA contributed 52.7% (48.9%), Americas 25.3% (28.0%), and Asia/Pacific 22.0% (21.6%). With the exception of Americas, solid growth could be achieved in the individual regions.

Brand sales by regions

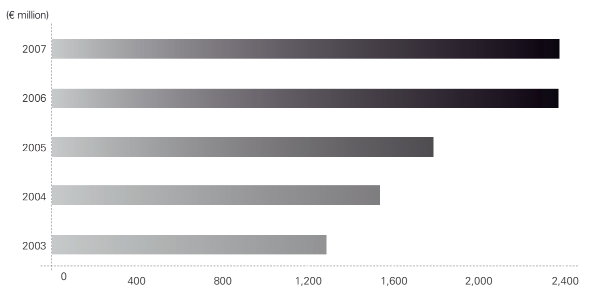


Sales	Jan. 1, - Dec. 31 2007						+/- in %		
	Brand		License		Consolidated		Brand	License	Conso-
	€ million	%	€ million	%	€ million	%			lidated
- by regions									
EMEA	1,443.1	52.7%	207.9	56.9%	1,235.3	52.0%	7.1%	10.4%	6.6%
America	693.2	25.3%	52.0	14.2%	641.2	27.0%	-10.3%	7.3%	-11.4%
Asien/Pacific	602.4	22.0%	105.5	28.9%	497.0	20.9%	1.2%	-2.8%	2.2%
Total	**2,738.8**	100.0%	**365.3**	100.0%	**2,373.5**	100.0%	-0.6%	-5.3%	**0.2%**
- by segments									
Footwear	1,477.9	54.0%	90.0	24.6%	1,387.8	58.5%	-2.3%	-3.1%	-2.3%
Apparel	998.7	36.5%	171.3	46.9%	827.3	34.9%	1.7%	-8.1%	4.0%
Accessories	262.2	9.6%	103.9	28.4%	158.3	6.7%	0.7%	-2.4%	2.9%
Total	**2,738.8**	100.0%	**365.3**	100.0%	**2,373.5**	100.0%	-0.6%	-5.3%	**0.2%**

Consolidated Sales

PUMA succeeded in increasing its consolidated sales for the thirteenth consecutive year, including ten years of double-digit growth. In the 2007 financial year, currency adjusted sales rose by 4.7% to a total of € 2,373.5 million. Currency effects impacted negatively on Euro sales.

Consolidated sales

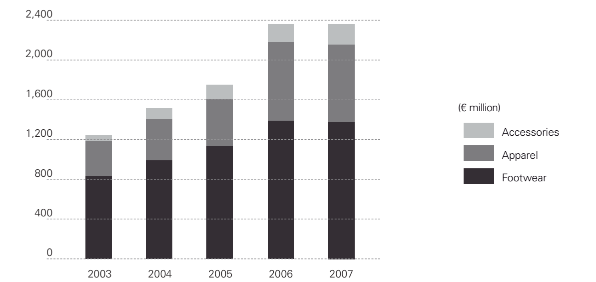


The currency adjusted sales in the **Footwear** segment posted a 2.1% increase. In Euros, it's a decline from € 1,420.0 million to € 1,387.9 million, exclusively due to the difficult brand environment in the US. The share in consolidated sales was 58.5%, compared to 59.9% in the previous year.

The **Apparel** segment was up currency adjusted 8.6% to € 827.3 million. Almost all product groups were able to contribute to the positive overall result. The share in consolidated sales was 34.9%, compared to 33.6% in the previous year.

In the **Accessories** segment, which is comprised mainly of bags, balls and sport accessories, currency adjusted sales were up by 7.8%totalling € 158.3 million. Growth was achieved in the sport as well as in the sportlifestyle segment. The share in consolidated sales was 6.7%, compared with 6.5% in the previous year.

Consolidated sales by segment

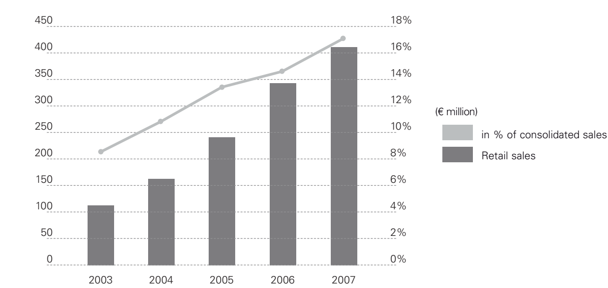


Expansion of Own Retail Operations as Scheduled

Own retail stores are an important element of the brand strategy. Expansion of the Group's own retail activities progressed as planned during the 2007 financial year. Thus, retail operations within the PUMA Group are increasingly gaining in importance. Close proximity to consumers leads to more rapid product development and product launching. In addition, innovative products can be presented in a brand-oriented environment, thus also ensuring a unique brand experience.

PUMA had 116 Concept Stores at the end of 2007, including two stores operated by licensees. Consequently, an additional 25 Concept Stores were opened worldwide in 2007. In addition to the Concept Stores, which further strengthen PUMA's position as a sportlifestyle brand, the Company's retail operations also include PUMA Stores and Factory Outlets. Regional availability and controlled sales of PUMA products can thus be ensured. Sales from the Company's own retail operations grew by 18.0% to € 406.4 million in 2007. The share in consolidated sales rose from 14.5% to 17.1%.

Retail sales



Results of Operations

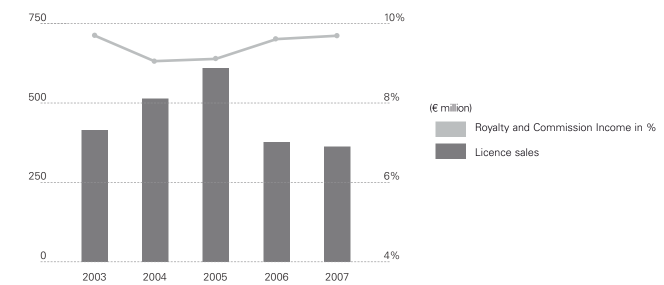
License Business as Expected

PUMA issues various product licenses (such as fragrances, bodywear and watches), to independent partners, who, in addition to being responsible for design and development, are also responsible for the sales of the special products. In addition, distribution licences are also issued for PUMA products for individual foreign markets. Together with consolidated sales, the license sales are included in worldwide brand sales.

As expected license sales decreased currency adjusted 3.8% to € 365.3 million. The decrease is attributable to expired licence agreements. Like-for-like, licence sales rose by approximately 4%. As of 2008, the Korean market will be serviced through the fully-owned subsidiary and will therefore be converted from a licence business into a consolidated business.

Overall, royalty and commission income from license sales totalled to € 35.6 million compared to € 37.0 million in the previous year. This corresponds to 9.7% of license sales in comparison to 9.6%.

License sales/Royalty and Commission Income in %



Income Statement	2007		*2006		+/- %
	€ million	%	€ million	%	
Consolidated sales	**2,373.5**	100.0%	**2,369.2**	100.0%	**0.2%**
Cost of sales	**1,131.8**	47.7%	**1,169.9**	49.4%	**-3.3%**
Gross profit	**1,241.7**	52.3%	**1,199.3**	50.6%	**3.5%**
Royalty and commission income	**35.6**	1.5%	**37.0**	1.6%	**-3.8%**
Selling, general and administrative expenses	**859.2**	36.2%	**830.0**	35.0%	**3.5%**
EBITDA	**418.1**	17.6%	**406.3**	17.2%	**2.9%**
Depreciation	**46.0**	1.9%	**38.4**	1.6%	**20.1%**
EBIT	**372.0**	15.7%	**368.0**	15.5%	**1.1%**
Financial result	**10.5**	0.4%	**6.0**	0.3%	**74.2%**
EBT	**382.6**	16.1%	**374.0**	15.8%	**2.3%**
Tax expenses	**110.9**	4.7%	**108.1**	4.6%	**2.7%**
Tax rate	29.0%		28.9%		
Net earnings attributable to minority interest	**-2.6**	-0.1%	**-2.8**	-0.1%	
Net earnigs	**269.0**	11.3%	**263.2**	11.1%	**2.2%**
Weighted average shares outstanding (million)	16.018		16.054		-0.2%
Weighted average shares outstanding, diluted (million)	16.031		16.139		-0.7%
Earnings per share in €	16.80		16.39		2.5%
Earnings per share, diluted in €	16.78		16.31		2.9%

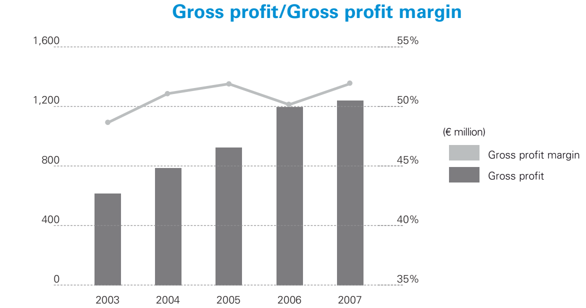
* Reclassification interest expense from pension from personnel costs to financial result

Significant Increase in Gross Profit Margin

The appeal of the brand is reflected, in particular, in the gross profit margin. In the financial year 2007 the gross profit margin grew by 170 basis points to 52.3%. In absolute figures, gross profit was up by 3.5%, rising from € 1,199.3 million to € 1,241.7 million.

According to product segments, the Footwear gross profit margin increased from 50.3% to 52.3%, and Apparel from 50.7% to 52.2%. Accessories decreased from 53.3% to 52.8%.

Gross profit/Gross profit margin

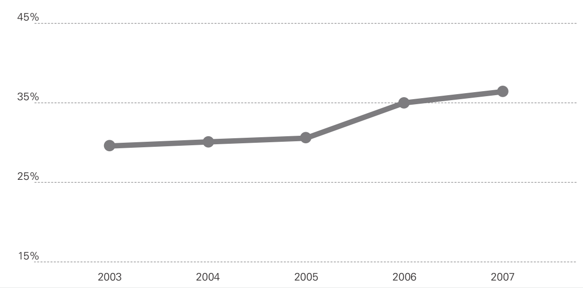


Investments in the Brand Continued as Planned

Operating expenses, comprised of selling, general and administrative expenses, rose by 3.5% from € 830.0 million to € 859.2 million in the 2007 financial year. The cost ratio increased from 35.0% to 36.2% of sales due to continued scheduled brand investments (e.g. participation in the Volvo Ocean Race) and infrastructure investments. In a departure from the previous year's practice, the interest expense from pension commitments (previous year: € 1.8 million) was no longer reported in personnel expense. Instead, it was reported under the financial result. The operating expenses of the previous year were adjusted accordingly in order to facilitate comparability.

Investments in marketing/retail totalled € 424.9 million, compared to € 419.6 million in the previous year. The cost ratio rose from 17.7% to 17.9% of sales, whereby marketing expenses declined in comparison with the previous year while expenses for retail operations increased as expected. Product development and design expenses climbed from € 56.7 million to € 57.5 million but remained constant on previous year's level at 2.4% of sales. Other selling, general and administrative expenses rose from € 353.6 million to € 376.7 million, or from 14.9% to 15.9% of sales.

Operating xspenses in % of consolidated



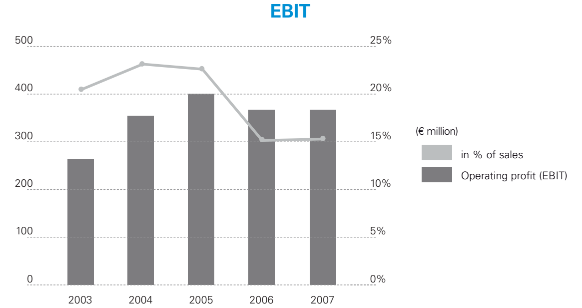
Depreciation

Depreciations were up 20.1% from € 38.4 million to € 46.0 million. This increase is mainly due to the planned expansion of the Company's own retail operations and relating investments.

Operating Profit above Last Year

Operating profit (EBIT) amounted to€ 372.0 million and was above the previous year's value of € 368.0 million. As a percentage of sales, this corresponds to an operating margin of 15.7%, compared to 15.5%.

EBIT



Financial Result

The financial result increased from € 6.0 million to € 10.6 million. The financial result includes interest income of € 21.2 million (previous year: € 15.6 million) and interest expenses of € 5.3 million (previous year: € 4.7 million). This corresponds to an average rate of return of 3.9%, compared to 3.1% in the previous year, calculated on the average net liquid funds.

Moreover, the financial result includes expenses of € 3.5 million (previous year: € 3.1 million) for accumulated long-term purchase price liabilities from corporate acquisitions, and expenses of € 2.0 million (previous year: € 1.8 million) related to the valuation of pension plans, which were posted as personnel expenses in the previous year. The previous year's figures were adjusted to facilitate comparability.

Earnings before Tax

Earnings before taxes (EBT) reached € 382.6 million, compared to € 374.0 million in the previous year. As a percentage of sales this corresponds to a return of 16.1%, compared to 15.8%.

Tax expenses rose from € 108.1 million to € 110.9 million. The average tax rate was 29.0%, compared to 28.9% in the previous year.

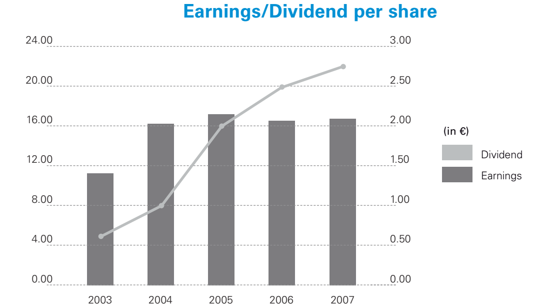
Net Earnings

Net earnings improved by 2.2% from € 263.2 million to € 269.0 million. This corresponds to a net return of 11.3%, compared to 11.1% in the previous year. Earnings per share totalled to € 16.80, compared to € 16.39, and the diluted earnings per share were € 16.78, compared to € 16.31.

Dividend

As announced in the context of Phase IV of long-term oriented business plan, the pay-out ratio should be increased gradually to 20%-25%. For financial year 2007, the Board of Management will propose at the Annual Meeting on April 22, 2008 an increase of 10% to € 2.75 per share. This corresponds to a dividend pay-out ratio relative to net earnings of 16.3%, compared to 15.2% in the previous year. The dividend is to be paid on the day after the Annual Meeting which authorizes the profit distribution.

Earnings/Dividend per share

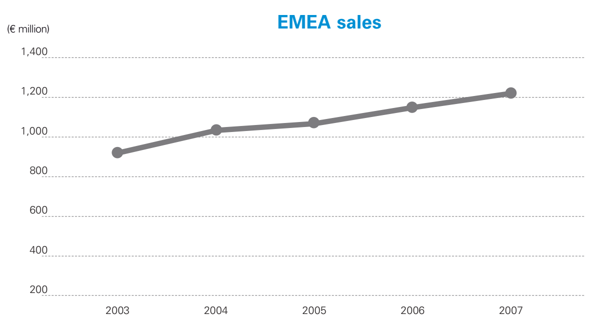


Regional Development

In spite of the fewer major sports events in 2007 compared to the previous year, solid growth was achieved in the **EMEA** region. The currency adjusted sales rose by 7.8% to € 1,235.3 million. Nearly all countries in this region contributed to the growth. The EMEA region's share in consolidated sales was 52.0%, compared to 48.9% in the previous year.

By product segments, like-for-like Footwear sales increased by 5.6%, Apparel by 11.6%, and Accessories by 7.4%.

The gross profit margin reached 53.9% after 53.8% in the previous year. The operating margin (EBIT) accounted for 21.2% of sales, compared to 22.0% last year.

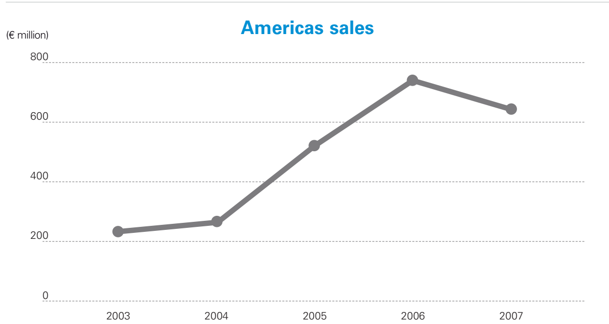


Due to adaptation of the business with a key account customer, who in the past years had recorded strong growth in sales, and a constant moderate environment in the shopping malls in the US, the currency adjusted sales in **America** declined by 4.3% and totalled to € 641.3 million. The share in consolidated sales decreased from 30.6% to 27.0%.

According to product segments, Footwear decreased 5.7% and Apparel 2.6%. Sales in Accessories were up by 11.4%.

The gross profit margin increased from 46.1% to 50.7% due to a significant improvement in the US. Realization of the announced streamlining of the distribution structure thus impacted very positively on the gross profit margin. The operating margin was 17.6%, compared to 17.4% in the previous year.

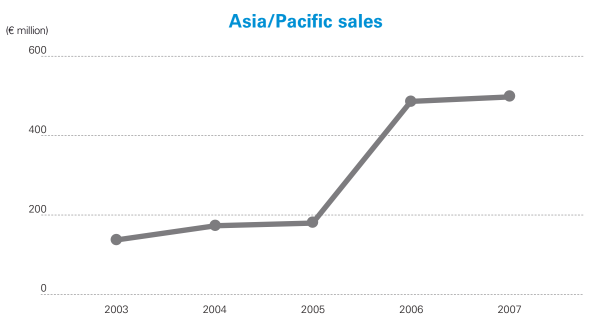
The US market, which is the largest in the region, declined after several years of double-digit growth. In 2007, sales decreased currency adjusted by 9.5% to a total of USD 561.1 million. This development is mainly due to the already mentioned adaptation of the business with a key account customer who had posted strong growth in previous years, and to the generally difficult market environment in the mall-based business.



In the **Asia/Pacific** region, sales grew currency adjusted significantly by 10.1% to € 497.0 million. China, in particular, contributed to this positive result. The share in consolidated sales increased from 20.5% to 20.9%.

By product segments, Footwear sales increased currency adjusted by 11.3%, Apparel by 10.0%, and Accessories by 6.1%.

The gross profit margin grew from 49.8% in the previous year to 50.6%. The operating margin was 20.4%, compared to 21.9% last year.

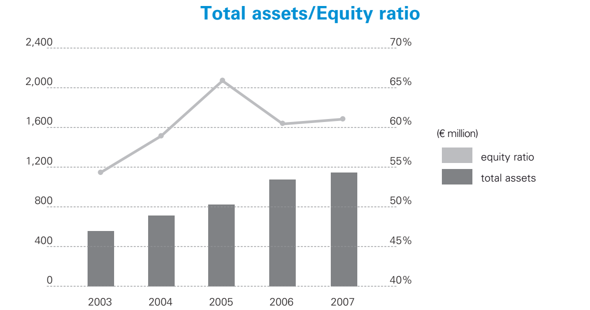


Net Assets and Financial Position

Balance Sheet	2007		2006		+/- %
	€ million	%	€ million	%	
Cash and cash equivalents	522.5	28.0%	459.2	26.8%	13.8%
Inventories	373.6	20.1%	364.0	21.2%	2.6%
Trade receivables	389.6	20.9%	373.8	21.8%	4.2%
Other current assets	109.7	5.9%	105.8	6.2%	3.7%
Current assets	**1,395.3**	74.9%	**1,302.8**	76.0%	7.1%
Deferred taxes	77.4	4.2%	63.3	3.7%	22.2%
Other non-current assets	390.3	20.9%	348.8	20.3%	11.9%
Non-current assets	**467.7**	25.1%	**412.1**	24.0%	13.5%
Total assets	**1,863.0**	100.0%	**1,714.8**	100.0%	8.6%
Current bank liabilities	61.3	3.3%	65.5	3.8%	-6,5%
Tax provisions	18.1	1.0%	38.5	2.2%	-53.0%
Other current liabilities	523.7	28.1%	414.6	24.2%	26.3%
Current liabilities	**603.1**	32.4%	**518.7**	30.2%	16.3%
Deferred taxes	22.7	1.2%	13.0	0.8%	74.7%
Pension provisions	17.9	1.0%	21.9	1.3%	-18.6%
Other non-current liabilities	64.5	3.5%	112.2	6.5%	-42.5%
Non-current liabilities	**105.1**	5.6%	**147.2**	8.6%	-28.6%
Shareholders' equity	**1,154.8**	62.0%	**1,049.0**	61.2%	10.1%
Total liabilities and shareholders' equity	**1,863.0**	100.0%	**1,714.8**	100.0%	8.6%
Working capital	**406.5**		**401.6**		1.2%
- in % of consolidated sales	**17.1%**		**16.9%**		

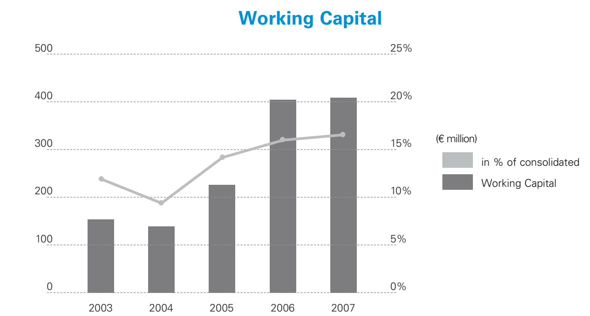
Equity Ratio at 62.0%

As of December 31, 2007 shareholders' equity rose by 10.1% from € 1,049.0 million to € 1,154.8 million. The equity ratio reached 62.0% after 61.2% in the previous year. Total assets grew by 8.6% from € 1,714.8 million to € 1,863.0 million.



Working Capital

Trade receivables were up 4.2% to € 389.6 million due to the sales increase in the fourth quarter (+5.0%). Inventories increased by 2.6% to € 373.6 million. The increase is attributable to the orders for deliveries in the first months of the 2008 financial year. The inventory situation was improved significantly in the course of the year, as previously announced. Taking liabilities into account, working capital increased from € 401.6 million to € 406.5 million and accounted for 17.1% of sales, after 16.9% in the previous year.



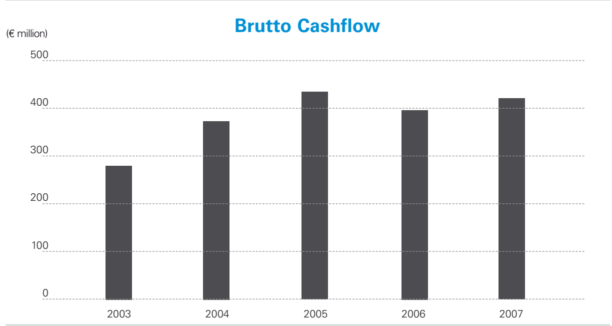
Other Assets

Other current assets were up by 3.7% to € 109.7 million. Other non-current assets, comprised of property, plant and equipment, intangible assets and other long-term assets, were up by 11.9% to € 390.3 million. The increase is mainly due to the planned expansion of PUMA's own retail operations and current investments in property, plant and equipment.

Cashflow

Cashflow Statement	2007	2006	+/- %
	€ million	€ million	
EBT	382.6	374.0	2.3%
Non cash effected expenses and income	37.6	21.7	73.2%
Gross cashflow	**420.2**	**395.7**	**6.2%**
Change in current assets, net	3.0	-116.2	-102.6%
Taxes and other interest payments	-120.8	-126.2	-4.2%
Net cash from operating activities	**302.4**	**153.4**	**97.1%**
Net cash used in investing activities	**-93.5**	**-143.0**	-34.6%
Free cashflow	**208.8**	**10.4**	1904.1%
Free cashflow (before acquisition)	**218.3**	**91.6**	138.3%
- in % of consolidated sales	**9.2%**	**3.9%**	-
Net cash used in financing activities	**-115.3**	**-9.8**	1081.3%
Effect on exchange rates on cash	-30.3	-17.0	78.0%
Change in cash and cash equivalents	63.3	-16.3	-487.1%
Cash and cash equivalents at beginning of the financial year	459.2	475.5	-3.4%
Cash and cash equivalents at year-end	**522.5**	**459.2**	13.8%

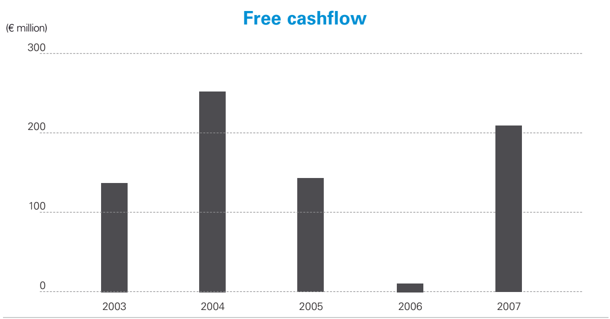
Gross cashflow increased by 6.2% from € 395.7 million to € 420.2 million.



Cash provided by the change in net current assets amounted to € 3.0 million after a cash outflow of € 116.2 million in the previous year which was influenced by the regional expansion. Taxes and other interest payments accounted for total outflows of € 120.8 million, compared to € 126.2 million in the previous year. In all, net cash from operating activities increased by 97.1% from € 153.4 million to € 302.4 million.

Net cash used in investing activity dropped significantly from € 143.0 million to € 93.5 million. The decrease is mainly due to the regional expansion recorded in the previous year. Investments for the own retail operations and current investments account for € 103.4 million (previous year: € 72.7 million).

The free cashflow (before acquisition) grew significantly by 138.3% from € 91.6 million to € 218.3 million. As a percentage of sales, the free cashflow (before acquisition) was more than doubled from 3.9% to 9.2%. Including investments for acquisitions free cashflow totalled € 208,8 million compared to € 10.4 million last year.



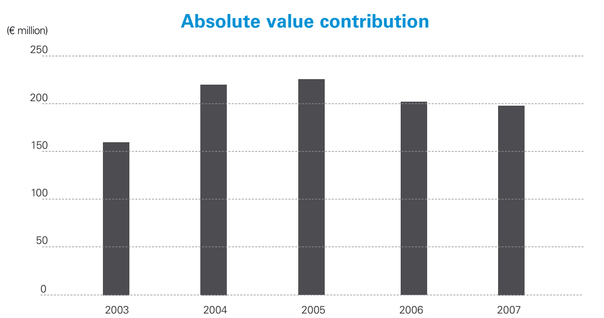
Net cash used in financing activities included dividend payments of € 39.9 million, and € 76.3 million for the repurchase of own shares. In context to the Management Incentive Programs, the Company recognized inflows in the amount of € 12.9 million.

In total, cash and cash equivalents increased € 63.3 million and totalled € 522.5 million as of December 31, 2007.

Value-based Management

The return on capital is measured on the basis of the cash flow return on investment (“CFROI”). The CFROI calculation incorporates two parameters: the gross investment base and the gross cash flow. The gross investment base is the total amount of available financial resources and assets before accumulated depreciation and amortization. The gross cash flow results from the consolidated net income adjusted for depreciation/amortization and interest expense.
Using the simplified assumption of a perpetual useful life, the CFROI is calculated as a quotient of the gross cash flow and the gross investment base.
The absolute value contribution corresponds to the difference from the cash flow return on investment (CFROI) and weighted average cost of capital (WACC), multiplied by the gross investment base.

In the financial year, a cashflow return on investment (CFROI) of 22.4% was generated compared to 24.0% in the previous year. Considering the capital costs of 8.8% (previous year: 8.4%), PUMA succeeded in achieving an absolute value contribution of € 198.9 million, compared to € 203.4 million in the previous year, despite an increase in the gross investment basis.



Calculation of the Gross Investment Base and Gross Cashflow

in € million	2007	**2006	2005	*2004	2003
Net earnings before attribution	271.6	266.0	286.9	260.4	179.9
+ Depreciation and amortization	46.0	38.4	24.3	19.3	20.1
+ Interest expenses	10.7	9.6	5.1	1.3	1.4
Gross cashflow	**328.4**	**313.9**	**316.2**	**281.0**	**201.4**
Monetary assets	1,023.3	930.7	818.2	559.9	367.8
- Non interest-bearing liabilities	465.6	443.0	340.8	275.8	253.0
Net liquidity	557.7	487.7	477.4	284.1	114.9
+ Inventory	373.6	364.0	238.3	201.1	196.2
+ Fixed assets at prime cost	323.6	250.3	193.0	135.8	107.6
+ Intangible assets at prime cost	212.6	206.3	80.3	46.1	44.6
Gross investment basis	**1,467.5**	**1,308.3**	**989.1**	**667.1**	**463.3**
Cashflow return on investment (CFROI)	**22.4%**	**24.0%**	**32.0%**	**42.1%**	**43.5%**
CFROI - WACC	**13.6%**	**15.5%**	**23.0%**	**33.4%**	**35.9%**
Cash Value Added (CVA)	**198.9**	**203.4**	**227.2**	**222.6**	**166.3**

* restated ** Reclassification interest expense from pensions from personnel costs to financial result

Calculation of Cost of Capital

in € million	2007	**2006	2005	*2004	2003
Calculation of cost of capital					
Riskfree interest rate	4.3%	3.6%	3.4%	4.3%	4.3%
Market premium	5.0%	5.0%	5.0%	5.0%	5.0%
Beta (M-DAX, 24 Month)	1.0	1.0	1.1	0,9	0,7
Cost of stockholders' equity	**9.1%**	**8.7%**	**9.0%**	**8.8%**	**7.6%**
Riskfree interest rate	4.3%	3.6%	3.4%	4.3%	4.3%
Credit risk premium	1.3%	1.5%	1.5%	3.0%	3.0%
Tax shield	29.0%	28.9%	29.0%	28.6%	31.9%
Cost of liabilities after tax	**3.9%**	**3.6%**	**3.5%**	**5.2%**	**4.9%**
Calculation					
Market Capitalization	4,342	4,764	3,938	3,249	2,248
Share of equity	**94.5%**	**95.0%**	**100.0%**	**100.0%**	**99.0%**
Calculated liabilities	252	253	0	0	22
Share of liabilities	**5.5%**	**5.0%**	**0.0%**	**0.0%**	**1.0%**
WACC after tax	**8.8%**	**8.4%**	**9.0%**	**8.7%**	**7.6%**

* restated ** Reclassification interest expense from pensions from personnel costs to financial result

Product Development and Design

PUMA's Product Philosophy

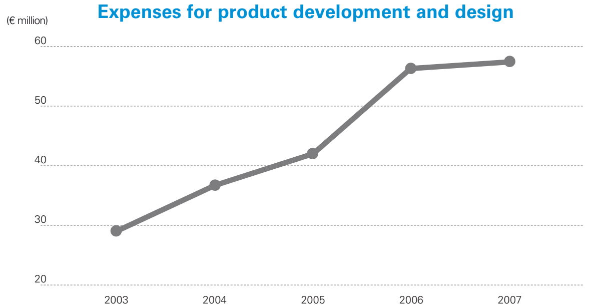
In the course of Phase IV of the long term corporate development, PUMA's position as one of the few true multi-category brands is to be bolstered, and the diverse possibilities offered by the sportlifestyle market are to be used systematically in all categories and regions. At product level this calls for controlled expansion of the product portfolio in existing business segments and entry into new product categories. Authenticity in the sports segment on the one hand and a strong brand presence in the fashion segment on the other offer PUMA the possibility to exploit the entire spectrum of the sportlifestyle market through targeted product offers. Creative connection of sports and fashion is to enable PUMA to achieve its long-term goal of being the most desirable sportlifestyle company.

Product Development and Design

In order to further expand market leadership in the sportlifestyle segment, PUMA will continue to redefine the limits of this segment on an ongoing basis. PUMA's active participation in the most important sailing race in the world, the Volvo Ocean Race, serves as an example of the innovative manner in which a sportlifestyle company can tap into a new product category. On the other hand, presence in the premium segment also shows how the product offering can be extended within the entire spectrum of the sportlifestyle market, thus further bolstering the core sportlifestyle segment.

Ongoing efforts aimed at strengthening of the product range and innovative design in the existing product categories, such as "Golf" or "Women", enable PUMA to continue to please and excite its target groups, thus gaining their loyalty to the brand over the long term. Moreover, new product categories may also lead to attracting new target groups to the brand. At the locations in Herzogenaurach, Germany, Boston, USA, and London, UK, PUMA has established development and design centres in order to create international product collections with different regional emphases. In addition, at other locations such as Tokyo, Japan, country-specific products that permit PUMA to respond to the various national requirements of its customers are being developed. In order to strengthen the brand's design competency, PUMA collaborates with external top designers such as Alexander McQueen and Yasuhiro Mihara. On top of that, PPR offers an opportunity to develop new product concepts in the higher-priced fashion segment.

Expenses for product development and design

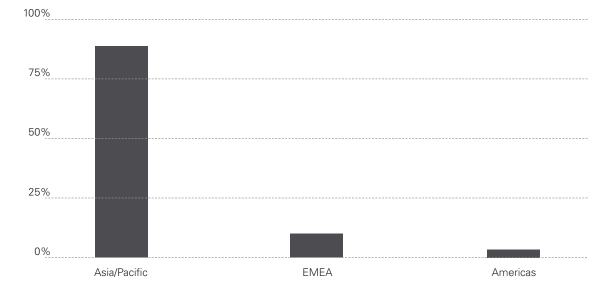


Sourcing

Focus on Asia

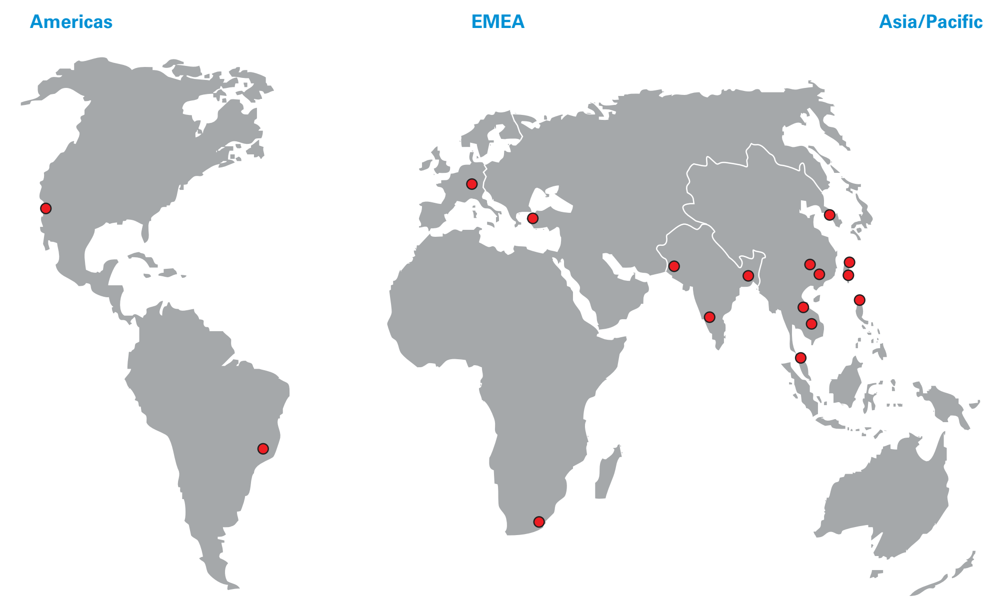
In 2007 the Asian sourcing market was the focus of PUMA's sourcing organization "World Cat", which continued to grow in significance as the main purchasing source in relation to other sourcing regions. The purchasing of products is allocated to several, mostly long-standing business partners who in turn maintain several local independent production facilities.

Sourcing markets/units



The organizational conditions for efficient purchasing operations were further bolstered by central pooling and processing. This enabled the achievement of optimum purchasing conditions and terms.

Sourcing markets



In order to meet the rising requirements, both business process and work flows are continually optimized and reflected in the global IT systems.

In order to optimize work flows, manufacturers are integrated into a "strategic supplier concept" within the framework of strategic partnerships.

Through regular reviews and portfolio adaptation, dependencies on individual suppliers and sourcing markets can be avoided. In this way, risks arising from a change in customs duties or the introduction of trade restrictions and political instabilities are curtailed.
To secure the production capacities required in future, long-term general agreements were concluded with existing and new manufactures.

Corporate Social Responsibility

PUMA observes the principles of sustained development in all of its activities in order to satisfy today's demands without impairing opportunities for future generations. PUMA will integrate this paradigm into all business processes in order to guarantee sustained progress.

Implementation of the sustainability strategy is based on a Code of Conduct which is binding for all producers, and on a Code of Ethics that is binding for all of PUMA's employees.

PUMA's S.A.F.E. team (Social, Accountability and Fundamental, Environmental standards) develops concepts for the environmental and social sectors in joint projects with its partners; it supports local players in their implementation of the Code of Conduct, and ensures that the Code of Conduct is adhered to by all producers through regular supplier audits.

After a three-year implementation phase, PUMA's Compliance Program obtained full accreditation from the Fair Labor Association (FLA) in 2007. The condition for membership in the FLA is an annual external audit of 5% of the PUMA suppliers without prior notice. The results of these audits are published on the FLA website. In conformity with the S.A.F.E. principle of transparency, PUMA's list of manufacturers can be requested via the FLA (www.fairlabor.org).

PUMA's current sustainability report was published in October 2007. The report is in line with the guidelines of the Global Reporting Initiative (GRI), the leading international network of various interest groups that are aimed at standardization of sustainability reports.

The report received certification from "TÜV Rheinland" and received an A+ rating from GRI, which is unprecedented in the sporting goods industry. Moreover, the environmental protection organization Greenpeace has also confirmed that PUMA's commitment is setting new standards. Greenpeace examines various companies with respect to the environmental compatibility of their products and rates them on a scale from red to green. After examining PUMA's product range, Greenpeace ranked PUMA in the best possible category "green" this year.

Corporate social responsibility is increasingly gaining in importance in today's globalized business community. For many years, PUMA has expended great efforts to ensure high environmental and social standards within the Company itself, as well as in product manufacturing. Through its new membership in the United Nations Global Compact and the adoption of its ten guiding principles, PUMA has taken another important step in this area.

The renewed memberships in the Dow Jones World/STOXX Sustainability Indices and the FTSE4Good Index in 2007, illustrate that responsible entrepreneurial activity is also widely recognized among investors today.

PUMA's continuous efforts in the area of sustainable development demonstrate that financial success should be achieved in harmony with social responsibility and with responsibility for the environment.

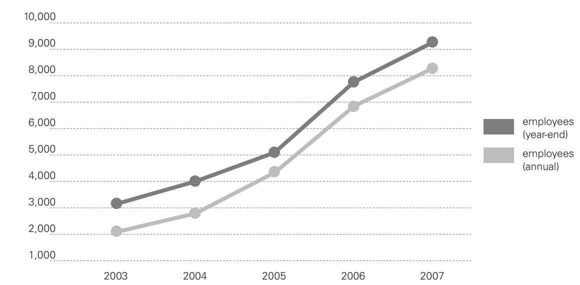
Employees

Increase in the Number of Employees

On an **annual average** the number of employees worldwide rose by 22.1% from 6,831 to 8,338. Thus, PUMA again underlined its importance as an employer and created a large number of new jobs worldwide.

Personnel expenses were up by 5.1%, rising from € 265.7 million to € 278.0 million. The average personnel expense per employee was T€ 33.3, compared to T€ 38.9 in the previous year.

Employees development

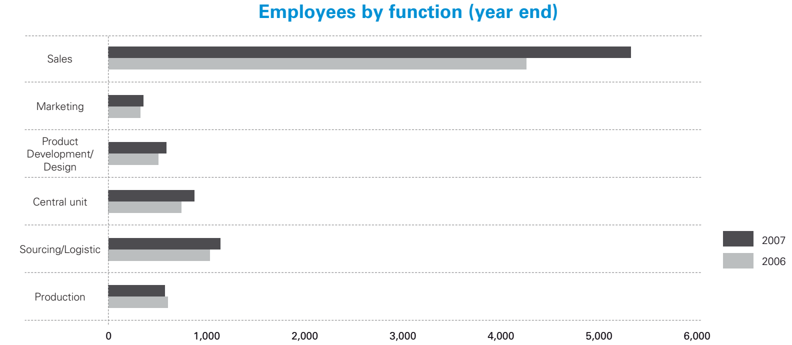


As of **December 31, 2007** the PUMA Group had 9,204 employees compared to 7,742 last year. This corresponds to an increase of 1,462 employees or 18.9%.

According to areas of activity, sales recorded the largest increase. The number of employees rose by 27.0% to 5,545 employees, mainly due to the expansion of PUMA's own retail activities.

In the marketing segment, the number of employees increased by 8.4% to 356, and product development and design posted an 8.7% increase to 674 employees. The sourcing/logistics segment posted a 10.6% increase by to 1,112 employees. In the central units, the number of employees increased by 14.6% to 881 employees.

Employees by function (year end)



Challenge through Growth

The planned long-term growth requires continuous integration of new employees. Accordingly, another increase in the number of staff is also planned for 2008.
PUMA achieves the successful integration of new employees through communication and the advancement of shared corporate values: Passion, Openness, Self-Confidence and Entrepreneurship. Through these values, which are closely linked to the brand personality, PUMA supports and promotes communication beyond the confines of cultural boundaries. This leads to the creation of a framework in which creativity, understanding, social competency and flexibility can freely develop, thus enabling the Company to react to market changes in a decentralized manner.

Find, Motivate and Promote Talent

The further professionalization of personnel processes is at the forefront of the global personnel strategy of Phase IV. The main emphasis is placed on advancement of a corporate culture that provides creative and committed employees with sufficient leeway for unconventional conceptual approaches, and which is intended to ensure that work is enjoyed while also promoting performance through targeted demands and rewards.

The central building blocks of personnel strategy are the optimization of recruitment processes as well as evaluation and sustained development of employees. Regular talks with employees provide the starting point for targeted personnel development measures and support a culture of demands and rewards. In addition, key talent is systematically identified and prepared for future tasks within the framework of a forward-looking succession planning process. This takes place at national as well as international level.

As special incentives for performance, PUMA offers bonus agreements and share-based compensation systems with long-term incentive effect as a variable component of the remuneration system for top management.

Furthermore, the commitment of PUMA employees was evaluated for the first time in the context of a benchmark study. The results of the study, in which 66% of the employees and 93% of the management staff participated, were incorporated in a company-wide improvement process.

Remuneration System for the Board of Management and Supervisory Board

Board of Management

Remuneration of the Board of Management members, which is determined by the Supervisory Board, is comprised of fixed and variable income components. The fixed components of the remuneration are comprised of a fixed salary and remuneration in kind, whereas the variable, performance-based components are comprised of bonuses and components with long-term incentive effect (stock appreciation rights). The criteria for measuring the overall remuneration include duties and services performed by the respective Board of Management member, as well as factors relating to the economic situation, the strategic 5-year planning and associated targets, the sustainability of achieved results, the long term profit outlook of the Company and international benchmark comparisons.

The fixed remuneration component is paid out monthly as a non performance-based salary. In addition, Board of Management members receive remuneration in kind such as the use of company cars and insurance coverage. These benefits are generally made available to all Board of Management members on an equal footing and are included in the non-performance-based remuneration.

The bonus, as a part of performance-based remuneration, is based on the operating profit of the PUMA-Group and is graduated in accordance with the level of target achievement. An upper limit is also agreed.

The performance-based remuneration components with long-term incentive effect (stock appreciation rights) are generally provided as a supplement to the five-year plans. In this context, the number of stock appreciation rights issued is measured as a component of total remuneration. Measurement is based on the fair value of the respective stock appreciation rights as at the date of allocation. The possibility of a cap limit is provided as cover against unforeseen developments. Particulars concerning the parameters used for the respective programs are provided in the Notes to the Consolidated Financial Statements under No. 19.

Total remuneration for the Board of Management, the components and individualization features are presented in the Notes to the Consolidated Financial Statements under No. 29.

Supervisory Board

The Supervisory Board is comprised of six members who are appointed in accordance with the Company's Articles of Incorporation. Remuneration of Supervisory Board members, which is approved by the Annual Shareholders' Meeting, is comprised of a fixed remuneration component which is not based on performance, and a performance-based component which is measured on the basis of Group profits. The Supervisory Board Chairman receives twice the amount of the respective remuneration components, and his Deputy receives one and a half times of the aforesaid amount.

Total remuneration for the Supervisory Board, including the components and individualization details are presented in the Notes to the Consolidated Financial Statements under No. 29.

Risk Management

Supervising and minimizing risks means securing the future. Growing globalization requires swift responses to a changing environment and conditions. In a world characterized by dynamism and short product lifecycles, companies are exposed to both internal and external risks.

Due to its global activities, PUMA is also continuously exposed to risks that must be monitored and curtailed. Since risks are also always associated with opportunities, both the risks and the associated opportunities must be taken into consideration through an effective risk management system.

The guidelines and organization of risk management ensure a methodological and systematic approach within the Group. Direct responsibility for risks is transferred to operational employees who report on any detected risks in a "bottom-up" procedure. This ensures that risks can be detected early and flexibly and reported to the "Risk Management Committee" (RMC). The risk managers report significant changes in the risk portfolio through periodic reports as well as through a system of ad-hoc reporting.

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

Risk Areas

General Economic Risks

General economic development may impact directly on consumer behaviour. Political crises, legal changes and social influences, for example, may be reflected immediately in consumer behaviour. PUMA addresses this risk through geographic diversification and a balanced product range.

Brand Image

As a brand goods company PUMA is aware of the importance of a strong brand image, and it has developed a desirable brand image through sustained and innovative brand communication. The brand image is essential since it can influence consumer behaviour not only to the advantage but also to the disadvantage of the brand. Thus, for example, product imitations may lead to a significant loss of confidence in the brand among consumers and thus also to a negative brand image.

Because of its desirability, the PUMA brand is increasingly becoming the target of product pirates. PUMA places high value on combating brand piracy. PUMA's own team that is engaged in the protection of intellectual property safeguards a strong global portfolio of industrial property rights such as brands, designs, and patents. With its global network of brand protection officers, external law firms and detective agencies, it prevents an increase in product imitations that are damaging to the brand image as well as to sales.

In order to effectively address product piracy, PUMA also works in close collaboration with customs and police authorities in over eighty countries, and is actively involved in the implementation of effective laws for the protection of intellectual property in an advisory capacity.

Personnel Risks

The creative potential, commitment and achievement potential of employees are important pillars of successful corporate development. Independent thinking and actions based on a high degree of personal responsibility are of prime importance to PUMA and are part of a trust-based corporate culture with flat hierarchical structures.

PUMA's human resources strategy is aimed at sustained and long-term safeguarding of this successful philosophy. To this end, personnel risks are recorded and measured within the framework of a periodic process. Accordingly, in 2007 the focus was on talent management, which involves the development and promotion of employees and the formulation of strategic succession planning.

PUMA will continue to invest in personnel and in the respective functions and regions in line with its targeted requirement-based policy with a view to accommodating the future requirements of corporate strategy.

Sourcing Risks

Most of the products are produced in the emerging markets of Asia. Business activities with these countries are associated with diverse risks. Thus, for example, currency fluctuations, changes in fiscal charges or customs regulations, trading restrictions, natural disasters and political instability may also lead to certain risks. Risks may also arise from excessive dependency on individual producers.

To limit and control sourcing risks, PUMA has developed very good partnerships with all manufacturers; this enables the Company to react quickly and flexibly to any circumstances that arise. In addition, PUMA also has a broad network of suppliers, which it may fall back on.

The PUMA S.A.F.E. team was founded years ago in accordance with the principles of sustainable development in order to ensure optimal integration of the two pillars of sustainable development, namely environmental protection and social responsibility, into the core business fields of PUMA and to harmonize them with economic development.

The task is to monitor PUMA's partners' absolute compliance with environmental and social standards that are defined in a Code of Conduct. The S.A.F.E. Team performed over 300 internal audits in the year 2007. External certification of the compliance program is carried out by the Fair Labor Organisation (FLA): Each year, 5% of our suppliers are audited by the FLA without prior notice. If required, the S.A.F.E. team issues binding correction plans jointly with contract partners and offers support and training concerning their implementation.

In addition, with the participation of various initiative groups, PUMA also carries out several projects with strategic partner firms in key sourcing regions in order to develop special regional know-how and to promote competencies where appropriate and needed.

Currency Risks

As an international company, PUMA is engaged in diverse markets and is therefore confronted with various currency risks.

The largest sourcing market is the Asian market, where payments are processed largely in USD. However, the USD required for merchandise purchases can be obtained only in part from USD sales. Consequently, PUMA is particularly exposed to the risk of currency fluctuations. PUMA addresses the currency risk in accordance with an internal guideline. Currency forwards are used for conversion of foreseeable financial obligations (denominated in foreign currencies), into the functional currencies of the Group companies.

Only forward exchange transactions in line with market conditions are conducted in order to hedge existing or pending contracts with renowned international financial institutions. At the 2007 year-end, 100% of the net exposure for the 2008 planning period were hedged against currency effects.

Except for purchase of goods invoiced in USD, the Group companies process their activities predominantly in their respective functional currency. Consequently, the currency risk from current operations is assessed as low.

Currency risks may also arise from foreign currency loans that are extended to Group companies for financing purposes. Currency swaps and currency forward transactions are deployed for conversion of intra-group loans denominated in foreign currencies into the functional currencies of the Group companies.

Moreover, there were liabilities from acquisitions in foreign currency as of the balance sheet date, which are to be covered by future cashflows. Owing to this coverage, PUMA was not exposed to any significant currency risks in the financing area as of the balance sheet date.

In the operational segment PUMA was not exposed to any significant currency risks as of the balance sheet date due to hedging activities. The risk-induced value fluctuation of the basic business is compensated by opposite value development concerning the hedging transaction. Consequently, no ineffectivities arise.

For the presentation of market risks, IFRS 7 requires sensitivity analyses which show the effects of hypothetical changes to relevant risk variables on the results and equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments as of the balance sheet date. In so doing, it is assumed that the portfolio reported as of the balance sheet date is representative of the year as a whole.

Currency risks pursuant to IFRS 7 arise through financial instruments which are denominated in a currency other than the functional currency and are monetary in nature; currency-related differences arising from the currency translation of individual financial statements into the group currency are not taken into consideration. Relevant risk variables are generally considered to be all non-functional currencies, for which PUMA deploys financial instruments.

Currency sensitivity analyses are based on the following assumptions:
Significant original monetary instruments (cash and cash equivalents, receivables, interest bearing liabilities, financial lease liabilities, non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred into the functional currency through the use of forward exchange transactions. Consequently, exchange rate fluctuations do not have any effect on results or equity.

PUMA is exposed to currency risks from certain forward exchange transactions. These are forward exchange transactions that are linked in an effective cashflow hedge arrangement for the hedging of currency-related payment fluctuations according to IAS 39. Exchange rate changes in the currencies underlying these transactions have an effect on the hedging reserve in equity and on the fair value of these hedging transactions.

Assuming that the USD had been revalued (or devalued) by 10% relative to all other currencies as of December 31, 2007, the hedging reserve recorded in equity and the fair value of the hedging transactions would have been € 37.3 million lower (or higher) (December 31, 2006: € 52.4 million higher (or lower)).

Interest Risks

At PUMA, interest risks do not impact on interest sensitivity and thus do not require the use of interest hedging instruments.

Other Price Risks

For the presentation of market risks, IFRS 7 requires additional disclosures on the effects of changes in other risk variables (besides interest and currency-related variables) on the prices of financial instruments. Such risks do not exist for PUMA.

Credit Risks

Due to the operative business and certain financing activities, PUMA is exposed to credit risks. Open balances in the operative business are continuously monitored. Credit risks are taken into account through individual value adjustments.

The maximum default risk is reflected by the book values of financial assets reported in the balance sheet (including derivative financial instruments with positive market value). The use of credit insurance contributes significantly to reducing the risk of default in the receivables area.

Liquidity Risk

To ensure payment ability and financial flexibility, a liquidity reserve in the form of credit lines as well as cash resources are maintained. Credit lines are generally made available until further notice.

Capital Risk

PUMA is not exposed to any capital risks since the liabilities to banks are matched by high liquidity balances. Moreover, PUMA has a very high equity ratio.

Product and Brand Environment

In order to avoid the risk arising from product influences specific to the market environment, in particular the danger of substitution in the highly competitive lifestyle market, early identification and utilization of relevant consumer trends plays a decisive role.

Due to ever shorter product lifecycles and the constantly changing demand behaviour of customers, in an increasingly globalized environment, the Company must be able to develop and implement new concepts and innovative products with increasing rapidity. Furthermore, PUMA has switched to a quarterly marketing rhythm worldwide that enables new products to reach customers faster, and has also developed processes for introducing special product initiatives with a view to profiting from short-lived market trends and demand fluctuations. In addition, PUMA pursues a consistent policy of verticalization in order to bring newly developed product collections to its own distribution channels faster and more directly.

Furthermore, in order to enable timely exploitation of market trends, clear recognition of PUMA products and their differentiation from competitor products play an increasingly important role. High investments in product design and product development ensure that the characteristic PUMA design and targeted diversification of the entire product range conform to the overall brand strategy.

Moreover, PUMA pursues a selective distribution strategy to ensure unique brand presentation and to reduce dependency on individual distribution channels. The expansion of retail operations should also ensure that PUMA products are presented exclusively in the brand environment desired by PUMA.

Retail

The expansion of retail operations is one of PUMA's main strategic objectives. Through the introduction of a new and innovative design for the concept stores, the diverse changes on the market can be better addressed and the goals for the retail business can be more quickly achieved. These goals include the creation of an individual and holistic PUMA brand experience on the one hand, and the ability to control retail in all its facets on the other. In this process, PUMA's stores provide a showcase for the brand while also strengthening the Company's profitability in the long-term.

Extension of the output chain leads to a higher gross profit margin; however, there are also investment risks, higher fixed costs, and long-term lease obligations that may impact adversely on profitability in a period of lagging business development. Such risks are addressed through far-reaching location analysis prior to decision-making, the use of staff with long years of experience in retail operations, and also by a system of daily reporting and a strong controlling function.

Organizational Challenges

PUMA's decentral virtual organization supports the global orientation of the Company. This requires higher coordination of technology, logistics, and personnel. Moreover, due to PUMA's continuous growth the Company's organization structure is becoming more complex. This organization structure is strategically aligned with a view to ensuring optimal use of resources.

The task of strategic planning is to transfer growth targets to the corporate functions and the respective regions. Moreover, business processes must be continually optimized and adapted to corporate growth. PUMA strives to achieve continuous increases in speed and efficiency along the output chain through a system of targeted training measures. The aim is to ensure optimum support for its core function, which is the development of innovative products and concepts. This optimization of business processes is supported by personnel measures and IT Systems which are under continuous development.

Summary

Due to its risk management system, PUMA is in a position to satisfy the legal requirements concerning control and transparency within the Company. Management assumes that, in the overall assessment of the Company's risk exposure, risks are limited and manageable and do not jeopardize the continued existence of the PUMA Group.

Disclosures acc. to Section 315 (4) HGB

Re Section 315 (4)No. 1 HGB
As of the balance sheet date, the subscribed capital amounted to € 41.0 million, split up into 16,027,964 shares of stock. As of the balance sheet date, the Company held 125,000 shares of treasury stock.

Re Section 315 (4) No. 3 HGB
The firm of "SAPARDIS S.A", a nearly fully-owned subsidiary of PPR S.A., held 63.05% of the subscribed capital as at the balance sheet date (corresponds to 63.55% of outstanding shares).

Re Section 315 (4) No. 6 HGB
The appointment and dismissal of Board of Management members is governed by the legal provisions of Sections 84, 85 AktG. Moreover, Article 6 No. 2 of the Articles of Incorporation of PUMA AG specifies that the Supervisory Board shall appoint the members of the Board of Management and determine their number. It can appoint a member of the Board of Management as deputy to the Chairman of the Board of Management or the Spokesman of the Board of Management. The Supervisory Board also has the authority to appoint two Board of Management members as spokesmen of the Board of Management.
The provisions for amending the Articles of Association are governed by Sections 133 and 179 AktG.

Re Section 315 (4) No. 7 HGB
Effective as of April 10, 2007 the treasury stock held until that time (1,270,000 shares) were called in with a corresponding reduction of the basic capital. According to a Resolution of the Annual Shareholders' Meeting passed on April 11, 2007, the Board of Management is again authorized to acquire treasury stock comprising up to 10% of the basic capital up to September 1, 2008.

The repurchase of treasury stock has been authorized in order to:
- deploy the shares as consideration for business combinations or for corporate acquisitions or participating interests in such companies (acquisition currency),
- enable flexible management of the Company's capital requirements and
- cancellation of shares as needed.

According to Article 4 No. 6 and No. 7 of the Articles of Incorporation of PUMA AG, the Board of Management is authorized to increase the basic capital with authorization from the Supervisory Board up to April 10, 2012 as follows:

- through a single or repeated issuance of new shares in return for cash contributions by up to € 7.5 million. The shareholders are generally entitled to a subscription right (Authorized Capital I).

and

- through a single or repeated issuance of new shares in return for cash contributions or contributions in kind by up to € 7.5 million. The subscription right can be excluded in whole or in part (Authorized Capital II).

For further details, please refer to the relevant disclosures in the Notes to the Consolidated Financial Statements.

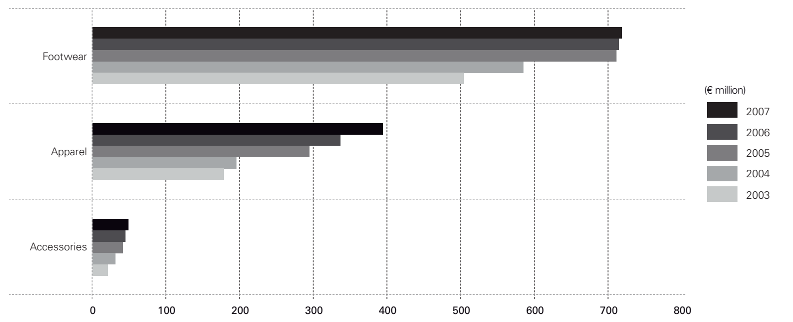
Orders Position

Significant Increase in Orders

For the twelfth consecutive time, orders on hand posted growth as of the year-end. At year-end 2007, orders increased currency adjusted by 9.8% or by 6.1% in Euro terms to € 1,187.7 million. The orders are mainly for deliveries in the first and second quarter of 2008.

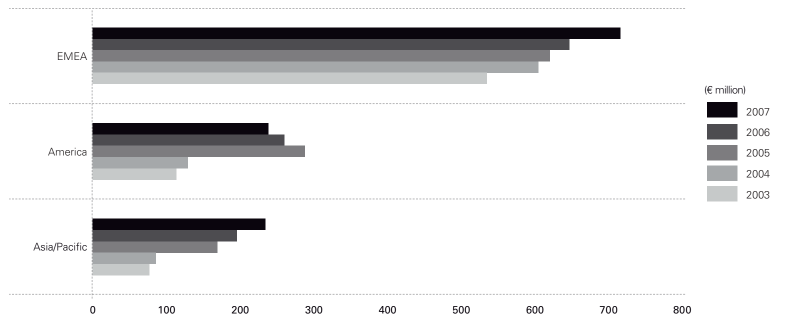
By segments, orders for Footwear went up currency adjusted by 4.7% to € 721.1 million, Apparel climbed by 19.9% to € 397.7 million and Accessories by 13.6% to € 68.9 million.

Orders on hand by segment



In the EMEA regions, orders were up currency adjusted by 10.2% to € 712.0 million. Orders in the Americas region dropped currency adjusted by 3.2% to € 241.3 million. The decrease is mainly due to the US Market.
Orders in the Asian/Pacific region rose by 26.0% to € 234.4 million due to a significant increase in the Chinese market, in particular.

Orders on hand by region



Outlook

Global Economy with Less Swing

According to a study drawn up by the Institute of the World Economy ("Institut für Weltwirtschaft") in Kiel, dated October 18, 2007, the global economy will lose momentum perceptibly, although growth in world production will probably remain high compared to the historical average. The causes are to be sought less in the current problems on financial markets than in a weakening of factors which so far have helped the global economy to cope well with the end of the economic upturn in the USA, their long-time driving engine. With the overall economic downturn in the industrial countries, the growth of production in developing and newly industrializing countries should also dampen. A significant economic downturn is not likely however, in particular since many of the developing and newly industrializing countries profit strongly from the high raw material prices, and susceptibility to financial market crises has fallen drastically in many countries in previous years. This is why industrializing countries are emerging as an independent driving force of the world economy to a greater extent than in earlier cycles.

For the USA it is expected that the real gross domestic product (GDP) will grow less strongly than the production potential; the increase is nonetheless clear. However, there is a significant probability that the US economy will enter a recession in the next twelve months (in the sense of an overall decrease in aggregate output over several quarters). Overall production activities are expected to increase again in Japan in the period of the forecast. However, the economic momentum will remain moderate. In the euro zone, the basic economic tendency will prevail. The rise in GDP is expected to lose momentum, however. For the industrial countries as a whole, there should be a rise in the real gross domestic product. It is expected that, for the first time since 2003, the aggregate output will grow at a slower pace than expected in the mid-term forecast. Nevertheless, unemployment will not rise. In many countries it will even continue to decrease, in part due to moderate wage agreements and the flexibility of the employment offering. Inflation will remain moderate. Given slightly lower momentum in the developing and industrializing countries, the increase in total world production is expected to be slightly below the previous year's level.

The year 2008, with its major sports events, will offer PUMA many chances and opportunities to continue its growth in the future. The kick-off will be at the Africa Cup in Ghana, for which PUMA will equip nine of the sixteen teams, thus ensuring a strong brand presence. At the European Soccer Cup, PUMA will be equipping the two host countries, Switzerland and Austria, and will therefore have a real home game. Together with the world champion Italy, the Czech Republic and Poland, a total of five national teams participating in the European Cup will be equipped by PUMA. This enables PUMA to confirm its clear position as one of the three leading soccer brands. At the Olympic Games in Beijing, PUMA athletes from a total of seventeen teams, including Jamaica, Sweden and Morocco, will go to the starting line and further bolster PUMA's position as one of the leading running brands. October will see the start of the Volvo Ocean Race, the longest and toughest sailing race in the world, in which PUMA will participate with its own racing boot for the first time. Participation in the Volvo Ocean Race is connected with the new category "Sailing", which also will be supported by a marketing campaign.

Sales and Earnings Increase Expected in 2008

Due to the positive orders position, Management expects a currency adjusted single-digit sales growth for the fiscal year 2008.

EBIT is also to be expected to increase versus last year, however operating margin should be below previous year's level because of the major sports events and related marketing expenses as well as planned further expansion of the Company's own retail activities. The tax rate is expected to be at the previous year's level.

Investments

Investments between € 110 million and € 120 million are planned for 2008. A certain portion of investments is earmarked for the planned expansion of PUMA's retail operations and required current infrastructure investments. Included in the total are advance payments for the new Company headquarters, "PUMA Plaza" in Herzogenaurach, which is to have a headquarter for the Central European region, a Brand Centre and a new Concept and Factory Outlet store. The related investments in 2008 are expected to be in the € 20 million to € 30 million range.

In addition, there are current purchase price liabilities from acquisitions totalling € 52.7 million, which could lead to cash outflows in 2008.

Sustained Growth in the Future

The year 2008 will provide PUMA with many chances and opportunities for continued growth in the future. PUMA is determined to use these chances and opportunities effectively in order to continue to strengthen the sustained appeal of the brand and the company through targeted investments.

Expansion of Consolidated Group, Acquisition of Minority Interests

As of January 1, 2008 the Korean market was taken over and consolidated by the 100% subsidiary, PUMA Korea.
In addition, PUMA AG took over the remaining shares in the company "Unisol S.A." in Argentina.

Relations to Affiliated Companies

A dependency relationship pursuant to Section 17 AktG has been in existence between PUMA AG and SAPARDIS S.A., Paris, a nearly fully-owned subsidiary of PPR S.A., Paris, since April 10, 2007. The Board of Management of PUMA AG issued a dependent company report according to Section 312 AktG for the accounting records beginning with April 10, 2007. The dependent company report was audited by the auditors in accordance with Section 313 AktG and was attested to with an unqualified opinion.

The following declaration was given at the end of the dependent company report: "Under the circumstances known to the Board of Management on the date on which the legal transactions and measures were undertaken, PUMA AG received adequate consideration in each case and was not disadvantaged by the measures undertaken. No reportable omitted measures were in existence during the reporting period."

Responsibility Statement

For details concerning on the statement required under Section 315 (1) Sentence 6 (Responsibility Statement, "Bilanzeid"), please refer to the Notes to the Consolidated Financial Statements.

Herzogenaurach, February 11, 2008

Board of Management

Zeitz **Harris-Jensbach** **Bock**

Deputy Board of Management

Bertone **Seiz**

The PUMA Share

Both the German stock index (DAX) and the MDAX developed positively up to mid-year whereas the second half of the year was characterised by strong price swings. In all, both indices developed favourably, however. The DAX reached 8,067 points or a plus of 22% at the year-end, while the MDAX closed with a slight 5% increase at 9,865 points.

The PUMA share was also affected by strong price fluctuations. In early April, the share initially saw a perceptible rise that was associated with the take-over by the new major shareholder. Following announcement of the take-over bid, the price jumped to a peak of more than € 350.00, and then settled at € 330.00 in keeping with the take-over bid. During the further course of the second six months of the year, the share slipped back somewhat and, in comparison with the previous year's value of € 295.67, closed at € 273.00 on December 31, 2007. On a five-year comparison, this corresponds to an average value increase of 33.2% per year.

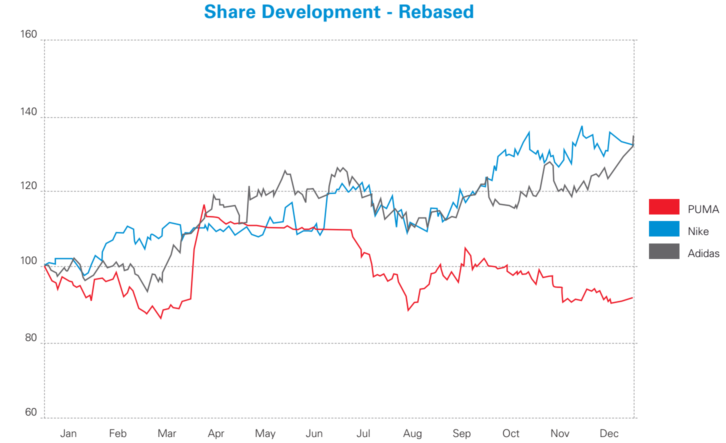
PUMA Share Performance/Transaction Volume

During the financial year, the PUMA share value ranged between a low of € 260.15 on March 14, 2007 and a peak of € 350.10 on April 11, 2007. Year-on-year, the average transaction volume increased from 128,185 shares per day in the previous year to 141,082 shares per day in the year under review. Overall, the daily trading volume declined perceptibly as a result of the PPR takeover and the pertaining reduction in free float of stock.
Market capitalisation of the PUMA share at year-end reached € 4.3 billion after € 4.8 billion in the previous year.

Key data per PUMA share in Euro

in € million	2007	2006	2005	2004	2003
End of year price	**273.00**	295.67	246.50	202.30	140.00
Highest price listed	**350.10**	333.11	249.00	219.54	141.00
Lowest price listed	**260.15**	240.67	177.04	140.15	59.15
Average daily trading volume (amount)	**141,082**	128,185	159,285	141,753	125,202
Earnings per share	**16.80**	16.39	17.79	16.14	11.26
Gross cashflow per share	**26.23**	24.65	26.95	24.01	17.61
Free cashflow per share	**13.63**	5.71	9.48	16.01	6.74
Shareholders' equity per share	**72.62**	65.10	54.80	34.25	24.04
Dividend per share	**2.75**	2.50	2.00	1.00	0.70

Share Development - Rebased



The PUMA share has been registered for official trading on the Frankfurt and Munich stock exchanges since 1986. It is listed in the Prime Standard Segment and the Mid-Cap Index MDAX of the German Stock Exchange (Deutsche Börse). Membership in the Dow Jones World/STOXX Sustainability indices and the FTSE4Good index was once again confirmed.

Corporate Governance Report

Effective implementation of the Corporate Governance Code is an important element of 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 this ensures efficient, value-based corporate management and control through good corporate governance.

Compliance Declaration

PUMA fully complies with the recommendations of the "Government Commission: German Corporate Governance Code".Therefore, the Board of Management and the Supervisory Board make the following declaration pursuant to Section 161 AktG:

1. Since the last Compliance Declaration of December 2006, PUMA AG has fully complied with the recommendations of the "Government Commission: German Corporate Governance Code" in the version of June 12, 2006, published in the Federal Gazette of July 24, 2006 and since June 14, 2007 has acted in full compliance with the then valid version of the Code, published in the Federal Gazette of July 20, 2007.

2. PUMA AG will fully comply with the recommendations of the "Government Commission: German Corporate Governance Code" in the June 14, 2007 version of the Code, as published in the Federal Official Gazette of July 20, 2007.

The Compliance Declaration is permanently available on the homepage of the Company.

Remuneration Report – Board of Management

The remuneration of the Board of Management members, which is determined by the Supervisory Board, is comprised of fixed and variable income components. The fixed components of the remuneration are comprised of a fixed salary and remuneration in kind, whereas the variable, performance-based components are comprised of bonuses and components with a long-term incentive effect (stock appreciation rights). The criteria for measuring the total remuneration include duties and services performed by the respective Board of Management member, as well as factors relating to the economic situation, the strategic 5-year planning and associated targets, the sustainability of achieved results, the long term profit outlook of the Company, and international benchmark comparisons.

The fixed remuneration component is paid out monthly as a non performance-based salary. In addition, Board of Management members receive remuneration in kind such as the use of company cars and insurance coverage. These benefits are generally made available to all Board of Management members on an equal footing and are included in non-performance-based remuneration.

The bonus, as a part of the performance-based remuneration, is based on the operating profit of the PUMA Group and is graduated in accordance with the level of target achievement. An upper limit is also agreed.

The performance-based remuneration components with long-term incentive effect (stock appreciation rights), are generally provided as a supplement to the five-year plans. In this context, the number of stock appreciation rights issued is measured as a component of total remuneration. Measurement is based on the fair value of the respective stock appreciation rights as at the date of allocation. The possibility of a cap limit is provided as cover against unforeseen developments. Particulars concerning the parameters used for the respective programs are provided in the Notes to the Consolidated Financial Statements under No. 19.

The following amounts were recorded as expense for fixed and performance-based (profit sharing bonus) remuneration in the financial year:

	Fixed component € million	Performance-based component (profit sharing bonus) € million	**Total 2007 € million**	Fixed component € million	Performance-based component (profit sharing bonus) € million	**Total 2006 € million**
Jochen Zeitz (CEO, Board Chairman)	3.20	4.00	**7.20**	3.17	4.00	**7.17**
Martin Gänsler (Deputy Chairman - until June 30, 2007)	0.76	1.03	**1.79**	0.77	1.05	**1.82**
Dieter Bock (Chief Financial Officer)	0.37	0.30	**0.67**	0.36	0.30	**0.66**
Total	**4.33**	**5.33**	**9.66**	**4.30**	**5.35**	**9.65**

The stock appreciation rights in accordance with the Long Term Incentive Program represent another performance-based remuneration component with long term incentive effect. In the financial year ended, no option rights were granted and no respective personnel expense resulted during the financial year. In the previous year, personnel expense in the amount of € 3.51 million was posted for stock appreciation rights granted in 2006. Of this amount, € 3.48 million were attributable to the Chief Executive Officer, and € 0.03 million the Chief Financial Officer.

In the event of premature termination of the employment relationship, the Chairman of the Board is paid the agreed salary components up to the original contract termination date. With respect to the remuneration components resulting from the Long Term Incentive Program, it has been agreed that the option rights already granted at the date of departure shall be paid out on the basis of a value determined in accordance with "black-scholes".

The Chairman of the Management Board is provided with a pension commitment for which the Company took out a pension liability insurance policy. The proportion of the pension capital which is already financed through contributions to the pension liability insurance is deemed to be a vested claim. Following addition of € 0.50 million, as of the balance sheet date, this results in a pension claim of T€ 194 p.a., or one-off capital compensation in the amount of the present value upon retirement.

Pension commitments to former Management Board members amounted to € 2.01 million (previous year: € 2.28 million); they are recorded under pension provisions. No pension payments have been made.

The option programs issued or redeemed in previous years result in personnel expenses of € 6.83 million (previous year: € 11.99 million). Of this amount, € 6.78 million (previous year: € 11.78 million) are attributable to the Chief Executive Officer, and € 0.04 million (previous year: € 0.10 million) are attributable to the Chief Financial Officer.

Remuneration Report – Supervisory Board

In accordance with the Articles of Association, the Supervisory Board has six members. Fixed annual remuneration amounts to T€ 30.0 for each Supervisory Board member. The Supervisory Board Chairman receives twice this amount, and the Deputy Chairman one and a half times this remuneration. Performance-based remuneration amounts to € 20.00 per € 0.01 of the earnings per share as reported in the consolidated financial statements (before dilution) that exceed a minimum amount of € 16.00, the maximum amount being T€ 10.0 per year, however. The Chairman of the Supervisory Board receives twice this amount, and the Deputy Chairman receives one and a half times the amount. Owing to earnings per share of € 16.80 in the financial year, the Supervisory Board Chairman receives performance-based remuneration of T€ 3.2, and his deputy receives the amount of T€ 2.4. Each other member receives the amount of T€ 1.6. The fixed and performance based remuneration was granted to the Supervisory Board on a prorata basis in keeping with the Supervisory Board membership term.

Fixed remuneration in the total amount of T€ 222.2 (previous year: T€ 213.2) was paid in the financial year, and performance-based remuneration totaled T€ 11.9 (previous year: T€ 5.5).

Consolidted Balance Sheet

	Notes	2007 € million	2006 € million
ASSETS			
Cash and cash equivalents	4	522.5	459.2
Inventories	5	373.6	364.0
Trade receivables	6	389.6	373.8
Other current assets	7	109.7	105.8
Current assets		**1,395.3**	**1,302.8**
Deferred taxes	8	77.4	63.3
Property, plant and equipment	9	194.9	155.1
Intangible assets	10	180.3	180.5
Other non-current assets	11	15.0	13.2
Non-current assets		**467.7**	**412.1**
Total assets		**1,863.0**	**1,714.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current bank liabilities	12	61.3	65.5
Trade payables	12	234.0	208.7
Tax provisions	15	18.1	38.5
Other current provisions	16	79.2	59.1
Liabilities from acquisitions	17	52.7	23.6
Other current liabilities	12	157.8	123.3
Current liabilities		**603.1**	**518.7**
Deferred taxes	8	22.7	13.0
Pension provisions	14	17.9	21.9
Liabilities from acquisitions	17	58.6	100.3
Other non-current liabilities	12	5.9	12.0
Non-current liabilities		**105.1**	**147.2**
Subscribed capital		41.0	44.1
Group reserves		153.9	423.4
Retained earnings		986.7	799.3
Treasury stock		-34.7	-225.6
Minority interest		8.0	7.7
Shareholders' equity	18	**1,154.8**	**1,049.0**
Total liabilities and shareholders' equity		**1,863,0**	**1,714.8**

Consolidated Income Statement

	Notes	2007 € million	*2006 € million
Consolidated sales	25	**2,373.5**	**2,369.2**
Cost of sales	25	-1,131.8	-1,169.9
Gross profit	25	**1,241.7**	**1,199.3**
Royalty and commission income		35.6	37.0
		1,277.2	1,236.3
Selling, general and administrative expenses	20	859.2	830.0
Depreciation		46.0	38.4
EBIT	25	372.0	368.0
Financial result	21	10.5	6.0
EBT		**382.6**	**374.0**
Tax Expenses	22	110.9	108.1
Net earnings before attribution		**271.6**	**266.0**
attributable to:			
Minorities	18	2.6	2.8
Equity holders of the parent (net earnings)		**269.0**	**263.2**
Earnings per share (€)	23	16.80	16.39
Earnings per share (€) - diluted	23	16.78	16.31
Weighted average shares outstanding	23	16.018	16.054
Weighted average shares outstanding, diluted	23	16.031	16.139

* Reclassification interest expense from pensions from personnel costs to financial result

Consolidated Cashflow Statement

	Notes	2007 € million	2006 € million
Operating activities			
EBT		382.6	374.0
Adjustments for:			
Depreciation	9,10	46.0	38.4
Non-realized currency gains/losses, net		6.1	-8.2
Interest income	21	-21.2	-15.6
Interest expenses	21	10.7	7.8
Expenses (income) from the sale of fixed assets		0.1	0.1
Additions to pension accruals	14	-4.1	-0.7
Other cash effected expenses		0.0	0.0
Gross Cashflow	26	**420.2**	**395.7**
Increase in receivables and other current assets	6,7	-45.0	-96.8
Increase in inventories	5	-23.6	-92.7
Increase in trade payables and other current liabilities	12	71.6	73.3
Cash provided by operations		423.2	279.5
Interest paid	21	-5.6	-4.7
Income taxes paid		-115.2	-121.5
Net cash from operating activities	26	**302.4**	**153.4**
Cash flows from investment activities			
Payment for acquisitions	3	-9.4	-81.2
Purchase of property and equipment	9,10	-103.4	-72.7
Proceeds from sale of property and equipment		1.8	1.2
Increase/decrease in other non-current assets		-3.8	-5.9
Interest received	21	21.3	15.6
Net cash used in investing activities	26	**-93.5**	**-143.0**
Cash flows from financing activities			
Payments made regarding non-current liabilities		-6.0	-3.9
Payments received regarding non-current bank borrowing	12	-4.8	20.8
Payments made regarding convertible bonds	19	0.0	0.0
Dividend payments	18	-39.9	-31.8
Dividend payments minorities	18	-1.2	0.0
Capital increase	19	12.9	70.7
Purchase of treasury stock	18	-76.3	-66.0
Other changes		-0.0	0.4
Net cash used in financing activities	26	**-115.3**	**-9.8**
Effect of exchange rates on cash		-30.3	-17.0
Change in cash and cash equivalents		**63.3**	**-16.3**
Cash and cash equivalents at beginning of the financial year		459.2	475.5
Cash and cash equivalents at year-end	4,26	**522.5**	**459.2**

Statement of Recognized Income and Expense (SoRIE)

	2007 € million	2006 € million
Unrecognized net actuarial gain/loss	-0.3	0.0
Currency changes	-38.3	-40.5
Cash flow hedge		
Release to the income statement	3.4	-9.4
Market value for cashflow hedges	-25.0	-16.6
Net income recognized directly in equity	**-60.2**	**-66.5**
Consolidated profit	271.6	266.0
Total recognized income for the year	**211.4**	**199.5**
attributable to:		
Equity holder of the parent	210.0	197.5
Minorities	1.4	2.0

Appendix to the Financial Statements

	Purchase costs					Accumulated depreciation					Book values	
Development in 2006	Balance Jan. 1, 2006 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2006 € million	Balance Jan. 1, 2006 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2006 € million	Balance Dec. 31, 2006 € million	Balance Dec. 31, 2005 € million
PROPERTY, PLANT AND EQUIPMENT												
Land, land rights and buildings including buildings on third party land	56.1	0.5	11.9	0.1	68.4	11.0	-0.1	3.7	0.1	14.5	53.9	45.1
Technical equipment and machines	3.0	0.6	1.3	0.5	4.5	1.4	-0.2	0.5	0.2	1.6	2.9	1.6
Other equipment, factory and office equipment	131.2	-4.1	50.7	5.8	172.0	58.7	-2.9	28.5	5.0	79.2	92.8	72.4
Payments on account and assets under construction	2.7	-0.3	3.1	0.0	5.5		0.0	0.0		0.0	5.5	2.7
	193.0	**-3.3**	**67.0**	**6.5**	**250.3**	**71.2**	**-3.2**	**32.7**	**5.4**	**95.2**	**155.1**	**121.9**
INTANGIBLE ASSETS												
Goodwill	54.1	-3.9	120.7		170.8	9.4	-0.1			9.3	161.5	44.7
Intangible fixed assets with a non-defined useful life	5.5		-5.5									5.5
Other intangible fixed assets	20.7	-0.3	15.6	0.5	35.5	11.5	-0.3	5.6	0.3	16.5	19.0	9.2
	80.3	**-4.3**	**130.8**		**206.3**	**21.0**	**-0.4**	**5.6**	**0.3**	**25.9**	**180.5**	**59.2**
OTHER NON-CURRENT ASSETS												
Other loans	1.0	0.0		0.6	0.4						0.4	1.0
Other assets	5.5	-0.4	6.5	0.2	11.4			0.1		0.1	11.4	5.5
	6.5	**-0.4**	**6.5**	**0.8**	**11.8**			**0.1**		**0.1**	**11.8**	**6.5**

	Purchase costs					Accumulated depreciation					Book values	
Development in 2007	Balance Jan. 1, 2007 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2007 € million	Balance Jan. 1, 2007 € million	Currency changes and other changes	Additions/ retransfers	Disposals	Balance Dec. 31, 2007 € million	Balance Dec. 31, 2007 € million	Balance Dec. 31, 2006 € million
PROPERTY, PLANT AND EQUIPMENT												
Land, land rights and buildings including buildings on third party land	68.4	1.0	5.8	0.3	74.8	14.5	1.4	4.3	0.3	19.9	54.9	53.9
Technical equipment and machines	4.5	0.1	1.5	0.3	5.8	1.6	0.1	1.1	0.1	2.6	3.2	2.9
Other equipment, factory and office equipment	172.0	-4.6	53.9	4.8	216.5	79.2	-2.6	33.5	4.0	106.1	110.3	92.8
Payments on account and assets under construction	5.5	-6.6	28.3	0.8	26.5	0.0	0.0	0.0		0.0	26.4	5.5
	250.3	**-10.0**	**89.5**	**6.2**	**323.6**	**95.2**	**-1.0**	**38.9**	**4.4**	**128.7**	**194.9**	**155.1**
INTANGIBLE ASSETS												
Goodwill	170.8	-8.5			162.3	9.3	-0.2			9.1	153.2	161.5
Intangible fixed assets with a non-defined useful life												
Other intangible fixed assets	35.5	1.1	14.0	0.2	50.3	16.5	-0.3	7.1	0.2	23.2	27.1	19.0
	206.3	**-7.4**	**14.0**	**0.2**	**212.7**	**25.9**	**-0.4**	**7.1**	**0.2**	**32.4**	**180.3**	**180.5**
OTHER NON-CURRENT ASSETS												
Other loans	0.4	0.0	2.5	0.0	2.9		0.0			0.0	2.8	0.4
Other assets	11.4	-0.5	4.4	3.0	12.3	0.1		0.1		0.1	12.2	11.4
	11.8	**-0.5**	**6.9**	**3.0**	**15.2**	**0.1**	**0.0**	**0.1**		**0.1**	**15.0**	**11.8**

Notes to the Consolidated Financial Statements

1. General Remarks

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

The consolidated financial statements of PUMA AG and its subsidiaries (hereinafter the "Company" or "PUMA"), were prepared in accordance with the "International Financial Reporting Standards (IFRS)" issued by the International Accounting Standards Board (IASB), and the supplementary provisions to be applied in accordance with Section 315a (1) of the German Commercial Code (HGB). All IASB standards and interpretations as required to be applied in the EU that are obligatory for financial years as from January 1, 2007 have been applied. In August 2005, the IASB published IFRS 7, "Financial Instruments: Disclosures", which leads to a change in disclosure requirements concerning financial instruments. In accordance with IFRS 7, companies are required to provide more detailed information on the type and extent of risks associated with financial instruments in addition to the disclosure requirements relating to the reporting, disclosure and valuation of financial instruments that are already in place. The standard is valid as from January 1, 2007 and was applied accordingly. In November 2006, IFRS 8 (Operating Segments) was published and is to be applied as from January 1, 2009. The Company has foregone earlier application of the standard.

On December 17, 2004, the IASB published a change to IAS 19 "Employee Benefits", which provides a further option concerning the treatment of actuarial gains and losses.
PUMA will make use of this option as from financial year 2007 and will disclose pension liabilities at their full amount in the balance sheet. Actuarial gains and losses are recorded under equity with neutral effect on profits at the date of origin, consequently, although the actual obligation is recorded, there are no major fluctuations in the income statement. In 2006 this change would have led to an effect on earnings in the amount of € -0.2 million and is thus immaterial. A corresponding adjustment was therefore not made in the year 2006. In order to disclose the effects of actuarial gains and losses, the respective income and expenses must be recorded in a Statement of Recognized Income and Expense (SoRIE) which is a component of the annual financial statements.

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.

SAPARDIS S.A., which is an almost fully owned subsidiary of PPR S.A., Paris, initially acquired 27.14% of the capital stock PUMA AG with effect from April 10, 2007, and thus took over all shares from the former major shareholder. In addition, SAPARDIS issued a voluntary public takeover bid to the other shareholders of PUMA AG. After expiry of the bidding period, a total of 9,950,664 shares and approximately 62.1% of voting rights were assigned to SAPARDIS. Hence, the PPR Group holds a majority share in PUMA AG. As from April 2007, PUMA AG and its affiliated companies are included in the PPR consolidated financial statements. These financial statements may be obtained from PPR upon request.

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, 2007.

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

The surplus of the acquisition costs arising from the purchase that exceeds the Group's share in the net assets (stated at fair value) is reported as Goodwill. If acquisition costs are below the net assets of the subsidiary stated at fair value, the difference is reported directly in the income statement.

With the exception of the joint venture in Argentina (Unisol S.A.), PUMA is the beneficial owner of all joint ventures due to the contract signed with the joint venture partners. Consequently, these companies are fully included in the consolidated financial statements without disclosure of a minority interest. The present values of capital shares attributable to the minority shares as well as the present values of the residual purchase prices expected due to corporate development are included in capital consolidation as investment acquisition costs. Later deviations lead to a subsequent adjustment of acquisition costs with neutral effect on profits. Intra-group receivables and liabilities have been offset against one another. Any differences arising from exchange rate fluctuations are treated as income or loss to the extent that they accrued during the reporting period.

Within the course of income consolidation, internal sales and intra-group income are offset against the expenses attributable to them. Interim profits not yet realized within the Group as well as intra-Group dividend income are eliminated with an effect on profits.

Consolidated Group and Associated Companies

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

2006	**70**
Formation and acquisition of companies (including joint ventures)	10
2007	**80**

With respect to regions, significant changes in the consolidated group in financial year 2007 were as follows:

Europe/Middle East/Africa (EMEA)

Owing to further expansion of the Eastern European market, the companies: “PUMA Lituva UAB” in Lithuania, PUMA Ljubljana, trgovina, d.o.o.” in Slovenia, and “PUMA Sport Romania s.r.l.” in Romania were founded. These companies will be responsible for the operative business in the respective markets as from 2008. In addition, the consolidated group was extended to include the newly founded company “PUMA Racing Ltd” in Malta.

Americas

“Servicios Profesionales RDS S.A. de C.V.” was founded in Mexico with a view to managing the company already existing in Mexico. “Servicios Profesionales RDS S.A. de C.V.“ will commence its activities in January 2008.

Asia/Pacific

With effect from April 1, 2007 “PUMA Sports Goods Sdn. Bhd.” in Malaysia and “PUMA Sports Singapore Pte. Ltd.” assumed operative responsibility in their respective markets. In addition, “World Cat Sourcing India Ltd.” was founded with the aim of further expansion of the Indian market.

The consolidated group was extended accordingly. No significant impact on the net assets, financial position and results of operations resulted from this.

PUMA Vertrieb GmbH (formerly: Tretorn Vertrieb GmbH) made use of the exemption provision stipulated in Section 264 (3) HGB.

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

No.	Companies/Legal Entities			Shareholder	Share in capital	
	- parent company -					
1.	PUMA AG Rudolf Dassler Sport	Germany	Herzogenaurach			
	E M E A					
2.	Austria PUMA Dassler Ges. m.b.H.	Austria	Salzburg	direct	100%	
3.	PUMA Bulgaria Ltd	Bulgaria	Sofia	indirect	100%	1)
4.	PUMA Sport Hrvatska d.o.o.	Kroatia	Zagreb	indirect	100%	
5.	PUMA Czech Republic s.r.o.	Czech Republic	Prag	indirect	100%	
6.	PUMA Denmark A/S	Denmark	Skanderborg	indirect	100%	
7.	PUMA Baltic OU	Estland	Talin	indirect	100%	
8.	PUMA Finland Oy	Finland	Espoo	indirect	100%	
9.	Tretorn Finland Oy	Finland	Espoo	indirect	100%	
10.	PUMA FRANCE SAS	France	Illkirch	indirect	100%	
11.	PUMA Speedcat SAS	France	Illkirch	indirect	100%	
12.	PUMA Vertrieb GmbH	Germany	Herzogenaurach	direct	100%	2)
13.	PUMA Sprint GmbH	Germany	Herzogenaurach	direct	100%	
14.	PUMA Avanti GmbH	Germany	Herzogenaurach	indirect	100%	
15.	PUMA Mostro GmbH	Germany	Herzogenaurach	indirect	100%	
16.	Premier Flug GmbH&Co. KG	Germany	Reichenschwand	direct	50%	
17.	PUMA UNITED KINGDOM LTD	United Kingdom	Leatherhead	indirect	100%	
18.	PUMA Premier Ltd	United Kingdom	Leatherhead	indirect	100%	
19.	PUMA Hellas S.A.	Greece	Athen	direct	100%	1)
20.	PUMA Hungary Kft.	Hungary	Budapest	indirect	100%	
21.	Tretorn Tennis Ltd.	Ireland (non activ)	Laoise	indirect	100%	
22.	Tretorn R&D Ltd.	Ireland (non activ)	Laoise	indirect	100%	
23.	Tretorn Sport Ltd.	Ireland (non activ)	Laoise	indirect	100%	
24.	PUMA Italia S.r.l.	Italia	Milan	indirect	100%	
25.	PUMA Lietuva UAB	Lithuania	Vilnius	indirect	100%	
26.	PUMA Malta Ltd	Malta	St.Juliens	indirect	100%	
27.	PUMA Blue Sea Ltd	Malta	St.Juliens	indirect	100%	
28.	PUMA Racing Ltd	Malta	St.Juliens	indirect	100%	
29.	PUMA Benelux B.V.	The Netherlands	Leusden	direct	100%	
30.	PUMA Norway AS	Norway	Oslo	indirect	100%	
31.	PUMA Polska Spolka z.o.o.	Poland	Warsaw	indirect	100%	
32.	PUMA Portugal Artigos Desportivos Lda.	Portugal	Prior Velho	indirect	100%	
33.	PUMA Sport Romania s.r.l.	Romania	Bucharest	indirect	100%	
34.	PUMA–RUS GmbH	Russia	Moscow	indirect	100%	
35.	PUMA Slovakia s.r.o.	Slovakia	Bratsilava	indirect	100%	
36.	PUMA Ljubljana, trgovina, d.o.o	Slovenia	Ljubljana	indirect	100%	
37.	PUMA SPORTS DISTRIBUTORS (PTY) LIMITED	South Africa	Cape Town	indirect	100%	
38.	PUMA Sports S.A.	South Africa	Cape Town	indirect	100%	
39.	Hunt Sport AB	Sweden (non activ)	Helsingborg	indirect	100%	
40.	Tretorn AB	Sweden	Helsingborg	direct	100%	
41.	PUMA Nordic AB	Sweden	Helsingborg	indirect	100%	
42.	Tretorn Sweden AB	Sweden	Helsingborg	indirect	100%	
43.	Mount PUMA AG (Schweiz)	Switzerland	Oensingen	direct	100%	
44.	PUMA Retail AG	Switzerland	Oensingen	indirect	100%	
45.	PUMA Switzerland AG	Switzerland	Oensingen	indirect	100%	
46.	PUMA Spor Giyim Sananyi ve Ticaret A.S.	Turkey	Istanbul	indirect	100%	1)
47.	PUMA Ukraine Ltd.	Ukraine	Kiew	indirect	100%	
48.	PUMA Middle East FZ LLC	United Arab Emirates	Dubai	indirect	100%	
49.	PUMA UAE LLC	United Arab Emirates	Dubai	indirect	100%	1)
	Americas					
50.	Unisol S.A.	Argentinia	Buenos Aires	direct	65%	
51.	PUMA Sports Ltda.	Brasil	Sao Paulo	indirect	100%	
52.	PUMA Canada, Inc.	Canada	Montreal	indirect	100%	
53.	PUMA CHILE S.A.	Chile	Santiago	direct	100%	1)
54.	PUMA Mexico Sport S.A. de C.V.	Mexico	Mexico City	direct	100%	1)
55.	Servicios Profesionales RDS S.A. de C.V.	Mexico	Mexico City	direct	100%	
56.	Distruibuidora Deportiva PUMA S.A.C.	Peru	Lima	indirect	100%	
57.	PUMA Sports LA S.A.	Uruguay	Montevideo	direct	100%	
58.	PUMA Suede Holding, Inc.	USA	Westford	indirect	100%	
59.	PUMA North America, Inc.	USA	Westford	indirect	100%	
	Asia/Pacific					
60.	PUMA Australia Pty. Ltd.	Australia	Moorabbin	indirect	100%	
61.	White Diamond Australia Pty. Ltd.	Australia (non activ)	Moorabbin	indirect	100%	
62.	White Diamond Properties	Australia (non activ)	Moorabbin	indirect	100%	
63.	Koala Pty Ltd.	Australia (non activ)	Moorabbin	indirect	100%	
64.	Liberty China Holding Ltd	British Virgin Islands		indirect	100%	1)
65.	PUMA China Ltd	China	Shanghai	indirect	100%	1)/2)
66.	World Cat Ltd.	Hongkong	Kowloon	direct	100%	
67.	Development Services Ltd.	Hongkong	Kowloon	indirect	100%	
68.	PUMA Asia Pacific Ltd.	Hongkong	Kowloon	direct	100%	2)
69.	PUMA Hong Kong Ltd	Hongkong	Kowloon	indirect	100%	1)/2)
70.	PUMA Sports India Pvt Ltd.	India	Bangalore	indirect	100%	
71.	World Cat Sourcing India Ltd.	India	Bangalore	indirect	100%	
72.	PUMA JAPAN K.K.	Japan	Tokio	indirect	100%	
73.	PUMA Apparel JAPAN K.K.	Japan	Tokio	indirect	100%	1)
74.	PUMA Korea Ltd.	Korea	Seoul	direct	100%	
75.	PUMA Sports Goods Sdn. Bhd.	Malaysia	Kuala Lumpur	direct	100%	1)
76.	PUMA New Zealand LTD	New Zealand	Auckland	indirect	100%	
77.	World Cat (S) Pte Ltd.	Singapore		indirect	100%	
78.	PUMA Sports Singapore Pte. Ltd.	Singapore		direct	100%	1)
79.	World Cat Trading Co.Ltd	Taiwan	Taichung	indirect	100%	
80.	PUMA Taiwan Sports Ltd.	Taiwan	Taipei	indirect	100%	1)

1) subsidiaries which are assigned to be economical 100% PUMA Group
2) change of name as of 2008

Currency Translation

As a general rule, monetary items denominated in foreign currencies are disclosed in the individual financial statements of consolidated companies at the rates valid at the balance sheet date. Resulting currency gains and losses are immediately credited or charged to operations.
The assets and liabilities of foreign subsidiaries which do not have the Euro as their functional currency were translated into Euros at the middle rates valid at the balance sheet date.

Non-monetary items were translated at historical costs.

Expenses and income were translated at annual average rates. Differences from net assets currency translation and exchange rates that had changed in comparison with the previous year were netted in equity capital with neutral effect on profits.

The significant translation rates per Euro are as follows:

Currency	Closing rate	Average rate
USD	1.4721	1.3710
HKD	11.4800	10.6954
JPY	164.9300	161.2624
GBP	0.7334	0.6847
CHF	1.6547	1.6428

Derivative Financial Instruments/Hedge Accounting

Upon conclusion of a contract, derivative financial instruments are initially recorded at fair value. The fair value is also used in subsequent valuation. At the time when a hedge transaction is concluded, the Company classifies the derivatives as a hedge for a planned transaction (cashflow hedge).

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

Changes in the market value of derivatives which are used for and qualify as a cashflow hedge and which have proved to be effective are disclosed in equity with neutral effect on profits. If effectiveness is not fully provided for, the ineffective portion is included in operating results. The amounts recorded under equity are recognized in operating results in the same period in which the planned underlying transaction impacts on the income statement. If, however, a hedged future transaction leads to the recording of a non-financial asset or a liability, gains or losses previously disclosed in equity are included in the initial valuation of acquisition costs of the respective asset or liability. The fair values of derivative instruments used to hedge planned transactions are disclosed under other current assets or other current liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances. To the extent bank deposits are not immediately required to finance current assets, they are presently invested at terms of up to three months. The total amount of cash and cash equivalents is consistent with cash and cash equivalents stated in the cashflow statement.

Inventories

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

Receivables and Other Assets

Receivables and other assets are initially stated at fair value, taking transactions costs into account, and subsequently at depreciated acquisition costs net of value adjustments. All recognizable risks with respect to value adjustments are sufficiently accounted for in the form of individual risk assessments using historical values.
Non-current assets include loans and other assets. As a general rule, non-interest bearing assets are discounted to present value.

Property, Plant and Equipment

Property, plant and equipment are stated at acquisition costs net of accumulated depreciation. The depreciation periods depend on the item's useful life. As a general rule, the straight-line method of depreciation is applied. The useful life depends on the type of assets involved. Buildings are subject to a useful life of ten to fifty years, and a useful life of between three and ten years is assumed for moveable assets.
The cost of maintenance and repair is recorded as expense at the time of origin. Significant improvements and renewals are capitalized to the extent that the criteria for valuation of an asset item apply.

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

Goodwill

Goodwill is derived from the difference between the purchase price and fair value of the acquired asset and liability items.
The goodwill from acquisitions is largely attributable to the infrastructure acquired and the pertaining opportunity to make a positive contribution to corporate value. An impairment test is performed at least once a year, which may lead to an impairment expense.

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

Impairment of Assets
Assets with an indefinite useful life are not depreciated/amortized according to schedule but are subjected to an annual impairment test. Property, plant and equipment and other intangible assets with defined useful lives are checked for impairment if there are indications of impairments in value of the asset concerned. In order to determine a requirement to record such impairments, the realizable amount of the asset (the higher amount from net sales proceeds and value in use) is compared with the book value of the asset. If the realizable value is lower than the book value, the difference is recorded as a loss due to impairment. If the reason for the recorded impairment no longer applies, a reinstatement is recorded to the maximum amount of the depreciated/amortized acquisition cost. Goodwill is not reinstated.

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

Financial Debts
As a general rule, financial debts are reported at acquisition costs, taking transaction costs into account, and are subsequently stated at depreciated acquisition cost. Non- or low-interest bearing liabilities involving terms of at least one year are stated at present value, taking an interest rate in line with market conditions into account, and are rediscounted up to the end of their term at their repayment amount. Liabilities from finance leasing agreements are reported at the amount of the present value of the minimum lease, or the lower present value at the beginning of a lease relationship, and are rolled over by the redemption amount of lease instalments paid.

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

Provisions for Pensions and Similar Obligations
In addition to defined benefit plans, some companies introduced defined contribution plans which, apart from current contributions, do not involve any further pension commitment. The pension provision under defined benefit plans is generally calculated using the projected unit credit method. 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. The provision is reduced by the value of plan assets. In deviation from the previous year, the service cost is disclosed under personnel expenses, and the interest component is disclosed in the financial result. The previous year’s value was adjusted accordingly in order to facilitate comparison. The present value of the defined benefit obligation (DBO) is calculated by discounting the expected future outflow of funds with the interest rate of first class corporate bonds denominated in the currency of the amounts paid, and whose terms equal those of the pension commitment. Actuarial gains and losses are recorded under equity at the time of origin with neutral effect on profits.

Other Provisions
In accordance with IAS 37, other provisions are recorded to account for all risks and obligations to third parties as of the balance sheet date that result from past transactions or events, and where the amounts or maturities are uncertain. The provisions are stated at their settlement amount on the basis of the best possible assessment; they are not set off against positive income. Provisions are also created to account for onerous contracts. A contract is onerous when the unavoidable costs exceed the economic benefit expected from the contract.

Treasury Stock
Treasury stock is recorded under shareholders’ equity at the market price valid at the date of acquisition, plus incidental acquisition costs. In accordance with an authorization by the Annual Shareholders’ Meeting, treasury stock can be used as acquisition currency, for the flexible management of capital requirements, or it can be called in.

Equity Participation Plans/Management Incentive Program
In conformity with IFRS 2, stock-based remuneration systems are reported at fair value and charged to personnel expenses. At PUMA, the stock-based remuneration systems encompass stock options (SOP) and stock appreciation rights (SAR). The fair value of the options is recorded as expense incurred for services provided by employees.

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

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

Recognition of Sales
Sales are recognized and included in profits at the time of the transfer of risks. Sales are disclosed net of sales returns, discounts and rebates.

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

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

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

Financial Result
The financial result includes interest income from financial investments and interest expense from loans. In addition, this item includes interest expenses from discounted long-term liabilities and from pension provisions that are associated with corporate acquisitions or which arise from the valuation of pension commitments, respectively.
In general, effects from exchange rate fluctuations are included in general expenses. To the extent that exchange rate effects resulting from derivative financial instruments are to be allocated directly to an underlying transaction, those effects are charged to the respective income statement item.

Income Taxes
Incomes taxes are determined in accordance with local tax regulations in the countries where the Company performs its activities.

Deferred Taxes
Deferred taxes resulting from temporary differences between the tax and the IFRS balance sheet valuation of individual group companies and from consolidation procedures are netted according to taxable entity, and disclosed either as deferred tax assets or deferred tax liabilities. Deferred tax assets may also include tax reduction claims resulting from the expected utilization of existing losses carried forward to subsequent years if their realization is ensured with sufficient certainty. Deferred taxes may also result from accounting procedures that are neutral in their effect on profits. The deferred taxes are determined on the basis of tax rates that apply at the time of expected payment or recovery in the individual countries, and which are in force or are approved at the balance sheet date.

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

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

3. Corporate Acquisitions

Transactions associated with corporate acquisitions in Malaysia and Singapore resulted in a purchase price of € 2.9 million. This amount equals the fair value of the acquired net assets. In economic terms, these subsidiaries are allocated to the Group to 100%. The corporate acquisitions had no significant effect on net assets and results of operations.

4. Cash and Cash Equivalents

The Company's cash and cash equivalents amounted to € 522.5 million (previous year: € 459.2 million) as of December 31, 2007. In addition to cash, they largely include fixed-term deposits or money market funds. The average effective interest rate was 3.9% (previous year: 3.1%). There were no restraints on disposal.

5. Inventories

Inventories are divided into the following main categories:

	2007	2006
	€ million	€ million
Raw materials and supplies	3.5	2.4
Finished goods and merchandise		
Footwear	178.9	196.3
Apparel	156.4	123.1
Accessories/Others	30.7	23.6
Goods in transit	89.4	89.7
Inventories, gross	458.9	435.0
Valuation allowances	-85.3	-71.0
Inventories, net	**373.6**	**364.0**

Of the total amount of reported inventories, the amount of € 123.2 million (previous year: € 89.3 million) is stated at net realizable value.

6. Trade Receivables

This item consists of the following:

	2007	2006
	€ million	€ million
Trade receivables, gross	418.2	405.7
Valuation allowances	-28.6	-31.9
Trade receivables, net	**389.6**	**373.8**

Valuation allowances concerning trade receivables developed as follows:

	2007	2006
	€ million	€ million
Valuation allowance as of January 1	31.9	25.9
Currency effects	-1.1	-1.4
Additions	**13.5**	**23.8**
Utilization	-9.3	-7.5
Release	-6.4	-8.8
Valuation allowance as of December 31	**28.6**	**31.9**

	Gross values							
2006	total	thereof not value adjusted						thereof value adjusted
		Not overdue	0 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	More than 180 days	
€ million	405.7	287.2	38.1	10.5	3.1	2.9	5.2	58.8

	Gross values							
2007	total	thereof not value adjusted						thereof value adjusted
		Not overdue	0 - 30 days	31 - 60 days	61 - 90 days	91 - 180 days	More than 180 days	
€ million	481.2	307.4	37.0	12.3	4.1	4.6	3.3	49.6

With respect to not value adjusted trade receivables, the Company assumes that the debtors will meet their payment obligations.

7. Other Current Assets

This item consists of the following:

	2007	2006
	€ million	€ million
Prepaid expenses concerning the subsequent period	29.3	18.8
Fair value of derivative financial instruments	1.2	8.4
Other receivables	79.1	78.6
Total	**109.7**	**105.8**

The other assets are due within one year. The fair value represents the book value. Other receivables mainly include tax receivables (thereof € 32.8 million income taxes).

8. Deferred Taxes

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

	2007	2006
	€ million	€ million
Accumulated tax losses carried forward	4.8	3.5
Non-current assets	9.3	7.9
Current assets	38.2	39.5
Provisions and other liabilities	29.4	27.0
Booked in shareholders' equity with neutral effect on profits	10.7	1.8
Valuation allowances	-2.0	-2.4
Deferred tax assets (before netting)	90.4	77.4
Non-current assets	30.2	23.4
Current assets	2.2	2.3
Provisions and other liabilities	3.3	1.3
Deferred tax liabilities (before netting)	35.7	27.1
Deferred tax assets, net	**54.7**	**50.3**

Of deferred tax assets, the amount of € 78.3 million (previous year: € 68.4 million) and of deferred tax liabilities the amount of € 5.5 million (previous year: € 3.7 million) are short term.

As at December 31, 2007, tax losses carried forward totaled € 18.0 million (previous year: € 11.8 million), resulting in deferred tax assets of € 4.8 million (previous year: € 3.5 million). The tax losses carried forward relate in part to inactive companies, and their use is therefore unlikely. Following valuation allowances, claims from tax losses in the amount of € 2.8 million (previous year: € 1.1 million) were included in deferred tax assets. The tax losses can be carried forward for an indefinite period of time.

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

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

	2007	2006
	€ million	€ million
Deferred tax assets	77.4	63.3
Deferred tax liabilities	22.7	13.0
Deferred tax assets, net	**54.7**	**50.3**

Deferred tax assets developed as follows:

	2007	2006
	€ million	€ million
Deferred tax assets, previous year	63.3	48.6
Recognized in the income statement	8.2	4.3
Currency effects and inclusion in equity, neutral in effect on profits	5.9	10.4
Deferred tax assets	**77.4**	**63.3**

Deferred tax liabilities developed as follows:

	2007	2006
	€ million	€ million
Deferred tax liabilities, previous year	13.0	20.0
Recognized in the income statement	9.7	-7.0
Deferred tax liabilities	**22.7**	**13.0**

9. Property, Plant and Equipment

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

	2007	2006
	€ million	€ million
Land and buildings, including buildings on third party land	54.9	53.9
Technical equipment and machines	3.2	2.9
Other equipment, factory and office equipment	110.3	92.8
Assets under construction	26.4	5.5
Total	**194.9**	**155.1**

The book values of property, plant and equipment are derived from acquisition costs. Accumulated depreciation for this item amounted to € 128.7 million (previous year: € 95.2 million).

Property, plant and equipment include leased assets (finance leasing) in the amount of € 1.0 million (previous year: € 1.1 million).

The development of property, plant and equipment in financial year 2007 is presented in the "Schedule of Fixed Assets". Impairment losses exceeding annual depreciation were not recorded in financial year 2007.

10. Intangible Assets

The development of intangible assets in financial year 2007 is presented in the "Schedule of Fixed Assets".

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

In accordance with IFRS 3, goodwill is not amortized according to schedule. An impairment test was performed in the past financial year in accordance with the discounted cashflow method. The test was based on the respective corporate planning data. Expenses resulting from impairment losses were not required to be recorded in financial year 2007.

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

	2007	2006
	€ million	€ million
EMEA	31.3	31.0
Americas	38.0	41.6
Asia/Pacific	83.9	88.9
Total	**153.2**	**161.5**

Assumptions underlying the impairment test:

	EMEA	Americas	Asia/Pacific
Tax rate (range)	20.0%-30.0%	28.0%-35.0%	17.5%-40.7%
WACC before tax (range)	10.2%-17.0%	12.7%-24.5%	8.2%-13.8%
WACC after tax (range)	8.1%-12.6%	8.9%-16.4%	5.6%-11.7%
Growth rate	2.0%	2.0%	2.0%
Beta	0.97	0.97	0.97

11. Other Non-Current Assets

This item consists of the following:

	2007	2006
	€ million	€ million
Loans	2.8	0.4
Other assets	12.2	11.4
Sub-total	**15.0**	**11.8**
Fair value of derivative financial instruments	0.0	1.5
Total	**15.0**	**13.2**

The development for financial year 2007 relating to the sub-total of € 15.0 million (previous year: € 11.8 million) is presented in the "Schedule of Fixed Assets". There were no indications of impairments in value.

12. Liabilities

The residual terms of liabilities are as follows:

	2007				2006			
		Residual term				Residual term		
	Total	Up to 1 year	1 to 5 years	More than 5 years	Total	Up to 1 year	1 to 5 years	More than 5 years
	€ million	€ million	€ million	€ million	**€ million**	€ million	€ million	€ million
Current bank liabilities	**61.3**	61.3	0.0	0.0	**65.5**	65.5	0.0	0.0
Trade payables	**234.0**	234.0	0.0	0.0	**208.7**	208.7	0.0	0.0
Other liabilities								
Tax liabilities	**27.9**	27.9	0.0	0.0	**22.0**	22.0	0.0	0.0
Liabilities within the scope of social security	**3.7**	3.7	0.0	0.0	**2.9**	2.9	0.0	0.0
Liabilities to staff	**48.4**	44.4	4.0	0.0	**35.1**	33.3	1.8	0.0
Liabilities from forward contracts	**23.9**	23.9	0.0	0.0	**17.7**	11.5	6.2	0.0
Leasing liabilities	**0.4**	0.4	0.0	0.0	**0.3**	0.3	0.0	0.0
Other liabilities	**60.4**	58.5	0.5	1.4	**57.2**	53.3	3.9	0.0
Total	**461.2**	455.3	4.5	1.4	**409.4**	397.5	12.0	0.0

Current bank liabilities amount to € 61.3 million (previous year: € 65.5 million). The credit facilities available to the PUMA Group total € 256.5 million (previous year: € 271.7 million). They may be used optionally for bank loans and bank guarantees. In addition to the bank liabilities, bank guarantees existed in the amount of € 16.6 million (previous year: € 15.4 million) as of December 31, 2007. In addition to liquid assets, the Company had unutilized credit lines in the amount of € 178.5 million (previous year: € 190.8 million) on December 31, 2007.

The effective interest rate of financial liabilities ranged from 4.5% - 8.5% in the financial year ended.

The medium-term liabilities to employees are associated with the Management Incentive Program and include the obligations arising from the SAR programs reported on December 31, 2007.
The disclosure of conditional rental payments concerning leasing liabilities is immaterial.

The following table shows the cashflows of non-derivative financial liabilities and the derivative financial instruments at positive and negative fair value:

	Book value	Cashflow		
	2007 € million	2008	2009	2010 et seq.
Non-derivative financial obligations				
Liabilities to banks	61.3	61.3	0.0	0.0
Liabilities from finance leasing	0.4	0.4	0.0	0.0
Purchase price liabilities	111.3	52.7	44.3	14.3
Other liabilities	212.6	203.6	0.4	8.7
Derivative financial liabilities and assets				
Currency forwards in connection with cashflow hedges	23.9	371.4	0.0	0.0

The liabilities to banks are repayable upon demand. Consequently, the cashflows are disclosed in 2008.

The cashflows concerning derivative financial liabilities are matched by cash inflows in the same amount.

13. Additional Disclosures concerning Financial Instruments

	Valuation categories acc. IAS 39	**Book value 2007 € million**	**Fair value 2007 € million**	Book value 2006 € million	Fair value 2006 € million
Assets					
Cash and Cash equivalents	1)LAR	522.5	522.5	459.2	459.2
Trade receivables	LAR	389.6	389.6	373.8	373.8
Other receivables		79.1	79.1	78.6	78.6
- financial	LAR	14.2	14.2	20.1	20.1
- non-financial		64.9	64.9	58.5	58.5
Fair value (derivatives involv. hedge relationships)	n.a.	1.2	1.2	9.9	9.9
Loans	LAR	2.7	2.7	0.4	0.4
Other assets		12.2	12.2	11.4	11.4
- financial	LAR	9.3	9.3	7.1	7.1
- non financial		5.6	5.6	4.3	4.3
Liabilities					
Current bank liabilities	2) OL	61.3	61.3	65.5	65.5
Trade payables	OL	234.0	234.0	208.7	208.7
Liabilities from acquisitions	OL	111.3	111.3	123.8	123.8
Leasing liabilities	n.a.	0.4	0.4	0.3	0.3
Other liabilities		59.8	59.8	57.2	57.2
- financial	OL	35.0	35.0	31.1	31.1
- non-financial		24.8	24.8	26.1	26.1
Fair value (derivatives involv. hedge relationship)	n.a.	23.9	23.9	17.7	17.7

1) LAR: Loans and Receivables; 2) OL: Other Liabilities

The maturities of cash and cash equivalents, trade receivables and other assets are short term in nature. Accordingly, the book value as of the reporting date approximates the fair value. Receivables are stated at nominal value taking deductions concerning default risks into account.

The book value of loans approximates the fair value as of the reporting date.

The fair values of other financial assets correspond to the present values, taking prevailing market interest rates into account. The other financial assets include € 8.5 million that were pledged as rental deposits.

Current bank liabilities are terminable at any time and are thus short term. Accordingly, the book value as of the reporting date approximates the fair value.

Trade payables have short term residual maturities. The value reported thus approximates the fair values.

Liabilities from acquisition associated with corporate acquisitions lead to prorated payments as stipulated in the respective contracts. The resulting nominal amounts were discounted at an adequate market interest rate, depending on the expected date of payment. Depending on the country concerned, the market interest rates range between 0.7% and 6.5%. Additional disclosures on purchase price liabilities are provided under paragraph 17.

The fair values of other financial liabilities are determined as present values, taking the respective current interest parameters into account.

The fair values of derivatives with a hedge relationship as of the balance sheet date are determined by the respective banks in consideration of market interest rates.

Net result according to valuation categories:

	2007	2006
	€ million	€ million
Loans and receivables (LAR)	10.7	3.2
Other liabilities (OL)	-5.0	-2.9
Total	**5.6**	**0.3**

The net result was determined in consideration of interests, currency effects, value adjustments and also gains and losses from disposal.

General administration expenses include the valuation allowances of receivables and exchange rate changes.

14. Pension Provisions

Pension provisions totaled € 17.9 million (previous year: € 21.9 million). They are reduced by the value of the plan assets. The present value of the plan assets includes employers' pension liability insurance and trustee securities at a fair value of € 21.1. million; it does not include financial instruments. The plan assets saw an actual increase in value of € 2.7 million (previous year: € 1.9 million) in 2007.

Of the total amount of provisions, € 12.7 million or 71.0% (previous year: € 16.4 million or 74.9%) are attributable to PUMA AG.

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

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

	2007	2006
Discounting rate	5.25%	4.25%
Future pension increases	2.25%	2.25%
Fluctuation rate	1.50%	1.50%

The pension provision for the Group is calculated as follows:

	2007	2006
	€ million	€ million
Present value of non-funds financed pension claims pursuant to actuarial appraisal	**19.6**	**22.5**
Present value of funds-financed pension claims	19.4	20.5
net of the fair value of plan assets	-21.1	-16.4
Short cover/surplus cover of plan assets	**-1.7**	**4.1**
Present value of pension claims	**17.9**	**26.6**
Adjustment amount due to non-recorded actuarial gains/losses (-)	0.0	-4.7
Pension provision, December 31	**17.9**	**21.9**

An expected interest rate of between 4% and 6% was used in the valuation of plan assets.

In 2007, pension payments amounted to € 3.3 million (previous year: € 4.0 million). It is expected that pension payments in 2008 will be above the previous year's level.

Pension expense in financial year 2007 is structured as follows:

	2007	2006
	€ million	€ millon
Expense for pension claims arising during the reporting year	1.0	2.0
Interest expense for acquired pension claims	2.0	1.8
Expected plan asset income	-1.0	-0.9
Adjustment amount due to recorded actuarial gains/losses	0.0	0.2
Expense for defined benefit plans	**2.0**	**3.1**
Expense for defined contribution plans	**2.7**	**1.9**
Total pension expense	**4.7**	**5.0**
Thereof, personnel expense	**2.7**	3.2
Thereof, interest expense	**2.0**	1.8

15. Tax Provisions

	2006					2007
		Currency adjustments, reclassifications	Utilization	Release	Addition	
	€ million	€ million	€ million	€ million	€ million	**€ million**
Tax provisions	**38.5**	-0.8	-37.7	-0.0	18.1	**18.1**

Tax provisions mainly include income taxes accrued but not yet paid for financial year 2007, as well as expected tax payments for previous years; they do not include deferred taxes. The provision will probably lead to an outflow of cash in the coming financial year.

16. Other Provisions

	2006					2007
		Currency adjustments, reclassifications	Utilization	Release	Addition	
	€ million	€ million	€ million	€ million	€ million	**€ million**
Provisions for:						
Warranties	**13.6**	-0.8	-8.3	-0.4	9.6	**13.6**
Purchasing risks	**7.8**	-0.7	-3.2	-0.0	4.0	**7.9**
Other	**37.7**	-1.3	-7.7	-1.8	29.9	**57.6**
Total	**59.1**	-2.8	-19.2	-2.2	43.6	**79.2**

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

Purchasing risks primarily relate to materials risks and to the toolings needed for shoe manufacture. The item also includes anticipated losses associated with purchasing transactions. The provision will probably lead to a pay-out in the following year.

Other provisions are primarily recorded to account for risks that may arise from litigation, onerous contracts, and other risks. Depending on the development of the legal cases, it is expected that a significant amount will be utilized within the next two years.

17. Liabilities from Acquisitions

In accordance with the agreements concluded, purchase price liabilities from acquisitions lead to prorated payments. The resulting nominal amounts were discounted depending on the expected date of payment and applying an adequate market interest rate.

The purchase price liability is structured as follows:

	2007	2006
	€ million	€ million
Due within one year	52.7	23.6
Due in more than one year	58.6	100.3
Total	**111.3**	**123.8**

18. Shareholders' Equity

Changes in Equity

in € million	Subscribed capital	Group reserves: Capital reserve	Profit reserves	Difference from currency conversion	Cashflow hedges	Retained earnings	Treasury stock	Total equity before minorities	Minorities	Total
Dec. 31, 2005	**43.2**	**99.6**	**179.5**	**6.3**	**21.5**	**680.3**	**-159.6**	**870.9**	**4.5**	**875.4**
Dividend payment						-31.8		-31.8		-31.8
Transfer to profit reserves			77.3			-77.3				
Currency changes				-41.0				-41.0	0.4	-40.5
Release to the income statement					-9.4			-9.4		-9.4
Market value for cashflow hedges					-16.6			-16.6		-16.6
Capital increase	0.9	69.7						70.7		70.7
Value of stock options		1.3						1.3		1.3
Net earnings						263.2		263.2	2.8	266.0
Purchase of treasury stock			35.0			-35.0	-66.0	-66.0		-66.0
Dec. 31, 2006	**44.1**	**170.7**	**291.8**	**-34.7**	**-4.5**	**799.3**	**-225.6**	**1,041.3**	**7.7**	**1,049.0**
Dividend payment						-39.9		-39.9	-1.2	-41.1
Unrecognized net actuarial gain/loss						-0.3		-0.3		-0.3
Currency changes				-38.3				-38.3	-1.2	-39.5
Release to the income statement					3.4			3.4		3.4
Market value for cashflow hedges					-25.0			-25.0		-25.0
Capital increase	0.2	12.8						12.9		12.9
Net earnings						269.0		269.0	2.6	271.6
Reduction of subscribed capital due to cancellation of own shares according to § 237 Abs. 3 AktG	-3.3		-222.3			-41.6	225.6	-41.6		-41.6
Purchase of treasury stock							-34.7	-34.7		-34.7
Dec. 31, 2007	**41.0**	**183.5**	**69.5**	**-73.0**	**-26.1**	**986.7**	**-34.7**	**1,146.8**	**8.0**	**1,154.8**

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 € 41.0 million. It is split up into 16,027,964 shares of stock. Capital reserves were increased by € 12.8 million in 2007 through the issuance of new shares within the context of the Management Incentive Program.

SAPARDIS S.A., an almost fully-owned subsidiary of PPR S.A., Paris, hold 63.05% of the subscribed capital as of the balance sheet date (corresponds to 63.55% of the shares outstanding).The Company is aware of the fact that Bear Sterns Int. Ltd. has exceeded the threshold of 3%, and Morgan Stanley the threshold of 5%.

Cashflow Hedges

The item "Cashflow Hedges" includes the change in market value from derivative financial instruments. The item amounting to € -26.1 million (previous year: € -4.5 million) is already reduced by deferred taxes in the amount of € 10.7 million (previous year: € 1.8 million).

Own Shares/Treasury Stock

In January and February 2007 the Company repurchased a total 150,000 treasury stock or 0.9% of the subscribed capital. The acquisition costs totalled € 41.6 million. With effect from April 10, 2007, the total of 1,270,000 own shares held up to that time were called in and the capital stock was reduced accordingly. Based on a resolution of the Shareholders' meeting of April 11, 2007, the Company was again authorized to acquire own shares of up to ten percent of the capital stock by September 1, 2008. If acquired through the stock exchange, the acquisition price per share may not exceed or fall below 10% of the closing price for the company's shares with the same features in XETRA trade (or a comparable successor system), on the last trading day prior to acquisition.
The Company made use of this authorization and repurchased a total of 125,000 PUMA shares, or 0.8% % of the subscribed capital, up to the balance sheet date; these shares are initially held as treasury stock in the Company's own portfolio. The amount invested to this end totals € 34.7 million.

Authorized Capital

Pursuant to Article 4, Items 6 and 7 of the PUMA AG Articles of Association, the Board of Management is authorized, with the approval of the Supervisory Board, to increase the share capital by April 10, 2012 as follows:

- through the issuance of new shares once or repeatedly in exchange for contributions in cash by a total of up to € 7.5 million. The shareholders are generally granted a subscription right. (Authorized Capital I).

and

- through the issuance of new shares once or repeatedly in exchange for contributions in cash or in kind by a total of up to € 7.5 million. The subscription right may be excluded fully or in part (Authorized Capital II).

Conditional Capital

Pursuant to Article 4 (5) of the Articles of Association, conditional capital was created in the amount of € 3.9 million in 2001 in order to finance a total of 1,530,000 stock options. The stock options were issued to Management in several tranches within the scope of the Stock Option Program. As of December 31, 2007, conditional capital amounting to € 0.3 million (previous year: € 0.4 million) was still available.

Dividends

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

The Board of Management and the Supervisory Board propose to the General Shareholders' Meeting that a dividend of € 2.75 per outstanding share or a total of € 43.7 million (relative to the shares outstanding as of December 31) from the PUMA AG net retained earnings be approved for distribution to the shareholders for financial year 2007. This corresponds to a payout rate of 16.3% relative to the consolidated net income, in comparison to 15.2% in the previous year.

Appropriation of PUMA AG net retained earnings:

		2007	2006
Net retained earnings of PUMA AG as of Dec. 31	€ million	50.0	44.9
Dividend per share	€	2.75	2.50
Number of shares outstanding *	share of stock	15,902,964	15,963,714
Dividend, total *	€ million	43.7	39.9
Carry forward to the new accounting period *	€ million	6.3	5.0

* Previous year's values adjusted to the status as of the Shareholders' Meeting

Minorities

The minority share remaining as of the balance sheet date relates to Unisol S.A. in Argentina (35%). The remaining shares are taken over by PUMA AG with effect from January 2, 2008.

19. Equity Participation Plans/Management Incentive Program

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

Explanatory Comment: "SOP"

A Stock Option Program was introduced within the scope of the conditional capital created in 2001. The conditional capital increase is used to service the option rights granted to members of the PUMA AG Management Board, members of the executive bodies of affiliated companies, the executive staff of PUMA AG and affiliated companies. Entitled persons are given an opportunity to acquire PUMA shares at the exercise price within a period of up to five years, and following a two-year vesting period, as from the date of issue. The exercise price is the mean value of the XETRA 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. Option rights were issued in the years from 2001 to 2004. The SOPs outstanding as of the balance sheet date are held by Management exclusively (executive staff of PUMA AG and affiliated companies).

Development in the financial year:

	Issue date	Number issued	Exercised in 2007	Average stock price when exercised	Lapsed in 2007	In circulation as of Dec. 31		Exercise price
						2007	2006	
Tranche III	31.03.2003	190,000	-2,500	€ 337.40	0	0	2,500	€ 85.68
Tranche IV	31.03.2004	459,000	-61,750	€336.50	-5,000	18,750	85,500	€ 206.20

The following parameters were used to determine the fair value:

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

Explanatory Comment: "SAR"

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

Under the **"SAR 2004"** program, the term of non-forfeitable option rights is five years as from the date of issue; the options may be exercised following a 2-year vesting 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 III (2006/2011), a minimum exercise gain of 4% and a maximum exercise gain of 50% of the exercise price were agreed upon. Tranches I and II had already been concluded in previous years. The tranches IV and V were redeemed during the financial year.

Development "SAR 2004" program during the financial year:

	Issue date	Number issued	Change 2007	In circulation as of Dec. 31		Exercise price
				2007	2006	
2006/2011 – Tranche III	25.04.2006	150,000	0	150,000	150,000	€ 345.46

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

	Tranche III
Share price as of December 31, 2007	€ 273.00
Expected volatility	23.2%
Expected dividend payout	1.4%
Risk-free interest rate	4.1%

The historical volatility for the year prior to the date of valuation was used to determine the expected volatility.

The maturity of option rights concerning the **"SAR 2006"** program is five years overall, as from receipt of the acceptance statement. The option rights may be exercised after a vesting period of one year at the earliest, whereby a maximum of 25% can be exercised in the second year, a maximum of 50% in the third year, up to 75% in the fourth year, and the full 100% only in the last year. The options can only be exercised if, at the exercise date, the exercise price relative to the allotment price increased by at least 20% in the second year, by at least 24% in the third year, by at least 27 % in the fourth year, and in the fifth year by at least 29% (exercise hurdle). Each stock appreciation right entitles the owner to realize as profit the positive difference between the share price at the exercise date (at a maximum, however, of twice the allotment price), and the allotment price plus the respective exercise hurdle. The allotment price was calculated from the average of closing prices for the twenty days preceding the granting of the rights. The SAR 2006 program was not continued in the financial year ended. Instead, it is planned to launch a new SOP program as from 2008.

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

	Issue date	Number issued	Exercised in 2007	Lapsed in 2007	In circulation as of Dec. 31		Allotment price
					2007	2006	
Tranche I	01.10.2006	66,250	0	1,250	65,000	66,250	€ 264.36

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

	Tranche 2006
Share price as of December 31, 2007	€ 273.00
Expected volatility	23.2%
Expected dividend payout	1.3% - 1.4%
Risk-free interest rate	4.1%

The historical volatility for the year prior to the date of valuation was used to determine the expected volatility.

20. Selling, General and Administrative Expenses

In addition to personnel expenses, advertising and selling costs, operating expenses also include legal and consulting costs, rental/leasing expenses, travel costs, telephone and postage as well as other general expenses. Income from operations which is associated with operating expenses is netted under this item. In addition, as in the previous year, income typical of the business which is associated with sourcing is included to the amount of € 35.2 million (previous year: € 38.7 million) in other selling, general and administrative expenses. Rental/leasing expenses concerning the Company's own retail operations include sales-dependent rental components.

Operating expenses include expenses amounting to € 0.9 million for the annual auditor of PUMA AG. Of this amount, audit fees account for € 0.5 million, tax consultancy costs account for € 0.2 million, and € 0.2 million are attributable to other consulting services.

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

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

	2007	2006
	€ million	€ million
Marketing/retail	424.9	419.6
Product development and design	57.5	56.7
Other selling, general and administrative expenses	376.7	353.6
Total	**859.2**	**830.0**

Personnel costs consist of the following:

	2007	2006
	€ million	€ million
Wages and salaries	217.1	201.3
Social security contributions	32.7	30.2
Expenses from option programs	7.2	16.9
Expenses for pension schemes and other personnel expenses	20.9	17.3
Total	**278.0**	**265.7**

The annual average number of staff was as follows:

	2007	2006
Marketing	356	290
Sales/retail	5,545	3,802
Product management/development	674	555
Sourcing/logistics/production	1,744	1,441
Central units	881	743
Total annual average	**8,338**	**6,831**

A total of 9,204 employees were employed at year-end (previous year: 7,742).

21. Financial Result

The financial result is made up as follows:

	2007	2006
	€ million	€ million
Interest income	21.2	15.6
Interest expense	5.3	4.7
Net interest income	**15.9**	**10.9**
Interest expense regarding purchase price liabilities from acquisitions	3.5	3.1
Valuation of pension plans	2.0	1.8
Total	**10.5**	**6.0**

22. Income Taxes

	2007	2006
	€ million	€ million
Current income taxes		
Germany	12.6	13.2
Other countries	92.6	104.4
Total current income taxes	**105.2**	**117.6**
Deferred taxes	**5.8**	**-9.5**
Total	**110.9**	**108.1**

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

Numerical reconciliation of theoretical tax expense with current tax expense:

	2007	2006
	€ million	€ million
Earnings before income taxes	**382.6**	**374.0**
Theoretical tax expense		
Tax rate for the AG = 36.91% (previous year: 36.91%)	141.2	138.1
Difference from tax rate in other countries	-28.6	-31.3
Other tax effects:		
Intra-group entries	5.2	-3.0
Value adjustment on deferred taxes	-0.4	1.2
Tax provisions	4.1	2.0
Changes in tax rates	-1.9	0.0
Other non-deductible expenses and income, and consolidation and other effects	-8.6	1.2
Current tax expense	**110.9**	**108.1**
Current tax rate	29.0%	28.9%

23. Earnings per Share

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

The calculation is presented in the table below:

		2007	2006
Net earnings	€ million	269.0	263.2
Average number of shares outstanding	shares	16,018,027	16,054,246
Diluted number of shares	shares	16,030,601	16,138,717
Earnings per share	€	16.80	16.39
Earnings per share, diluted	€	16.78	16.31

24. Management of the Currency Risk

In financial year 2007 PUMA concluded "forward purchase USD/sale Euro" currency derivative deals as cashflow hedges in order to hedge the payable amount of purchases denominated in USD, which is converted to Euro.

The nominal amounts of open rate hedging transactions which mainly relate to cashflow hedges consist of the following:

	2007	2006
	€ million	€ million
Total forward exchange transactions	371.4	557.6

The following cash flows are expected concerning the underlying transactions:

	€ million
2008	371.4
2009	0.0

The fair values of open rate hedging transactions consist of the following:

	2007	2006
	€ million	€ million
Forward exchange transactions, assets	1.2	9.9
Forward exchange transactions, liabilities	-23.9	-17.7
Net	**-22.7**	**-8.0**

Since the risk-induced fluctuation in the value of underlying transactions is compensated for by an opposite value development of the hedging transaction, no ineffectivities result.
The development of cashflow hedges is shown under paragraph 18 in the schedule of shareholders' equity.

Risks are discussed in greater detail in the group management report.

25. Segment Reporting

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

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

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

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

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

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

Since PUMA is active in only one business field, namely that of the sporting goods industry, sales and gross profit concerning secondary reporting is allocated according the internal reporting structure by the product segments Footwear, Apparel and Accessories. The profit from operations and most of the asset and liability items cannot be allocated in a reasonable manner.

Primary Segment Data

	Sales (Total)		Internal sales		External sales with third parties		Gross profit		Sales	
	by head office location of customer								by head office location	
Regions	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million
EMEA	1,418.9	1,321.1	183.7	162.5	1,235.3	1,158.7	665.4	623.2	1,421.2	1,322.8
Asia/Pacific	528.2	515.0	31.3	28.5	497.0	486.5	251.4	242.4	527.5	515.1
Americas	662.5	743.1	21.3	19.0	641.2	724.1	324.8	333.7	660.9	741.3
Central units/consolidation									-236.2	-210.0
	2,609.6	2,579.2	236.2	210.0	2,373.5	2,369.2	1,241.7	1,199.3	2,373.5	2,369.2

	Profit from operations		Gross assets (balance sheet total)		Liabilities		Investments		Depreciation	
	by head office location of group companies									
Regions	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million
EMEA	262.2	257.2	1,078.4	969.9	495.7	430.5	63.8	40.1	26.9	21.7
Asia/Pacific	101.3	106.7	245.0	197.3	168.7	140.5	15.7	11.4	3.7	3.6
Americas	112.8	125.8	312.2	321.9	183.0	211.9	30.2	37.3	14.9	11.8
Central units/consolidation	-104.3	-121.7	227.4	225.8	-191.9	-117.1	2.1	121.5	0.6	1.3
	372.0	368.0	1,863.0	1,714.8	655.5	665.8	111.8	210.3	46.0	38.4

	External sales with third parties		Gross profit in %	
	2007 € million	2006 € million	2007 € million	2006 € million
Footwear	1,387.8	1,420.0	52.3%	50.3%
Apparel	827.3	795.4	52.2%	50.7%
Accessories	158.3	153.8	52.8%	53.3%
	2,373.5	2,369.2	52.3%	50.6%

26. Notes to the Cashflow Statement

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

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

27. Contingencies

	2007	2006
	€ million	€ million
Bill commitments	0.5	0.3

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 also sales premises for its own retail business. The residual term of the lease contract for the logistics centre in Germany (operative leasing) is five years. The term of rental contracts concerning the retail business is between five and fifteen years. The terms of all other rental and lease contracts are between one and five years.

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

	2007	2006
	€ million	€ million
From license, promotion and advertising contracts:		
2008 (2007)	62.9	49.5
2009- 2012 (2008 – 2011)	155.3	120.8
from 2013 (from 2012)	16.7	15.4
From rental and lease contracts:		
2008 (2007)	90.4	61.9
2009 - 2012 (2008 – 2011)	261.6	191.4
from 2013 (from 2012)	116.5	85.4

29. Board of Management and Supervisory Board

Disclosures pursuant to Section 314 (1) Item 6 HGB

Board of Management

The following amounts were recorded as expense for fixed and performance based (profit sharing bonus) remuneration in the financial year:

	Fixed component € million	Performance-based component (profit sharing bonus) € million	**Total 2007 € million**	Fixed component € million	Performance-based component (profit sharing bonus) € million	**Total 2006 € million**
Jochen Zeitz	3.20	4.00	**7.20**	3.17	4.00	**7.17**
(CEO, Board Chairman)						
Martin Gänsler	0.76	1.03	**1.79**	0.77	1.05	**1.82**
(Deputy Chairman - until June 30, 2007)						
Dieter Bock	0.37	0.30	**0.67**	0.36	0.30	**0.66**
(Chief Financial Officer)						
Total	**4.33**	**5.33**	**9.66**	**4.30**	**5.35**	**9.65**

The stock appreciation rights in accordance with the Long Term Incentive Program represent another performance-based remuneration component with long term incentive effect. In the financial year ended, no option rights were granted and no respective personnel expense resulted during the financial year. In the previous year, personnel expense in the amount of € 3.51 million was posted for stock appreciation rights granted in 2006. Of this amount, € 3.48 million were attributable to the Chief Executive Officer, and € 0.03 million the Chief Financial Officer.

In the event of premature termination of the employment relationship, the Chairman of the Board is paid the agreed salary components up to the original contract termination date. With respect to the remuneration components resulting from the Long Term Incentive Program it has been agreed that the option rights already granted at the date of departure shall be paid out on the basis of a value determined in accordance with "black-scholes".

The Chairman of the Management Board is provided with a pension commitment for which the Company took out a pension liability insurance policy. The proportion of the pension capital which is already financed through contributions to the pension liability insurance is deemed to be a vested claim. As of the balance sheet date, this results in a pension claim of T€ 194 p.a., or one-off capital compensation in the amount of the present value upon retirement.

Pension commitments to former Management Board members amounted to € 2.01 million (previous year: € 2.28 million); they are recorded under pension provisions. No pension payments have been made.

The option programs issued or redeemed in previous years result in personnel expenses of € 6.83 million (previous year: € 11.99 million). Of this amount, € 6.78 million (previous year: € 11.78 million) are attributable to the Chief Executive Officer, and € 0.04 million (previous year: € 0.10 million) are attributable to the Chief Financial Officer.

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

Fixed annual remuneration amounts to T€ 30.0 for each Supervisory Board member. The Supervisory Board Chairman receives twice this amount, and the Vice Chairman one and a half times this remuneration. Performance-based remuneration amounts to € 20.00 per € 0.01 of the earnings per share as reported in the consolidated financial statements (before dilution) that exceed a minimum amount of € 16.00, the maximum amount being T€ 10.0 per year, however. The Chairman of the Supervisory Board receives twice this amount, and the Vice Chairman receives one and a half times the amount. Owing to the earnings per share of € 16.80 in the financial year, the Supervisory Board Chairman receives performance-based remuneration of T€ 3.2, and his deputy receives the amount of T€ 2.4. Each other member receives the amount of T€ 1.6. The fixed and performance based remuneration was granted to the Supervisory Board on a prorata basis in keeping with the period of Supervisory Board membership.

Fixed remuneration in the total amount of T€ 222.2 (previous year: T€ 213.2) was paid in the financial year, and performance-based remuneration totalled T€ 11.9 (previous year: T€ 5.5).

30. Corporate Governance

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

31. Events after the Balance Sheet Date

As of January 1, 2008, the Korean market was taken over by the fully-owned subsidiary, PUMA Korea, and will thus be included in the consolidated PUMA Group financial statements.
In addition, PUMA AG acquired the remaining shares of "Unisol S.A." in Argentina.

Responsibility Statement ("Bilanzeid")

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Herzogenaurach, February 11, 2008

The Board of Management

Zeitz **Harris-Jensbach** **Bock**

Deputy Board of Management

Bertone **Seiz**

„Auditors' Report

We have audited the consolidated financial statements, consisting of a balance sheet, income statement, statement of recorded income and expenses, cashflow statement, notes to the financial statements and the group management report of PUMA Aktiengesellschaft Rudolf Dassler Sport, Herzogenaurach, for the business year from January 1 to December 31, 2007.
The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code), are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany, IDW) and additionally observed the International Standards on Auditing (ISA). These audit standards require that we plan and perform the audit so that misstatements materially affecting the presentation of net assets, financial position and results of operations in the consolidated financial statements in accordance with the accounting principles applied and the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting disclosures and valuations in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of companies included in consolidation, the definition of the consolidated group, the valuation and accounting principles applied, and significant estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any objections.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these provisions. The group management report is consistent with the consolidated financial statements and provides, as a whole, a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Frankfurt am Main, January 11, 2008

PRICEWATERHOUSECOOPERS

Wirtschaftsprüfungsgesellschaft

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

Report of the Supervisory Board

In the following report, the Supervisory Board provides information about its activities during financial year 2007. In particular, the report covers the continuous dialogue with the Board of Management, key consultancy issues in plenum, committee work, the audit of annual and consolidated financial statements as well as changes in the group structure and executive bodies.

Dear Shareholders,

In addition to economic challenges, the year 2007 was also marked by a change in the shareholders structure and associated changes in the Supervisory Board.

With effect from April 10, 2007 the PPR Group acquired 27.14% of the capital stock of PUMA AG and, consequently, all shares from the previous major shareholder, Mayfair Beteiligungsfondsgesellschaft I mbh. Moreover, a voluntary public take-over bid was submitted to the other shareholders. Following expiration of the bidding period, a total of approximately 62.1 % of the voting rights were allocated to PPR, which has been the sole major shareholder since then.

Changes in the Supervisory Board

Supervisory Board members were newly elected by rotation at the Shareholders' Meeting on April 11, 2007. Upon request of the previous major shareholder, Mayfair Beteiligungsfondsgesellschaft I mbh, a proposal was made to replace the initially proposed representatives of Mayfair Beteiligungsfondsgesellschaft I mbh with representatives of the new major shareholder, subject to a condition precedent. Consequently, after announcement that the EU cartel authority had approved the acquisition of a majority share in PUMA by PPR on June 15, 2007, the period of office of Johann C. Lindenberg, Hinrich Stahl and Günter Herz, in their capacities as members of the PUMA AG Supervisory Board (consisting of six members) ended at the close of that day, and François-Henri Pinault, Jean-François Palus and Grégoire Amigues became members of the Supervisory Board with effect from June 16, 2007. In addition, the Shareholders' Meeting appointed Thore Ohlsson as an independent member of the Supervisory Board. Erwin Hildel and Oliver Burkhardt were elected as employee representatives by the staff.

At the meeting held on June 19, 2007, the Supervisory Board elected François-Henri Pinault from among its members as Chairman, and Thore Ohlsson as Vice Chairman.

Katherina Wojaczek (Employee Representative), Werner Hofer, and Dr. Reiner Kutzner left the Supervisory Board upon conclusion of the Shareholders' Meeting on April 11, 2007.
We wish to express our particular thanks to Werner Hofer, who managed the fortunes of the Board during his long years as Chairman. During his seventeen years of activity, Mr. Hofer contributed significantly to the sustained success of long-term corporate development. He was at all times a much valued contact partner for all Board issues and strategic objectives.
His well-balanced approach and expertise enabled excellent coordination of Supervisory Board and Management Board tasks.
We wish Mr. Hofer all the very best for the future.
Katharina Wojaczek, who has represented the interests of employees on the Supervisory Board since 1986, also receives our special thanks.

Supervisory Board Meetings and Focal Points of Consulting

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

The Supervisory Board convened at meetings held at regular intervals on February 19, April 11, May 23, July 10 and November 5, 2007, and discussed current business development with the Board of Management. In addition, several telephone conferences were held within the Supervisory Board.

In addition to these meetings and telephone conferences, some Supervisory Board members communicated with the Board of Management verbally and in writing. The Board of Management thus informed the Supervisory Board orally and verbally about all relevant aspects of corporate planning and strategic further development and about the general course of business and the situation of the Group comprehensively and in good time. Any deviations in the course of business and from plans and targets, which we also reviewed on the basis of documents made available to us, were explained to the Supervisory Board. We discussed all business transactions of significance for the Company in detail on the basis of reports drawn up by the Management Board.

Following thorough examination and consultation, the Supervisory Board approved the reports and resolution proposals presented to it by the Board of Management to the extent required by law and the statutes.

In financial year 2007, emphasis was mainly on the following issues:

- Audit and approval of the annual financial statements 2006
- Determining the agenda for the Shareholders' Meeting, including new election of Supervisory Board members
- Cancellation of own shares and a new share repurchase program
- Current business development
- Corporate planning for 2008 and medium term planning, including capital expenditures
- Comment on the voluntary public takeover bid of SAPARDIS S.A. (PPR Group)
- Changes in the Board of Management and contractual issues respecting the Board of Management
- Determining the Chairman and Vice Chairman and establishing the composition of the Supervisory Board Committees
- Dividend policy
- Corporate Governance Code/Compliance Declaration
- Management Incentive Program

Personnel Committee

As from June 19, 2007, François-Henri Pinault, Thore Ohlsson and Erwin Hildel have been members of the Personnel Committee. François-Henri Pinault acts as Chairman. The committee convened in 2007 within the context of Supervisory Board meetings. The main emphasis of the issues dealt with by the Personnel Committee was on renewal of the contract concluded with the Management Board Chairman, extension of the Management Board, the Management Incentive Program, remuneration and contractual issues, as well as various personnel-related matters.

Audit Committee

As from June 19, 2007, the Audit Committee comprises Thore Ohlsson (Chairman), Jean-François Palus and Oliver Burkhardt. The Audit Committee received the PUMA Group financial figures on a monthly basis, thus enabling it to continuously track the development of the financial position and results of operations as well as the development of the orders position. Moreover, the Audit Committee dealt with accounting and profit-related issues and discussed these with Management. After the Supervisory Board had placed the audit engagement for financial year 2007, the Audit Committee discussed the audit engagement and the focal points of the audit with the annual auditor in a further meeting on November 5, 2007. The audit report for financial year 2007 was discussed in detail with the annual auditor at a meeting held on 25 February 2008.

Corporate Governance

We welcome the German Corporate Governance Code (DCGK) which covers significant legal provisions and recommendations governing the management and monitoring of listed companies, and which also includes standards for responsible corporate management. Almost all of these standards have been part of PUMA AG's every-day business for a long time.

The Company meets all DCGK requirements and expresses this in its Compliance Declaration. The Compliance Declaration is made available to our shareholders on the Company's homepage on a permanent basis.

Annual Financial Statements Approved
PUMA AG's annual financial statements as prepared by the Board of Management, the consolidated financial statements, the management report and the group management report, including the underlying accounting system, have been audited and provided with an unqualified auditor's opinion by the auditors of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, who were appointed as annual auditors by the Shareholders' Meeting on April 11, 2007, and engaged by the Supervisory Board to audit the annual financial statements and the consolidated accounts.

In his report, the annual auditor arrives at the conclusion that the risk management system institutionalised by PUMA pursuant to Section 91 (2) Stock Corporation Act is suitable for early recognition of any developments that may endanger the Company as a going concern, and for taking appropriate countermeasures against same. To this end, the Board of Management has informed the Supervisory Board at regular intervals about the assessment of market and sourcing risks, financial risks including currency risks, and about organisation-related risks.

The financial statements documentation and 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 Board of Management and Supervisory Board members at the Audit Committee meeting on February 25, 2008, and at the following Supervisory Board meeting on the same day. No inconsistencies were found. In addition, at today's meeting the Board of Management informed the Supervisory Board about disclosures made in the management report, pursuant to Section 289 (4) and Section 315 (4) HBG.

After thorough examination, we approve the annual financial statements and consolidated financial statements as prepared by the Board of Management and concur with the auditor's result. No objections are raised. The Supervisory Board thus approves the annual financial statements as prepared by the Board of Management. The annual financial statements are thus endorsed. Furthermore the Supervisory Board agrees with the Board of Management's proposal that the dividend be raised from € 2.50 to € 2.75 per share. The dividend increase is consistent with long term corporate planning. The dividend is to be financed from cash and cash equivalents ; this does not put the Company's liquidity at risk. In all, the amount of € 43.7 million is to be distributed from the retained earnings of PUMA AG. The remaining retained earnings of € 6.3 million shall be carried forward to the new accounting period.

Changes in the Board of Management
At his own wish, Martin Gänsler resigned from office and left the Management Board with effect from June 30, 2007. Mr. Gänsler has been a member of the Management Board since 1993 and, as Vice Chairman since 1998, has been responsible for Research, Development and Design as well as for Sourcing. In over 25 years, Martin Gänsler has achieved great recognition in various positions and contributed to a major extent to PUMA's success as a sportlifestyle brand. Thanks to his excellent work in the Product segment, PUMA has today many innovative concepts which enable the firm to continue to set new trends in the market. The Supervisory Board wishes to express its special thanks to Mr. Gänsler for the work he has done.

As successor to Martin Gänsler, Melody Harris-Jensbach was appointed as Deputy to the Management Board Chairman on January 1, 2008; she is responsible for the Product segment. As from August 2008, Stefano Caroti will be appointed as a member of the Management Board; he will assume the newly created function of Chief Commercial Officer (CCO).
In addition, on January 1, 2008, Antonio Bertone (CMO) and Reiner Seiz (CSO) were appointed as Deputy Management Board members. They will continue to be responsible for their present fields of activity.

Controlled Company Report on Relations with Associated Companies
A dependent relationship pursuant to Section 17 AktG has existed between PUMA AG Rudolf Dassler Sport and the firm of SAPARDIS S.A., an almost fully-owned subsidiary of PPR S.A., as from April 10, 2007. The Controlled Company Report on Relations with Associated Companies prepared by the Management Board pursuant to Section 312 AktG has been presented to the Supervisory Board. The annual auditor reviewed the report and added the following unqualified opinion to the report:

„On the basis of the examination and judgement required by us we hereby confirm that
1. the factual statements in the report are correct,
2. the Company consideration relating to the legal transactions specified in the report was not unreasonably high,
3. the measures stated in the report do not reveal any circumstances that would lead to a materially different opinion than that of the Management Board."

Following thorough examination, the Supervisory Board approves the Controlled Company Report on Relations with Associated Companies prepared by the Management Board and concurs with the findings of the annual auditor. No objections are to be made.

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

Herzogenaurach, February 25, 2008

On behalf of the Supervisory Board

François-Henri Pinault
Chairman

The Board of Management

Jochen Zeitz
(Chief Executive Officer of PUMA AG)
Nuremberg, Germany
(Marketing and Sales)

Member of other Supervisory Boards or similar boards:
- PPR, Paris/France (Executive Committee)
- Harley-Davidson Inc., Milwaukee/USA

Melody Harris-Jensbach (from January 1, 2008)
(Deputy Chairman)
Cologne, Germany
(Product)

Martin Gänsler (until June 30, 2007)
(Deputy Chairman)
Gersthofen, Germany
(Product)

Dieter Bock
(Chief Financial Officer)
Weisendorf, Germany
(Finance and Controlling)

Reiner Seiz (from January 1, 2008)
(Deputy Board Member)
Hemhofen, Germany
(Sourcing)

Antonio Bertone (from January 1, 2008)
(Deputy Board Member)
Winchester, USA
(Marketing)

Supervisory Board

François-Henri Pinault (from June 16, 2007)
(Chairman)
Paris, France
Président-Directeur Général of PPR, Paris/France

Member of other Supervisory Boards or similar boards:
- Boucheron Holding S.A., Paris/France
- Yves Saint Laurent S.A.S., Paris/France
- Gucci Group NV, Amsterdam/The Netherlands

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

Member of other Supervisory Boards or similar boards:
- Nobia AB, Stockholm/Sweden
- Bastec AB (Chairman), Malmö/Sweden
- Elite Hotels AB, Stockholm/Sweden
- Tretorn AB, Helsingborg/Sweden
- T. Frick AB (Chairman), Vellinge/Sweden
- T.M.C. AB (Chairman), Skanör/Sweden

Jean-François Palus (from June 16, 2007)
Paris, France
Directeur Financier of PPR, Paris/France

Member of other Supervisory Boards or similar boards:
- Gucci Group NV, Amsterdam/The Netherlands

Grégoire Amigues (from June 16, 2007)
Paris, France
Directeur du Développement et de la Stratégie of PPR, Paris/France

Erwin Hildel (until April 11, 2007/from April 27, 2007)
(Employees' Representative)
Herzogenaurach, Germany
Sales Administration Manager

Oliver Burkhardt (from Mai 1, 2007)
(Employees' Representative)
Moehrendorf, Germany
User & System Support/Multimedia-Specialist

Werner Hofer (until April 11, 2007)
(Chairman)

Member of other Supervisory Boards or similar boards:
- H & M Hennes & Mauritz GmbH, Hamburg/Germany
- Electrolux Deutschland GmbH (Chairman), Nuremberg/Germany
- D + H Mechatronic AG (Chairman), Hamburg/Germany
- MITTAL STEEL Germany GmbH, Duisburg/Germany
- MITTAL STEEL Hamburg GmbH, Hamburg/Germany
- MITTAL STEEL Ruhrort GmbH, Duisburg/Germany

Johann Lindenberg (April 12 until June 15, 2007)
(Chairman)

Member of other Supervisory Boards or similar boards:
- BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg/Germany
- ESSO Deutschland GmbH, Hamburg/Germany
- ExxonMobil Central Europe GmbH, Hamburg/Germany
- Gruner & Jahr AG & Co. KG, Hamburg/Germany
- Hamburg Messe & Congress GmbH (Chairman), Hamburg/Germany
- J.J. Darboven Holding Verwaltungs AG (Chairman), Hamburg/Germany
- PRAKTIKER Bau- und Heimwerkermaerkte Holding AG, Kirkel/Germany

Günter Herz (until June 15, 2007)

Dr. Rainer Kutzner (until April 11, 2007)

Hinrich Stahl (April 12 until June 15, 2007)

Katharina Wojaczek (until April 11, 2007)
(Employees' Representative)

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Publisher
PUMA AG Rudolf Dassler Sport
PUMA-WAY 1
91074 Herzogenaurach
Germany

phone: +49-9132 81-0
fax: +49-9132 81-2246
e-mail: info@puma.com
internet: www.puma.com
about.puma.com

Editor
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