Group Management Report for Financial Year 2010

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The Year 2010

PUMA is back on the attack! In the past financial year 2010, PUMA achieved a new record high in sales and succeeded in increasing profitability accordingly. Hence, PUMA has successfully overcome the economic crisis and has laid the basis for achieving the growth targets defined for the coming years.

The football World Cup on the African continent, where PUMA sponsored seven of the participating teams, of which four were African teams, proved to be a particular highlight for the PUMA brand in 2010. Furthermore, the Company celebrated the extension of the sponsoring agreement with Usain Bolt, and also witnessed Sebastian Vettel being crowned as the youngest world champion in the history of Formula One. Sebastian Vettel belongs to the Red Bull racing team, which is sponsored by PUMA. In addition to these sporting highlights, PUMA set new standards in the field of sustainability in 2010 through the introduction of a revolutionary new packing system, "Clever Little Bag".

Currency-adjusted, global brand sales increased by 3.1% to nearly € 2.9 billion in financial year 2010. Currency-adjusted consolidated sales rose by 3.6%, while consolidated sales based on the euro reporting currency saw a 10.6 % double-digit increase to over € 2.7 billion. The stable sales growth trend reported until 2008 was thus successfully continued. The gross profit margin decreased slightly to 49.7%, which means that PUMA continues to maintain its position in the upper echelons of the sporting goods industry. The cost reduction, reorganization and process optimization measures that had already been initiated by Management in the previous year were continued in 2010. However, one-off expenses in the amount of € 31.0 million, which concern the detection of fraudulent activities at a subsidiary in Greece, were incurred in the reporting year. Furthermore, the comparative figures stated in the consolidated financial statements as of December 31, 2009 required a restatement.

Including the above-mentioned special items, the operating profit (EBIT) of € 146.4 million more than doubled to € 306.8 million, and earnings per share stood at € 13.45, compared to € 5.28 in the previous year.

PUMA’s expansion strategy was successfully continued in 2010 by means of acquisition of the "Cobra Golf" brand, which completed the product range within the "golf" category. Within the scope of its sustainability strategy, PUMA acquired a 20.1% stake in Wilderness Holdings Ltd., a company dedicated to responsible eco-tourism and nature conservation.

The price of the PUMA share was € 248.00 at the end of the year and it increased by 7.0% year-on-year, which resulted in market capitalization of approximately € 3.7 billion.

General Economic Conditions

According to an analysis performed by the Institute of the World Economy in Kiel dated December 16, 2010, the global economy continued to expand in 2010. The robust upturn, which had been noticed in the middle of 2009, has meanwhile given way to a phase of moderate expansion. However, economic experts consider the current economic slowdown to be a result of the phasing-out of temporary stimuli, such as fiscal stimulus measures, rather than viewed as a relapse into a recessive market mood. Moreover, fiscal policy cannot provide further impetus to the economy due to the increase in budget deficits reported in many industrialized countries and emerging markets as a result of expansive monetary policies. Despite slowing economic expansion, overall business production continues on an upward trend, although at various levels in the individual economic areas. While emerging markets are again attaining the growth trend that they had achieved before the crisis began, production levels reported in the industrialized countries are below the level achieved before the crisis. Economic recovery is noticeably slower in countries that were hit hard by the real estate and banking crisis, in particular. In all, projections concerning global gross domestic product ("GDP") growth for the year 2010 were, at 4.8%, almost at the level achieved before the financial crisis.

In the past year, the sporting goods industry also recovered slightly from consumers' reluctance to spend, which was due to the financial crisis. In particular, the World Cup in South Africa and the Olympic Winter Games in Vancouver, which were major sporting events, contributed to the industry's sales growth. As a result of the above and due to cost reduction and restructuring measures introduced throughout the industry in 2009, many companies succeeded in improving their earnings.

PUMA particularly capitalized on the World Cup in South Africa, in order to further increase its growth and brand awareness. Owing to strong ties with African football and as the sponsor of seven teams participating in the World Cup, of which four were African teams, PUMA had a genuine home field advantage and succeeded in stabilizing the Company's clear position as one of the three leading football brands. Furthermore, 2010 was one of the most successful years in the motorsport category for PUMA. With Sebastian Vettel being crowned as the youngest-ever Formula One champion, the Red Bull Racing Team supplied by PUMA wrote a hitherto unprecedented chapter in the history of motor sport. In addition, PUMA successfully continued its expansion strategy in 2010 through acquisition of the "Cobra Golf" brand and further strengthened the "Sport Performance" segment. Through this acquisition, PUMA benefits from the multiple possibilities and opportunities offered by the golf sport segment, and further expands its successful "Golf" product category since, for the first time, golf clubs now supplement the product range in addition to footwear, apparel and accessories.

Strategy

PUMA aims to be the most desirable and sustainable sportlifestyle company in the world. PUMA is positioned as a sportlifestyle brand that successfully combines sports and lifestyle influences, and which strives to contribute to a better world on a sustainable basis. In October 2010, Management presented a new five-year strategy that is aligned to the above-mentioned long-term objective. "Back on the Attack" is an appropriate name for this strategy. The strategy is aimed at unlocking long-term sales potential of € 4 billion by 2015, at sustainably improving shareholder value and, last, but not least, at achieving the Company's ambitious sustainability targets respecting environmental and social issues.

Following PUMA's expansion in five new categories as well as ten new markets during phase IV, and after having acquired Cobra Golf and Brandon with a view to strengthening the golf and merchandising business, the focus in the next five years will be on further expanding the current portfolio in existing markets. Acquisitions that can contribute to strengthening the Company's core business will continue to be a permanent component of our expansion strategy. The strategic priorities of the "Back on the Attack" strategy can be summed up in the following six key points, for which clear objectives and action plans have been defined in each case:

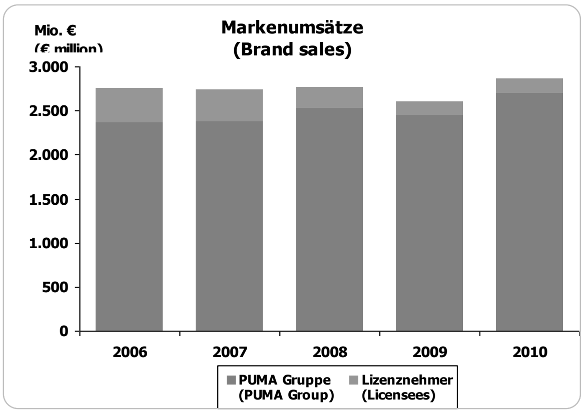
1. Optimization of organizational and business processes.
2. Transformation of the traditional business model.
3. Strengthening brand desirability.
4. Development of new product innovations.
5. Focusing on growth within the emerging markets and channels.
6. Additional growth through acquisitions.

Business Development

Sales

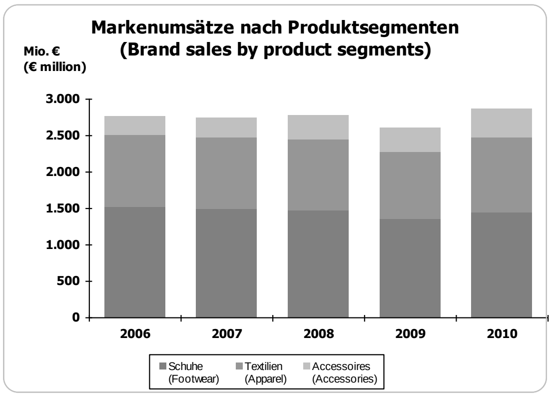
Brand Sales

Worldwide brand sales comprised of consolidated and license sales increased by 3.1% to € 2,862.1 million in financial year 2010 after currency adjustments. Taking the reporting currency (euro) as a basis, brand sales were up by 9.8% in comparison to the previous year.

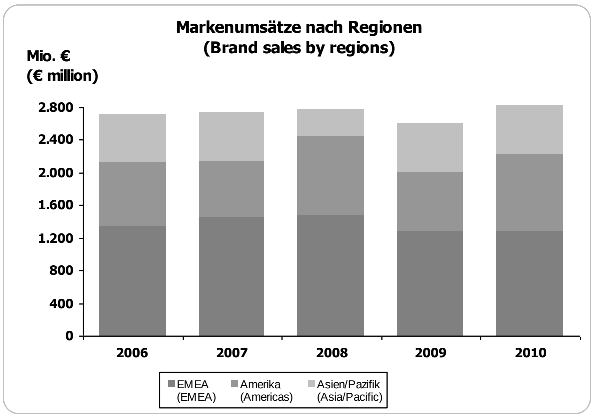


Footwear sales increased by 0.2% currency-adjusted to € 1,446.4 million, and Apparel sales rose by 3.5% to € 1,017.2 million. Accessories posted a 14.3% increase to € 398.5 million.

Footwear accounted for 50.5% (52.0%) of brand sales, Apparel for 35.5% (35.3%), and Accessories contributed 13.9% (12.7%) to brand sales.

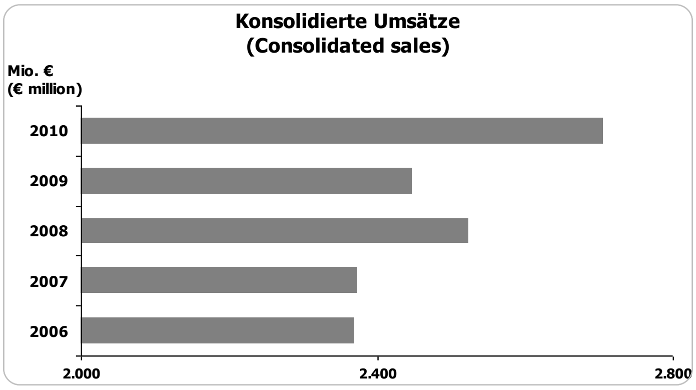


Classified according to regions, brand sales are distributed as follows: EMEA 44.8% (49.3%), Americas 32.7% (28.2%) and Asia/Pacific 22.5% (22.6%).



Consolidated Sales

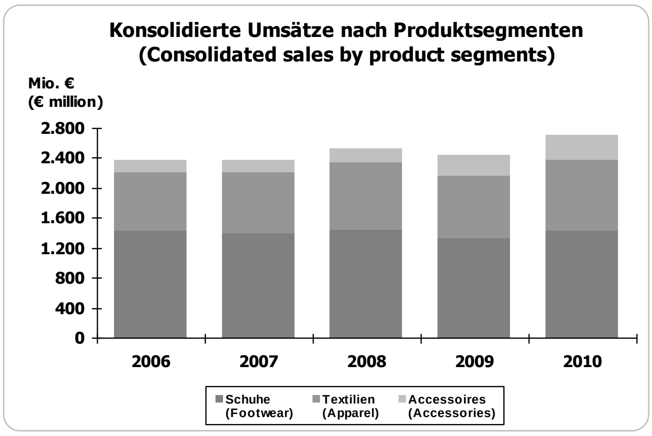
Consolidated sales increased by 3.6% currency-adjusted to € 2,706.4 million in financial year 2010. Expressed in the reporting currency, euro, this increase corresponds to a double-digit growth rate of 10.6% compared to the previous year. As a result, sales exceeded the threshold of € 2.7 billion for the first time and, following the decline in sales reported in 2009 due to the financial crisis, returned to the long-term growth trend experienced in the past 16 years.



The **Footwear** segment posted an increase in sales by 1.1% currency-adjusted to € 1,424.8 million. The share in consolidated sales stood at 52.6% compared to 54.0% in the previous year.

Sales in the **Apparel** segment rose by 3.8% currency-adjusted to € 941.3 million. The share in consolidated sales increased to 34.8% compared to 34.6% in the previous year.

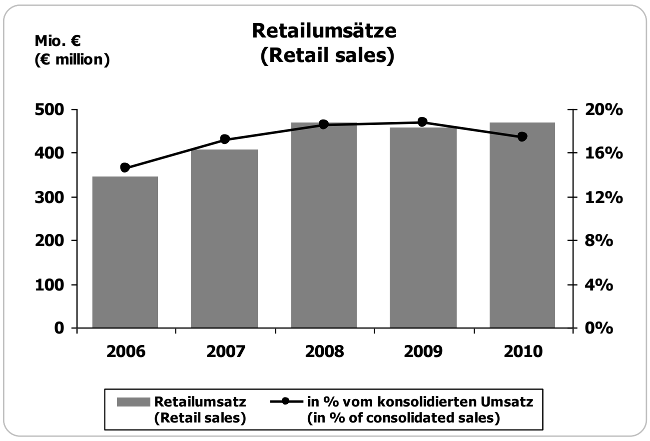
Sales in the **Accessories** segment were up 14.9% currency-adjusted to € 340.3 million, which, among other things, is attributable to expansion of the consolidated group as a result of the acquisition of Cobra Golf. As a consequence, the share of the Accessories segment in consolidated sales increased to 12.6% compared to 11.4% in the previous year.



Retail Operations

In addition to PUMA stores, the Company's own retail operations also include factory outlets and online sales. This ensures regional availability as well as controlled sales of PUMA products. Sales from the Company's own retail operations increased by 2.6% to € 470.1 million in financial year 2010. The share in consolidated sales stands at 17.4%. It is worth noting that the increase in sales revenues generated from the retail business in 2010 was achieved with a lower number of operating retail stores than in 2009. This is attributable, in particular, to the measures outlined in the restructuring program that was initiated in the previous year.

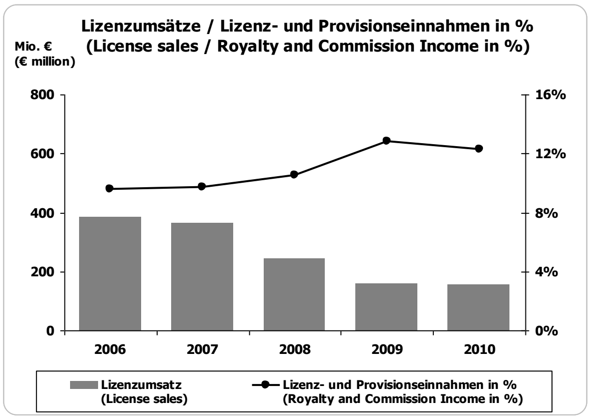
The Company's own retail operations will continue to be an important pillar and element of the brand strategy in the future since close proximity to consumers leads to more rapid product development and product launching. In addition, innovative products can be presented in a brand-oriented environment thereby ensuring a unique brand experience.



License Business

PUMA licenses out various product segments (e.g. watches, fragrances, and eyewear) to independent partners who are responsible for the design, development and sale of these products. The licensing business was expanded in financial year 2010 to include the cell phone product segment. License sales also include sales from a number of distribution licenses for various markets.

License sales decreased slightly by 4.4% currency-adjusted to € 155.7 million in 2010.



License and commission income amounted to € 19.1 million in the 2010 financial year compared to € 20.6 million in the previous year. This corresponds to 12.3% of the license sales compared to 12.8% in the previous year.

Results of Operations

Income Statement	2010 € million	2010 %	2009 * € million	2009 * %	+/- %
Sales	**2.706,4**	100,0%	**2.447,3**	100,0%	**10,6%**
Cost of sales	-1.361,6	-50,3%	-1.204,2	-49,2%	13,1%
Gross profit	**1.344,8**	49,7%	**1.243,1**	50,8%	**8,2%**
Royalty and commission income	19,1	0,7%	20,6	0,8%	-7,3%
Other operating income and expenses	-1.026,1	-37,9%	-964,0	-39,4%	6,4%
Operational result before special items	337,8	12,5%	299,7	12,2%	12,7%
Special items	-31,0	-1,1%	-153,3	-6,3%	
EBIT	306,8	11,3%	146,4	6,0%	109,6%
Financial result	-5,3	-0,2%	-8,0	-0,3%	
EBT	301,5	11,1%	138,4	5,7%	117,8%
Taxes on income	-99,3	-3,7%	-61,1	-2,5%	62,5%
Tax rate	-32,9%		-44,1%		
Net earnings attributable to minority interest	0,0	0,0%	-2,3	-0,1%	
Net earnings	**202,2**	7,5%	**79,6**	3,3%	**154,0%**
Weighted average shares outstanding (million)	15,031		15,082		-0,3%
Weighted average shares outstanding, diluted (million)	15,123		15,092		0,2%
Earnings per share in €	13,45		5,28		154,9%
Earnings per share, diluted in €	13,37		5,27		153,5%

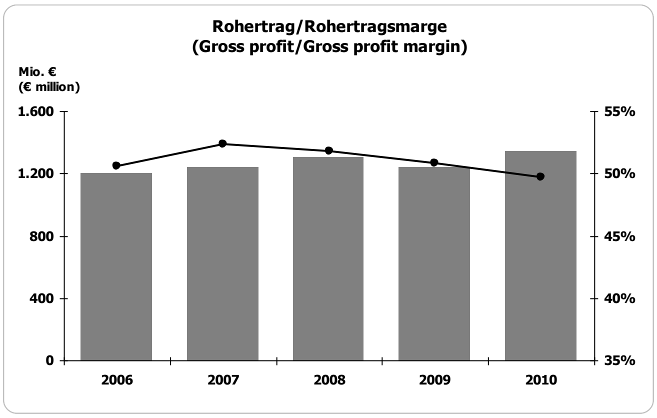
* adjusted comparable figures according to IAS 8, see chapter 3 in the notes to the consolidated financial statements

To facilitate transparency in the presentation of business development, the above table and following explanatory comments present special items relating to one-off expenses in a separate line - in contrast to the presentation in the consolidated income statement - since the operational result before special items reflects the Company's earnings power more accurately. One-off expenses amounting to € 31.0 million and € 25.5 million, respectively, incurred in 2010 and in 2009 concern the discovery of fraudulent activities at a subsidiary in Greece. The remaining special items in 2009 continue to concern one-off expenses relating to structural measures.

Gross Profit Margin at a High Level

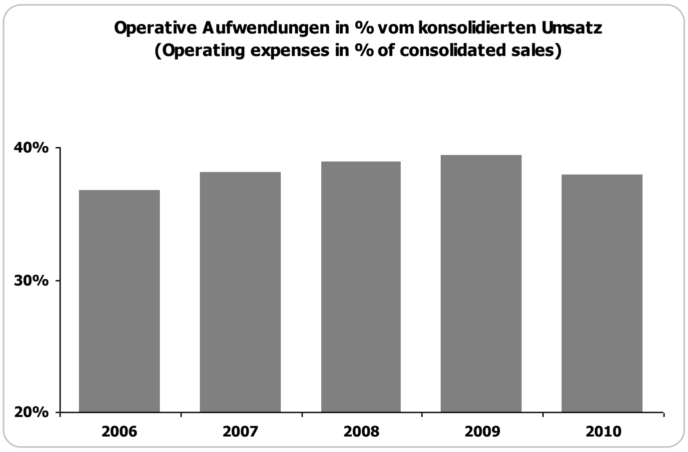
The gross profit margin dropped by 110 basis points to 49.7% in financial year 2010 but continues to be among the upper echelons of the sporting goods industry. The decline in the margin is attributable, in particular, to the changed regional mix, a slight increase in procurement costs and unfavorable 2010 hedging positions as compared to 2009.

In absolute figures, however, the gross profit margin increased from € 1,243.1 million to € 1,344.8 million, or by 8.2%. Classified according to product segments, the gross profit margin for Footwear was 48.9% compared to 49.8% in the previous year. The gross profit margin for Apparel decreased from 51.3% to 50.6%. With respect to Accessories, the gross profit margin decreased from 54.1% to 50.6%, which is attributable to the start-up phase following the acquisition of Cobra Golf.



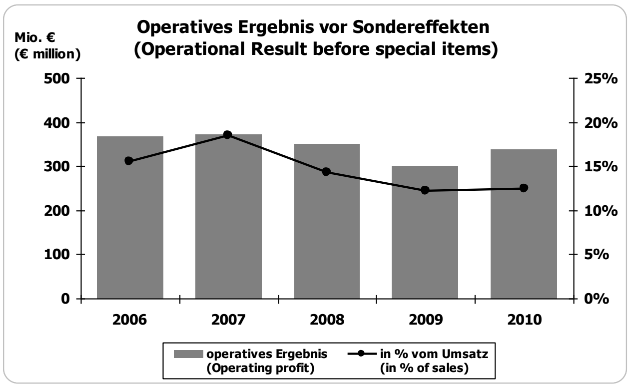
Other Operating Income and Expenses

Other operating expenses before special items rose, although proportionately lower compared to the growth of sales, by 6.4% to € 1,026.1 million in financial year 2010. As a percentage of sales, the Company still succeeded in reducing the cost ratio to 37.9%, compared to 39.4% in the previous year. This is due to the cost reduction measures already implemented in 2009.



Within the overall selling expenses, expenses relating to marketing/retail remained almost unchanged at € 501.3 million. However, the corresponding cost ratio dropped significantly from 20.5% to 18.5% of sales. Owing to the rise in sales revenues and expansion of the consolidated group, other selling expenses increased by 12.6% to € 348.8 million, or from 12.7% to 12.9% as a percentage of sales. Expenses for product development and design increased from € 58.1 million to € 63.6 million, or decreased slightly from 2.4% to 2.3% as a percentage of sales. Administration and general expenses increased by 11.9% to € 147.9 million, which is mainly attributable to acquisitions as well as currency effects. As a result, the cost ratio increased slightly from 5.4% to 5.5% of sales. Furthermore operating income amounted to € 35.5 million (previous year: € 35.7 million).
Depreciation totaling € 55.2 million was recorded in the respective cost categories. Compared to the previous year, this corresponds to an 8.4% decrease.

Operating profit before special items increased by 12.7% to € 337.8 million compared to € 299.7 million in the previous year. As a percentage of sales, this corresponds to an operating margin of 12.5% compared to 12.2% in the previous year.



Special Items

The discovery of irregularities at a subsidiary in Greece resulted in one-off expenses of € 31.0 million impacting the operating result in financial year 2010, and requiring the comparative figures stated in the consolidated financial statements as of December 31, 2009 to be restated (cf. Section 3 in the Notes to the consolidated financial statements). As a result, the retained earnings as at December 31, 2009 decreased by € 106.5 million. After reviewing and rectifying the matter, Management expects no further one-off expenses in this connection.

Including the special items, the operating profit (EBIT) generated in financial year 2010 more than doubled to € 306.8 million compared to the previous year. This corresponds to 11.3% as a percentage of sales.

Financial Result

Following PUMA's acquisition of a 20.1% stake in Wilderness Holdings Ltd., a company dedicated to responsible ecotourism and nature conservation, the financial result for 2010 are included for the first time with (€ 1.8 million) from an associated company.

The total financial result amounted to € -5.3 million, compared to € -8.0 million in the previous year.

The financial result includes interest income in the amount of € 4.4 million (previous year: € 3.8 million), as well as interest expenses in the amount of € 5.9 million (previous year: € 6.6 million). The financial result also includes expenses relating to accumulated interest from long-term purchase price liabilities for corporate acquisitions in the amount of € 4.3 million (previous year: € 4.1 million), as well as expenses in the amount of € 1.3 million (previous year: € 1.1 million) stemming from the valuation of pensions plans.

Earnings before Taxes

Compared to the previous year, earnings before taxes (EBT) increased considerably from € 138.4 million to € 301.5 million, or from 5.7% to 11.1% as a percentage of sales. This improvement is particularly attributable to the increase in sales revenues, the achieving of cost reductions on the back of restructuring measures that were implemented in the past year and to a drop in one-off expenses.

Tax expenses increased from € 61.1 million to € 99.3 million. The tax rate in the 2010 financial was at 32.9%. In the previous year the tax rate stood at 44.1% due to one-off expenses that could not be claimed as tax-deductibles.

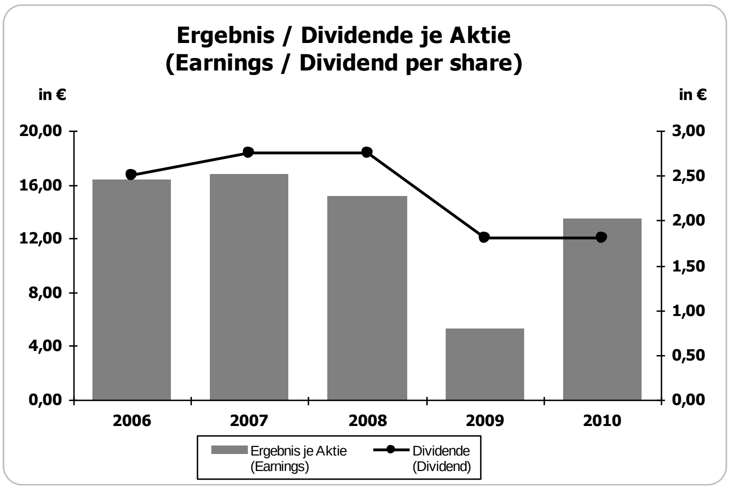
Consolidated Net Earnings

Consolidated net earnings in the 2010 financial year totaled € 202.2 million, compared to € 79.6 million in the previous year. The net rate of return improved significantly to 7.5%, compared to 3.3% in the previous year.

Earnings per share increased from € 5.28 to € 13.45, while diluted earnings per share rose from € 5.27 to € 13.37.

Dividend

The Board of Management and the Supervisory Board will propose to the Annual General Meeting on April 14, 2011 that a dividend in the amount of € 1.80 per share (the same as in the previous year) be paid out for financial year 2010 from the retained earnings of PUMA AG. The unchanged dividend corresponds to the improvement in the consolidated result, while accounting for the special items that burden the capital base and concern our subsidiary in Greece. However, as a percentage of consolidated net earnings, the dividend pay-out rate decreased from 34.1% to 13.3%, which is attributable to the correction of the 2009 consolidated financial statements. The dividend is to be paid out on the day after the Annual General Meeting when the profit distribution is authorized.

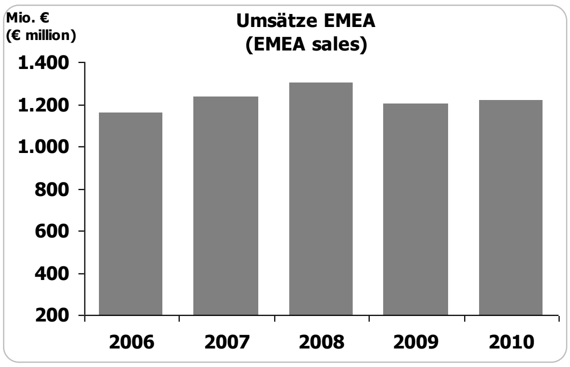


Regional Development

Sales in the **EMEA** region dropped by 2.5% currency-adjusted to € 1,221.7 million. However, based on the euro reporting currency, sales increased by 1.5% compared to the previous year. The share of the EMEA region in consolidated sales amounted to 45.1% compared to 49.2% in the previous year.

By product segments, Footwear sales decreased by 9.1% currency-adjusted. By contrast, Apparel sales increased by 2.1% currency-adjusted, and Accessories sales by 9.9%.

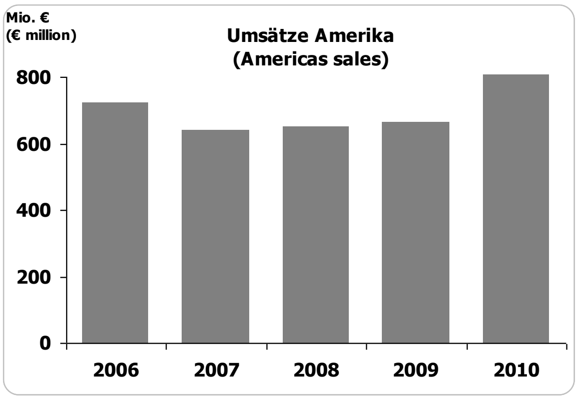
The gross profit margin stood at 50.6% compared to 52.2% in the previous year.



The **Americas** region posted an increase in currency-adjusted sales by 20.0% to € 855.9 million. A major portion of the rise in sales was generated in the Latin America region. This resulted in an increase in the share in consolidated sales from 27.2% to 31.6%.

Footwear sales were up by 16.8% currency-adjusted, and Apparel sales recorded a 21.8% increase. Accessories sales rose by 53.5%, which is due, in particular, to the acquisition of Cobra Golf.

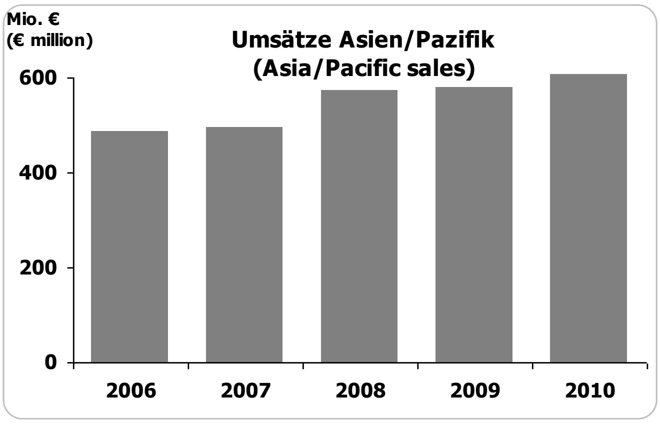
The gross profit margin amounted to 46.6% compared to 48.2% in the previous year.



Sales in the **Asia/Pacific** region dropped slightly by 2.6% curreny-adjusted to € 628.8 million. However, based on the euro reporting currency, sales in the Asia/Pacific region increased by 8.8% compared to the previous year. The share in consolidated sales amounted to 23.2% compared to 23.6% in the previous year.

Footwear sales decreased by 6.1% currency-adjusted and Apparel sales by 1.9%, while Accessories sales reflected a 5.4% increase.

The gross profit margin improved from 50.8% to 52.0%.


Mio. €
(€ million)
Umsätze Asien/Pazifik
(Asia/Pacific sales)
600
400
200
0
2006
2007
2008
2009
2010

Net Assets and Financial Position

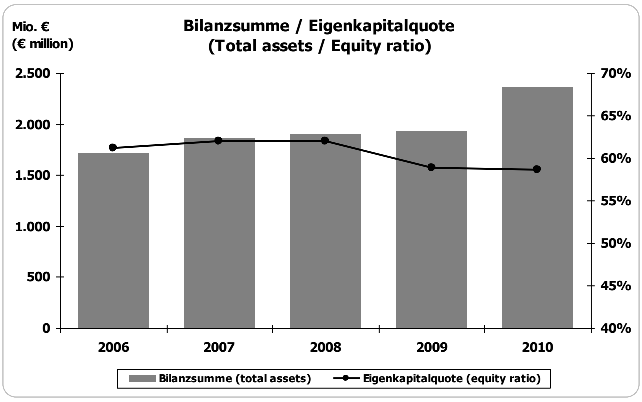
Balance Sheet	2010 € million	%	2009 * € million	%	+/- %
Cash and cash equivalents	479,6	20,3%	485,6	25,2%	-1,2%
Inventories	439,7	18,6%	344,4	17,9%	27,7%
Trade receivables	447,0	18,9%	347,4	18,0%	28,7%
Other current assets (Working Capital)	177,6	7,5%	115,1	6,0%	54,3%
Other current assets	3,3	0,1%	1,7	0,1%	94,1%
Current assets	**1.547,2**	65,4%	**1.294,2**	67,2%	19,5%
Deferred taxes	96,5	4,1%	64,8	3,4%	48,9%
Other non-current assets	722,9	30,5%	566,0	29,4%	27,7%
Non-current assets	**819,4**	34,6%	**630,8**	32,8%	29,9%
Total assets	**2.366,6**	100,0%	**1.925,0**	100,0%	22,9%
Current bank liabilities	42,8	1,8%	48,3	2,5%	-11,4%
Trade liabilities	344,3	14,5%	265,7	13,8%	29,6%
Other current liabilities (Working Capital)	315,5	13,3%	258,7	13,4%	22,0%
Other current liabilities	96,4	4,1%	54,8	2,8%	75,9%
Current liabilities	**799,0**	33,8%	**627,5**	32,6%	27,3%
Deferred taxes	50,7	2,1%	4,4	0,2%	1055,7%
Pension provisions	26,1	1,1%	25,4	1,3%	2,8%
Other non-current liabilities	104,4	4,4%	134,4	7,0%	-22,3%
Non-current liabilities	**181,2**	7,7%	**164,2**	8,5%	10,4%
Shareholders' equity	**1.386,4**	58,6%	**1.133,3**	58,9%	22,3%
Total liabilities and shareholders' equity	**2.366,6**	100,0%	**1.925,0**	100,0%	22,9%
Working capital	**404,5**		**323,2**		25,2%
- in % of consolidated sales	14,9%		13,2%		

* adjusted comparable figures according to IAS 8, see chapter 3 in the notes to the consolidated financial statements

Equity Ratio

Total assets as of December 31, 2010 increased by 22.9%, rising from € 1,925.0 million to € 2,366.6 million; this is due, in particular, to the increase in inventories and trade receivables (partly currency-related) and expansion of the consolidated group.

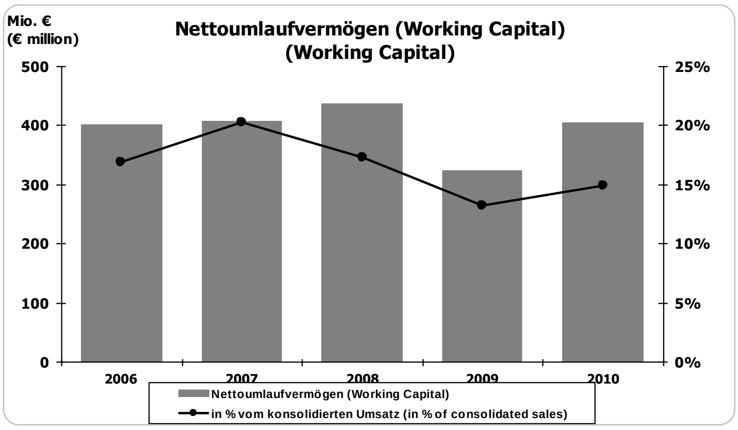
Owing to a significant rise in total assets, the equity ratio dropped slightly from 58.9% to 58.6% in comparison to the previous year. However, in absolute figures, shareholders' equity increased by 22.3% to € 1,386.4 million compared to € 1,133.3 million in the previous year. As in previous years, PUMA continues to have extremely solid capital resources.



Working Capital

Working capital increased by 25.2%, rising from € 323.2 million to € 404.5 million. This increase is due, in particular, to currency-related effects and to expansion of the consolidated group. As a percentage of sales, this corresponds to a slight increase from 13.2% to 14.9%.

The rise in working capital is mainly attributable to the increase in inventories by 27.7% to € 439.7 million and an increase in trade receivables by 28.7% to € 447.0 million. The rise in short-term assets was partly offset by an increase in trade payables by 29.6% to € 344.3 million.



Other Assets

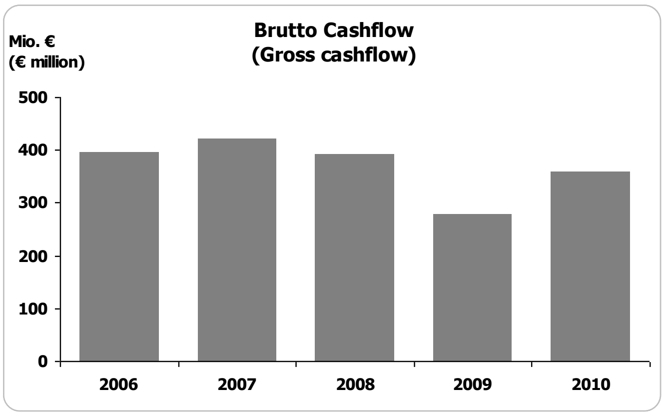
Other current assets rose from € 115.1 million to € 177.6 million, which is due to an increase in income tax receivables and other factors. Non-current assets, which are mainly comprised of intangible assets and property, plant and equipment, increased by 27.7% to € 722.9 million. This increase resulted mainly from the acquisition of Cobra Golf and an equity investment in the associated company, Wilderness Holdings Ltd. Other current liabilities rose from € 258.7 million to € 315.5 million, which was in large part due to an increase in tax provisions. Other non-current liabilities mainly comprises the liabilities from acquisitions, the decrease from € 134.4 million to € 104.4 million is mainly attributable to a shift of the maturity structure.

Cashflow

Cashflow Statement	2010 € million	2009 * € million	+/- %
EBT	301,5	138,4	117,8%
Non cash effected expenses and income	56,9	140,1	-59,4%
Gross cashflow	**358,4**	**278,5**	**28,7%**
Change in current assets, net	-97,0	116,8	-183,0%
taxes and other interest payments	-92,0	-91,4	0,6%
Net cash from operating activities	**169,4**	**303,9**	**-44,3%**
Payment for acquisitions	-108,4	-81,8	32,5%
Other investing activities	-43,9	-54,8	-19,9%
Net cash used in investing activities	**-152,3**	**-136,6**	11,5%
Free cashflow	**17,1**	**167,3**	-89,8%
Free cashflow (before acquisitions)	**125,5**	**249,1**	-49,6%
- in % of consolidated sales	4,6%	10,2%	-
Net cash used in financing activities	**-54,2**	**-57,9**	-6,4%
Effect on exchange rates on cash	31,1	1,2	2491,7%
Change in cash and cash equivalents	-6,0	110,6	-105,4%
Cash and cash equivalents at beginning of the financial year	485,6	375,0	29,5%
Cash and cash equivalents at year-end	**479,6**	**485,6**	-1,2%

* adjusted comparable figures according to IAS 8, see chapter 3 in the notes to the consolidated financial statements

The gross cashflow rose by 28.7% to € 358.4 million in financial year 2010, which is due, in particular, to the increase in earnings before taxes (EBT).



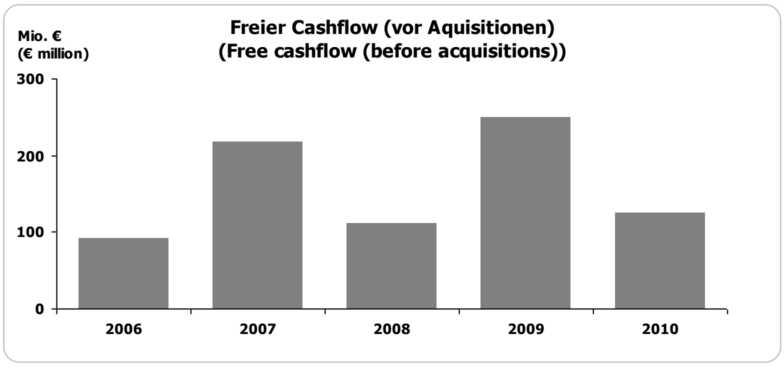
The change in net current assets reflects a net cash outflow of € 97.0 million in 2010, compared to a net cash inflow of € 116.8 million reported in the previous year. This is mainly due to the increases in inventories and trade receivables.

Taxes, interest and other payments accounted for total cash outflows of € 92.0 million in 2010 compared to € 91.4 million in the previous year. Tax payments included in the cash outflow increased from € 84.8 million to € 86.1 million.

In all, cash provided by operating activity stood at € 169.4 million, compared to € 303.9 million in the previous year.

Net cash used for investing activities increased from € 136.6 million to € 152.3 million. This increase is mainly attributable to an increase in payments for acquisitions, which rose by 32.5% from € 81.8 million in the previous year to € 108.4 million in the year under review. Also included are current investments in fixed assets which total € 55.2 million compared to € 54.5 million in the previous year.

As a result, the "free cashflow" dropped from € 167.3 million to € 17.1 million. Excluding the payments made for acquisitions in 2010, the free cashflow fell from € 249.1 million to € 125.5 million. As a percentage of sales, free cashflow (before acquisitions) amounted to 4.6%, compared to 10.2% in the previous year.



Net cash used for financing activities mainly includes dividend payments of € 27.1 million and investments relating to the purchase of treasury shares in the amount of € 23.4 million.

Cash and cash equivalents remained almost unchanged at € 479.6 million compared to € 485.6 million in the previous year.

Value-Based Management

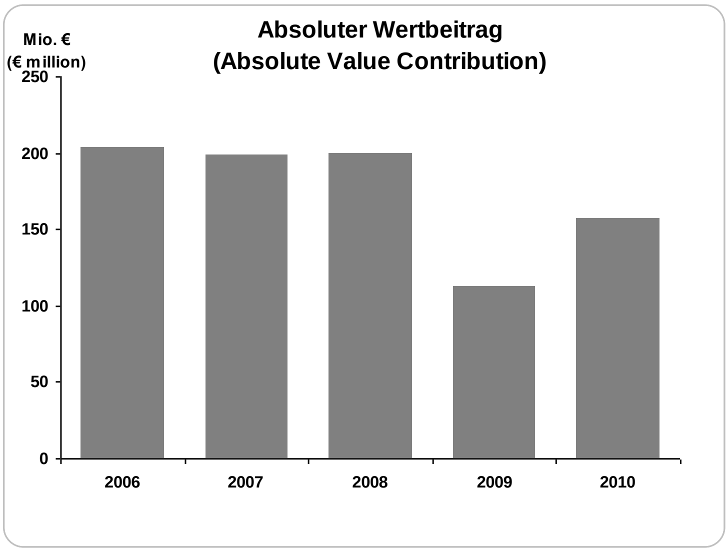
Cashflow Return on Investment ("CFROI") is used for measuring the return on capital. It is calculated as the quotient of the cashflow and gross investment base.

The gross investment base is the total amount of available financial resources and assets before accumulated depreciation and amortization. The gross cashflow results from consolidated net income (excluding special items), adjusted for depreciation/amortization and interest expense.

The cashflow return on investment (CFROI) increased from 14.9% in the previous year to 15.6% in financial year 2010.

The absolute value contribution corresponds to the difference between the cash flow return on investment (CFROI) and the weighted average cost of capital (WACC), multiplied by the gross investment base.

Taking into account the cost of capital of 7.1% (previous year: 7.8%), the absolute value contribution increased from € 112.5 million to € 156.7 million, or by 39.3%.



Calculation of Weighted Average Capital Costs (WACC)	2010	2009 *	2008	2007	2006 1)
Riskfree interest rate	3,1%	3,8%	4,0%	4,3%	3,6%
Market premium	5,0%	5,0%	5,0%	5,0%	5,0%
Beta (M-DAX, 24 Months)	0,92	0,92	0,97	0,97	1,02
Cost of stockholders equity	**7,7%**	**8,4%**	**8,9%**	**9,1%**	**8,7%**
Riskfree interest rate	3,1%	3,8%	4,0%	4,3%	3,6%
Credit risk premium	2,0%	3,0%	2,3%	1,3%	1,5%
Tax shield	32,9%	44,1%	29,0%	29,0%	28,9%
Cost of liabilities after tax	**3,4%**	**3,8%**	**4,5%**	**3,9%**	**3,6%**
Calculation					
Market Capitalization	3.715,3	3.496,7	2.116,1	4.341,5	4.764,3
Share of equity	**87,8%**	**86,8%**	**79,1%**	**94,5%**	**95,0%**
Calculatetd liabilities	514,9	535,8	561,0	251,9	253,3
Share of liabilities	**12,2%**	**13,3%**	**21,0%**	**5,5%**	**5,0%**
WACC after tax	**7,1%**	**7,8%**	**8,0%**	**8,8%**	**8,4%**

1) Reclassification interest expense from pensions from personnel costs tofinancial result

** adjusted comparable figures according to IAS 8, see notes to the consolidated financial statements*

Calculation of CFROI and CVA	2010 million €	2009 * million €	2008 million €	2007 million €	2006 1) million €
Net earnings before attribution (without special items)	223,0	162,9	249,4	271,6	266,0
+ Depreciation and amortization	55,2	60,2	55,9	46,0	38,4
+ Interest expenses	11,5	11,8	10,8	10,7	9,6
Gross cashflow	**289,7**	**235,0**	**316,1**	**328,4**	**313,9**
Monetary assets	1.131,8	950,2	898,3	1.023,3	930,7
- Non interest-bearing liabilties	679,0	524,4	515,5	465,6	443,0
Net liquidity	452,8	425,8	382,8	557,7	487,7
+ Inventory	439,7	344,4	430,8	373,6	364,0
+ Fixed assets at prime cost	470,0	444,6	407,8	323,6	250,3
+ Intangible assets at prime cost	498,2	358,0	233,9	212,6	206,3
Gross investment basis	**1.860,7**	**1.572,8**	**1.455,3**	**1.467,5**	**1.308,3**
Cashflow return on investment (CFROI)	**15,6%**	**14,9%**	**21,7%**	**22,4%**	**24,0%**
CFROI - WACC	**8,4%**	**7,2%**	**13,7%**	**13,6%**	**15,5%**
Cash Value Added (CVA)	**156,7**	**112,5**	**200,0**	**198,9**	**203,4**

1) Reclassification interest expense from pensions from personnel costs tofinancial result

** adjusted comparable figures according to IAS 8, see notes to the consolidated financial statements*

Product Development and Design

Product Philosophy & Strategy

In line with PUMA's updated Mission Statement, we are committed to create desirable products while delivering to our own ambitious sustainability objectives. That does not mean that we need to compromise on design or technical innovation in any way - it simply means that we gradually increase the share of alternative ingredients, or select less environmental harming processes to ultimately lower our environmental footprint.

We remain true to ourselves and continue to be the "DJ" who mixes the influences from Sport and Lifestyle in a unique way. This remains our product DNA, while we are clearly positioned in the Sportslifestyle market. Also, we continue to focus on the expansion of our existing business categories while remaining true to our 3 labeling segments: under the Sports Performance pillar (orange label) we accommodate Teamsport, Running, Training/Fitness, Sailing/Outdoor and Golf. Motorsport, Kids, Lifestyle and Fundamentals falls under Sport Lifestyle (red label), and our category Black Station will remain under Sport Fashion (black label).

In order to meet the needs of our target consumers, we need to understand how their habits, shopping behavior, living patterns, needs and tastes are impacted by technological, environmental and social changes. This is why PUMA invested in redefining our target consumers' profiles for each of our categories and label segments, so we can create the right type of product for our target audience.

In order to be able to deliver products closer to consumer trends, PUMA also continued its efforts to analyze its full supply chain and to review its process. As a result, we achieved shorter Go-To-Market timelines for our Performance as well as Lifestyle and Fashion products. In addition to that achievement, a dedicated Vertical Product Team focuses on creating tailored products for the special needs of our Key Accounts as well as our own PUMA Retail business.

In order to attune to our Regional and local market needs, we have dedicated design teams in Herzogenaurach/Germany, Boston/USA and London/UK. On top of that, Regional Merchandising teams give strategic guidance to what kind of products is relevant for the market. This global set-up allows us to develop iconic, desirable and culturally relevant products for our target consumer all over the world.

Product Development & Design

Following our product philosophy, we truly believe that we can make a difference by choosing alternatives to how to make products: from the first design ideas, over the materials we select, to the final production process. For example, we continued to make a social contribution to local cotton farmers in Africa by using their cotton for our t-shirts. On the environmental side, we increasingly take use of environmental materials such as organic cotton, or recycled polyester. And we prefer sourcing partner that use environmental friendlier production processes, such as bluesign certified factories.

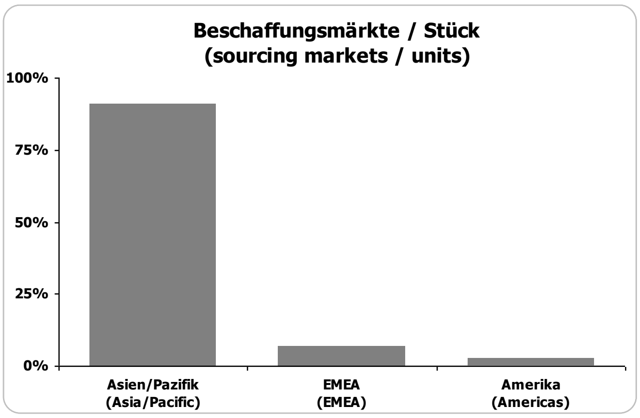
PUMA also works together with external partners in order to learn more about sustainable materials, or the environmental impact from a full life cycle point of view. This gained knowledge does not only apply to products itself, but also to its packaging. In cooperation with industry designer Yves Behar, PUMA launched the Clever Little Bag - an innovative packaging concept around a reusable bag that significantly reduces paper and our carbon footprint. In addition, we also introduced a biodegradable t-shirt bag and biodegradable carrier bags. The implementation will follow in the second half of 2011.

In addition to our existing fashion collaborations around McQueen, or Mihara, PUMA will look into further product collaborations in the area of Sustainability and to explore creative synergies deriving from the PPR group. The collaboration with our Creative Director, Hussein Chalayan, and his influence on our Urban Mobility collection resulted in many innovative products, which will help us to continue to set the standards for innovative design in the future.

Sourcing

Focus on Asia

The main focus of "World Cat", the Company's own sourcing organization, is on the Asian sourcing market which, compared to other procurement regions, continued to gain importance as the main procurement source. In this context, China and Vietnam are the main procurement sources in addition to Indonesia, Cambodia and Bangladesh. Regional procurement continues to play a greater role, in particular for South America. As a consequence, the procurement volume increased considerably in Brazil and Argentina. By these means, the Company can respond better to regional requirements. Product procurement is allocated to several, mostly long-standing business partners who, in turn, maintain several locally independent production facilities. In order to optimize workflows, manufacturers are integrated within the scope of strategic partnerships and a "strategic supplier concept".

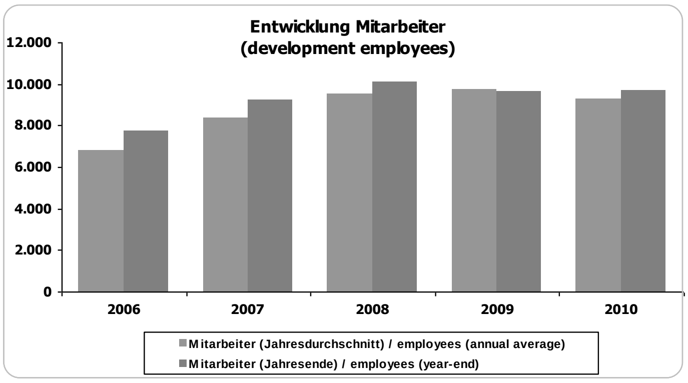


Employees

Number of Staff

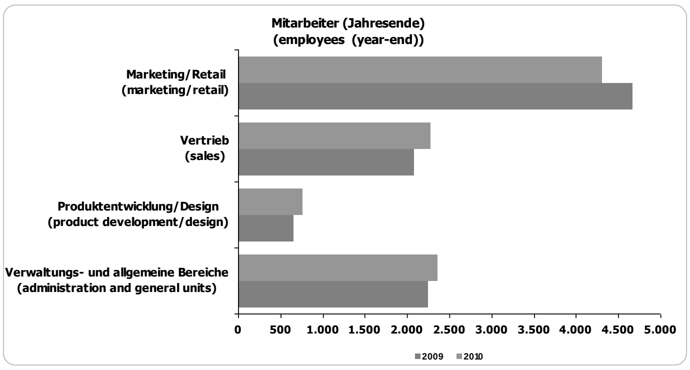
On an **annual average**, the number of full-time employees worldwide in 2010 was 9,313 compared to 9,747 in the previous year.

Total personnel expenses rose from € 320.6 million to € 354.1 million, or by 10.5%. Average per capita expenses amounted to T€ 38.0 compared to T€ 32.8 in the previous year, which is mainly attributable to the decreased number of employees in the Retail segment and the recruiting of skilled personnel in other segments.



The number of employees as of **December 31, 2010** was 9,697 compared to 9,646 at the end of the previous year.

As a result of optimization of the Company's own retail portfolio, the number of employees in the Marketing/Retail segment decreased by 7.8% to 4,306 employees.



The number of staff in the Sales segment increased by 9.3% to 2,273. The number of staff in the Product Development/Design segment increased by 16.4% to 758. The number of staff in the administration and general units increased by 5.0% to 2,361.

Focus on Employees

As a result of their identification with the Company and their commitment to its objectives, the Company's employees are the determining factor for PUMA Group's business performance. Financial recognition of individual performance based on modern remuneration models is as important to PUMA as is awarding the staff's overall performance within the scope of a bonus scheme that applies to all employees. In addition, employees' potential is promoted and further developed by assigning a high level of personal responsibility and by providing suitable training measures, among other things. Owing to the high qualification level of our employees, a major portion of the vacant national and international executive positions can be filled from within PUMA Group's own ranks. This ensures that available know-how is retained and further expanded within the Company. PUMA offers its employees a working environment that is characterized by innovation and equal opportunities, is international in scope, and has a finger on the pulse. PUMA views the diversity of its employees as an asset to the Company.

Attracting Employees and Vocational Training

PUMA offers young people a number of interesting and varied vocational training programs and study courses in collaboration with the Cooperative State University (Duale Hochschule). Vocational training focuses on the following professions: industrial clerk, sales specialist, qualified IT specialist, and specialist for warehouse logistics. Within the scope of studies at the Cooperative State University, PUMA provides an opportunity to enroll in International Business and Business Computing training courses as examples.

The fact that a good number of former trainees and undergraduates received permanent employment contracts in 2010 testifies to the Group's sustainable concept for attracting young professionals.

Talent Management

The global talent management system "People@Puma", for example, was further improved at the international sites in 2010. Based on the performance and competency assessment data of employees thus gathered, talented employees can be globally identified, trained in line with their specific talent, and appointed to the right positions. Approximately 40% of PUMA's global staff are managed with the People@Puma suite within the scope of a standardized employee development and target agreement system.

Corporate Governance Report / Statement on Corporate Governance pursuant to Section 289 a HGB

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 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 in order to ensure efficient, value-based corporate management and control on a sustained basis through good corporate governance.

Compliance Declaration pursuant to Section 161 AktG

Compliance Declaration 2010:

The Board of Management and the Supervisory Board of PUMA AG Rudolf Dassler Sport ("PUMA AG") declare, pursuant to Section 161 AktG, that since the last Compliance Declaration of December 2009, PUMA AG has complied - and still complies - with the recommendations of the "Government Commission on the German Corporate Governance Code" in the June 18, 2009 version, published in the Federal Gazette of August 5, 2009 and, since May 26, 2010, with the then valid version of the Code as published in the Federal Gazette of July 2, 2010, with the following exceptions:

- A D&O insurance policy without a deductible exists for members of the Board of Management and the Supervisory Board (Code paragraph 3.8, sub-paragraphs 2 and 3, German Corporate Governance Code).

- There were no upper limits for indemnification in the event of early termination of a Management Board Agreement or a change in control (Code paragraph 4.2.3, sub-paragraphs 4 and 5, German Corporate Governance Code).

- Individual Management Board remuneration was not disclosed (Code paragraphs 4.2.4 and 4.2.5, German Corporate Governance Code).

In accordance with contracts concluded prior to August 5, 2009, PUMA AG is required to provide a D&O insurance policy without a deductible to Management Board members. PUMA therefore complies with Section 23 (1) Sentence 2 of the Introductory Act to the German Stock Corporation Act (EGAktG). With respect to the D&O insurance for members of the Supervisory Board, the Board of Management and the Supervisory Board consider a deductible to be unnecessary. D&O insurance is group insurance for persons located either domestically or abroad. A deductible is widely unknown in countries other than Germany.

The Board of Management and the Supervisory Board are of the opinion that, when concluding an agreement with a Board of Management member, it is not practical to include a provision on limiting severance pay upon early termination of board activity due, among other things, to a change in control. An agreement made in advance may fall short of meeting the requirements of the situation that led to early termination of board activity and the other circumstances of the individual case.

In accordance with the authorization issued at the Annual General Meeting held on April 22, 2008, the Board of Management will, in future, refrain from publishing individual remuneration for Board of Management members (Code paragraphs 4.2.4 and 4.2.5, German Corporate Governance Code). The Board of Management and the Supervisory Board are of the opinion that the justified shareholders' interest in receiving information is sufficiently accounted for by disclosing the overall remuneration for Board of Management members. The Supervisory Board will ensure the appropriateness of individual remuneration in accordance with its statutory duties.

Relevant disclosures on Corporate Governance Practices that are applied beyond legal requirements

The Company is guided by the Board of Management in conformity with the provisions of the German Stock Corporation Act. The Supervisory Board monitors and advises the Board of Management in its management functions.

The Board of Management includes the Chairman, the Vice Chairman, as well as two other regular members and two deputizing members. The duties of the Board of Management include strategic planning and managing as well as monitoring respective implementation within the Group.

Guiding principles, which are summarized in PUMAVision (see http://about.puma.com under "Sustainable Development"), were developed in order to ensure a sustained increase in corporate value. The PUMA Code of Ethics and Code of Conduct (see http://about.puma.com under "Sustainable Development") define ethical standards and environmental standards to which both the employees and suppliers are committed.

Taking diversity and international scope into account

PUMA AG's Board of Management and Supervisory Board comply with the recommendations of the German Corporate Governance Code, which stipulate that the composition of the Supervisory Board and Management Board as well as the assignment of executive positions should, among other things, take the international activities of the enterprise and its diversity into account, and that an appropriate proportion of female representation be ensured.

The members of the Supervisory Board have a broad international background. Some of them maintain long-standing international business relationships and have gained comprehensive international experience as a result of various periods of residence abroad.

The Supervisory Board has set itself the goal of ensuring that its composition will be international in scope in the future also. It pursues this goal by making sure that proposed candidates for the Supervisory Board also have a broad international background and a corresponding network as well as a focus on international experience. An appropriate degree of female representation in the Supervisory Board's composition is, to the extent possible, also to be ensured by means of corresponding candidate proposals.

The Supervisory Board aims at preventing potential conflicts of interest of its members by regularly reviewing and critically examining their other pursuits.

Furthermore, the Supervisory Board makes sure that the composition of the Board of Management reflects diversity and aims at ensuring a proper degree of female representation. Presently, the Company's Board of Management is already represented by a female member, Melody Harris-Jensbach. Female representation on the Board of Management is also to be ensured in the future by giving special consideration to female candidates with similar qualifications in the event that members of the Board need to be replaced. Insofar as Board of Management members are to be replaced by external candidates, the Company will instruct the recruiting agencies appointed by it to take into account suitably qualified female candidates in particular.

This also applies with respect to the filling of executive positions: The Board of Management ensures that the assignment of executive positions reflects diversity and aims at promoting a proper degree of female representation. Today, various executive positions are already filled by female employees. With a view to filling even more executive positions with female employees in the future, PUMA AG is promoting the compatibility of family and professional life, for example, by offering part-time and half-time models and flexible working hours.

Supervisory Board and Management Board members, as well as other PUMA AG executives, have the possibility to participate in suitable training and qualification measures.

Description of working methods of the Board of Management and the Supervisory Board and of the composition and working methods of the respective committees

The rules of internal procedure for the Board of Management may be viewed under http://about.puma.com under "COMPANY".

In accordance with the Articles of Association, the Supervisory Board has six members. As stipulated in the German co-determination Law, the Supervisory Board also includes, in addition to four shareholder representatives, two employee representatives. The term of office of the acting Supervisory Board runs until conclusion of the Annual General Meeting in the year 2012.

The names of Supervisory Board members are disclosed in the notes to the financial statements (Notes).
The rules of internal procedure for the Supervisory Board may be viewed under http://about.puma.com under "COMPANY".

The Supervisory Board convenes at least four times a year. Self-assessments are performed at regular intervals. The Supervisory Board also reports on the scope of its activities in its report to the Annual General Meeting.

The Supervisory Board has set up a remuneration committee and an audit committee in order to observe its tasks. The Supervisory Board receives regular reports on the committees' activities.

Remuneration Committee

The remuneration committee is comprised of François-Henri Pinault (Chairman), Thore Ohlsson, and Erwin Hildel. The remuneration committee convenes in conjunction with the meetings of the Supervisory Board. The focus of its activities is comprised of remuneration and general contractual issues, changes in the Board of Management, the Management Incentive Program, and all other personnel-related matters. Questions concerning Board of Management remuneration are decided by the Supervisory Board as a whole on the basis of respective recommendations of the remuneration committee.

Audit Committee

The Audit Committee is comprised of the Supervisory Board members, Thore Ohlsson (Chairman), Jean-François Palus, and Oliver Burkhardt.

In accordance with statutory provisions, the Audit Committee is concerned with monitoring the accounting process, the efficacy of the internal control system, the risk management system and the internal audit system as well as with the financial statements audit, in particular with respect to the independence of the annual auditor and additional services provided by the annual auditor.

The Supervisory Board’s proposal concerning the appointment of the annual auditor is based on a respective recommendation of the audit committee. Following appointment of the annual auditor by the Annual General Meeting and the issuing of the audit assignment by the Supervisory Board, together with the annual auditor, the audit committee puts the audit assignment and the focal points of the audit into concrete terms.

The annual auditor participates in the audit committee meeting concerning the annual financial statements and the consolidated financial statements and reports on significant findings of the audit, in particular on significant weaknesses in the internal control and risk management system relating to the accounting process. The annual auditor also provides information on any services rendered in addition to the audit of the annual financial statements and on compliance with the requirements concerning the auditor’s independence.

The audit committee is provided with the PUMA Group financial figures at monthly intervals and is thus in a position to continually track the development of the net assets, financial position and results of operations and the orders position. Moreover, the audit committee deals with all issues relevant to accounting and financial results and discusses these with Management.

Remuneration Report - Board of Management and Supervisory Board

Board of Management

Remuneration for members of the Board of Management, which is determined by the Supervisory Board, is comprised of fixed and variable components. The fixed components of the remuneration are comprised of a fixed salary and remuneration in kind, whereas variable, performance-based components are comprised of performance-related bonuses and components with a long-term incentive effect (stock appreciation rights). The criteria for measuring the total remuneration include, in addition to the duties and services performed by the respective Board of Management member, factors relating to the economic situation, long-term strategic 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 non-performance-based salary. In addition, members of the Board of Management receive remuneration in kind such as the use of a company car and insurance coverage. These benefits are generally made available to all members of the Board of Management on an equal basis and are included in non-performance-based remuneration.

The performance-related bonus, as part of the performance-based remuneration, is oriented mainly towards the operating profit and free cashflow of the PUMA Group, and is graded in accordance with the level of target achievement. An upper limit is agreed upon.

The performance-based remuneration component with long-term incentive effect (stock appreciation rights) is generally determined within the scope of multi-year plans, whereby 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 under 22.

Fixed remuneration for the six members of the Board of Management amounted to € 5.9 million in the financial year (previous year: € 5.9 million), and variable, performance-based remuneration amounted to € 5.9 million (previous year: € 1.8 million).

Following the allocation of expenses to the vesting period, expense resulting from newly issued options and those issued in previous years totaled € 4.7 million (previous year: € 4.9 million). The Board of Management was granted a total of 103,684 options from the "SOP 2008" program. The fair value as at the grant date amounted to € 61.82 per option.

In the event of premature termination of an employment relationship, a member of the Board of Management is paid the agreed remuneration 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 option rights already granted at the date of leaving the Company shall be paid out on the basis of a value determined in accordance with the "Black-Scholes" model.

The Board of Management is provided with pension commitments for which the Company took out a pension liability insurance policy. The proportion of the pension capital that is already financed through contributions to pension liability insurance is deemed to be a vested claim. A contribution in the amount of € 1.2 million was recorded as of the balance sheet date. The present value of the defined benefit amounting to € 5.2 million was offset against the pledged asset value of the pension liability insurance in the same amount.

Pension commitments to former members of the Board of Management amounted to € 3.5 million (previous year: € 3.3 million); they are recorded accordingly under pension provisions. Retirement payments, including subsequent payments for previous years, have been made in the amount of € 0.1 million (previous year: € 0.6 million).

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board has six members. Supervisory Board remuneration includes a fixed and a performance-based component.

Fixed compensation amounts to T€ 30.0 for each member of the Supervisory Board. The Chairman of the Supervisory Board receives twice this amount, and the Vice Chairman receives one and a half times this amount. Overall, as in the previous year, total fixed compensation in the financial year amounted to T€ 225.0.

Performance-based compensation 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. The Chairman of the Supervisory Board receives twice this amount, and the Vice Chairman receives one and a half times this amount. Since earnings per share were below the minimum amount in the financial year, as in the previous year, no performance-based compensation is paid.

Risk Management

Due to its global activities, PUMA is continuously exposed to risks that must be monitored and curtailed. At the same time, however, risks also provide opportunities so both the risks and related opportunities must be taken into account by means of an effective risk management system.

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

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). Those responsible for risks, i.e. the risk managers, report significant changes in the risk portfolio within the scope of periodic reports and 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 analyzed by the respective competent staff worldwide in annual planning meetings, and target specifications and suitable measures are derived. Compliance with target specifications is monitored continuously and reported through the Company's highly developed reporting system. This enables PUMA to identify any discrepancies and adverse developments as they arise and to initiate the required counter-measures at an early stage.

Risk Areas

General Economic Risks

As an internationally operating company, PUMA is directly exposed to risks relating to the overall economy. The general economic development may impact directly on consumer behavior. For example, political crises, legal changes and societal influences may exert a direct influence on consumer pattern.
PUMA addresses these risks by geographic diversification and a well-balanced product portfolio, which sets its own creative trends and is thus positively distinguished from competition.

Brand Image

As a brand article company, PUMA is aware of the importance of a strong brand image. Due to innovative and sustained brand communications, PUMA has succeeded in establishing a desirable brand image. The brand image is essential since it can influence consumer behavior not only to the advantage, but also to the disadvantage of the brand. Product imitations may lead to a significant loss of brand confidence among consumers and consequently, to a negative brand image as an example.

Product pirates are increasingly focusing on the PUMA brand due to its desirability. Combating brand piracy is a high-priority issue for PUMA. PUMA's own team for the protection of intellectual property not only safeguards a strong global portfolio of industrial property rights, such as brands, designs, and patents, but also with its global network of brand protection officers, external law firms and detective agencies, PUMA prevents the number of product imitations that are detrimental to both image and sales from increasing.

In order to effectively address product piracy, PUMA also works in close collaboration with customs and law enforcement authorities and participates 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. Responsible and independent actions and thinking are a key issue for PUMA and are an integral element of a corporate culture with flat hierarchies that is based on trust.

PUMA's personnel strategy aims at sustainably safeguarding this successful philosophy over the longer term. To achieve this goal, personnel-related risks are recorded and assessed within the scope of a regular process. Accordingly, special attention was paid to talent management, the identification of key positions and talents and also to their optimal positioning and succession planning. Further national and international regulations and guidelines are oriented towards ensuring compliance with legal requirements.
PUMA will continue to invest in human resources in the respective functions and regions in line with its targeted requirements-based policy with a view to accommodating the future requirements of corporate strategy.

Sourcing Risks

The majority of products are produced in the emerging markets of Asia. Production in these countries is associated with diverse risks. For example, currency fluctuations, changes in levies or customs, trading restrictions, natural disasters and political instability may also lead to certain risks. Risks may also arise from excessive dependency on individual producers.

Periodic reviews and adaptation of the portfolio are aimed at avoiding dependencies on individual suppliers and sourcing markets. Long-term framework agreements are normally concluded in order to ensure future required production capacities.

The puma.safe-Team was formed some years ago in accordance with the guidelines of sustainable development with a view to ensuring optimal integration of the two pillars of sustainable development - namely environmental protection and social responsibility - into the core business fields of PUMA and harmonizing them with economic development.

Product and Market Environment

The early recognition and detection of relevant consumer trends are indispensable in order to avoid the risk arising from market environment-specific product influences, in particular the danger of substitution in a lifestyle market that is exposed to increasingly intense competition. New and innovative concepts must be continuously developed and implemented to enable adjustment to ever shorter lifecycles. Competitive advantages can only be derived by those who can recognize these trends at an early stage.

A high level of investments in product design and development are intended to ensure that the unique PUMA design, and targeted diversification of the entire product range, comply with the general brand strategy and, in effect, evoke a clear recognition effect.

Moreover, PUMA pursues a selective distribution strategy to ensure a unique brand presence and 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

Expansion with company-owned retail operations also means investing in expanding or setting up shops, in accepting higher fixed costs compared to sales via wholesalers, and entering into rental agreements with long-term rental obligations that can affect profitability in periods when business development slows down. On the other hand, expansion of the value chain enables higher gross profit margins. In addition, the PUMA brand experience can be presented to end customers directly and in a targeted manner in company-owned retail operations.

To avoid risks and realize opportunities, PUMA conducts a detailed location and profitability analysis prior to each investment decision. An extensive controlling / indicator system enables early recognition of negative developments and corresponding initiation of counter-measures to manage the individual shops appropriately.

Organizational Challenges

The decentralized and virtual organization of PUMA supports the Company's global alignment. As a result of PUMA's development, the corporate organization structure is becoming increasingly more complex. This development is encountered with an integrated IT, logistics, and personnel infrastructure. In addition, business processes must be continuously optimized and adapted to corporate growth.

Currency risks

As an internationally operating company PUMA is exposed to currency risks resulting from disparities between the respective currency scope on the purchasing and sales side as well as from currency fluctuations.

The largest sourcing market is the Asian market, where payment flows are largely processed in USD, while sales are mostly invoiced in other currencies. PUMA manages the currency risk in accordance with an internal guideline. Currency forward transactions are used for the conversion of foreseeable financial liabilities (denominated in foreign currencies) into the functional currencies of the Group companies.

Only forward exchange transactions in line with market conditions are conducted with renowned international financial institutions with a view to hedging contracts already existing or foreseeable contracts. At the end of 2010, the net requirement for the 2011 planning period is properly hedged against currency effects.

Furthermore, currency risks may also arise as a result of intra-group loans issued for financing purposes. Currency swaps and currency forward transactions are used to hedge currency risks when converting foreign-currency loans into the functional currency of group companies.

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. Periodic effects are determined by relating the hypothetical changes in 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 for 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 (liquid assets, receivables, interest bearing liabilities, financial lease liabilities and non-interest-bearing liabilities) are either directly denominated in the functional currency or are transferred into the functional currency through use of forward exchange transactions. Consequently, exchange rate fluctuations generally do not have any effect on results.

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, 2010, the hedging reserve recorded in equity and the fair value of the hedging transactions would have been € 51.5 million lower (or higher) (December 31, 2009: € 44.0 million higher (or lower)).

Interest Rate Risks

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

Credit Risks

Because of its business activities and operative business, PUMA is exposed to a customer default risk that is addressed through continuous monitoring of outstanding balances and sufficient value adjustments.
The customer default risk is limited through credit insurance, and the maximum default risk is reflected in the carrying values of financial assets reported in the balance sheet.

Liquidity Risk

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

Capital Risk

Despite the global financial crisis, PUMA is not exposed to any capital risks worth mentioning due to its high equity capital ratio.

Risks arising from Fraudulent Activities

Fraudulent activities, such as theft, fraud, breach of trust, embezzlement, and corruption as well as deliberate misrepresentation in the accounting records can lead to considerable material losses and damage the Company's image. PUMA has various tools at its disposal for addressing those risks. These tools include the corporate governance system, the internal control system, Group controlling and the internal audit. Moreover, a group-wide hotline was implemented in 2010 where indications of unethical, illegal and criminal activities and behavior can be reported.

Summary

Based on its risk management system, PUMA is in a position to meet 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 as a going concern.

Significant Features of the Internal Control and Risk Management System with Respect to the Group Accounting Process

The PUMA AG Board of Management is responsible for the preparation and correctness of the consolidated financial statements and the group management report. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards as adopted in the EU, and the provisions stipulated in the German Commercial Code and the Stock Corporation Act. Certain disclosures and amounts are based on current estimates by Management.

The Company's Board of Management is responsible for maintaining and regularly updating an appropriate internal control system concerning the consolidated financial statements and disclosures in the group management report. The control and risk management system is oriented towards ensuring the adequacy and reliability of internal and external financial reporting, the presentation and correctness of the consolidated financial statements and the group management report and the pertaining disclosures. The internal control and risk management system is based on a number of process-integrated monitoring measures and comprises the respective necessary measures, internal instructions, organization and authorization guidelines, a Code of Conduct and Code of Ethics, the segregation of personnel functions in the Company, and the principle of dual control. The measures are reviewed periodically by the internal audit function with respect to adequacy and workability.

PUMA has established a group-wide reporting and control system that enables regular and early recognition of any deviations from planning values and accounting-related inconsistencies, and the initiating of counter-measures as required.

Any events that may impact on the economic performance and the accounting process of the Company are identified regularly and on an ad-hoc basis; the resulting risk is analyzed and assessed and respective measures are initiated within the framework of the risk management system.

Preparation of the consolidated financial statements and the group management report partially requires assumptions and estimates that are based on the information gained as at the date of preparation and that impact on the amount and disclosure of reported assets and debts, income and expenses, contingent liabilities and other reportable disclosures.

The Supervisory Board audit committee holds regular meetings with the independent annual auditors, the Board of Management and internal audit in order to discuss the findings of the annual audit and internal audit with respect to the internal control and risk management system. The annual auditor reports on the annual financial statements at the Supervisory Board meeting.

Disclosures pursuant to Section 315 (4) HGB

Section 315 (4) No. 1 HGB

As of the balance sheet date, the subscribed capital amounted to € 38.6 million, split into 15,082,464 shares of common stock. As of the balance sheet date, the Company held 101,593 shares of treasury stock.

Section 315 (4) No. 3 HGB

"SAPARDIS S.A", a wholly-owned subsidiary of PPR S.A., currently holds 71.58% of the subscribed capital.

Section 315 (4) No. 6 HGB

The appointment and dismissal of members of the Board of Management 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 members of the Board of Management and determine their number. It can appoint a member of the Board of Management as Chairman or as Spokesman of the Board of Management and another member as Vice Chairman or deputy Spokesman. The Supervisory Board also has the authority to appoint two Board of Management members as Board of Management spokesmen. The provisions for amending the Articles of Association are governed by Sections 133 and 179 AktG.

Section 315 (4) No. 7 HGB

According to a resolution of the Annual General Meeting of April 20, 2010, the Company was authorized to purchase treasury shares for up to 10% of its nominal capital until April 19, 2015. The authorization concerning the repurchase of treasury shares was issued for all admissible purposes, including flexible management of the capital requirements of the Company.

According to Article 4 No. 3 and No. 4 of the Articles of Incorporation of PUMA AG, the Board of Management is authorized to increase the nominal capital with the approval of the Supervisory Board up to April 10, 2012 as follows:

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

and

- Through 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.

Outlook

Global Economy

According to an analysis performed by the Institute for the World Economy in Kiel dated December 16, 2010, global economic growth is expected to weaken moderately in 2011. Current forecasts predict that the global gross domestic product ("GDP") will only increase by 3.6% in 2011, which is below the GDP rate of 4.8% expected for 2010 and significantly below the pre-crisis level. The restrictive fiscal policy pursued in many countries and the general consolidation process in the private sector, which impairs the expansion of the credit volume and thus the fiscal policy in many industrialized countries, are cited as dampening effects on the economic development.

According to current estimates, the real GDP growth rate of the industrialized countries is expected to decrease from 2.4% in 2010 to 1.9% in 2011. The deceleration of the economic expansion will affect the Unites States of America, Japan and also Europe, albeit at different extents. Economic experts assume that the overall unemployment rate in these countries will decrease only slightly and that the inflationary pressure will remain low owing to relatively stable unit labor costs and consumer prices. Moreover, economic experts predict that the subdued development in the industrialized countries will also impact negatively on export activities in the emerging markets. Together with the moderating domestic demand in some emerging markets, a slight dampening of the economy is thus also expected for the newly industrialized countries.

With respect to the year 2012, economic experts assume that the dampening factors will lose their impact and that production activities will start to pick up again. The expectations for the global GDP in 2012 have correspondingly increased to 4.0%.

Outlook

In 2010 – especially in the second half – economic conditions improved compared to 2009. Despite the lack of major sporting events and their momentum for the brand, we believe that the company should achieve an increase in sales in the mid to high single-digit percentage range in the next two years. At last year's investor conference, PUMA presented its five-year company strategy "Back on the Attack 2010-2015", which aims at achieving a significant sales increase over the upcoming years to reclaim our historical profit margin levels. This means that investments in the brand and optimizing business processes, especially in the first few years, will be combined to continue to fuel the expansion of PUMA's core markets. These investments will lead to slightly higher expenses for marketing, product development and design as well as general and administrative expenses. Therefore, the expense ratio will be higher than the previous level for the first two years of the five-year plan but will gradually improve in the subsequent years. We expect an improvement in net earnings in the mid single-digit percentage range for 2011 and 2012 on the basis of modest increases in procurement prices.

Investments

Investments in the amount of € 80 million are planned for 2011. Of these, the major portion concerns infrastructure investments for creating the operational prerequisites for the planned growth in sales, the expansion of our core markets as well as selective investments in retail trade operations.
In addition, short-term purchase price liabilities from corporate acquisitions exist which may lead to a cash outflow of € 55.7 million in 2011.

Basis for Long-Term Growth

Within the scope of our "Back on the Attack" growth strategy, Management has defined the strategic priorities for the next five years. Implementation of the planned measures takes place in a targeted and value-oriented manner. Despite the uncertainties of the world economy and the high volatility in the willingness to buy, PUMA should make a corresponding positive contribution in 2011 and in the subsequent years, owing to its strong equity ratio, a high level of liquidity and the measures implemented. Management assumes that a basis for sustained positive development has thus been created.

Relations to Affiliated Companies

PUMA AG and SAPARDIS S.A., Paris, a fully owned subsidiary of PPR S.A., Paris, are, as well as PUMA AG and PPR S.A., considered to be dependent companies under Section 17 AktG. The Board of Management has issued a report describing relationships with affiliated companies – Dependent Company Report – according to Section 312 AktG.

The Dependent Company report of the Board of Management ends with the following declaration: "We hereby declare that PUMA AG received adequate consideration for each legal transaction undertaken in accordance with the circumstances known to the Board of Management at the time that the legal transactions listed in the Dependent Company report were undertaken. Reportable measures taken or reportable measures not taken were not reported in the period under review."

Events after the Balance Sheet Date

No events that could have a significant impact on the net assets, financial position and results of operations were reported after the balance sheet date.

Responsibility Statement

For details concerning the statement required under Section 315 (1) Sentence 6 (Responsibility Statement, "Bilanzeid"), please refer to the Notes to the consolidated financial statements.

Herzogenaurach, February 7, 2011

Board of Management

Zeitz **Harris-Jensbach** **Bauer** **Caroti**

Deputy Board of Management

Bertone **Seiz**

Consolidated Financial Statements

PUMA AG Rudolf Dassler Sport

as of December 31, 2010

- International Financial Reporting Standards - IFRS

Statement of Financial Position	Notes	31.12.2010 € million	31.12.2009* € million	01.01.2009* € Mio.
ASSETS				
Cash and cash equivalents	5	479,6	485,6	375,0
Inventories	6	439,7	344,4	428,3
Trade receivables	7	447,0	347,4	370,5
Income tax receivables	18	80,8	33,5	23,2
Other current financial assets	8	25,9	18,2	61,1
Other current assets	9	74,2	65,1	65,6
Current assets		**1.547,2**	**1.294,2**	**1.323,7**
Deferred taxes	10	96,5	64,8	80,5
Property, plant and equipment	11	236,7	242,7	245,1
Intangible assets	12	423,4	296,3	164,7
Investments in associates	13	23,9	0,0	0,0
Other non-current financial assets	14	17,9	14,8	16,7
Other non-current assets	14	21,0	12,2	4,5
Non-current assets		**819,4**	**630,8**	**511,5**
Total assets		**2.366,6**	**1.925,0**	**1.835,2**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current bank liabilities	15	42,8	48,3	57,2
Trade payables	15	344,3	265,7	272,3
Liabilities from income taxes	15	18,1	14,2	10,5
Tax provisions	18	106,9	20,0	27,6
Other current provisions	19	71,9	118,4	91,0
Liabilities from acquisitions	20	55,7	33,2	28,5
Other current financial liabilities	15	58,8	63,0	75,0
Other current liabilities	15	100,5	64,7	53,3
Current liabilities		**799,0**	**627,5**	**615,4**
Deferred taxes	10	50,7	4,4	26,5
Pension provisions	17	26,1	25,4	21,3
Other non-current provisions	19	12,2	12,2	0,0
Liabilities from acquisitions	20	81,9	115,5	47,1
Other non-current financial liabilities	15	6,7	4,9	4,3
Other non-current liabilities	15	3,6	1,8	1,3
Non-current liabilities		**181,2**	**164,2**	**100,5**
Subscribed capital		38,6	38,6	41,0
Group reserves		256,8	155,3	174,2
Retained earnings		1.114,0	939,3	1.117,7
Treasury stock		-23,2	0,0	-216,1
Equity attributable to the shareholders of the parent		**1.386,2**	**1.133,2**	**1.116,8**
Minority interest		0,2	0,1	2,5
Shareholders' equity	21	**1.386,4**	**1.133,3**	**1.119,3**
Total liabilities and shareholders' equity		**2.366,6**	**1.925,0**	**1.835,2**

** adjusted comparable figures according to IAS 8, see chapter 3*

Statement of Cashflows	Notes	2010 € million	2009* € million
Operating activities			
EBT		301,5	138,4
Adjustments for:			
Depreciation	11, 12	65,9	71,4
Non-realized currency gains/losses, net		-1,2	-15,7
Result from investments in associates	13	-1,8	0,0
Financial income	24	-4,4	-3,8
Financial expenses	24	11,5	11,8
Changes from the sale of fixed assets		-2,4	0,6
Changes to pension accruals	17	-1,5	2,9
Other cash effected expenses/incomes		-9,2	72,9
Gross Cashflow	29	**358,4**	**278,5**
Changes in receivables and other current assets	7, 8, 9	-111,3	6,3
Changes in inventories	6	-53,1	108,4
Changes in trade payables and other current liabilities	15	67,4	2,1
Cash provided by operations		261,4	395,3
Interest paid	24	-5,9	-6,6
Income taxes paid		-86,1	-84,8
Net cash from operating activities	29	**169,4**	**303,9**
Cash flows from investment activities			
Payment for acquisitions	4	-108,4	-81,8
Purchase of property and equipment	11, 12	-55,2	-54,5
Proceeds from sale of property and equipment		8,8	1,8
Changes in other non-current assets	14	-1,9	-5,9
Interest received	24	4,4	3,8
Net cash used in investing activities	0	**-152,3**	**-136,6**
Cash flows from financing activities			
Changes regarding non-current liabilities	15	2,8	0,8
Changes regarding non-current bank borrowing	15	-6,5	-17,2
Dividend payments	21	-27,1	-41,5
Purchase of treasury stock	21	-23,4	0,0
Net cash used in financing activities	29	**-54,2**	**-57,9**
Effect of exchange rates on cash		31,1	1,2
Change in cash and cash equivalents		**-6,0**	**110,6**
Cash and cash equivalents at beginning of the financial year		485,6	375,0
Cash and cash equivalents at year-end	5, 29	**479,6**	**485,6**

** adjusted comparable figures according to IAS 8, see chapter 3*

Statement of Changes in Equity	Subscribed capital	Group reserves					Retained earnings*	Treasury stock	Total equity before minorities	Minorities	TOTAL
in € million		Capital reserve	Profit reserves	Difference from currency conversion	Cashflow hedges	At equity accounted investments					
Jan. 1, 2009 before restatement	**41,0**	**185,5**	**69,5**	**-92,0**	**11,1**		**1175,6**	**-216,1**	**1174,7**	**2,5**	**1177,2**
Restatement according to IAS 8							**-58,0**				
Jan. 1, 2009 as restated *	**41,0**	**185,5**	**69,5**	**-92,0**	**11,1**		**1117,7**	**-216,1**	**1116,8**	**2,5**	**1119,2**
Net Earnings as restated							79,6		79,6	-2,3	**77,3**
Unrecognized net actuarial gain/loss							-2,9		-2,9		**-2,9**
Currency changes/others				0,8					0,8	0,0	**0,7**
Release to the income statement					-11,1				-11,1		**-11,1**
Market value for cashflow hedges					-13,6				-13,6		**-13,6**
Total comprehensive income				**0,8**	**-24,7**		**76,8**		**52,8**	**-2,3**	**50,5**
Dividend payment							-41,5		-41,5		**-41,5**
Value of employees services		5,1							5,1		**5,1**
Reduction of subscribed capital due to cancellation of own shares according to § 237 Abs. 3 AktG	-2,4						-213,7	216,1			
Dec. 31, 2009 restated *	**38,6**	**190,6**	**69,5**	**-91,3**	**-13,6**		**939,3**		**1133,2**	**0,1**	**1133,3**
Net Earnings							202,2		202,2	0,0	**202,2**
Unrecognized net actuarial gain/loss							-0,3		-0,3		**-0,3**
Currency changes/others				91,3		0,2			91,5	0,0	**91,5**
Release to the income statement					13,6				13,6		**13,6**
Market value for cashflow hedges					-11,1				-11,1		**-11,1**
Total comprehensive income						**0,2**					
Dividend payment							-27,1		-27,1		**-27,1**
Transfer to profit reserves											
Capital increase											
Value of employees services		7,6							7,6		**7,6**
Reduction of subscribed capital due to cancellation of own shares according to § 237 Abs. 3 AktG											
Purchase of treasury stock								-23,4	-23,4		**-23,4**
Conversion of options								0,1	0,1		**0,1**
Dec. 31, 2010	**38,6**	**198,2**	**69,5**	**0,0**	**-11,1**	**0,2**	**1114,0**	**-23,2**	**1386,2**	**0,2**	**1386,4**

** adjusted comparable figures according to IAS 8, see chapter 3*

Statement of Profit and Loss

	Notes	2010 € million	2009* € million
Sales	28	**2.706,4**	**2.447,3**
Cost of sales	28	-1.361,6	-1.204,2
Gross profit	28	**1.344,8**	**1.243,1**
Royalty and commission income		19,1	20,6
Other operating income and expenses 1)	23	-1.057,1	-1.117,3
EBIT		**306,8**	**146,4**
Result from investments in associates	24	1,8	0,0
Financial income	24	4,4	3,8
Financial expenses	24	-11,5	-11,8
Financial result		**-5,3**	**-8,0**
EBT		**301,5**	**138,4**
Taxes on income	25	-99,3	-61,1
Net earnings before attribution		**202,2**	**77,3**
attributable to: Minorities	20	0,0	-2,3
Equity holders of the parent (net earnings)		**202,2**	**79,6**
Earnings per share (€)	26	13,45	5,28
Earnings per share (€) - diluted	26	13,37	5,27
Weighted average shares outstanding	26	15,031	15,082
Weighted average shares outstanding, diluted	26	15,123	15,092

** adjusted comparable figures according to IAS 8, see chapter 3*
1) incl. special items

Statement of Comprehensive Income

	After tax 2010 € Mio.	Tax impact 2010 € Mio.	Before tax 2010 € Mio.	After tax 2009* € Mio.	Tax impact 2009* € Mio.	Before tax 2009* € Mio.
Net earnings before attribution	**202,2**		**202,2**	**77,3**		**77,3**
Unrecognized net actuarial gain/loss	-0,3	0,3	-0,6	-2,9	1,4	-4,3
Currency changes	91,3	6,1	85,2	0,8	0,2	0,6
Cash flow hedge						
Release to the income statement	13,6	-6,3	19,9	-11,1	4,6	-15,7
Market value for cashflow hedges	-11,1	5,5	-16,7	-13,6	6,3	-19,9
Share in the other comprehensive income of at equity accounted investments	0,2	0,0	0,2	0,0	0,0	0,0
Other result	**93,6**	**5,6**	**88,0**	**-26,8**	**12,6**	**-39,4**
Comprehensive income	**295,8**	**5,6**	**290,2**	**50,5**	**12,6**	**37,9**
attributable to: Minorities	0,0		0,0	-2,3		-2,3
Equity holder of the parent	295,8	5,6	290,2	52,8	12,6	40,2

** adjusted comparable figures according to IAS 8, see chapter 3*

Appendix to the Financial Statements

Development of Fixed Assets

Development in 2009	Purchase costs						Accumulated depreciation						Book values	
	Balance Jan. 1, 2009 € million	Currency changes and other changes	Additions/ retransfers	Changes from acquisitions	Disposals	Balance Dec. 31, 2009 € million	Balance Jan. 1, 2009 € million	Currency changes and other changes	Additions/ retransfers 2)	Changes from acquisitions	Disposals	Balance Dec. 31, 2009 € million	Balance Dec. 31, 2009 € million	Balance Dec. 31, 2008 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	100,1	0,0	71,2		-3,9	167,5	-23,5	-0,2	-9,5		3,6	-29,5	138,0	76,6
Technical equipment and machines	5,8	-0,2	1,9	4,3	-0,5	11,3	-2,8	0,0	-1,9	-2,3	0,5	-6,5	4,8	3,0
Other equipment, factory and office equipment	254,9	2,3	25,3	1,5	-20,1	264,0	-136,4	-1,0	-46,8	-0,6	18,9	-165,9	98,1	118,5
Payments on account and assets under construction	47,0	-0,1	-45,0		-0,1	1,9	-0,0		-0,0		0,0	-0,0	1,9	47,0
	407,8	**2,1**	**53,4**	**5,8**	**-24,5**	**444,6**	**-162,7**	**-1,2**	**-58,1**	**-3,0**	**23,0**	**-201,9**	**242,7**	**245,1**
INTANGIBLE ASSETS														
Goodwill 1)	146,1	0,4	143,4	2,9	-4,2	288,7	-16,3	-0,0	-4,2	-2,6	4,2	-19,0	269,7	154,8
Intangible fixed assets with a indefinite useful life														
Other intangible fixed assets	70,1	0,4	1,2	0,7	-3,1	69,3	-35,1	-0,0	-9,5	-0,6	2,5	-42,7	26,6	35,0
	216,2	**0,8**	**144,6**	**3,7**	**-7,3**	**357,9**	**-51,4**	**-0,1**	**-13,6**	**-3,1**	**6,6**	**-61,7**	**296,3**	**189,9**
OTHER NON-CURRENT ASSETS														
Other loans	2,5	0,0	0,1	0,0	-0,0	2,6	-0,0		0,0			-0,0	2,6	2,5
Other assets	18,8	-0,2	10,5	0,0	-4,8	24,3	-0,2				0,2		24,3	18,7
Investments in associates														
	21,4	**-0,2**	**10,5**	**0,1**	**-4,8**	**27,0**	**-0,2**		**0,0**		**0,2**	**-0,0**	**27,0**	**21,2**

1) adjusted comparable figures according to IAS 8, see chapter 3
2) including impairment for fixed assets (€ 8,5 million) and intangible assets (€ 4,4 million). *

Development in 2010	Balance Jan. 1, 2010 € million	Currency changes and other changes	Additions/ retransfers	Changes from acquisitions	Disposals	Balance Dec. 31, 2010 € million	Balance Jan. 1, 2010 € million	Currency changes and other changes	Additions/ retransfers 2)	Changes from acquisitions	Disposals	Balance Dec. 31, 2010 € million	Balance Dec. 31, 2010 € million	Balance Dec. 31, 2009 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	167,5	5,3	6,7		-9,3	170,2	-29,5	-0,7	-8,3		6,1	-32,4	137,8	138,0
Technical equipment and machines	11,3	0,2	-3,7		-0,4	7,4	-6,5	-0,1	2,2		0,3	-4,1	3,3	4,8
Other equipment, factory and office equipment	264,0	19,0	33,3	0,1	-30,2	286,2	-165,9	-11,5	-47,6		28,2	-196,8	89,4	98,1
Payments on account and assets under construction	1,9	0,1	4,5		-0,2	6,3	-0,0					-0,0	6,3	1,9
	444,6	**24,6**	**40,8**	**0,1**	**-40,1**	**470,0**	**-201,9**	**-12,3**	**-53,7**		**34,6**	**-233,3**	**236,7**	**242,7**
INTANGIBLE ASSETS														
Goodwill 1)	288,7	18,2	3,1	2,5	-10,9	301,6	-19,0	-0,9				-19,9	281,7	269,7
Intangible fixed assets with a indefinite useful life	0,0			106,8		106,8	0,0					0,0	106,8	0,0
Other intangible fixed assets	69,3	2,9	14,5	5,8	-2,7	89,8	-42,7	-1,7	-12,3		1,8	-54,9	34,9	26,6
	358,0	**21,1**	**17,6**	**115,1**	**-13,6**	**498,2**	**-61,7**	**-2,6**	**-12,3**		**1,8**	**-74,8**	**423,4**	**296,3**
OTHER NON-CURRENT ASSETS														
Other loans	2,6	0,0				2,7							2,7	2,6
Other assets	24,3	2,2	11,0		-1,4	36,1							36,1	24,3
Investments in associates	0,0		23,9			23,9							23,9	0,0
	27,0	**2,2**	**34,9**		**-1,4**	**62,8**							**62,8**	**27,0**

1) adjusted comparable figures according to IAS 8, see chapter 3 *
2) including impairment for fixed assets (€ 9,6 million) and intangible assets (€ 1,2 million), see chapters 11 and 12

Notes to the Consolidated Financial Statements

1. General

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 corporation is a joint stock company under German law with registered head office in Herzogenaurach, Federal Republic of Germany; the 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 endorsed by the EU that are obligatory for financial years as from January 1, 2010 have been applied.

In order to increase the reliability and relevance of information to recipients of the balance sheet, the items Other assets or Other liabilities were allocated to Other financial assets and Other financial liabilities in the consolidated financial statements as of December 31, 2010. In addition, the Receivables from income taxes and Liabilities from income taxes were disclosed separately from Other assets or Other liabilities. Moreover, the item Financial result was split up and allocated to the Items Financial income and Financial expenses. The previous year's figures were adjusted accordingly.

Of the standards and interpretations to be newly applied from January 1, 2010 onwards, only IFRS 3 R (Business combinations) and IAS 27 (Consolidated and separate financial statements) were of relevance to PUMA AG. IFRS 3 R includes changes in the way acquisition costs are determined and in the accounting for residual values. Application of IAS 27 leads to changes respecting transactions with minorities. The changed standards are to be applied prospectively for corporate acquisitions at PUMA as from January 1, 2010, and they may result in higher income volatility in periods after the corporate acquisition. All other applicable obligatory standards and interpretations to be newly applied had no impact on the consolidated financial statements.

The following standards and interpretations were issued but will only take effect in later reporting periods and are not applied earlier by the Company:

Standard	Title	First-time adoption *	Proposed adoption
Endorsed			
IAS 24 R	Related party disclosures	01.01.2011	01.01.2011
Amendment IAS 32	Financial instruments: presentation	01.02.2010	01.01.2011
Amendment IFRIC 14	The limit of a defined benefit asset, minimum funding requirements and their interaction	01.01.2011	01.01.2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	01.01.2011	01.01.2011
Amendment IFRS 1	Limited exemption from comparative IFRS 7 disclosures for first-time adopters	01.07.2010	01.01.2011
Endorsement pending			
Amendment IFRS 1	Severe hyperinflation and removal of fixed dates	01.07.2011	01.01.2012
Amendment IFRS 7	Financial instruments: disclosures	01.07.2011	01.01.2012
Amendment IAS 12	Deferred tax: recovery of underlying assets	01.01.2012	01.01.2012
IFRS 9	Financial instruments	01.01.2013	01.01.2013
Improvements to IFRS (May 2010)		01.01.2011 ff	01.01.2011 ff

* if applicable aligned by EU-endorsement

The Company does not expect the remaining standards to impact significantly on accounting.

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

The income statement is classified using the cost of sales format.

SAPARDIS S.A., a fully owned subsidiary of PPR S.A., Paris, presently holds 71.58% of the subscribed capital. Consequently, the PPR Group holds a majority stake in PUMA AG. Hence, PUMA AG and its affiliated companies are included in the PPR consolidated financial statements, which may be obtained from PPR upon request.

2. Significant Consolidation and Accounting Policies

Consolidation Principles

The consolidated financial statements were prepared as of the December 31, 2010 reporting date of the annual financial statements of the PUMA AG parent company on the basis of uniform accounting policies as pursuant to IFRS as applied in the EU.

The capital consolidation of subsidiaries acquired after January 1, 2005 is based on the acquisition method. 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 amount of the net assets stated at fair value, the difference is reported directly in the income statement.

PUMA is the beneficial owner of almost all majority holdings due to the structure of the contracts signed with the joint venture partners. These companies are fully included in the consolidated financial statements, and minority interests are therefore not disclosed. 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 the 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. With respect to business combinations from January 1, 2010 onwards, the costs directly allocable to the acquisition as well as later deviations of the present values of expected residual purchase prices are recognized with an effect on profit or loss due to application of the amended IFRS 3 R.

Intra-group receivables and liabilities are netted. As a general rule, any differences arising from exchange rate fluctuations are recognized in the income statement to the extent that they accrued during the reporting period. If the receivables and liabilities are capital-replacing and long-term in nature, the currency difference is included in shareholders' equity with neutral effect on profits.

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

Consolidated Group
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:

2009	**106**
Formation and acquisition of companies	9
Disposal of companies	3
2010	**112**

The consolidated group was subject to the following changes in financial year 2010:

With effect from April 16, 2010 PUMA acquired a 100% stake in the Cobra Golf business division from Acushnet, the Golf business division of the US company, Fortune Brands, Inc., within the scope of an asset and share deal. The consolidated group was extended accordingly due to the Cobra Golf Inc. acquisition.

With effect from April 8, 2010 PUMA acquired a 20.1% stake in Wilderness Holdings Ltd. at equity. Wilderness Holdings Ltd. is a leading corporation in the field of eco-tourism and nature conservation with registered head office in Botswana and South Africa. With the help of responsible tourism, Wilderness Holdings Ltd. is engaged in the creation of sustained business segments aimed at environmental protection, preservation of the abundance of species, and the development of rural areas.

The consolidated group was further extended by the formation of distribution companies in Great Britain, Norway, Serbia, Spain, Mexico, India and Korea. Disposals in the consolidated group concern the merger of PUMA Apparel JAPAN K.K. with PUMA JAPAN K.K. and disposals of the inactive companies, Unibrand Asia Ltd., and Brandon Asia Ltd. in Hong Kong.

The consolidated group was adjusted accordingly. The effects of the corporate acquisitions on the net assets, financial position and results of operations are illustrated under Item 4 ("Corporate Acquisitions") and Item 13 ("Shares in Associated Companies") of these Notes.

PUMA Vertrieb GmbH, PUMA Avanti GmbH, PUMA Mostro GmbH and PUMA Sprint GmbH have made use of the exemption option provided for pursuant to Section 264 (3) HGB.

The Group companies are allocated to regions as follows:

No.	Companies/Legal Entities			Shareholder	Share in capital	
	- parent company -					
1.	PUMA AG Rudolf Dassler Sport	Germany	Herzogenaurach			
	EMEA					
2.	Austria PUMA Dassler Ges. m.b.H.	Austria	Salzburg	direct	100%	
3.	Dobotex Austria GmbH	Austria	Salzburg	indirect	100%	1)
4.	Wilderness Holdings Ltd.	Botswana	Maun	direct	20,1%	
5.	PUMA Bulgaria EOOD	Bulgaria	Sofia	indirect	100%	
6.	PUMA Sport Hrvatska d.o.o.	Croatia	Zagreb	indirect	100%	
7.	PUMA Czech Republic s.r.o.	Czech Republic	Prag	indirect	100%	
8.	PUMA Denmark A/S	Denmark	Skanderborg	indirect	100%	
9.	PUMA Baltic OU	Estonia	Talin	indirect	100%	
10.	PUMA Finland Oy	Finland	Espoo	indirect	100%	
11.	Tretorn Finland Oy	Finland	Espoo	indirect	100%	
12.	Brandon Oy	Finland (non active)	Helsinki	indirect	100%	
13.	PUMA FRANCE SAS	France	Illkirch	indirect	100%	
14.	PUMA Speedcat SAS	France	Illkirch	indirect	100%	
15.	Dobotex France SAS	France	Paris	indirect	100%	1)
16.	PUMA Vertrieb GmbH	Germany	Herzogenaurach	direct	100%	
17.	PUMA Sprint GmbH	Germany	Herzogenaurach	direct	100%	
18.	PUMA Avanti GmbH	Germany	Herzogenaurach	indirect	100%	
19.	PUMA Mostro GmbH	Germany	Herzogenaurach	indirect	100%	
20.	Premier Flug GmbH&Co. KG	Germany	Reichenschwand	direct	50%	
21.	Brandon Germany GmbH	Germany	Ludwigsburg	indirect	100%	
22.	Dobotex Deutschland GmbH	Germany	Düsseldorf	indirect	100%	1)
23.	PUMA UNITED KINGDOM LTD	Great Britain	Leatherhead	indirect	100%	
24.	PUMA Premier Ltd	Great Britain	Leatherhead	indirect	100%	
25.	Dobotex UK Ltd	Great Britain	Manchester	indirect	100%	1)
26.	Performance Merchandise Ltd.	Great Britain	London	indirect	100%	
27.	PUMA Hellas S.A.	Greece	Athens	direct	100%	1)
28.	PUMA Cyprus Ltd.	Cyprus	Nicosia	direct	100%	1)
29.	PUMA Hungary Kft.	Hungary	Budapest	indirect	100%	
30.	Tretorn R&D Ltd.	Ireland (non active)	Laoise	indirect	100%	
31.	PUMA Italia S.r.l.	Italy	Milan	indirect	100%	
32.	Dobotex Italia S.r.l.	Italy	Milano	indirect	100%	1)
33.	PUMA Lietuva UAB	Lithuania	Vilnius	indirect	100%	
34.	PUMA Malta Ltd	Malta	St.Julians	indirect	100%	
35.	PUMA Blue Sea Ltd	Malta	St.Julians	indirect	100%	
36.	PUMA Racing Ltd	Malta	St.Julians	indirect	100%	
37.	PUMA Benelux B.V.	Netherlands	Leusden	direct	100%	
38.	Dobotex International BV	Netherlands	Tilburg	direct	100%	1)
39.	Dobotex BV	Netherlands	s-Hertogenbosch	indirect	100%	1)
40.	Dobo Logic BV	Netherlands	Tilburg	indirect	100%	1)
41.	Dobo NexTH BV	Netherlands	s-Hertogenbosch	indirect	100%	1)
42.	PUMA Norway AS	Norway	Oslo	indirect	100%	
43.	Tretorn Norway AS	Norway	Oslo	indirect	100%	
44.	Brandon AS	Norway	Oslo	indirect	100%	
45.	PUMA Polska Spolka z.o.o.	Poland	Warsaw	indirect	100%	
46.	PUMA Portugal Artigos Desportivos Lda.	Portugal	Miraflores	indirect	100%	
47.	PUMA Sport Romania s.r.l.	Romania	Bucharest	indirect	100%	
48.	PUMA–RUS GmbH	Russia	Moscow	indirect	100%	
49.	PUMA Serbia DOO	Serbia	Belgrade	indirect	100%	
50.	PUMA Slovakia s.r.o.	Slovakia	Bratsilava	indirect	100%	
51.	PUMA Ljubljana, trgovina, d.o.o	Slovenia	Ljubljana	indirect	100%	
52.	PUMA SPORTS DISTRIBUTORS (PTY) LIMITED	South Africa	Cape Town	indirect	100%	
53.	PUMA Sports S.A.	South Africa	Cape Town	indirect	100%	
54.	PUMA Sports Spain S.L.	Spain	Barcelona	direct	100%	
55.	Brandon Company AB	Sweden	Gothenburg	direct	100%	
56.	Brandon AB	Sweden	Gothenburg	indirect	100%	
57.	2Expressions Merchandise Svenska AB	Sweden	Gothenburg	indirect	100%	
58.	Brandon Live AB	Sweden	Gothenburg	indirect	51,2%	
59.	Brandon Stockholm AB	Sweden (non active)	Stockholm	indirect	100%	
60.	Brandon Logistics AB	Sweden (non active)	Strömstad	indirect	100%	
61.	Hunt Sport AB	Sweden (non active)	Helsingborg	indirect	100%	
62.	Tretorn AB	Sweden	Helsingborg	direct	100%	
63.	PUMA Nordic AB	Sweden	Helsingborg	indirect	100%	
64.	Tretorn Sweden AB	Sweden	Helsingborg	indirect	100%	
65.	Mount PUMA AG (Schweiz)	Switzerland	Oensingen	direct	100%	
66.	PUMA Retail AG	Switzerland	Oensingen	indirect	100%	
67.	PUMA Schweiz AG	Switzerland	Oensingen	indirect	100%	
68.	Dobotex Switzerland AG	Switzerland	Oensingen	indirect	100%	1)
69.	PUMA Spor Giyim Sananyi ve Ticaret A.S.	Turkey	Istanbul	indirect	100%	
70.	PUMA Ukraine Ltd.	Ukraine	Kiew	indirect	100%	
71.	PUMA Middle East FZ LLC	United Arab Emirates	Dubai	indirect	100%	
72.	PUMA UAE LLC	United Arab Emirates	Dubai	indirect	100%	1)

	Americas					
73.	Unisol S.A.	Argentina	Buenos Aires	direct	100%	
74.	PUMA Sports Ltda.	Brazil	Sao Paulo	indirect	100%	
75.	PUMA Canada, Inc.	Canada	Montreal	indirect	100%	
76.	PUMA CHILE S.A.	Chile	Santiago	direct	100%	1)
77.	PUMA SERVICIOS SPA	Chile	Santiago	indirect	100%	
78.	PUMA Mexico Sport S.A. de C.V.	Mexico	Mexico City	direct	100%	
79.	Servicios Profesionales RDS S.A. de C.V.	Mexico	Mexico City	indirect	100%	
80.	Importaciones RDS S.A. de C.V.	Mexico	Mexico City	direct	100%	
81.	Distruibuidora Deportiva PUMA S.A.C.	Peru	Lima	indirect	100%	1)
82.	PUMA Sports LA S.A.	Uruguay	Montevideo	direct	100%	
83.	PUMA Suede Holding, Inc.	USA	Westford	indirect	100%	
84.	PUMA North America, Inc.	USA	Westford	indirect	100%	
85.	SC Communication Inc.	USA (non active)	Chicago	indirect	100%	
86.	Cobra Golf Inc.	USA	Carlsbad	indirect	100%	
	Asia/Pacific					
87.	PUMA Australia Pty. Ltd.	Australia	Moorabbin	indirect	100%	
88.	White Diamond Australia Pty. Ltd.	Australia (non active)	Moorabbin	indirect	100%	
89.	White Diamond Properties	Australia (non active)	Moorabbin	indirect	100%	
90.	Kalola Pty Ltd.	Australia (non active)	Moorabbin	indirect	100%	
91.	Liberty China Holding Ltd	British Virgin Islands		indirect	100%	1)
92.	PUMA China Ltd	China	Shanghai	indirect	100%	1)
93.	Dobotex China Ltd.	China	Shanghai	indirect	100%	1)
94.	World Cat Ltd.	Hongkong		direct	100%	
95.	Development Services Ltd.	Hongkong		indirect	100%	
96.	PUMA Asia Pacific Ltd.	Hongkong		direct	100%	
97.	PUMA Hong Kong Ltd	Hongkong		indirect	100%	1)
98.	Dobotex Ltd.	Hongkong		indirect	100%	1)
99.	Dobo Cat Ltd.	Hongkong		indirect	100%	1)
100.	PUMA Sports India Pvt Ltd.	India	Bangalore	indirect	100%	
101.	PUMA India Retail Pvt Ltd.	India	Bangalore	indirect	100%	1)
102.	World Cat Sourcing India Ltd.	India	Bangalore	indirect	100%	
103.	PUMA JAPAN K.K.	Japan	Tokio	indirect	100%	
104.	PUMA Korea Ltd.	Korea	Seoul	direct	100%	
105.	Dobotex Korea Ltd.	Korea	Seoul	indirect	100%	1)
106.	PUMA Sports Goods Sdn. Bhd.	Malaysia	Kuala Lumpur	direct	100%	1)
107.	PUMA New Zealand LTD	New Zealand	Auckland	indirect	100%	
108.	World Cat (S) Pte Ltd.	Singapore (non active)		indirect	100%	
109.	PUMA Sports Singapore Pte. Ltd.	Singapore		direct	100%	1)
110.	World Cat Trading Co.Ltd	Taiwan (non active)	Taichung	indirect	100%	
111.	PUMA Taiwan Sports Ltd.	Taiwan	Taipei	indirect	100%	1)
112.	World Cat Vietnam Co. Ltd.	Vietnam	Long An Province	indirect	100%	
1)	subsidiaries which are assigned to be economical 100% PUMA Group					

Currency Translation

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

The assets and liabilities of foreign subsidiaries which do not have the euro as their functional currency were translated into euro at the middle rates valid at the balance sheet date. Expenses and income were translated at annual average rates. Differences in the currency translation of net assets relative to 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	Reporting date exchange rate	Average rate
USD	1.3362	1.3267
HKD	10.3856	10.3066
JPY	108.6500	116.4155
GBP	0.8608	0.8582
CHF	1.2504	1.3817

The functional currency of PUMA Retail AG, Switzerland, was changed from Swiss francs (CHF) to Euro due to adjustment of the license agreement with PUMA AG.

Derivative Financial Instruments/Hedge Accounting
Upon conclusion of a contract and thereafter, derivative financial instruments are recorded at fair value. At the time when a hedge instrument is transacted, 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 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 shareholders' 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 shareholders' equity are included in operating results during the same period in which the planned hedge 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 shareholders' 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 financial assets or other current financial liabilities.

Leasing
Leases are to be classified either as finance lease or as an operating lease in accordance with IAS 17. Leases where the company, in its capacity as lessee, is responsible for all significant opportunities and risks that arise from use of the lease item are treated as finance lease. All other leases are classified as operating lease. The lease payments from operating leases are recorded as a charge to the income statement over the term of the contract.

Cash and cash equivalents
Cash and cash equivalents include cash and bank balances. To the extent that bank deposits are not immediately required to finance current assets, they are presently invested at terms of up to three months as non-risk time deposits. The total amount of cash and cash equivalents is consistent with the 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. The prorated costs of product development are added to the acquisition or manufacturing costs of inventories. 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 based on historical values.
Non-current assets include loans and other assets. As a general rule, non-interest bearing non-current 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 period depends on the expected useful life of the respective item. 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 between ten to fifty years, and a useful life of between three to ten years is assumed for moveable assets.
The cost of maintenance and repair is recorded as an expense at the time of origin. Significant improvements and renewals are capitalized to the extent that the criteria for capitalization of an asset item apply.

As a general rule, lease items that qualify as a finance lease due to the terms of the underlying contract are shown under property, plant and equipment; initially they are measured 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 the fair value of the acquired asset and liability items. Goodwill from acquisitions is largely attributable to the intangible infrastructure acquired and the pertaining opportunity to make a positive contribution to corporate value.

Goodwill amounts are allocated to the Group's cash generating units that are expected to benefit from the synergy effects pertaining to the business combination.

An impairment test per cash generating unit (usually the countries) is to be performed at least once a year and in the event of indications of impairment. The impairment test may lead to an impairment expense. An impairment of goodwill is not reversed.

Other Intangible Assets

Acquired intangible assets largely consist of concessions, industrial property rights and similar rights; they are measured at acquisition costs net of accumulated amortization. The useful lives of intangible assets are between three and ten years. The straight line method of amortization is applied. The item also includes acquired trademark rights with indefinite useful lives.

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 finite useful lives are checked for impairment if there are indications of impairments in the value of the asset concerned. In order to determine a requirement to record such impairments, the recoverable amount of the asset (the higher amount from fair value less costs to sell and value in use) is compared with the carrying amount of the asset. If the recoverable amount is lower than the carrying amount, the difference is recorded as a loss due to impairment. To the extent possible, the value is reviewed at the level of the respective individual asset, otherwise at the cash generating unit level. Goodwill, by contrast, is reviewed for impairment only at the cash generating unit level. If a need to adjust the value of an asset has been determined within the scope of the impairment test, the goodwill, if any, of the cash generating unit is initially written down and the remaining amount is spread proportionately over the remaining assets in a second step. If the reason for the recorded impairment no longer applies, a reversal of impairment is recorded to the maximum amount of the depreciated/amortized acquisition cost. Goodwill impairment is not reversed.

Impairment tests are 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.

Investments in associates

Associated companies represent shareholdings over which PUMA exerts considerable control but which do not qualify as subsidiaries or joint ventures. Substantial control is generally assumed when PUMA holds at least 20 percent, but less than 50 percent, of the voting rights either directly or indirectly.

Shares in associated companies are accounted for using the equity method, i.e., the shares are initially stated at cost and are subsequently adjusted for the prorated changes in the entity's net assets that are attributable to PUMA. Any goodwill is disclosed at the carrying amount of the associated company.

The carrying amount of an entity measured at equity is compared with its recoverable amount within the scope of an impairment test. If the recoverable amount is lower than the carrying amount, the respective difference is recorded as an impairment loss. If the reasons for impairment no longer apply, a write-up is recognized in the income statement.

Financial Debts (Other Financial Liabilities and Other Liabilities)
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 compounded 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 at the lower present value at the beginning of a lease relationship, and are rolled over by the amount of lease installments paid.

As a general rule, current financial liabilities also include the proportion of long-term loans that have a maximum residual term of up to one year.

Provisions for Pensions and Similar Obligations
In addition to defined benefit plans, some companies apply defined contribution plans which do not result in a further pension commitment other than the current contributions. The pension provision under defined benefit plans is generally calculated using the projected unit credit method. This method not only takes into account pension benefits and pension rights as accrued at the balance sheet date, but also takes into consideration expected future salary and pension increases. The defined benefit obligation (DBO) is calculated by discounting expected future benefit payments with the market yields on high quality corporate bonds. The currencies and terms of the underlying corporate bonds are consistent with the currencies and terms of the pension obligations. In some of the plans, the obligation is matched by a plan asset. The disclosed pension provision is reduced by the plan asset.

Actuarial gains and losses are reported under shareholders' equity with neutral effect on profit or loss during the period in which they occur. Service expense is disclosed in personnel expenses, and interest expense in the financial result.

Other Provisions
In accordance with IAS 37, other provisions are recorded to account for all risks and obligations towards third parties as of the balance sheet date that result from past transactions or past 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. As a general rule, all provisions classified as long-term are discounted.

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 authorization by the shareholders' meeting, treasury stock can be repurchased for any admissible reason, including the flexible management of capital requirements.

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) involving share-based compensation and stock appreciation rights (SAR) involving cash compensation.

SOP
The expense concerning SOP is determined from the fair value of the options at the grant date, excluding the effect of non-market-oriented exercise hurdles (e.g., forfeited options in the event of the entitled employee leaving the company prematurely). The expense is distributed as personnel expense over the vesting period until non-forfeitability of the options and accounted for as a capital reserve. Non market-oriented exercise hurdles are adjusted in accordance with current expectations and the assessment of expected exercisable options is reviewed at each balance sheet date. The resulting gains and losses are allocated to profit or loss and recorded through a corresponding adjustment in shareholders' equity over the remaining period up to non-forfeitability.

SAR

With respect to SAR, the fair value is initially assessed at the grant date and a subsequent valuation is performed at the balance sheet date in each case. The resulting expense/income is distributed over the vesting period as recorded as personnel expense and accounted for as a provision/liability. Changes in value arising after expiry of the vesting period are 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 expected returns, discounts and rebates.

Royalties and Commission Income

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

Advertising and Promotion Expenses

Advertising expenses are allocated to profit or loss as they originate. As a general rule, multi-year promotion is expensed over the contract term on an accrual basis. Any expense surpluses resulting from expense allocation after the balance sheet date are recognized in the form of an impairment of assets or a provision for anticipated losses in the respective annual financial statements.

Product Development

The Company is continuously engaged in developing new products in order to comply with market requirements or market changes. Capitalization as intangible assets is not possible since the criteria specified in IAS 38 are not fulfilled.

Financial Result

The financial result includes the results from associated companies as well as interest income from financial investments and interest expense from loans. In addition, this item includes interest expenses from discounted non-current 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 are to be allocated directly to an underlying transaction, the disclosure is made in the respective income statement item.

Income Taxes

Current 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 valuation differences between the IFRS- and tax balance sheets 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 tax assets or liabilities may also result from accounting procedures that are neutral in their effect on profits. Deferred taxes are determined on the basis of tax rates that apply to reversal 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 created on the basis of past results of operations and business expectations for the near future, if this criterion is not fulfilled.

Assumptions and Estimates
Preparation of the consolidated financial statements may involve assumptions and estimates which have an impact on the amount and disclosure of the reported assets and liabilities and on income, expenses and contingent liabilities. The assumptions and estimates are recorded in accordance with present knowledge and the actual values may deviate from the assumptions and estimates made in individual cases. Consequently, future periods involve a risk of adjustments to the carrying amount of the assets and liabilities concerned. If the actual development deviates from expected development, the assumptions and, to the extent required, the carrying amounts of the assets and debts concerned are adjusted with an effect on profit or loss.
All assumptions and estimates are continuously reassessed. They are based on historic experience and other factors, including expectations regarding future global and industry-related developments that appear reasonable under the current circumstances. Assumptions and estimates concern, in particular, the measurement of goodwill, pension obligations, derivative financial instruments and deferred taxes. The major future-oriented assumptions and sources of estimate uncertainties as at the reporting date that concern the above-stated items are discussed below:

Goodwill
A review of the inherent value of goodwill is based on calculation of the value in use. In order to calculate the value in use, the Group must perform an estimate of future cash flows from those cash generating units to which the goodwill is allocated. To this end, the data of the respective three-year planning were used, which is based on the projections of macroeconomic developments and the industry-specific consumer behaviour that can be derived from these developments. A further significant assumption concerns the determination of an appropriate interest rate for discounting the cashflow to present value (discounted cashflow method).
Further details, in particular concerning the assumptions used for calculation, are provided in paragraph 12.

Pensions Obligations
Pension obligations are determined using an actuarial calculation. This calculation is contingent on a large number of factors that are based on assumptions and estimates respecting the discount rate, the expected return on plan assets, future wage- and salary increases, as well as mortality and future pension increases. Owing to the long-term nature of the commitments made, assumptions are subject to substantial uncertainties. Any change in these assumptions impacts on the carrying amount of the pension obligations. The Group determines the discount rate applied to determine the present value of future payments at the end of each year. The discount rate is based on the interest rates for high quality corporate bonds denominated in the currencies in which the benefits are paid and with terms that correspond to those pf the pension obligations.
For more details, in particular respecting the parameters used for calculation, please see paragraph 17.

Deferred Taxes
The accounting for deferred taxes, in particular with respect to tax loss carryforwards, requires that estimates and assumptions be made concerning future tax planning strategies as well as expected dates of occurrence and the amount of future taxable income. The taxable income is derived from the respective corporate planning for purposes of these estimates, taking the results of operations of earlier years and expected future business development into account. Deferred tax assets on losses carried forward are recorded in the event of loss-prone companies only if it is highly probable that future positive income will be achieved that can be set off against these tax losses carried forward.
More particulars and detailed assumptions are provided in paragraph 10.

Derivative Financial Instruments
The assumptions used for measurement of derivative financial instruments are based on the market conditions prevailing as of the balance sheet date and thus reflect the fair value.
For more details, please see paragraph 27.

3. Adjustments pursuant to IAS 8

Within the context of the discovery of fraudulent activities at a PUMA AG subsidiary in Greece (cf. ad-hoc report pursuant to Section 15 WpHG dated October 25, 2010 and the supplementary elaborations in the section Results of Operations), material errors were found in the financial statements of PUMA Hellas S.A (hereinafter "PUMA Hellas") for the affected years. As a consequence of these errors, material misstatements are also included in the IFRS consolidated financial statements of PUMA AG for the year 2009 and previous years, which must be corrected in conformity with IAS 8.41 et seqq.. In accordance with IAS 8.42, the corrections are made in the consolidated financial statements as of December 31, 2010, in which the comparative figures for the year 2009 are restated and the opening balance sheet for 2009 is corrected to the extent that earlier periods are concerned. Errors that concern the year 2010 were corrected in the current accounts.

The tables 1 to 4 below provide an overview of the impact of all corrections:

Table 1: Adjustment of the Opening Balance Sheet as of January 1, 2009 (in € million)

	Adjustments IAS 8
ASSETS	
Inventories	-2.5[1]
Trade receivables	-26.0[2]
Other current assets	-9.9[3]
Intangible assets	-25.1[4]
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current bank liabilities	7.5[5]
Trade payables	3.2
Other current liabilities	1.4
Liabilities from acquisitions (current)	-11.5[4]
Liabilities from acquisitions (non–current)	-6.2[4]
= Change in retained earnings as of January 1, 2009	**-58.0**

[1] This correction results from adjustment No. 3
[2] This correction is mainly due to adjustments No. 4 and No. 6
[3] This correction results from adjustment No. 4
[4] This correction results from adjustment No. 9
[5] This correction results from adjustment No. 8

Note re Table 1: In notional terms, liability items are to be added with reversed signs

Table 2: Adjustment of the Consolidated Income Statement 2009 (in € million)

	2009 before restatement	Adjustments IAS 8	2009 as restated
Net sales	**2,460.7**	-13.4[6]	**2,447.3**
Cost of sales	-1,198.2	-6.0[7]	-1,204.2
Gross profit	**1,262.4**	-19.3	**1,243.1**
Royalty and commission income	20.6		20.6
Other operating income and expenses	-1,090.6	-26.7[8]	-1,117.3
Operating result (EBIT)	**192.4**	-46.0	**146.4**
Financial income	3.8		3.8
Financial expenses	-12.1	0.3	-11.8
Financial result	**-8.3**	-0.3	**-8.0**
Earnings before taxes (EBT)	**184.1**	-45.7	**138.4**
Income taxes	-58.2	-2.9[9]	-61.1
Net earnings	**125.9**	-48.6	**77.3**
thereof:			
Minority interest	-2.3		-2.3
Shareholders, parent company (net earnings)	**128.2**	-48.6	**79.6**
Earnings per share (€)	8.50	-3.22	5.28
Earnings per share, diluted (€)	8.50	-3.23	5.27

[6] This correction results from adjustment No 5
[7] This correction results from adjustments No. 2, No. 3, No. 5 and No. 6
[8] This correction results mainly from adjustments Nos. 1, No. 7 and No. 9
[9] This correction results from adjustment No 11

Table 3: Adjustment of the Consolidated Balance Sheet as of December 31, 2009 (in € million)

	12/31/2009 before restatement	Adjustments IAS 8	12/31/2009 as restated
ASSETS			
Cash and cash equivalents	485.6		485.6
Inventories	348.5	-4.1[10]	344.4
Trade receivables	397.8	-50.4[11]	347.4
Income tax receivables	33.5		33.5
Other current financial assets	24.3	-6.1[12]	18.2
Other current assets	69.5	-4.4[12]	65.1
Current assets	**1,359.2**	-65.0	**1,294.2**
Deferred taxes	67.7	-2.9[13]	64.8
Property, plant and equipment	242.7		242.7
Intangible assets	317.5	-21.3[14]	296.3
Other non-current financial assets	14.8		14.8
Other non-current assets	12.2		12.2
Non-current assets	**654.9**	-24.2	**630.8**
Total assets	**2,014.1**	-89.1	**1,925.0**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current bank liabilities	36.8	11.5[15]	48.3
Trade payables	262.1	3.6	265.7
Liabilities from income taxes	14.2		14.2
Tax provisions	20.0		20.0
Other current provisions	118.4		118.4
Liabilities from acquisitions	42.2	-9.0[14]	33.2
Other current financial liabilities	61.6	1.4	63.0
Other current liabilities	64.7		64.7
Current liabilities	**620.0**	7.5	**627.5**
Deferred taxes	4.4		4.4
Pension provisions	25.2	0,2	25.4
Other non-current provisions	0.0	12.2[16]	12.2
Liabilities from acquisitions	117.9	-2.4[14]	115.5
Other non-current financial liabilities	4.9		4.9
Other non-current liabilities	1.8		1.8
Non-current liabilities	**154.2**	10.0	**164.2**
Subscribed capital	38.6		38.6
Group reserves	155.3		155.3
Retained earnings	1,045.8	-106.5	939.3
Treasury stock	0.0		0.0
Minority interest	0.1		0.1
Shareholders' equity	**1,239.8**	-106.5	**1,133.3**
Total liabilities and shareholders' equity	**2,014.1**	-89.1	**1,925.0**

[10] This correction results from adjustments No. 3, No. 5 and No. 6
[11] This correction results from adjustments No. 1, No. 4, No. 5, No. 6 and No. 10
[12] This correction results mainly from adjustment No 4
[13] This correction results from adjustment No. 11
[14] This correction results from adjustment No 9
[15] This correction results from adjustment No. 8
[16] This correction results from adjustment No. 7

Table 4: Adjustment of the Statement of Cashflows 2009 (in € million)

Statement of Cashflows	2009 before restatement	Adjustments IAS 8	2009 as restated
Operating activities			
EBT	184,1	-45,7	138,4
Adjustments for:			
Depreciation	71,4		71,4
Non-realized currency gains/losses, net	-15,7		-15,7
Financial income	-3,8		-3,8
Financial expenses	12,1	-0,3	11,8
Changes from the sale of fixed assets	0,6		0,6
Changes to pension accruals	2,8	0,1	2,9
Other cash effected expenses/incomes	72,9		72,9
Gross Cashflow	**324,3**	-45,8	**278,5**
Changes to pension accruals	-18,6	24,9 [17]	6,3
Changes in inventories	106,8	1,6 [18]	108,4
Changes in trade payables and other current liabilities	-10,5	12,6 [19]	2,1
Cash provided by operations	402,0	-6,7	395,3
Interest paid	-6,6		-6,6
Income taxes paid	-84,8		-84,8
Net cash from operating activities	**310,6**	-6,7	**303,9**
Cash flows from investment activities			
Payment for acquisitions	-84,4	2,7 [20]	-81,8
Purchase of property and equipment	-54,5		-54,5
Proceeds from sale of property and equipment	1,8		1,8
Changes in other non-current assets	-5,9		-5,9
Interest received	3,8		3,8
Net cash used in investing activities	**-139,2**	2,7	**-136,6**
Cash flows from financing activities			
Changes regarding non-current liabilities	0,8		0,8
Changes regarding non-current bank borrowing	-21,2	4,0 [21]	-17,2
Dividend payments	-41,5		-41,5
Capital increase	0		0
Purchase of treasury stock	0		0
Net cash used in financing activities	**-61,9**	4,0	**-57,9**
Effect of exchange rates on cash	1,2		1,2
Change in cash and cash equivalents	**110,6**		**110,6**
Cash and cash equivalents at beginning of the financial year	375,0		375
Cash and cash equivalents at year-end	**485,6**		**485,6**

[17] This correction results from the adjustments No. 1, No. 4, No. 5, No. 6 and No. 10
[18] This correction results from the adjustments No. 3, No. 5 and No. 6
[19] This correction results mainly from the adjustment No. 7
[20] This correction results from the adjustment No. 9
[21] This correction results from the adjustment No. 8

Moreover, as a result of these adjustments in accordance with IAS 8, relative to the financial year 2009, the statement of changes in equity and the stated comparative figures in the Notes for 2009 also had to be restated accordingly.

In particular, the following errors had to be adjusted pursuant to IAS 8:

1) Receivables against the minority shareholder
In accordance with IAS 39 requirements, the receivables against companies of the minority shareholder in Greece were fully written-down due to factual indications of impairment or non-recoverability, respectively. The write-down amounts to € 37.1 million as of December 31, 2009. This amount includes € 23.8 million which had already been stated in the opening balance sheet.

2) Manipulation of the result for the year in 2009
The special audit determined that the cost of sales of PUMA Hellas in financial year 2009 was reduced by the amount of € 5.5 million without this being supported by an underlying transaction. This misentry was cancelled within the context of the restatement.

3) Manipulation of inventory holdings
The special audit determined that PUMA Hellas manipulated the quantities of inventory holdings, specifically that non-existing inventories were accounted for in the amount of € 2.5 million. The manipulation was corrected within the scope of the restatement.

4) Marketing and sponsoring
Within the context of accounting for advertising and sponsoring payments, PUMA Hellas capitalized marketing expenses as trade receivables and as other current assets that were actually allocable to financial years already past. Moreover, marketing expenses were recorded in the wrong period, i.e., only in later financial years. The marketing expenses were allocated to the correct periods on the basis of a retrospective correction, taking the respective contracts and services actually provided into account. The total impact of these corrections on the retained earnings as of December 31, 2009 amounts to € 26.9 million, of which the amount of € 18.3 million had already been recognized in the opening balance sheet as of January 1, 2009.

5) Over-deliveries and returns
PUMA Hellas' net sales were corrected since the criterions for sales recognition in accordance with IAS 18 requirements were not fulfilled due to over-deliveries and returns. Trade receivables as well as inventories and cost of sales were adjusted on this basis. The total impact of these adjustments on the accumulated profit as of December 31, 2009 amounts to € 11.6 million, of which the amount of € 4.4 million had already been recognized in the opening balance sheet as of January 1, 2009.

6) Valuation of receivables and inventories
The special audit indicated that, contrary to the provisions respecting uniform Group accounting policies, PUMA Hellas recorded no value adjustment for overdue trade receivables as required under IAS 39. Likewise, PUMA Hellas failed to record a downward inventory adjustment to the declined net realizable value as required under IAS 2. The total effect of these adjustments on the balance sheet total as of December 31, 2009 amounts to € 11.7 million, of which € 1.4 million had already been recognized in the January 1, 2009 opening balance sheet.

7) Pledge of minority interest
The shares of the minority shareholder in Greece were pledged vis à vis a bank in the financial year 2009 to provide collateral for the minority shareholder's loans. Due to impending utilization by the pledgee, a provision of € 12.2 million was recorded in accordance with IAS 37 in connection with the correction No.1 within the scope of adjustment of the consolidated financial statements as of December 31, 2009.

8) Correction of improper nettings
In addition, booking entries that were not allocated appropriately to balance sheet items were identified. Due to the resulting reclassifications or subsequent entries, which were neutral in their effect on profit or loss, the receivables from the minority shareholder (cf. the matter stated above), as well as bank liabilities and trade payables increased, in particular. Overall, this led to a balance sheet extension in the amount of € 21.9 million as of December 31, 2009.

9) Goodwill and liabilities from acquisition
The PUMA Hellas goodwill of € 25.1 million had to be written-off to the full extent in accordance with IAS 36 due to the adjusted corporate planning.
As a consequence of the losses incurred, the still existing purchase price liability of € 17.7 million, which is calculated on the basis of the reported equity capital and projected future annual results of PUMA Hellas, is zero stated in the opening balance sheet as of January 1, 2009. These two corrections led to an impairment expense of € 7.4 million, on balance.

10) Other adjustments at Group level
Booking entries were recorded and charged to expenditure at Group level within the scope of preparing the consolidated financial statements as of December 31, 2009 within the framework of uniform Group accounting policies. These entries relate to values in the individual financial statements of PUMA Hellas. As the values reported at PUMA Hellas level underwent change due to restatement, subsequent changes or reversal effects, respectively, in the amount € 10.7 million are to be recognized.

11) Deferred taxes
Deferred tax assets relating to a subsequent reduction of assets and an increase in debts were not taken into account as realization of these tax receivables appears unlikely at present. Deferred tax assets were recorded in the context of the booking entries that were recorded and charged to expenditure at Group level as of December 31, 2009 (see above under 10). As a consequence, additional tax expenses of € 2.9 million are recorded that relate to the restatement in financial year 2009.

Earnings per share
In effect, earnings per share pursuant to IAS 33 declined in financial year 2009 from € 8,50 to € 5.28 (average number of shares in circulation, 15,082 million) and the diluted earnings per share declined from € 8,50 to € 5.27 (average number of shares in circulation, diluted 15,092 million).

4. Business Combinations

With effect as from April 16, 2010, PUMA acquired a 100% stake in the Cobra Golf business division from Acushnet, the Golf division of the US company, Fortune Brands, Inc., within the scope of an asset and share deal. The acquisition mainly includes inventories, industrial property rights and existing sponsoring agreements.

The fair value of the entire transferred consideration (purchase price) amounts to € 80.7 million as of the acquisition date. It consists of € 68.1 million cash payments and an agreed conditional consideration which is contingent on the sales revenues earned by Cobra Golf in 2010 and 2011, and which obliges PUMA to pay an (undiscounted) maximum amount of € 15.0 million to the former owner. The fair value of the conditional consideration was determined at the amount of € 12.6 million at the acquisition date. Due to an updated calculation as of the balance sheet date, the amount stands at € 6.8 million.

The impact of the acquisition on the Group's assets and debts is shown in the table below. Assets and debts of the foreign company and the adjustment of carrying amounts to fair values are converted at the exchange rate applicable at the time of initial consolidation.

Acquisition of Cobra Golf (In € million)	Carrying amount as of the acquisition date	Adjustment to fair value	Present value as of the acquisition date
Current assets	15.8	0.6	16.4
Non-current assets	0.1	112.6	112.7
Debts	1.0	49.9	50.9

Current assets do not include receivables. Non-current assets mainly consist of the Cobra Golf brand mark. An indefinite useful life was stated for these brands in light of the brand history and continuation of the brands by PUMA. The development of intangible assets with indefinite useful lives in financial year 2010 is shown in the "Development of Fixed Assets".

Debts relate, in particular, to deferred taxes amounting to € 42.0 million and contingent liabilities that were stated as provisions at the amount of € 7.9 million within the scope of the business combination.

Goodwill resulting from this acquisition stands at € 2.5 million. The goodwill was calculated as the purchase price surplus over the acquired net worth of the assets and debts that were stated at fair value. The goodwill represents acquired assets which were not separately capitalizable. The resulting goodwill is not deductible for tax purposes. The Cobra Golf business qualifies as an independent cash generating unit ("CGU").

Consolidated sales increased by € 36.2 million in the reporting period as a result of the Cobra Golf acquisition. Consolidated earnings in the current period include a loss relating to Cobra Golf in the amount of € 4.8 million. Owing to the fact that Acushnet, the former owner of Cobra Golf, effected the sale outside the United States by the end of August 2010, the disclosures on sales revenues and net earnings for the year of Cobra Golf are to be viewed under the assumption that the presentation does not necessarily reflect the value added by the Cobra Golf business division due to a defined margin during the transition period following acquisition. For this reason, revenues and earnings as from January 1, 2010 are not reported.

5. Cash and cash equivalents

The Company's cash and cash equivalents as at December 31, 2010 amount to € 479.6 million (previous year: € 485.6 million). The average effective interest rate of financial investments came to 1.0% (previous year: 1.1%). No restraints on disposal are recorded.

6. Inventories

Inventories are allocated to the following main groups:

	2010 **€ million**	**2009*** **€ million**
Raw materials and supplies	6.4	3.8
Finished goods and merchandise/stock inventory		
Shoes	134.6	97.2
Apparel	134.6	113.5
Accessories/Other	65.0	40.5
Goods in transit	99.1	89.4
Total	**439.7**	**344.4**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

The table shows the carrying amounts of inventories net of value adjustments. The value adjustments include the amount of € 79.0 million (previous year: € 84.9 million) of which ca. 68% were recorded in cost of sales and recognized in the income statement in financial year 2010 (previous year: ca. 65%).

The amount of inventories recorded as expense during the period largely corresponds to the cost of sales disclosed in the consolidated income statement.

7. Trade Receivables

This item is structured as follows:

	2010 € million	2009* € million
Trade receivables, gross	534.1	425.5
Net of value adjustments	-87.1	-78.1
Trade receivables, net	**447.0**	**347.4**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Value adjustments on trade receivables developed as follows:

	2010 € million	2009* € million
Status of value adjustments as of January 1	**78.1**	**59.5**
Currency differences	1.4	0.0
Additions	25.8	30.7
Utilization	-9.2	-9.2
Releases	-9.0	-2.9
Status of value adjustments December 31	**87.1**	**78.1**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Gross values *								
2009	Total	thereof, not value-adjusted						thereof, value-adjusted
		Not due	0 - 30 days	31 – 60 days	61 – 90 days	91 - 180 days	More than 180 days	
€ million	425.5	234.0	33.9	14.3	10.0	10.6	6.6	116.1

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Gross values								
2010	Total	thereof not value-adjusted						thereof value-adjusted
		Not due	0 - 30 days	31 – 60 days	61 – 90 days	91 - 180 days	More than 180 days	
€ million	534.1	346.7	38.0	14.0	6.5	7.9	10.3	110.7

With respect to trade receivables which were not subject to value adjustments, the Company assumes that the debtors will comply with their payment obligations.

8. Other Current Financial Assets

This item is structured as follows:

	2010 € million	2009* € million
Fair value of derivative financial instruments	3.3	1.7
Other financial assets	22.6	16.5
Total	**25.9**	**18.2**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Other current financial assets are due within one year. The present value corresponds to the carrying amount.

9. Other Current Assets

This item is structured as follows:

	2010 € million	2009* € million
Prepaid expense relating to the subsequent period	27.1	29.4
Other receivables	47.1	35.7
Total	**74.2**	**65.1**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Other assets are due within one year. The present value corresponds to the carrying amount.

Other receivables mainly include VAT receivables amounting to € 26.1 million (previous year: € 17.0 million).

10. Deferred Taxes

Deferred taxes relate to the items presented below:

	2010 € million	2009* € million
Tax losses carried forward	13.6	13.3
Non-current assets	15.9	14.5
Current assets	40.7	37.7
Provisions and other liabilities	35.8	19.3
From netting in equity with neutral effects on profit or loss	8.0	7.8
Deferred tax assets (before netting)	114.0	**92.6**
Non-current assets	62.1	27.4
Current assets	5.6	2.6
Provisions and other liabilities	0.5	2.1
Deferred tax liabilities (before netting)	68.2	**32.2**
Deferred tax claims, net	**45.8**	**60.4**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Of the deferred tax assets, the amount of € 90.1 million (previous year: € 56.0 million) is current, and of deferred tax liabilities € 6.1 million (previous year € 3.0 million) are current.

Tax losses carried forward as of December 31, 2010 totalled € 102.7 million (previous year: € 97.0 million.), resulting in a deferred tax claim of € 23.0 million (previous year: € 24.1 million). Tax losses carried forward concern, in part, inactive entities or entities for internal Group financing. Deferred tax receivables were recorded for these items at the amount that can probably be realized from the associated tax advantage resulting from future tax profit. Accordingly, deferred tax receivables in the amount of € 9.4 million (previous year: € 10.8 million) were not recorded.

Deferred tax liabilities to account for source taxes from possible dividends on retained profits of subsidiaries that serve to cover the refinancing requirement of the respective company were not recorded.

Deferred tax assets and liabilities are netted to the extent that they relate to a tax subject and can actually be netted. Consequently, they are disclosed in the balance sheet as follows:

	2010 € million	2009* € million
Deferred tax assets	96.5	64.8
Deferred tax liabilities	50.7	4.4
Deferred tax assets, net	**45.8**	**60.4**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Deferred tax assets developed as follows:

	2010 € million	2009* € million
Deferred tax assets, previous year	64.8	80.5
Recognition in the income statement	26.1	-28.4
Netting in equity capital with neutral effect on profits	5.6	12.7
Deferred tax assets	**96.5**	**64.8**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Deferred tax liabilities developed as follows:

	2010 € million	2009 € million
Deferred tax liabilities, previous year	4.4	26.5
Deferred taxes from the acquisition of subsidiaries	42.0	0.0
Recognition in the income statement	4.3	-22.1
Deferred tax liabilities	**50.7**	**4.4**

11. Property, Plant and Equipment

Property, plant and equipment at carrying amounts consist of:

	2010 € million	2009 € million.
Land and buildings including buildings on third party land	137.8	138.0
Technical equipment and machines	3.3	4.8
Other equipment, factory and office equipment	89.4	98.1
Assets under construction	6.2	1.9
Total	**236.7**	**242.7**

The carrying amounts of property, plant and equipment are derived from acquisition costs. Accumulated depreciation of property, plant and equipment amounted to € 233.3 million (previous year: € 201.9 million).

Property, plant and equipment include lease assets (finance lease) in the amount of € 1.2 million (previous year: € 1.9 million).

The development of property, plant and equipment during financial year 2010 is presented in "Development of Fixed Assets". Impairment expenses that exceed current depreciation are included at the amount of € 9.6 million mainly as a result of the re-engineering and optimization of the global organization structure.

12. Intangible Assets

This item mainly includes goodwill, intangible assets with indefinite useful lives and assets associated with the Company's own retail activities.

Goodwill and intangible assets with indefinite useful lives are not amortized according to schedule. An impairment test was carried out in the financial year ended using the discounted cashflow method and based on data of the respective three-year planning. The achievable amount was determined on the basis of the usage value.

The development of intangible assets in financial year 2010 is presented in "Development of Fixed Assets". Impairment expenses that exceed current amortization are mainly included in the amount of € 1.2 million as a result of re-engineering and optimization of the global organization structure.

Goodwill is allocated to the Group's identifiable cash generating units (CGUs) according to the country of activity. Summarized according to regions, goodwill values are allocated as follows:

	2010 € million	2009* € million
EMEA	150.4	157.1
America	40.5	34.1
Asia/Pacific	90.8	78.5
Total	**281.7**	**269.7**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Assumptions in the context of the impairment test:

	EMEA	America	Asia/Pacific
Tax rate (range)	20.0%-30.0%	17.0%-40.0%	17.5%-40.7%
WACC before tax (range)	7.9%-14.2%	9.0%-11.0%	7.6%-10.6%
WACC after tax (range)	6.4%-11.9%	6.9%-12.7%	5.0%-9.7%
Growth rate	3%	3%	3%
Beta	0.922	0.922	0.922

A lower growth rate of below 3% was recorded in justified cases.

Sensitivity analyses relative to the impairment tests carried out indicate that an increase in the discount rates by 1% in each case does not impact on the goodwill value.

13. Investments in associates

The interest in Wilderness Holdings Ltd., which was acquired in financial year 2010, is disclosed in the investments in associates. The carrying amount of the shares amounts to € 23.9 million as of December 31, 2010; the fair value stands at € 24.5 million.

The following overview shows the aggregated benchmark data of associated companies accounted for at equity. The values represent the values based on a fictitious shareholding of 100% and do not relate to the shares attributable to the PUMA Group.

	2010 € million
Total assets	81.8
Total liabilities	45.3
Equity capital	36.5
Sales revenues	88.3
Result	8.6

The balance sheet date of Wilderness Holdings Ltd. is February 28, 2011. The company made financial information as of December 31, 2010 available for the purpose of at equity inclusion in the consolidated financial statements of PUMA AG.

The disclosures on total assets, total liabilities and equity capital stated above relate to financial information of the company as of December 31, 2010.

The development of investments in associates for the financial year 2010 is shown together with the "Development of Fixed Assets".

14. Other Non-Current Assets

Other non-current financial and non-financial assets are structured as follows:

	2010 € million	2009 € million
Other loans	2.7	2.6
Other financial assets	15.2	12.2
Sum total of other non-current financial assets	**17.9**	**14.8**
Other non-current non-financial assets	21.0	12.2
Total other non-current assets	**38.9**	**27.0**

Other financial assets mainly include rental deposits in the amount of € 14.8 million (previous year: € 11.1 million).

The development for financial year 2010 is shown together with the "Development of Fixed Assets". There were no indications of impairment.

15. Liabilities

The residual terms of liabilities are as follows:

	2010				2009*			
		Residual term of				Residual term of		
	Total € million	up to 1 year € million	1 to 5 years € million	more than 5 years € million	**Total € million**	up to 1 year € million	1 to 5 years € million	more than 5 years € million
Current bank liabilities	**42.8**	42.8			**48.3**	48.3		
Trade payables	**344.3**	344.3			**265.7**	265.7		
Other liabilities								
Liabilities from taxes	**43.5**	43.5			**30.4**	30.4		
Liabilities relating to social security	**4.2**	4.2			**4.2**	4.2		
Liabilities to employees	**51.1**	51.1			**37.9**	35.9	1.9	
Liabilities from the measurements of currency forwards at market value	**21.3**	21.3			**21.6**	21.6		
Leasing liabilities	**0.5**	0.5			**0.4**	0.4		
Other liabilities	**67.1**	56.8	10.3		**58.5**	43.9	7.6	7.1
Total	**574.8**	564.5	10.3	0.0	**467.0**	450.4	9.5	7.1

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

The PUMA Group's credit facilities total € 259.2 million (previous year: € 261.3 million). They can be used optionally for bank loans or guarantee credits. In addition to bank liabilities amounting to € 42.8 million (previous year: € 48.3 million), guarantee credits in the amount of € 27.6 million (previous year: € 30.2 million) were recorded as at December 31, 2010. In addition to liquid assets, the Company's unused credit facilities amounted to € 188.8 million (previous year: € 182.9 million).
The effective interest rate of financial liabilities ranged between 2.2% - 12%.

The following table shows the cashflows of original financial liabilities and of derivative financial instruments with positive and negative fair value:

Cashflow from original and derivative financial Liabilities	Carrying amount 2010	Cashflow 2011		Cashflow 2012		Cashflow 2013ff.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Original financial liabilities							
Liabilities to banks	42.8		42.8				
Trade payables	344.3		344.3				
Liabilities from finance leasing	0.5		0.4				
Purchase price liabilities	137.6		55.7		78.2		4.1
Other liabilities	43.7		37.0		0.5		6.2
Derivative financial liabilities and assets							
Currency forwards connected to cashflow hedges – inflow			525.9				
Currency forwards connected to cashflow hedges – outflow			545.9				

Liabilities to banks are repayable at all times.

The following values were determined in the previous year:

Cashflow from original and derivative financial Liabilities	Carrying amount 2009	Cashflow 2010		Cashflow 2011		Cashflow 2012ff.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Original financial liabilities							
Liabilities to banks	48.3		48.3				
Trade payables	265.7		265.7				
Liabilities from finance leasing	0.4		0.4				
Purchase price liabilities	148.7		33.2	3.2	32.2		88.9
Other liabilities	45.8	0.3	40.9	0.3	1.1		4.6
Derivative financial liabilities and assets							
Currency forwards connected to cashflow hedges – inflow			411.1				
Currency forwards connected to cashflow hedges – outflow			436.3				

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

16. Additional Disclosures on Financial Instruments

	Measurement categories pursuant to IAS 39	Carrying amount 2010 € million	Fair value 2010 € million	Carrying amount 2009* € million	Fair value 2009* € million
Assets					
Cash and cash equivalents	[1]LAR	479.6	479.6	485.6	485.6
Trade receivables	LAR	447.0	447.0	347.4	347.4
Other financial current assets	LAR	22.6	22.6	16.5	16.5
Derivates involving hedges (fair value)	n.a.	3.3	3.3	1.7	1.7
Loans	LAR	2.7	2.7	0.1	0.1
Other financial non-current assets	LAR	15.2	15.2	14.6	14.6
Liabilities					
Bank liabilities	[2] OL	42.8	42.8	48.3	48.3
Trade payables	OL	344.3	344.3	265.7	265.7
Purchase price liabilities	OL	137.6	137.6	148.7	148.7
Leasing liabilities	n.a.	0.5	0.5	0.4	0.4
Other financial liabilities	OL	43.7	43.7	45.8	45.8
Derivates involving hedges (fair value)	n.a.	21.3	21.3	21.6	21.6
Total LAR		**967.1**	**967.1**	**864.2**	**864.2**
Total OL		**568.4**	**568.4**	**508.5**	**508.5**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3
[1] LAR: Loans and Receivables; [2] OL: Other Liabilities

Financial instruments measured at market value in the balance sheet were determined using the following hierarchy:

Level 1: Use of prices quoted on active markets for identical assets or liabilities.
Level 2: Use of input factors that do not represent the quoted prices stated under Level 1, but can be observed for the asset or liability either directly (i.e., as price) or indirectly (i.e., derivation of prices).
Level 3: Use of factors for the valuation of the asset or liability that are based on non-observable market prices.

The market values of derivative assets or liabilities were determined on the basis of Level 2.

The residual terms of cash and cash equivalents, trade receivables and other assets are short-term in nature. Accordingly, the carrying amount as of the reporting date approximates to the fair value. Receivables are stated at nominal value taking default risk deductions into account.

The carrying amount of loans approximates to 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. Other financial assets include € 16.7 million (previous year: € 12.8 million) that were pledged as rental deposits.

Bank liabilities are terminable at any time and are thus short-term. Accordingly, the carrying amounts as of the reporting date approximate to the fair value.

Trade payables have short term residual maturities. The values reported thus approximate to the fair values.

Purchase price liabilities 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, market interest rates range between 0.8% and 6.5%.

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

The fair values of derivatives involving hedges as of the balance sheet date are determined by the respective banks in consideration of current market parameters.

Net result according to measurement categories:

	2010 € million	2009* € million
Loans and receivables (LAR)	-20.4	-25.8
Other liabilities (OL)	-18.8	-10.1
Total	**-39.2**	**-35.9**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

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

General administration expenses include the valuation adjustments of receivables and currency changes.

17. Pension Provisions

Pension provisions result from employees' claims for pension benefits in the event of invalidity, death, or when a certain retirement age has been reached. Pension benefits are based on the statutory or contractual regulations applicable in the respective country.

The general pension order of PUMA AG stipulates pension payments at a maximum amount of € 127.82 per month and per eligible employee. In addition, PUMA AG provides for individual commitments (fixed amounts at varying degrees) as well as contribution-based individual commitments (in part from salary conversion). The contribution-based commitments are insured plans. The scope of the obligation attributable to domestic pension claims (PUMA AG) amounts to € 23.3 million and thus accounts for 41.3 % of the total obligation. The fair value of the plan assets relative to the domestic obligations amounts to € 7.4 million, and the respective pension provision amounts to € 15.9 million.

The defined benefit plan in the UK is not available for new hires. The plan is based on salary- and length of service-based commitments concerning old age, invalidity, and surviving dependents' retirement benefits. Partial capitalization is admissible. The obligation respecting pension claims under the defined benefit plan in the UK amounts to € 21.3 million and thus accounts for 37.8 % of the total obligation. The obligation is covered by assets amounting to € 20.0 million, and the respective provision comes to € 1.3 million.

The cash value of pension claims developed as follows:

	2010 € million	2009* € million
Present value of pension claims January 1	**50.0**	**41.0**
Service cost	2.9	2.2
Interest expense	2.4	2.2
Employee contributions	0.4	0.4
Actuarial (gains) and losses	1.4	5.0
Currency effects	1.9	1.4
Benefits paid	-2.5	-2.1
Past service cost	0.0	-0.1
Effects from transfers	0.0	0.0
Effects from plan reductions	-0.1	0.0
Effects from plan-related settlement	0.0	0.0
Present value of pension claims December 31,	**56.4**	**50.0**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

The plan assets developed as follows:

	2010 € million	2009 € million
Plan assets January 1	**24.6**	**19.7**
Expected return on plan assets	1.1	1.1
Actuarial gains / (losses)	0.8	0.7
Employer contributions	4.0	2.3
Employee contributions	0.4	0.4
Exchange rate changes	1.0	0.9
Benefits paid	-1.5	-0.5
Effects from transfers	0.0	0.0
Effects from plan-related settlement	0.0	0.0
Plan assets December 31	**30.4**	**24.6**

The pension provision for the Group is derived as follows:

	2010 € million	2009* € million
Present value of pension claims that are wholly or partially funded	49.3	43.9
Fair value of plan assets	-30.4	-24.6
Short cover/(surplus cover)	**18.9**	**19.3**
Present value of pension claims from wholly unfunded plans	**7.2**	**6.1**
Non-recorded historical costs	0.0	0.0
Amounts not recorded due to the ceiling applicable to assets	0.0	0.0
Pension provision December 31	**26.1**	**25.4**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Benefit payments in 2010 amounted to € 2.5 million (previous year: € 2.1 million). Total benefit payments in 2011 are expected to amount to € 1.7 million, whereof € 1.5 million are expected to be paid directly by the employer. In 2010 company contributions to external plan assets amounted to € 4.0 million (previous year: € 2.3 million). Company contributions in 2011 are expected to amount to € 1.8 million.

The pension provision developed as follows:

	2010 € million	2009* € million
Pension provision: January 1	**25.4**	**21.3**
Pension expense	4.1	3.2
Actuarial (gains) and losses included in shareholders' equity	0.6	4.3
Employer contributions	-4.0	-2.3
Direct pension payments made by the employer	-1.0	-1.6
Transfers	0.0	0.0
Currency differences	0.9	0.5
Pension provision December 31	**26.1**	**25.4**
thereof pension assets	0.0	0.0
thereof pension liabilities	26.1	25.4

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

The expense in financial year 2010 is structured as follows:

	2010 € million	2009* € million
Service cost	2.9	2.2
Interest expense	2.4	2.2
Expected return on plan assets	-1.1	-1.1
Expense from plan changes	0.0	-0.1
Expense from plan reductions- or settlements	-0.1	0.0
Pension expense for defined benefit plans	**4.1**	**3.2**
Pension expense for define contribution plan	**8.5**	**4.1**
Total pension expense	**12.6**	**7.3**
thereof, personnel expense	11.3	6.2
thereof, financial expense	1.3	1.1

* * Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Actuarial gains and losses recognized in equity capital:

	2010 € million	2009 € million
Actuarial (gains) / losses concerning the financial year	0.6	4.3
Effects from the recognition of the ceiling for assets	0.0	0.0
Cumulative amount of expense recognized in shareholders' equity in the reporting year	0.6	4.3
Expense recognized in shareholders' equity in previous years	7.1	2.3
Currency differences	0.0	0.6
Cumulative amount of expense recognized in shareholders' equity	**7.7**	**7.1**

Major categories of plan assets:

	2010 € million	2009 € million
Equity securities	6.9	5.8
Debt securities	12.3	11.0
Hedge funds	0.1	0.1
Derivatives	0.0	0.0
Real estate	2.5	1.6
Insurance contracts	7.5	5.9
Other	1.1	0.2
Total fair value of plan assets	**30.4**	**24.6**

Plan assets do not include the Group's own financial instruments. The actual return on plan assets in 2010 amounted to € 1.9 million (previous year: € 1.8 million).

The expected return on external plan assets is based on capital market research and return forecasts and was determined separately for each asset category. Insurance contracts account for 24.7% of the plan assets. The definition of the expected return on plan assets was based on the published or expected return of the insurance company concerned.

The following assumptions were used to determine pension obligations and the pension expense:

	2010	2009
Discount rate	4.57%	4.85%
Future pension increases	2.07%	2.49%
Future salary increases	3.95%	4.18%
Expected return on external plan assets	4.79%	5.47%

The values stated represent weighted average values. A standard interest rate of 4.5% was applied for the euro region.

PUMA AG pension provisions were determined using the Klaus Heubeck "2005 G" mortality tables.

Obligation, assets and cover ratio

	2010 € million	2009* € million	2008 € million	2007 € million	2006 € million
Present value of pension claims	56.4	50.0	41.0	39.0	43.0
Plan assets	30.4	24.6	19.7	21.1	16.4
(Surplus cover) / short cover	26.1	25.4	21.3	17.9	26.6

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Experience-based adjustments:

	2010 € million	2009 € million	2008 € million
Experience-based (gains) / losses in plan assets	-0.8	-0.7	2.6
Experience-based (gains) / losses in pension obligations	-0.5	1.8	0.8

18. Tax Provisions

	2009					2010
	€ million	Currency adjustments, reclassifications € million	Utilization € million	Release € million	Addition € million	**€ million**
Tax provisions	**20.0**	1.7	-12.0	-1.0	98.2	**106.9**

Tax provisions mainly include expected subsequent tax payments for previous years as well as income taxes expected but not yet paid for financial year 2010. Deferred taxes are not included. The provision should lead to a cash outflow in the following financial year.

Taking into account tax refund claims of € 80.8 million, which are included in the item Receivables from income taxes, the expected tax liabilities (netted) in the Group amount to € 26.1 million.

The addition to tax provisions is associated with an increase in receivables from income taxes and includes the findings of the concluded German tax audit covering the years from 2003 to 2006 and corresponding effects in the years from 2007 to 2009. Including subsequent interest payments and the expected outcome of EU tax negotiations, the Company's tax liability comes to approximately € 27 million. However, due to sufficient risk provisioning recorded in earlier periods the external tax audit and the resulting subsequent effect in 2010 had no significant impact on the Company's earnings.

Tax provisions also include appropriate provisioning for current tax audits abroad. In this context tax provisions were recorded if the Company is of the opinion that a cash outflow will probably result in the future.

19. Other Provisions

	2009* € million	Currency adjustments, reclassifications € million	Utilization € million	Release € million	Addition € million	2010 € million
Provisions for:						
Warranties	**10.6**	0.5	-6.9	-0.1	9.9	**14.0**
Purchase risks	**5.6**	0.3	-1.6	-1.8	0.0	**2.5**
Special items	**69.8**	1.6	-52.1	-0.7	0.9	**19.5**
Others	**44.6**	2.0	-10.8	-7.7	19.9	**48.1**
Total	**130.6**	4.4	-71.4	-10.3	30.7	**84.1**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

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

Purchase risks primarily relate to raw materials and to tooling needed for shoe manufacture. The provision will probably lead to a pay-out in the following year.
Provisions to account for special items include expenses incurred for optimization of the retail trade portfolio, the global organization structure, and re-engineering of the operative processes.

Other provisions are primarily recorded to account for risks that may arise from litigation, anticipated losses, and other risks.

The other provisions include non-current provisions in the amount of € 12.2 million (previous year: € 12.2 million).

20. Liabilities from Acquisitions

In accordance with the agreements concluded, the purchase price liability associated with corporate acquisitions leads to prorated payments. The resulting nominal amounts were discounted using an adequate market interest rate, depending on the expected date of payment.

The purchase price liability is structured as follows:

	2010 € million	2009* € million
Due within one year	55.7	33.2
Due in more than one year	81.9	115.5
Total	**137.6**	**148.7**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

21. Shareholders' Equity

Subscribed Capital

The subscribed capital corresponds to the subscribed capital of PUMA AG. As of the balance sheet date, the subscribed capital amounted to € 38.6 million. It is split up into 15,082,464 fully paid-in bearer shares. Capital reserves rose by € 7.6 million as a consequence of the valuation of stock option programs for Management with a corresponding adverse effect on personnel expenses.

SAPARDIS S.A. is a fully-owned subsidiary of PPR S.A., Paris, and presently holds 71.58% of the subscribed capital. Consequently, the PPR Group holds a majority share in PUMA AG.

Structure of outstanding shares:

		2010	2009
Shares outstanding as at January 1	**share**	**15,082,464**	**15,082,464**
Conversion from Management Incentive Program	share	626	0
Share buy-back	share	-102,219	0
Shares outstanding as at December 31	**share**	**14,980,871**	**15,082,464**

Cashflow Hedges

The "Cashflow Hedges" item includes the valuation of derivative financial instruments at market value. The item includes € -11.1 million (previous year: € -13.6 million), which are set off against deferred taxes in the amount of € 5.4 million (previous year: € 6.3 million).

Own Shares / Treasury Stock

Based on a resolution passed by the shareholders' meeting of April 20, 2010, the Company was authorized to acquire own shares of up to ten percent of the capital stock by April 19, 2015. 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 attributes in XETRA trade (or a comparable successor system), on the last three trading days prior to acquisition. At the same time, as a result of the authorization resolution, the previous decision of the shareholders' meeting from 2009 was revoked.

The Company made use of the authorization to acquire treasury stock and repurchased 102,219 shares of stock involving a value of € 23.4 million in the reporting period. The Company holds a total of 101,593 PUMA shares in its own portfolio as of the balance sheet date, which translates into a share of 0.67% of the subscribed capital.

Authorized Capital

Pursuant to Article 4, Items 3 and 4 of the PUMA AG Articles of Association, the Board of Management is authorized, with the approval of the Supervisory Board, to increase share capital by April 10, 2012 as follows:

A) 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

B) 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. Subscription right may be excluded fully or in part (Authorized Capital II).

Conditional Capital

In accordance with a resolution passed by the shareholders' meeting of April 22, 2008, share capital can be increased by up to € 1.5 million through issuance of up to 600,000 new shares of stock. Conditional capital may be used exclusively for the purpose of granting subscription rights (stock options) to members of the Board of Management and other executive staff of the Company and subordinate affiliated companies.
On December 31, 2010 conditional capital was reported at a total amount of € 1.5 million (previous year: € 1.5 million).

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

The Board of Management and the Supervisory Board propose to the shareholders' meeting that a dividend of € 1.80 per outstanding share, or a total of € 27.0 million (relative to the shares outstanding as of December 31), from the PUMA AG net retained earnings be distributed to the shareholders for financial year 2010. This corresponds to a payout rate of 13.3% relative to consolidated earnings compared to 34.1% in the previous year (or compared to 21.2% before restatement of the consolidated financial statements as at December 31, 2009).

Appropriation of PUMA AG net retained earnings:

		2010	2009
Net retained earnings of PUMA AG as of Dec. 31	€ million	75.0	50.0
Dividend per share	€	1.80	1.80
Number of shares outstanding *	share of stock	14,980,871	15,082,464
Dividend, total *	€ million	27.0	27.1
Carried forward to the new accounting period *	€ million	48.0	22.9

* Previous year's value adjusted to the status as of the shareholders' meeting

Minority Interest
The minority interest remaining at the balance sheet date relates to a company in the Brandon Company AB sub-group.

Capital Management
The aim of capital management is to retain a strong equity capital basis with a view to maintaining and strengthening both investor confidence and market confidence and strengthening future business development.

Capital management relates to the consolidated equity of Puma, which is presented in the balance sheet and in the reconciliation statement concerning "Changes in shareholders' capital".

22. 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 a longer period. The programs are valued using a binomial model or a Monte Carlo simulation, respectively.

The current programs are described below:

Explanatory Comment: "SOP"
Upon resolution of the shareholders' meeting of April 22, 2008 a stock option program, **"SOP 2008"**, in the form of a "Performance Share Program" was resolved upon. To this end, conditional capital was created, authorizing the Supervisory Board or the Board of Management, respectively, to issue subscription rights to members of the Board of Management and other executives of the Company and subordinated affiliated companies up to the end of five years (after entry of the conditional capital in the Commercial Register), but at the least, however, up to the end of three months after the end of the ordinary shareholders' meeting in the year 2013.
The term of the subscription rights issued or to be issued is five years in each case. They can be exercised after two years at the earliest, provided however, that the price of the PUMA share has increased by at least 20% as from the grant date. In contrast to traditional stock option programs, the equivalent amount of the value appreciation of the PUMA share since the granting date is serviced in shares, whereby the beneficiary pays an option price of € 2.56 per share granted if the share issue results from a capital increase.
Furthermore, in accordance with the authorization, the Supervisory Board (in compliance with the recommendations of the Corporate Governance Code), may limit the scope or content of subscription rights issued to members of the Board of Management either in full or partially in the event of extraordinary unforeseen developments. The Board of Management can also make use of this possibility with respect to the other executives concerned.

The following parameters were used for fair value determination:

SOP	2008 Tranche I	2008 Tranche II	2008 Tranche III
Share price at the grant date	€ 199.27	€ 147.27	€ 250.50
Expected volatility	29.1%	47.7%	34.5%
Expected dividend payment	1.50%	2.31%	1.30%
Non-risk interest rate, Board of Management	4.60%	1.97%	1.60%
Non-risk interest rate, executive staff	4.60%	1.97%	1.60%

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

Development of the "SOP" Program in the financial year:

SOP	**2008 Tranche I**	**2008 Tranche II**	**2008 Tranche III**
Issue date	07/21/2008	04/14/2009	04/22/2010
Number issued	113,000	139,002	126,184
Exercise price	€ 0.00	€ 2.56	€ 2.56
Residual term	2.58 years	3.25 years	4.25 years
In circulation as at January 1	**99,000**	**137,502**	**0**
Exercised	-3,000	0	0
Ø share price upon exercise	233.81	n.a.	n.a.
Lapsed	+500	-2,500	0
In circulation: December 31	**96,500**	**135,002**	**126,184**

At the grant date, the average present value per option is € 49.44 with respect to "Tranche I – 2008". Taking the vesting period into account, the resulting expense for the current year totals € 1.4 million. Of the options in circulation, 84,000 options are attributable to the Board of Management.

In line with the assignment, an average present value per option of € 53.49 is reported with respect to "Tranche II – 2008". Taking the vesting period into account, the resulting expense for the financial year totals € 3.7 million. A total of 116,502 options are attributable to the Board of Management.

In line with the assignment, an average present value per option of € 61.81 is reported with respect to "Tranche III – 2008". Taking the vesting period into account, the resulting expense for the financial year totals € 2.6 million. A total of 103.684 options are attributable to the Board of Management.

Explanatory Comment: "SAR"
In addition to the SOP programs, stock appreciation rights (SARs) were also issued in 2004 and 2006 within the scope of the Long Term Incentive Program for members of the Board of Management of PUMA AG, members of the managements of affiliated companies and executive staff of PUMA AG, and affiliated companies that are responsible for a long-term increase in corporate value.

The term of vested option rights under the **"SAR 2004"** program is five years after issuance. They can be exercised after a vesting period of two years at the earliest. An exercise gain results from the positive difference between the current share price in the event of a virtual sale and the exercise price. A minimum exercise gain of 4% and a maximum exercise gain of 50% was agreed upon for tranche III (2006/2011). Tranches I, II, IV and V were completed in previous years.

The maturity of option rights concerning the **"SAR 2006"** program is five years overall as from receipt of the acceptance statement. 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 up to 50% in the third year, up to 75% in the fourth year, and the full 100% only in the last year. 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 XETRA closing prices for the twenty trading days preceding issuance of the rights.

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

SAR	**2004 Tranche III**	**2006 Tranche I**
Share price on December 31	€ 248.00	€ 248.00
Expected volatility	31.9%	31.9%
Expected dividend payment	0.8%	0.8%
Non-risk interest rate	0.56%	0.56%
Expected residual term	0.32 years	0.38 years

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

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

SAR	**2004 Tranche III**	**2006 Tranche I**
Issue date	04/25/2006	10/01/2006
Number issued	150,000	66,250
Exercise price	€ 345.46	€ 317.23 – € 341.02
Residual term	0.32 years	0.38 years
In circulation as of January 1	**150,000**	**42,750**
Exercised	0	0
Lapsed	0	-5,000
In circulation as of December 31	**150,000**	**37,750**

The program launched in 2004 resulted in income of € 1.6 million in the current year. Option rights are held by the Board of Management.
The program launched in 2006 resulted in income of € 0.3 million in the current year. The number of option rights includes 9,000 options rights which are attributable to the Board of Management.

23. Other Operating Income and Expenses

According to the respective functions, the other operating income and expenses include personnel-, advertising and selling expenses as well as rental and leasing expenses, travel costs, legal and consulting expenses and other general administration expenses. Operations-related income that is associated with operating expenses is netted in the respective item. Rental and leasing expenses concerning own retail operations include sales-dependent rental components.

Classified by functions, other operating income and expenses are as follows:

	2010 € million	2009* € million
Selling expenses	850.1	878.2
Product development and design	63.6	58.1
Administration and general expenses	178.9	218.3
Other operating expenses	**1,092.6**	**1,154.6**
Other operating income	**35.,5**	**37.3**
Total	**1,057.1**	**1,117.3**
Thereof amort./depreciation and impairment expenses	66.0	71.7

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Within selling expenses, marketing/retail expenses account for the major part of operating expenses. They also include expenses for PUMA's retail activities, in addition to advertising and promotion expenses. The other selling expenses include warehousing expenses and other variable selling expenses.

Administration and general expenses include expenses in the amount of € 0.6 million (previous year: € 1.1 million) respecting the annual auditor of PUMA AG, thereof audit fees in the amount of € 0.5 million (previous year: € 0.4 million) and tax consultancy costs of € 0.1 million (previous year: € 1.0 million).

The other operating income includes € 28.3million (previous year: € 30.7 million) relating to income from the allocation of development costs and € 7.2 million (previous year: € 6.6 million) concerning other income.

In all, the other operating expenses include personnel-related costs that are structured as follows:

	2010 € million	2009* € million
Wages and salaries	276.6	250.0
Social security contributions	36.7	39.1
Expenses from option programs	5.9	6.0
Expenses for pension schemes and other personnel expenses	34.9	25.1
Total	**354.1**	**320.2**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

In addition, cost of sales include personnel expenses in the amount of € 7.5 million (previous year: € 5.1 million).

The annual average number of staff on a full-time basis was as follows:

	2010	2009
Marketing/retail/sales	6,284	6,818
Product development/design	659	688
Administration and general units	2,370	2,241
Total annual average	**9,313**	**9,747**

A total of 9,697 employees were employed at year-end on a full-time basis (previous year: 9,646).

24. Financial Result

The financial result is structured as follows:

	2010 € million	2009* € million
Income from associated companies	**1.8**	**0.0**
Interest income	4.4	3.8
Financial income	**4.4**	**3.8**
Interest expense	-5.9	-6.6
Added interest concerning purchase price liabilities from acquisitions	-4.3	-4.1
Valuation of pension plans	-1.3	-1.1
Financial expenses	**-11.5**	**-11.8**
Financial result	**-5.3**	**-8.0**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

Income from associated companies results exclusively from the investment in Wilderness Holdings Ltd. (see also paragraph 13).

Interest income results from financial investments and interest expenses relate to loans.

25. Taxes on Income

	2010 € million	2009* € million
Current income taxes		
Germany	12.4	14.7
Other countries	82.6	56.0
Total current income taxes	**95.0**	**70.7**
Deferred taxes	**4.3**	**-9.6**
Total	**99.3**	**61.1**

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

In general, PUMA AG and its German subsidiaries are subject to corporation tax, plus a solidarity surcharge, and trade tax. For the financial year, a weighted mixed tax rate of 27.22% applied.

Numerical reconciliation of theoretical tax expense with current tax expense:

	2010 € million	2009* € million
Earnings before income taxes	**301.5**	**138.4**
Theoretical tax expense Tax rate of the AG = 27.22 % (previous year: 27.22%)	82.1	37.7
Taxation difference respecting countries abroad	-9.2	-1.1
Other tax effects:		
Intra-group booking entries	-6.6	-2.4
Losses and temporary differences for which no tax claims were recorded	13.4	14.5
Tax rate changes	0.1	-0.4
Source tax expenses	6.0	4.5
Non-deductible expenses or non-taxable income and other effects	13.5	8.3
Effective tax expense	**99.3**	**61.1**
Effective tax rate	32.9%	44.1%

* Adjusted comparative figures pursuant to IAS 8, see paragraph 3

The item "Losses and temporary differences for which no tax claims were recorded" relates largely to a subsidiary in Greece as realization of the respective advantage is unlikely.

The tax effect resulting from items that are directly credited or debited to shareholders' equity is to be derived directly from the statement of comprehensive income.

26. Earnings per Share

Earnings per share are determined in accordance with IAS 33 by dividing the consolidated net earnings (Group profit) attributable to the shareholder of the parent company by the average number of outstanding shares. Potential shares from the Management Incentive Program may lead to a dilution of this indicator (see paragraph 22 in this respect).

The calculation is shown in the table below:

		2010	2009*
Consolidated net earnings	€ million	202.2	79.6
Average number of stock outstanding	share	15,030,618	15,082,464
Diluted number of shares	share	15,122,918	15,091,900
Earnings per share	€	13.45	5.28
Earnings per share, diluted	€	13.37	5.27

27. Management of the Currency Risk

In financial year 2010 PUMA concluded "forward purchase USD" 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 that mainly concern cashflow hedges refer to currency forward transactions at a total amount of € 545.6 million (previous year: € 436.3 million).

Cashflows respecting the underlying transactions are expected for 2011.

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

	2010 € million	2009 € million
Currency forwards, assets	3.3	1.7
Currency forwards, liabilities	-21.3	-21.6
Net	-18.0	**-19.9**

The development of cashflow hedges is shown in the schedule of changes in shareholders' equity and the statement of comprehensive income. Risks are discussed in greater detail in the group management report.

28. Segment Reporting

The IASB published "Improvements to IFRS" in 2009 which include minor changes to IFRS. IFRS 8, for example, was amended to the extent that the amount of assets and debts is to be stated within the scope of segment reporting only if this disclosure is a regular component of the entity's reporting. This amendment is obligatory for financial years beginning on or after January 1, 2010. PUMA has already made use of earlier application.

Segment reporting is based on geographical regions in accordance with the internal reporting structure. Sales and gross profit are shown according to the geographical region where the respective Group company is located (head office). Intra-group sales of the respective region 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 amounts on the income statement or on the balance sheet, respectively.
The regions are subdivided (condensed) into EMEA (Europe, Middle East and Africa), Americas (North- and Latin America) and Asia/Pacific.

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

Investments and depreciation/amortization relate to additions and, respectively, to the depreciation/amortization of property, plant and equipment, intangible assets and other non-current assets during the current financial year. In addition, total impairment expenses in the amount of € 10.8 million (previous year: € 12.9 million) were reported and allocated to the following segments: EMEA (€ 7.7 million, previous year: € 4.5 million), Americas (€ 2.9 million, previous year; € 4.0 million), Asia/Pacific (€ 0.2 million, previous year: € 0.2 million), and the Central Units/Consolidation (€ 0.0 million, previous year: 4.2 million).

Since PUMA is active in one business field only, namely that of the sporting goods industry, the sales and gross income are allocated on a product basis, i.e., according to the Footwear, Apparel and Accessories product segments in keeping with the internal reporting structure. The operating result and most of the asset and liability items cannot be allocated in a reasonable manner.

Operating Segments 2010

Regions

	External Sales		EBIT		Investments	
	2010 € million	2009* € million	2010 € million	2009* € million	2010 € million	2009* € million
EMEA	1.157,3	1.136,2	67,8	59,5	41,4	43,9
Americas	828,4	662,1	85,2	51,9	13,5	9,4
Asia/Pacific	577,0	550,8	45,4	47,3	9,6	6,5
Central units/consolidation	143,6	98,3	139,4	141,0	144,2	148,3
Special items			-31,0	-153,3		
Total	2.706,4	2.447,3	306,8	146,4	208,8	208,1

	Scheduled Depreciation		Inventories		Trade Receivables	
	2010 € million	2009 € million	2010 € million	2009* € million	2010 € million	2009* € million
EMEA	19,8	21,9	242,7	197,9	190,8	150,0
Americas	14,1	16,0	118,6	106,0	130,1	97,9
Asia/Pacific	8,2	7,5	70,0	51,6	97,9	80,8
Central units/consolidation	13,1	13,2	8,4	-11,2	28,2	18,8
Total	55,2	58,5	439,7	344,4	447,0	347,4

Product

	External Sales		Gross Profit Margin	
	2010 € million	2009* € million	2010 € million	2009* € million
Footwear	1.424,8	1.321,7	48,9%	49,8%
Apparel	941,3	846,2	50,6%	51,3%
Accessories	340,3	279,4	50,6%	54,1%
Total	2.706,4	2.447,3	49,7%	50,8%

Bridge to EBT

	2010 € Mio.	2009* € Mio.
EBIT	306,8	146,4
Financial Result	-5,3	-8,0
EBT	301,5	138,4

* Adjusted comparable figures according to IAS 8, see comment 3

29. Notes to the Cashflow Statement

The cashflow statement was prepared in accordance with IAS 7; it is split 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 cashflow statement include all liquid assets disclosed in the balance sheet; i.e., cash in hand, checks and bank balances.

30. Contingencies and Contingent Liabilities

Contingencies

There were no reportable contingencies.

Contingent Liabilities

In accordance with an arbitration court decision, the former Spanish licensee, Estudio 2000 S.A., which is the owner of several PUMA brand rights, is obliged to transfer these brand rights to PUMA. As a consequence of the transfer of all text-, image- and combined PUMA brand rights, PUMA would eventually obtain possession of all brand rights and take over the operating business on the Spanish market and, in effect, would ensure uniform brand management and strategy. The arbitration court decision stipulates that the transfer of the brand rights is contingent on a one-off payment to Estudio 2000 S.A. of up to € 98 million. PUMA has challenged this decision and is of the opinion that, to a large extent, a successful outcome is probable.

No contingent liabilities are recorded with respect to the associated company which is accounted for at equity.

31. Other Financial Obligations

Obligations from operating lease

The Company rents and leases offices, store rooms, vehicle fleets, facilities and sales rooms for its own retail business. Rental contracts involve terms of between five and fifteen years. The terms of the remaining rental and lease agreements are one to five years. Some agreements provide for extension options and price adjustment clauses.

Total expenses resulting from these agreements amounted to € 115.7 million in 2010 (previous year: € 118.5 million). Some of these expenses are sales-dependent.

As of the balance sheet date, the Company's financial obligations from future minimum rental payments for operating lease agreements were as follows:

	2010 € million	2009 € million
From rental and lease agreements:		
2011 (2010)	92.9	85.6
2012 - 2015 (2011 – 2014)	193.0	200.5
from 2016 (from 2015)	71.4	74.3

Further other financial obligations

The Company's other financial obligations associated with license, promotion and advertising agreements are as follows as of the balance sheet date:

	2010 € million	2009 € million
From license, promotion and advertising contracts:		
2011 (2010)	88.3	69.5
2012 - 2015 (2011 – 2014)	163.3	157.6
from 2016 (from 2015)	6.1	3.5

In addition, obligations were recorded concerning the provision of sports equipment within the scope of sponsoring agreements.

32. Board of Management and Supervisory Board

Disclosures pursuant to Section 314 (1) Item 6 HGB

In accordance with the law on the disclosure of Board of Management remuneration of August 31, 2005, the Shareholders' Meeting can resolve on the scope of disclosures of remuneration for the Board of Management. In accordance with the legal provisions, individual remuneration concerning members of the Board of Management may not be disclosed for a period of five years pursuant to Sections 286 (5); 285 sent. 1 No. 9 letter a, sent. 5 to 9; Section 314 (2) sent. 2; Section 314 (1) No. 6 letter a, sent. 5 to 9, HGB, if so resolved by the Shareholders' Meeting on the basis of a 75% majority.

Through a resolution of the shareholders' meeting of April 22, 2008, the Company was authorized to refrain from disclosures pursuant to Section 285 sent. 1 No. 9 letter a, sent. 5 to 9 and Section 314 (1) No. 6 letter a, sent. 5 to 9 HGB with respect to the financial year beginning on January 1, 2008, and all following financial years which end on December 31, 2012 at the latest.

The Board of Management and the Supervisory Board are of the opinion that the shareholders' justified interest in information is sufficiently accounted for by disclosing the total remuneration for the Board of Management. The Supervisory Board shall ensure the appropriateness of individual remuneration in accordance with its statutory duties.

Board of Management

The remuneration of members of the Board of Management, which is determined by the Supervisory Board, is comprised of fixed and variable 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 profit-sharing bonuses and components with a long-term incentive effect (stock appreciation rights). The criteria for measuring the total remuneration include, in addition to the duties and services performed by the respective Board of Management member, 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 non performance-based salary. In addition, the members of the Board of Management receive remuneration in kind such as the use of a company car and insurance coverage. These benefits are generally made available to all members of the Board of Management on an equal footing and are included in non-performance-based remuneration.

The profit-sharing bonus, as part of the performance-based remuneration, is oriented mainly towards the operating profit and the free cashflow of the PUMA Group and is graded in accordance with the achievement of target levels. An upper limit is agreed upon.

The performance-based remuneration component with long-term incentive effect (stock appreciation rights), is generally determined within the scope of multi-year plans whereby 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 of the date of allocation. The possibility of a cap limit is provided as cover against extraordinary unforeseen developments. Particulars concerning the parameters used for the respective programs are provided in these Notes under No 22.

Fixed remuneration for the six Board of Management members amounted to € 5.9 million (previous year: € 5.9 million) in the financial year and variable profit sharing bonuses came to € 5.9 million (previous year: € 1.8 million).

Following expense allocation to the vesting period, the expense resulting from new options and those issued in previous years totals € 4.7 million (previous year: € 4.9 million). The Board of Management was granted a total of 103,684 options from the "SOP 2008" program in the financial year. The fair value was € 61.82 per option at the granting date.

In the event of premature termination of an employment relationship, a Board of Management member is paid the agreed-upon salary components up to the original end of the contract term. With respect to the salary components from the Long Term Incentive Program, it is agreed that option rights already granted shall be paid out at a value determined in accordance with "Black-Scholes" at the time of leaving the Company.

The Board of Management is provided with pension commitments for which the Company took out a pension liability insurance policy. The proportion of the pension capital which is financed through contributions to pension liability insurance is deemed to be a vested claim. An addition of € 1.2 million was reported as of the balance sheet date. The present value of the pension commitment in the amount of € 5.2 million was netted with the equally high and pledged asset value of the pension liability insurance policy.

Pensions commitments to former members of the Board of Management amounted to € 3.5 million (previous year: € 3.3 million). They are recorded under pension provisions. Pension benefit payments including subsequent payments for previous years were recorded at the amount of € 0.1 million (previous year: € 0.6 million.

Supervisory Board

In accordance with the Articles of Association, the Supervisory Board has six members. Supervisory Board compensation includes a fixed and a performance-based component.

The fixed compensation amounts to T€ 30.0 for each Supervisory Board member. The Supervisory Board Chairman receives twice this amount and Deputy Chairman one and a half times this compensation. As in the previous year, total fixed compensation amounted to T€ 225.0.

Performance-based compensation 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. The Supervisory Board Chairman receives twice this amount, and the Deputy Chairman receives one and a half times the amount. Since earnings per share were below the minimum amount in the financial year, as in the previous year, no performance-based compensation is paid.

33. Relationships with Related Parties

In accordance with IAS 24, relationships with related parties and persons that control or are controlled by the PUMA Group must be reported unless already included as consolidated companies in the consolidated financial statements of PUMA AG. Control is defined as the possibility to determine an entity's financial- and business policy and benefit from its activities.

SAPARDIS S.A. presently holds 71.58% of the subscribed capital of PUMA AG. PPR S.A., Paris, acts as the controlling parent company. Consequently, all companies that are directly or indirectly controlled by PPR S.A. and are not included in the PUMA AG consolidated financial statements qualify as related parties

The disclosure requirement pursuant to IAS 24 also extends to business with associated companies and other related parties including, in particular, minority shareholders at companies which are fully included in the consolidated financial statements and which may exert control although PUMA is the equitable owner due to the contractual structure (see paragraph 2).

Transactions with related parties largely concern the sale of merchandise and services. These sales were concluded at the market conditions usual between external parties ("arm's length" conditions).

The following overview reflects the scope of business relationships:

	Supplies and services rendered		Supplies and services received	
	2010 € Mio.	2009 € Mio.	**2010 € Mio.**	2009 € Mio.
PPR-Group consolidated companies	11,9	9,1	1,2	0,0
Other related parties	10,5	0,0	5,9	0,0
Total	**22,4**	**9,1**	**7,1**	0,0

	Net receivables from		Payables to	
	2010 € Mio.	2009 € Mio.	**2010 € Mio.**	2009 € Mio.
PPR-Group consolidated companies	1,8	0,8	0,2	0,0
Other related parties	1,3	0,0	0,1	0,0
Total	**3,0**	**0,8**	**0,3**	**0,0**

Receivables vis à vis related parties are, with one exception, not subject to value adjustments. With respect to the receivables from a minority shareholder and the latter's corporate group, gross receivables in the amount of € 52.3 million (previous year: € 37.1 million) from a PUMA AG subsidiary in Greece are value-adjusted. The respective expense recorded in financial year 2010 amounts to € 15.2 million (previous year: € 13.3 million) (see paragraph 3).

The Board of Management and Supervisory Board of the PUMA Group are related parties in terms of IAS 24. The services and remuneration concerning this group of persons are reflected in paragraph 32.

One member of the Supervisory Board is also President of a company which has received a consideration from PUMA in the amount of € 0.1 million within the framework of a consulting and service agreement concerning services associated with the expansion and growth strategy.

34. 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 in the PUMA AG Management Report.

35. Events after the Balance Sheet Date

There were no events after the balance sheet date that impact significantly on the net assts, financial position and results of operations.

Responsibility Statement ("Bilanzeid")

We state to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the applicable accounting principles, and that the Group management report provides a true and fair view of the course of business of the Group and appropriately describes the significant opportunities and risks of the expected developments of the Group.

Date of Release

The Board of Management of PUMA AG released the consolidated financial statements for further distribution to the Supervisory Board on February 7, 2011. The Supervisory Board is to examine the consolidated financial statements and to state whether it approves the consolidated financial statements.

Herzogenaurach, February 7, 2011

The Board of Management

Zeitz **Harris-Jensbach** **Bauer** **Caroti**

Deputy Board Members

Bertone **Seiz**

THE BOARD OF MANAGEMENT

Jochen Zeitz
Chairman and CEO

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

……
Melody Harris-Jensbach
Deputy CEO
(Chief Product Officer)

……
Klaus Bauer
(Chief Operating Officer)

……
Stefano Caroti
(Chief Commercial Officer)

……
Reiner Seiz
(Chief Supply Chain Officer)
Deputy Member of the Board of Management

……
Antonio Bertone
(Chief Marketing Officer)
Deputy Member of the Board of Management

……

SUPERVISORY BOARD

François-Henri Pinault
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
- FNAC, Ivry sur Seine/France
- SAPARDIS, Paris/France
- Soft Computing, Paris/France
- Christie's International, London/United Kingdom
- Sowind Group (Vice President), La Chaux-de-Fonds/Switzerland
- Bouygues, Paris/France
- CFAO (Vice President), Sèvres/France
- Artemis (Chairman), Paris/France

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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
- Kistamässan AB, Kista/Sweden

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Jean-François Palus
Paris, France
Directeur Général Délégué / Directeur Financier of PPR, Paris/France

Member of other Supervisory Boards or similar boards:
- Gucci Group NV, Amsterdam/The Netherlands
- CFAO, Sèvres/France
- Conforama Holding, Lognes Marne la Vallée/France
- FNAC, Ivry sur Seine/France
- SAPARDIS, Paris/France

....

Grégoire Amigues
Paris, France
Directeur du Plan et de la Stratégie of PPR, Paris/France

Member of other Supervisory Boards or similar boards:
- SAPARDIS, Paris/France
- LUMINOSA, Paris/France

....

Erwin Hildel, Employees' Representative
Herzogenaurach, Germany
Head of Sales Support and Customer Service
....

Oliver Burkhardt, Employees' Representative
Moehrendorf, Germany
Project Manager IT Solutions
....

"Auditors' Report

We audited the consolidated financial statements consisting of a balance sheet, income statement, aggregate income/loss statement, cashflow statement, notes to the financial statements and the Group management report of PUMA Aktiengesellschaft Rudolf Dassler Sport, Herzogenaurach, for the financial year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as applied in the EU, and the supplementary provisions stated in Section 315a (1) HGB, are the responsibility of the Company's Board of Management. 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 Section 317 HGB, and in conformity with the German auditing standards promulgated by the German Institute of Certified Public Accountants (IDW), thereby observing 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 and based on the information acquired during our audit, the consolidated financial statements comply with IFRS as applicable in the EU and the provisions of Section 315a (1) HGB. The consolidated financial statements provide a true and fair view of the Group's net assets, financial position and result of operations in accordance with said provisions. The Group management report is consistent with the consolidated financial statements and provides, as a whole, a suitable understanding of the Group's position, and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 7, 2011

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

Bernd Wagner	ppa. Christoph Dietzel
German Public Auditor	German Public Auditor

Supervisory Board Report

In the following report, the Supervisory Board provides information about the key activities during the 2010 financial year. In particular, the report specifies the continuous dialogue with the Board of Management on monitoring and consulting matters, assembly meetings on monitoring and key consultancy matters, outcome of designated committees, the audit of annual and consolidated financial statements, relationships with affiliated companies, the planned change in PUMA AG's legal structure as well as changes concerning executive bodies.

Dear Shareholders,

PUMA successfully weathered the economic crisis in 2010 further bolstering revenue and profitability. The expansion strategy continued with the acquisition of the Cobra Golf brand, and, back in October, Management presented a new five-year strategic plan with ambitious goals.

François-Henri Pinault
Chairman of the Supervisory Board

Special highlights of 2010 included the World Cup held in Africa where PUMA sponsored seven participating teams, including four from Africa, the extension of the sponsoring agreement with Usain Bolt, and Sebastian Vettel's victory in Abu Dhabi, making him the youngest world champion in the history of Formula One racing.

PUMA reinforced its credential as a sustainable sportlifestyle brand through its investment in Wilderness Holdings Ltd., a company engaged in responsible eco-tourism and the protection of nature. Alongside many other responsible innovations, PUMA introduced a new product packaging system under the name "Clever Little Bag".

The year was negatively affected by the uncovering of irregularities at PUMA's joint venture in Greece, committed by the joint venture partner and local management. This resulted in substantial charges for special items in 2010, and in a restatement of the prior year's comparative figures.

Monitoring Activities of the Supervisory Board

During the year, the Supervisory Board assumed the tasks imposed on it by law, the Company's by-laws and the Supervisory Board's internal rules of procedure. The Supervisory Board was closely involved in all matters related to the business development, financial position and strategic orientation of the PUMA Group. We carefully and regularly monitored the Board of Management activities and, in this framework, attended to the further strategic development of the Group and significant individual measures in an advisory capacity.

At four regular and three extraordinary Supervisory Board meetings, the Board of Management provided us with early, regular and comprehensive information about the business policy, about all relevant aspects of corporate development and corporate planning, the economic situation of the Company including its net assets and financial position, and the results of operations, as well as on all decisions and transactions of importance to the Group. The meetings were attended by all Supervisory Board Members.

We held extensive discussions regarding all events of importance to the Company on the basis of the reports provided by the Board of Management. The Board of Management informed the Supervisory Board of any deviation in the business development from defined plans and goals. The Supervisory Board reviewed the same on the basis of the documentation presented. We were involved in all significant decisions at an early stage.
In addition, the Chairman of the Supervisory Board and other Supervisory Board members communicated regularly with the Board of Management either verbally or in writing.

Following careful examination and consultation, the Supervisory Board has submitted its vote on the reports and proposed resolutions presented to it by the Board of Management to the extent required by law, the by-laws and its internal rules of procedure.

Focal Points of Monitoring and Consulting

In addition to the current course of business, there were numerous individual issues on the agenda of the individual Supervisory Board meetings, which we discussed comprehensively with the Board of Management. In doing so, no doubts ever arose as to the legality and appropriateness of the Board of Management's business management.

The main emphasis in financial year 2010 was placed on the following issues:

- Audit and approval of the 2009 annual financial statements
- Determining the agenda for the Annual General Meeting
- Acquisition of Cobra Golf and Wilderness Holdings Ltd.
- Irregularities at the Greek joint venture
- Corporate Governance and internal control system
- Share buyback program
- Sustainability program and PUMA Vision
- Current business development
- 2011 Corporate planning and medium-term planning, including investments
- Dividend policy
- Conversion of PUMA AG into a SE (Société Européenne)

The Supervisory Board inspected the financial statements and records of the Company with respect to these issues.

Compensation Committee
François-Henri Pinault (Chairman), Thore Ohlsson, and Erwin Hildel are members of the Compensation Committee. The committee convened in 2010 prior to the respective regular Supervisory Board meetings, whereby emphasis was placed on remuneration and general contractual issues, the Management Incentive Program, and various personnel-related matters. All committee members were present at all meetings held.

Audit Committee
The Audit Committee comprises the Supervisory Board members, 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 net assets, the financial position and results of operations as well as the development of the order book. The Audit Committee held four meetings to this end in 2010. All committee members were present at all meetings held. Moreover, the Audit Committee dealt with accounting and performance-related issues and discussed these with Management. After the Supervisory Board had placed the audit engagement for financial year 2010, the Audit Committee discussed the audit engagement and the focal points of the audit with the annual auditor. The audit report for financial year 2010 was discussed in detail with the annual auditor at a meeting held on February 14, 2011.

Corporate Governance

In financial year 2010 the Supervisory Board dealt with the new provisions of the German Corporate Governance Code (DCGK), which covers significant legal provisions and recommendations relating to the management and monitoring of listed companies, and which also includes standards for responsible corporate management. The Corporate Government standards have been part of PUMA's everyday business for a long time.

In accordance with Item 3.10 DCGK, the Management Board also reports to the Supervisory Board about PUMA's Corporate Governance in the Corporate Governance report, which is an element of the group management report. With few exceptions, 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.

Annual Financial Statements Approved

PUMA AG's annual financial statements as prepared by the Board of Management in accordance with German GAAP as well as the management report for financial year 2010, the consolidated financial statements prepared in conformity with International Financial Reporting Standards (IFRS), and the group management report for financial year 2010 were audited and provided with an unqualified auditor's opinion by the auditors, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, who were appointed as annual auditors by the Annual General Meeting on April 20, 2010 and commissioned by the Supervisory Board to audit the annual and consolidated financial statements.

In a respective report, the annual auditor arrives at the conclusion that the risk management system institutionalized 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 informed the Supervisory Board at regular intervals about all relevant risks, in particular the assessment of market and sourcing risks, financial risks including currency risks, and about organization-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 14, 2011, and at the subsequent 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, subsections 4 and 5 and pursuant to Section 315 (4) HGB.

After thorough examination of the annual financial statements and the management report as well as the consolidated financial statements and the group management report, we concur with the auditor’s result and approve the annual financial statements and the consolidated financial statements for financial year 2010 as prepared by the Board of Management in accordance with the recommendations of the Audit Committee. The annual financial statements are thus endorsed.

Furthermore the Supervisory Board agrees with the Board of Management’s proposal that a dividend of € 1.80 per share of stock be distributed to the shareholders for financial year 2010. The dividend is to be financed from liquid assets; this does not put the Company’s liquidity at risk. In all, the amount of € 27.0 million is to be distributed from the retained earnings of PUMA AG. The remaining retained earnings of € 48.0 million shall be carried forward to the new accounting period.

Dependent Company Report

A dependent relationship pursuant to Section 17 AktG has existed between PUMA AG Rudolf Dassler Sport and the firm of SAPARDIS S.A., a fully-owned subsidiary of PPR S.A., as from April 10, 2007. The report on relations with affiliated companies prepared by the Management Board pursuant to Section 312 AktG was presented to the Supervisory Board. The annual auditor reviewed the report and added the following note to the report:

“In our opinion and in accordance with our statutory audit, we certify that

1. the factual disclosures provided in the report are correct,

2. the Company’s consideration concerning legal transactions referred to in the report was not unduly high."

Following thorough examination, the Supervisory Board approves the dependent company report prepared by the Board of Management and concurs with the findings of the annual auditor. No objections are to be made.

Change in Legal Form (SE Conversion)
At the meeting held on October 18, 2010, the Supervisory Board dealt intensively with the planned conversion of PUMA AG into a European Stock Corporation, PUMA SE (Societé Européenne). Conversion is currently in the preparatory phase. The conversion plan and the articles of incorporation of PUMA SE, which are attached to the conversion plan as an enclosure, will be presented to the Annual General Meeting for approval in April 2011. PUMA SE is to have a one-tier executive system with an Executive Board. Jochen Zeitz, Chairman of the PUMA AG Board of Management, will be the designated Executive Chairman of the PUMA SE Executive Board in order to ensure continuous strategic further development within the scope of the next corporate development phase.

No Changes in the Executive Bodies
No personnel-related changes occurred in the Board of Management or the Supervisory Board of PUMA SE during the 2010 financial year.

Thanks to the Board of Management and Staff
The Supervisory Board wishes to express its great appreciation and gratitude to the Board of Management, to the management of the Group companies, the staff's elected representatives, and to all employees for their personal involvement, performance and continuous commitment.

Herzogenaurach, February 14, 2011

On behalf of the Supervisory Board

François-Henri Pinault
Chairman