A black and white close-up portrait of a man, identified as Shane Bieber, looking directly at the camera with a serious expression. He is wearing a dark tank top and a necklace with a circular pendant. The background is plain white.

ANNUAL REPORT 2017

COMBINED MANAGEMENT REPORT



COMBINED MANAGEMENT REPORT

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THIS REPORT COMBINES THE MANAGEMENT REPORT OF THE PUMA GROUP AND THE MANAGEMENT REPORT OF PUMA SE.



OVERVIEW 2017

Michael Lämmermann
Chief Financial Officer PUMA



2017 WAS ANOTHER SUCCESSFUL YEAR IN THE HISTORY OF PUMA, MARKED BY SPORTING HIGHLIGHTS AND A VISIBLE IMPROVEMENT IN OUR BUSINESS. WHILE OUR ATHLETES WERE ABLE TO DRAW ATTENTION TO THEMSELVES AT THE WORLD'S BIGGEST SPORTING EVENTS, IN 2017 WE SUCCEEDED IN PASSING THE SYMBOLIC SALES MARK OF FOUR BILLION EURO FOR THE FIRST TIME.

In keeping with PUMA's goal of becoming the fastest sports brand in the world, our focus was to strengthen our credibility as a sports brand through partnerships with some of the world's most successful athletes, such as athletics legend Usain Bolt, star striker Antoine Griezmann, golf star Rickie Fowler as well as teams such as Arsenal FC and Borussia Dortmund, to name just a few. In the Sportstyle business, we continued our collaboration with mega star and style icon Rihanna as well as with top model Cara Delevingne. Through their individuality and their commitment to the PUMA brand, all of our brand ambassadors played a major role in increasing our sell-through in 2017. We further strengthened our

position as a sports brand and further increased our brand heat by signing contracts with new sports stars and culturally relevant influencers. We were extremely proud to welcome singer, actress and producer Selena Gomez as brand ambassador for our women's segment in 2017. We have also expanded our portfolio of brand ambassadors in the men's segment and started a collaboration with the musicians The Weeknd and Big Sean. In addition, we have further strengthened our cooperation with Formula One world champion Lewis Hamilton through our new campaign 24/7, which redefines the brand's performance philosophy at a time when workouts are no longer constricted to the gym.

Overall, the strong demand for PUMA's Performance and Sportstyle product offerings proved that we have successfully managed to increase the commercial appeal of our products. Our new product lines such as PUMA ONE, NETFIT, TSUGI and the latest FENTY PUMA by Rihanna collections received very positive feedback both from our retail partners and our consumers. This is clear proof that PUMA is on the right path.

PUMA's Teamsport category looks back on a successful year with exciting product launches and sporting achievements. Our partnered teams grabbed some of the world's biggest football trophies at the end of the 2016/17 football season: Borussia Dortmund snatched the German DFB Cup, while Arsenal FC claimed the FA Cup and Mexico's Chivas won the 2017 Liga MX Clausura title. PUMA's roster of individual players also reached new heights: Arsenal's Olivier Giroud was honored with the FIFA best goal award, while Sergio Agüero broke the goal scoring record for Manchester City. On the product side, innovative products and technologies hit the shelves. A strategic launch for the Teamsport category being the first PUMA ONE football boot, which excels in *FIT. FAST. FEEL.*

In the Running category, the past year was marked by a major sporting event, the 2017 IAAF World Championships, which also marked the end of Usain Bolt's active career. The competition put the spotlight on some of the new generation of PUMA athletes, one of them being the 800 meter gold medalist Pierre-Ambroise Bosse. PUMA took performance footwear to the next level with the unveiling of its revolutionary NETFIT range, whose uniquely customizable lacing system offers infinite performance and style options in one shoe.

PUMA's Motorsport category was driven by a fantastic season in Formula One, which was once again dominated by our sponsored teams: MERCEDES AMG PETRONAS, Scuderia FERRARI and RED BULL RACING formed the Top 3 of the Constructors' Championship, while Lewis Hamilton was crowned F1 world champion for a fourth time.

PUMA's golf business continued to deliver stylish, performance-ready golf apparel, footwear and accessories to the market while COBRA PUMA Golf supplied the market with technologically advanced golf equipment. COBRA is particularly proud of the launch of its smart drivers KING F7 & F7+, which allow golfers to automatically track the distance and accuracy of each drive.

Our Women's business was one of the highest performers of 2017. We have taken our successful and ongoing *DO YOU* campaign to the next round, aiming to inspire confidence in women around the world with powerful female ambassadors such as Cara Delevingne and the New York City Ballet. Meanwhile, the FENTY PUMA by Rihanna collections have established themselves among the world's most anticipated fashion shows. For Autumn-Winter '17, PUMA's women's Creative Director Rihanna presented her FENTY University collection with great success at the Bibliothèque Nationale de France in Paris. While for her Spring-Summer '18 collection she returned to New York Fashion Week in autumn, introducing her latest daredevil styles at the majestic Park Armory among dunes of illustrious pink sand and motocross riders in the air.

With the *Run the Streets* campaign, innovative footwear silhouettes debuted throughout the year and elevated our sports-inspired streetwear game in 2017. With an innovative and progressive look amped up with new technologies, the all-new TSUGI range pushed our design to the next level. The highly anticipated debut of the PUMA x XO collection which was designed in collaboration with The Weeknd caused a worldwide sensation toward the end of the year.

On the distribution side, we focused on strengthening our relationship with key retailers. It is important to us to be a reliable partner and to maximize our contribution to their business. We also established new partnerships with strong retailers both in mature and emerging markets. PUMA's improved sell-through has enabled us to gain more shelf space for our products in our partner's retail stores in 2017. In addition, we continued to upgrade our owned-and-operated retail store network with the *Forever Faster* look and feel. We gained further momentum in the eCommerce business, while working on the relaunch of www.PUMA.com into a more modern and mobile-friendly format that went live in Europe last summer.

Operationally, we continued to make progress in key areas including further enhancements of our International Trading Organization, which manages global order and invoice flows centrally, the roll-out of new product development tools, further standardization of ERP systems and improvements to the overall IT infrastructure.

PUMA GROUP ESSENTIAL INFORMATION

With the expansion of our headquarters, which will be completed this spring, PUMA set out a clear commitment to our roots in Herzogenaurach. After its completion, the new administrative building will provide space for up to 550 employees. This will enable us to reunite our workforce in Herzogenaurach for faster decision-making at this location. The 37-meter pylon of the PUMA bridge, which connects both buildings, also represents a new landmark for Herzogenaurach as a true gateway to the city.

The consistent implementation of the *Forever Faster* company strategy contributed to PUMA being able to exceed the sales mark of four billion euros for the first time in company history in financial year 2017. This proves that, with regard to increasing our brand heat and improving our product range, we are on the right path. Sales growth was especially driven by the footwear segment, which has already been showing increasing sales for 14 quarters in a row and which is the main driver of PUMA sales growth. Accordingly, consolidated sales increased by 15.9% currency-adjusted in 2017. Therefore, the currency-adjusted sales growth in a high single-digit percentage rate prospecting in the previous Annual Report for 2017 was considerably exceeded. The forecast of currency-adjusted sales growth of 14% to 16%, that was adjusted upwards during the year, was achieved at the upper end. In the reporting currency, the euro, this corresponds to an increase in sales of 14.0% from approximately € 3.6 billion in the previous year to approximately € 4.1 billion in 2017.

Despite ongoing negative currency effects, the gross profit margin improved in 2017 by 160 basis points to 47.3% because PUMA was able to compensate for more than the negative effects of the weakness of individual currencies against the US dollar due to improvements in sourcing, higher sales with new products with a higher margin, a higher share of own retail sales and selective price adjustments. Other operating income and expenses increased in 2017 by only 11.7%. In terms of sales, this represents a decline in

the cost ratio from 42.6% to 41.7% and reflects the operating leverage achieved. Overall, both the increase in sales, the improvement of the gross profit margin and the only moderate growth of other operating income and expenses in comparison to sales significantly contributed to the increase in the operating result (EBIT) in financial year 2017.

The operating result increased in 2017 by 91.7% from € 127.6 million to € 244.6 million and was therefore considerably above the forecast from the previous Annual Report which had originally forecast an operating result within a range of € 170 million and € 190 million. Due to this better-than-expected business development, the forecast for the 2017 operating result saw an upward increase several times throughout the year. The adjusted forecast of an operating result within a range of between € 235 million and € 245 million could be achieved at the upper end.

The considerable increase in profitability in 2017 is also reflected in the development of net earnings and earnings per share, each of which more than doubled. Net earnings increased in 2017 by 117.7% to € 135.8 million (previous year: € 62.4 million) and the earnings per share increased accordingly from € 4.17 in the previous year to € 9.09.

Due to the very successful business development in 2017 with a considerable increase in profitability and free cash flow, the Managing Directors and the Administrative Board will propose to the Annual General Meeting on Thursday, April 12, 2018 to distribute a one-off dividend of € 12.50 per share for 2017 (previous year: regular dividend € 0.75).

The PUMA share developed very positively in 2017 and was listed at year-end at € 363.00, a 45.5% increase over the share price at the end of the previous year (€ 249.65). This means that PUMA Group market capitalization has risen to around € 5.4 billion (previous year: € 3.7 billion).

**COMMERCIAL ACTIVITIES
AND ORGANIZATIONAL STRUCTURE**

The company operates as European corporation, PUMA SE, with Group headquarters in Herzogenaurach, Germany. Our internal reporting activities are based according to three regions (EMEA, the Americas and Asia/Pacific) and three product segments (footwear, apparel and accessories). A detailed description of the various segments can be found in section 25 of the Notes to the Consolidated Financial Statements.

Our revenues are derived from the sale of products from the PUMA and COBRA Golf brands via the wholesale and retail trade, as well as from sales in our own retail and online stores. We market and distribute our products worldwide primarily via our own subsidiaries. There are distribution agreements in place with independent distributors in some countries.

As of December 31, 2017, 108 subsidiaries were controlled directly or indirectly by PUMA SE. Our subsidiaries carry out various tasks at the local level, such as sales, marketing, product development, sourcing and management. A full list of all subsidiaries and an affiliated company can be found in section 2 of the Notes to the Consolidated Financial Statements.

TARGETS AND STRATEGY

PUMA aims to become the fastest sports brand in the world. For this reason, PUMA has been executing a turnaround strategy over the past few years, which is focused on five priorities: brand heat, a competitive product range, a leading offer for women, improved distribution quality and organizational speed. Positive feedback from retail partners around the world, better sell-through as well as improved financial results in 2017 confirm that PUMA is on the right track.

PUMA's brand draws strength and brand heat from its unique heritage in sports and its high credibility in the latest Lifestyle trends. The brand is associated with some of the greatest sports legends: Pelé, Maradona, Tommie Smith, Boris Becker, Lothar Matthäus, Linford Christie and many more. Today PUMA continues to strengthen its position as a sports brand through partnerships with some of the most elite ambassadors: the world's fastest man and athletics legend Usain Bolt, star striker Antoine Griezmann, golf stars Lexi Thompson and Rickie Fowler, Arsenal FC, Borussia Dortmund and the Jamaican and Cuban Olympic Federations. PUMA has also developed a unique way of working with cultural and fashion icons to connect with young trend-setting audiences. This has made PUMA one of the hottest sports and fashion brands for young consumers. The partnership that PUMA entered into with Rihanna in 2014 defined a new way for cultural influencers and brands to interact. In recent times, PUMA has been capitalizing on this success and has partnered with other global stars such as model Cara Delevingne, artists The Weeknd and Big Sean and most recently Lewis Hamilton and Selena Gomez.

Also on the product side, PUMA looks back at a unique history full of innovations, designs and products that continue to influence the sports and sports lifestyle industries to date. This includes the Brush Spikes shoe from 1968, the lightest ever football shoe (Evo-Speed SL 2015) and the first ever co-lab of a sports brand with a fashion designer (PUMA x Jil Sander, 1997). One of PUMA's greatest design icons, the SUEDE will celebrate its 50th anniversary in 2018. Today, PUMA continues to sharpen its design principles and is introducing some of the industry's most eye-catching but also commercial styles such as the FIERCE, the CREEPER, the TSUGI and the BASKET HEART, some of its bestsellers in 2017. For PUMA, innovation is at the heart of product design. PUMA's

proprietary midsole material IGNITE achieves the highest energy return of all running shoes. The individual lacing system NETFIT as well as JAMMING, the first ever midsole made of freely moving eTPU pearls, are two of the most recent examples.

Women are a priority for PUMA. Not only are women increasingly participating in athletic activities world-wide, but they are also trendsetters in taking inspiration from athletic wear for their everyday wardrobe. Building on PUMA's fashion credibility and sports authenticity, as well as a profound understanding of the modern female athletic consumer, PUMA has positioned its offer for women "where the gym meets the runway." The women's business has further strengthened the brand in 2017 and clearly outgrown other product segments. With its overproportionate market share among women, PUMA is uniquely positioned to capitalize on this growing segment within the global sportswear market. In 2017, PUMA continued with its *DO YOU* campaign, strengthening its commitment to inspire women everywhere to stay true to themselves, featuring Cara Delevingne, the dancers of the New York City Ballet and many other inspirational women. With the PHENOM, launched with Selena Gomez toward the end of the year, PUMA laid the foundations for another women's footwear bestseller in 2018.

PUMA has continuously improved the quality of its distribution and expanded its presence in key sports performance and Sportstyle accounts around the world. PUMA remains dedicated to strengthening its relationships with key retailers by being a reliable partner for them and by maximizing PUMA's contribution to their business. It is a clear objective for PUMA that retail partners make money with our products. Improved sell-through has been helping PUMA to gain more shelf space in our partners retail stores in 2017. Furthermore, PUMA continued to upgrade its owned-and-operated retail store network with further openings and refurbishments. PUMA also worked on the relaunch of its eCommerce presence www.PUMA.com into a more modern and mobile-friendly format, which initially went live in Europe in June last year.

Operationally, PUMA continued to make progress in key areas including further enhancements of PUMA's International Trading Organization, which manages global order and invoice flows centrally, the roll-out of a new product development system, further standardization of ERP systems and improvements to the overall IT infrastructure. In 2017, for example, a self-developed integrated product development system was introduced to replace existing individual solutions. This simplified and accelerated cross-departmental collaboration between design, product development and product management as well as sourcing, while increasing flexibility.

In addition to these five priorities, social, economic and environmental sustainability remains a core value for PUMA. In 2017, PUMA expanded its strategic partnership with the Better Work Program of the International Finance Corporation (IFC) and the International Labor Organization (ILO). The program, whose aim is to limit audit fatigue and promote long-term solutions to problems surrounding fair labor standards, now involves 76 active PUMA suppliers in Vietnam, Cambodia, Indonesia and Bangladesh.

PUMA's partnership with IFC was further enhanced with the start of the implementation phase of the Vietnam Improvement Program (VIP), which aims to improve energy efficiency and the use of renewable energy in the apparel and footwear supply chain. Several major industry peers joined the VIP program together with PUMA. This sent a unified message to often shared suppliers to start working on reducing their impact on climate change.

The hard work, the dedication to the PUMA brand and the consistent focus on implementing the *Forever Faster* corporate strategy contributed significantly to the very positive business development in 2017. This development confirms PUMA's commitment to reaffirming its strategic goals and continuing its dedication to becoming the fastest sports brand in the world.

PRODUCT DEVELOPMENT AND DESIGN

Designing, developing, selling and marketing footwear, apparel and accessories, PUMA is one of the world's leading sports brands. Since 1948, PUMA has been producing the most innovative products for the fastest athletes on the planet. The brand has established a reputation for fast and innovative product designs in its Performance categories such as Football, Running and Training, Golf and Motorsports. In addition, PUMA offers a Sportstyle range of innovative performance and sports-inspired products as well as classic silhouettes. With its Sportstyle designs PUMA reaches out to women and men alike who seek authentic style rooted in sports.

In line with our **mission statement Forever Faster**, we aim at giving athletes the necessary advantage to reach their full potential and express themselves through their own style of play. Their equipment should enable them to reach their full potential. That's why PUMA is constantly working on innovative technologies and developing new products that meet the high demands of our top athletes and consumers alike. The PUMA brand is driven by four values: brave, confident, determined and joyful. These values motivate us to grow beyond ourselves and to be credible and authentic with our know-how and sporting history as a brand and also with our products, thus enabling us to experience appreciation.

For us, **sport is lifestyle**. We believe in the fusion of sport and style, aiming to make our products desirable through their ability to meet both performance and stylistic needs. The design of our products involves tenacious attention to what lies ahead while being guided by the consistent visual language, reflecting the most defining moments of the PUMA legacy. To achieve this, PUMA's Global Creative Director, Torsten Hochstetter and his design teams ensure a coherent design language for all our collections, organizing the product responsibility within our global business units and regional design centers.

In 2017, we further improved our product offering, focusing on our design clarity with clear seasonal creative directions, while introducing innovative technologies and more commercial products. The improved financial results and sell-through performance along with the continued positive response of our retail partners and customers demonstrate that PUMA is on the right path.

A major highlight of 2017 was the introduction of PUMA's new, uniquely customizable lacing system NETFIT, a technology that offers infinite performance and style options. NETFIT shoes were first spotted at the IAAF World Championships in London, where they were worn by our world class athletes. The NETFIT technology allows runners to fully adapt to their individual needs based on foot shape and

"The 'DO YOU' campaign was the most powerful women's statement in 2017. Cara Delevingne's attitude of staying true to herself has been a unique influence in my life and work. She taught me to always be fearless when making decisions."

RITA HUANG, SR. HEAD OF MERCHANDISING, TAIWAN



running style. At the same time, it allows its consumers to express their individual style through various lacing techniques. NETFIT has been extended into the Sportstyle category as well as our football shoes 365 NETFIT and FUTURE.

In the Teamsport category we introduced two completely new football boots. PUMA ONE suits all aspects a player needs – *FIT. FAST. FEEL*. Under the mantra *Play Perfect* we have combined the best and latest technologies to support technical players with the ideal equipment. PUMA FUTURE, which will hit stores in early 2018, is designed for those players that change the game in an instant, those that play with instinct and invent play on the pitch. It is first football boot with a truly customizable fit thanks to our proprietary NETFIT technology.

With our *Run The Streets* concept, we have offered products that cross the line between performance and style. We launched the IGNITE evoKNIT, IGNITE Limitless and the new Sportstyle franchise TSUGI. All of them feature PUMA's proprietary IGNITE midsole technology, but at the same time they have a progressive fresh look inspired by urban culture and street style.

In our Women's category, we have continued our successful *DO YOU*-campaign around celebrities such as Cara Delevingne, the New York City Ballet and Selena Gomez by introducing new feminine styles. BASKET HEART, a classic silhouette with a unique feminine touch was one of the best-selling shoes of the year and a big driver behind our women's footwear business. New footwear styles for 2018 such as MUSE and PHENOM began hitting stores late last year with promising early results. One highlight on the women's apparel side was the VELVET ROPE collection, which featured tech-infused Sportstyle and

Training pieces for women with the perfect mixture of performance and luxury, sport and fashion.

The much-hyped FENTY PUMA by Rihanna line returned with two new seasonal collections, which were celebrated by the global fashion crowd. Once again, FENTY PUMA by RIHANNA made waves and fused luxury and sport in a way that only Rihanna and PUMA can. At the Paris Fashion Week, PUMA's women's Creative Director presented FENTY University – a rebellious and daring collection for Autumn-Winter '17, paying homage to the kids gone rogue, who hit honor roll and serve detention in style. While for her Spring-Summer '18 collection, presented in New York, Rihanna continued to play with gender-fluid silhouettes and oversized shapes paired with sexy bodycon styles. The very successful FENTY CREEPER was released in new styles and colorways, while the FENTY PUMA BOW was searched for on the internet every seven seconds in March, making it the most wanted sneaker of 2017.

Research and product development at PUMA mainly comprises the areas of innovation (new technologies), product design and model and collection development. The research and product development activities range from the analysis of scientific studies and customer surveys through the generation of creative ideas to the implementation of innovations in commercial products. The activities in research and product development are directly linked to sourcing activities.

As of December 31, 2017, a total of 894 employees were engaged in research and development/product management (previous year: 888). Expenses for research and development/product management totaled € 98.5 million in 2017 (previous year: € 93.7 million) of which € 53.4 million (previous year: € 52.0 million) were related to research and development.

SOURCING

THE SOURCING ORGANIZATION

Sourcing refers to the central management of the purchasing of products for PUMA and the Group's own brand, COBRA. All necessary sourcing functions of the Group are merged in PUMA Group Sourcing (PGS).

PUMA International Trading GmbH (PIT), PUMA's globally active trading company which has its head office in Herzogenaurach (Germany), is the Group company mainly responsible for PUMA Group Sourcing. PIT coordinates product sourcing from independent manufacturers by sourcing products itself from the manufacturers and selling them to PUMA distribution subsidiaries or supporting PUMA distribution subsidiaries directly in the local sourcing of products via local manufacturers. In addition, through its service companies in Hong Kong, PIT manages cooperation with suppliers worldwide and also oversees the production processes at the sourcing sites in China, Vietnam, Bangladesh, India, Turkey, South Africa, Brazil and Mexico. Hedging is also centralized at PIT. The centralized control of these processes guarantees a high degree of transparency within the supply chain, reduces sourcing complexity and creates efficiencies through largely automated processes.

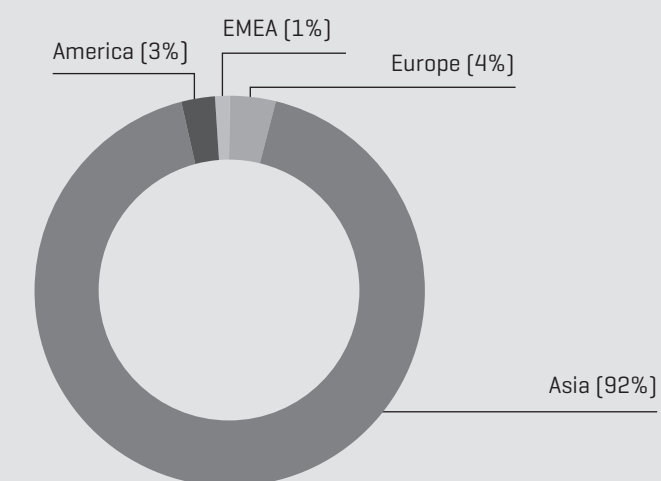
PGS's worldwide production network, which is the main focus of PIT's efforts, helps to optimize the supply chain by working with independent manufac-

turers. The aim is to offer an optimum service so as to meet global requirements for service, quality and safety, along with environmental and social aspects in the supply chain. Under the six core principles of partnership, transparency, flexibility, speed, simplicity and effectiveness, the central sourcing responsibility allows for continuous improvements with regard to sourcing costs, sourcing flexibility and the necessary delivery reliability. This guarantees distribution subsidiaries high-level service and a sustainable production and supply chain.

PUMA's sustainability function (Corporate Sustainability Department, formerly PUMA SAFE) was successfully integrated into the PGS organization in 2016. This ensures that social and environmental issues and standards of good corporate governance are integrated into day-to-day sourcing activities. The service companies in Hong Kong that are managed by PIT are mainly responsible for compliance with PUMA's own standards and statutory standards.

In 2017, further operating improvements could be implemented in sourcing, in particular with regard to the centralization and standardization of processes and systems. In this way, PIT has also acted as a central import company for EU countries since the start of the year, in addition to its tasks previously described. Sourcing effectiveness could subsequently be further increased. Provided it made sense from an economic and sustainability perspective, local sourcing was expanded further in some markets, for

F.1 SOURCING MARKETS 2017 (Quantity)



example in Mexico, so as to be able to react even more flexibly to market developments. Furthermore, 2017 saw the successful continuation of the innovative financing program for PUMA suppliers. This program, which was financed by the World Bank and BNP Paribas and which has received a number of awards, allows for receivables of the suppliers from goods delivered to PUMA to be paid more quickly provided they meet the sustainability criteria. As a result, financial scope was created for new investments for

suppliers. In addition, the program for suppliers also acts as a financial incentive for complying with its standards regarding ecology, labor law and society, as well as continuously improving them.

THE SOURCING MARKETS

During the financial year 2017, PGS worked with 160 suppliers in 34 countries via PIT. PIT's supplier base has therefore largely remained stable. The strategic cooperation with long-term partners was one of the

key competitive advantages in 2017, ensuring stable sourcing in continuing turbulent market conditions.

Asia remains the strongest sourcing region overall with 92% of the total volume, followed by Europe with 4%, America with 3% and Africa with 1%.

As a result, the six most important sourcing countries [89% of the total volume] are all located on the Asian continent. Once more, Vietnam was the strongest

production country with a total of 32%. China followed at 24%, an increase of 1 percentage point from 2016. Cambodia was in third place at 13%. Bangladesh, which focuses on apparel, is in fourth place at 10%. Indonesia, which focuses on footwear production, produces 6% of the total volume and is in fifth place. India is in sixth place at 4%.

Rising wage costs and macroeconomic influences have continued to influence sourcing markets in 2017. This increases the need to take into account the risks of these factors when allocating production. This is a crucial component of our sourcing strategy so as to ensure the secure and competitive sourcing of products and, furthermore, to successfully manage the increasing sourcing volumes due to the positive company development.

F.2 SOURCING REGIONS OF PUMA GROUP SOURCING



EMPLOYEES

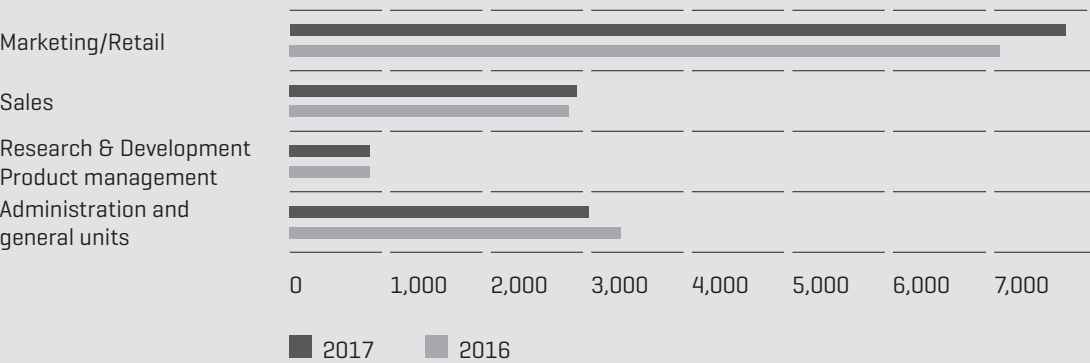
NUMBER OF EMPLOYEES

The global number of employees on a **yearly average** was 11,389 employees in 2017 compared to 11,128 in the previous year. The increase mainly results from the higher number of the company's own retail stores.

Personnel expenses in 2017 increased overall by 11.4% from € 493.1 million to € 549.1 million. On average, personnel expenses were € 48.2 thousand compared to € 44.3 thousand in the previous year.

As of **December 31, 2017**, the number of employees was 11,787, compared to 11,495 in the previous year. This represents a 2.5% increase in the number of employees compared to the previous year. The development in the number of employees per area is as follows:

F.3 EMPLOYEES (Year end)



F.4 DEVELOPMENT EMPLOYEES



TALENT RECRUITMENT AND DEVELOPMENT

Our employees represent the core of our business. In order to continue to expand our position in the market, it is essential that we have highly qualified and motivated personnel. Our recruitment strategy allows for external talent to be recruited in advance, appropriate to the target group, via various channels, including in particular through proactive direct conversations, thereby boosting our workforce.

This year we introduced *Workday*, one of the leading human capital management systems, across the world. This software includes all personnel processes and functions such as recruiting, talent, performance and absence management, time recording and payroll accounting in the USA and Canada, meaning that all information relevant to human resources is available on a single platform.

“Since I work on the Women’s segment from the strategy side, for me one of PUMA’s greatest achievements in 2017 was our continued growth in the Women’s market. It is always fun to see how great teamwork can lead to disruptive products and impactful storytelling.”

MAXIMILIAN STAIGER, MANAGER GLOBAL STRATEGY, GERMANY



In addition to the performance assessment and time agreement, a systematic succession plan is created as part of talent management. Talent available in the company is identified in the annual employee interviews. Our aim is to individually develop our employees, even in an international environment and at the same time successfully and sustainably keep them loyal to our company as they are an important factor for success. As a central component of current competitiveness, long-term loyalty from motivated and competent employees allows us both as a company and as an employer to maintain a dynamic environment and to be able to keep up with market changes.

The continuous professional and personal development of our employees also ensures that our workforce has the necessary skills to ensure steady growth and market expertise. In our efforts to provide adequate entry-level and development opportunities to talented individuals at all levels, in addition to the range of different training and dual-track (combined work-study) programs, we also promote the systematic training of our professionals and managers. The range of training we provided includes a number of training courses and workshops, both online and offline and standardized or personally tailored to individual needs. The continuous development of our PUMA training offers guarantees that our employees have at all times innovative and diverse opportunities to add to their qualifications, build on existing knowledge and acquire new skills. This approach helps employees achieve their personal goals and helps the company achieve its goals as well.

In particular, we also offer a large number of seminars with the aim of developing employees and managers over the longer term, giving them the opportunity to apply their newly acquired knowledge in practice between the individual modules and then to discuss this with other seminar participants. Our *internal leadership program*, ILP, consisting of several modules, was expanded by the ILP² seminar series. Management was therefore given new instruments to be able to manage the company better in a world changing at increasingly greater speed and to be able to manage its employees in an even more strategic and effective manner. The topic of *mindful leadership* was of particular focus. Management was made aware of its own stress patterns and learned mindfulness-based methods to actively combat stress and construct suitable alternative actions. Learning mindful communication supports clear thinking and being able to act in a more conscientious fashion.

Our new SPEED UP² personnel development program was successfully continued this year. A group of top talent received intensive preparation for the next step in their careers by taking on interdisciplinary projects and tasks, target training courses, mentoring and coaching in addition to job rotations. Increased visibility to upper management, the creation of cross-function cooperation and establishing a strong network are also important components of this program.

ECONOMIC REPORT

COMPENSATION

We at PUMA offer our employees a targeted and competitive compensation system, which consists of several components. In addition to a fixed base salary, the PUMA bonus system, profit-sharing programs and various social benefits and intangible benefits form part of a performance-based compensation system. We also offer long-term incentive programs for senior management levels that honor the sustainable development and performance of the business.

MANAGEMENT SYSTEM

We use a variety of **indicators to manage** our performance in relation to our top corporate goals. We have defined **growth and profitability as being key targets** within finance-related areas. Our focus therefore is on improving sales, the gross profit margin and operating income [EBIT]. These are the financial control parameters that are of particular significance. Moreover, we aim to minimize working capital and improve free cash flow. Our Group's **Planning and Management System** has been designed to provide a variety of instruments in order to assess current business developments and derive future strategy and investment decisions. This involves the continuous monitoring of key financial indicators within the PUMA Group along with a monthly comparison with budget targets. Any deviations from the targets are analyzed in detail and appropriate countermeasures are taken should such deviations have a negative impact.

Changes in sales revenues are also influenced by **currency exchange effects**. This is why we also state

any changes in sales in euro, the reporting currency, adjusted for currency exchange effects in order to provide information that is relevant to the decision-making process when assessing the revenue position. Currency-adjusted sales volumes are used for comparison purposes and are based on the values that would arise if the foreign currencies included in the consolidated financial statements were not translated at the average rates for the previous reporting year but were instead translated at the corresponding average rates for the current year. As a result, currency-adjusted figures are not to be regarded as a substitute or as superior financial indicators, but should instead always be regarded as additional information.

We use the indicator **free cash flow** in order to determine the change in cash and cash equivalents after deducting all expenses incurred to maintain or expand the organic business of the PUMA Group. Free cash flow is calculated from the cash flow from operating activities and investment activities. We also use the **indicator free cash flow before acquisitions**, which goes beyond free cash flow and includes an adjustment for payments that are associated with investments in companies.

We use the indicator **working capital** to assess the financial position. Working capital is the difference between other current assets - including in particular inventories and trade receivables - and current liabilities. Amounts that are received in connection with financing activities are not included in working capital.

Non-financial performance indicators are of only minor importance at PUMA as control variables.

GENERAL ECONOMIC CONDITIONS

GLOBAL ECONOMY

According to the Winter forecast of the Kieler Institut für Weltwirtschaft (ifw Kiel - Kiel Institute for World Economics) of December 13, 2017 the expansion of the global economy saw an evident acceleration in 2017. The solid upswing is a result of the economy in virtually all the large national economies taking an upward trajectory. In this process, GDP growth in advanced economies has reached a high level, but the economic situation has also considerably improved in emerging countries. Global GDP rose by 3.8% in 2017. Growth therefore amounted to 0.3 percentage points above the previous year's forecast (2016 Winter forecast) or 0.2 percentage points over the 2017 Summer forecast. This represents the strongest increase in global GDP since 2011. The large-scale expansion of foreign trade in Asia and the considerable increase of investments due to favorable investment conditions was particularly crucial for this global revival.

SPORTING GOODS INDUSTRY

Increased consumer spending due to greater income, both in emerging countries and in advanced economies, led to considerable growth in the sporting goods industry in 2017. Among other things, the increase in health consciousness across the world and the associated rise in sporting activity was crucial for this development. The trend toward more and more women being active in sports contributed to this positive performance. Moreover, the global sports fashion trend continued.

With regard to distribution channels, it was observed that the eCommerce business continued to expand rapidly. Various commercial opportunities, such as mobile technologies and social media were used for this purpose. Nevertheless, the sporting goods industry faced some challenges in individual markets in 2017, such as the continued consolidation among retail stores in the United States.

SALES

ILLUSTRATION OF SALES DEVELOPMENT IN 2017 COMPARED TO THE OUTLOOK

In the 2016 Annual Report, PUMA forecast a currency-adjusted increase in consolidated sales in the high single-digit percentage range for the financial year 2017. This forecast was increased several times throughout the year and PUMA now expects a currency-adjusted sales increase of between 14% and 16% for financial year 2017. PUMA was able to reach the upper end of the adjusted forecast in 2017, thereby exceeding the original sales growth target significantly.

More details on sales development are provided on the next page.

CONSOLIDATED SALES

PUMA increased consolidated sales in the financial year 2017 in euro, the reporting currency, by 14.0% to € 4,135.9 million. Currency-adjusted sales increased by 15.9%. For the first time, PUMA has therefore been able to exceed the symbolic sales mark of four billion euros. All regions contributed to this positive development with double-digit growth rates. The footwear segment was the main growth driver.

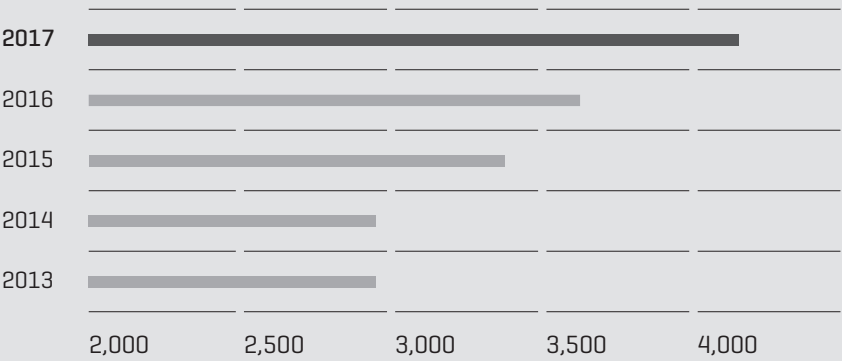
The most important segment for PUMA – **footwear** – recorded a growth trend persistent for 14 quarters at the end of financial year 2017. The strongest growth was therefore achieved in the Running and Training and Sportstyle categories. Sales increased in the reporting currency, the euro, by 21.4% to € 1,974.5 million. Currency-adjusted sales growth of 23.5% was achieved. This segment’s share in consolidated

sales rose from 44.9% in 2016 to 47.7% in the reporting year

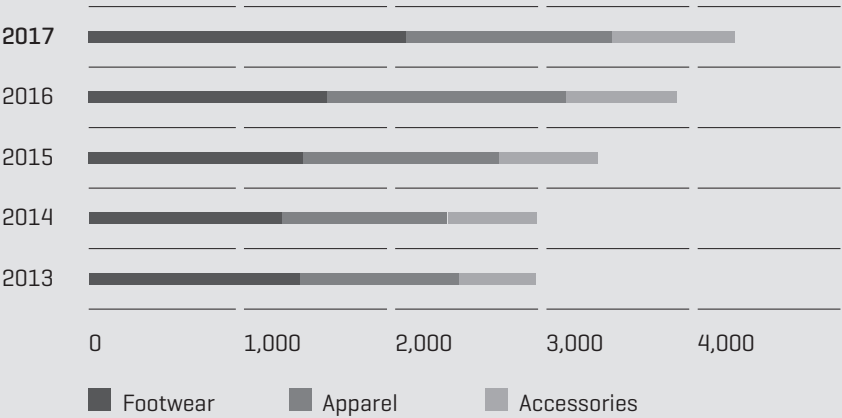
In the **apparel** segment, sales increased in the reporting currency, the euro, by 8.1% to € 1,441.4 million. Currency-adjusted, sales grew by 10.0%. The Sportstyle category, in particular products for women, contributed to this increase in sales. The apparel segment accounted for 34.9% of consolidated sales [previous year: 36.8%].

In the **accessories** segment, sales increased in the reporting currency, the euro, by 8.0% to € 719.9 million. This correspond to a currency-adjusted increase of 9.2%. The increase results from increased sales in the areas of socks and underwear, while sales of golf clubs remained almost stable in the reporting year. The share of consolidated sales decreased to 17.4% [previous year: 18.4%].

F.5 CONSOLIDATED SALES (€ million)



F.6 CONSOLIDATED SALES BY PRODUCT SEGMENT (€ million)



RETAIL BUSINESSES

The company’s own retail store activities include PUMA stores, factory outlets and online sales, each with direct sales to our customers (direct-to-customer business). In addition to regional availability, they ensure controlled sales of PUMA products and the presentation of the PUMA brand in an environment suitable for our market positioning.

The sales of the Company’s own retail store activities improved in financial year 2017, currency-adjusted by 22.9% to € 961.0 million. This corresponds to a share of 23.2% of total sales [previous year: 21.9%]. The sales growth was achieved both on a comparable area basis in our own retail stores and through the targeted expansion of the portfolio of the company’s own retail stores. In addition to the opening of additional retail stores, optimizing the portfolio also included modernizing existing retail stores in line with the *Forever Faster* store concept. This makes it possible to present PUMA products and related technologies in an even more attractive environment and strengthens PUMA’s position as a sports brand.

The eCommerce business recorded above-average growth due to the expansion of the product range in the online stores as well as the relaunch of www.PUMA.com in a more modern and mobile format. Our sales promotions on special days in the online business such as, for example, on November 11, Singles’ Day in China and also the biggest online shopping

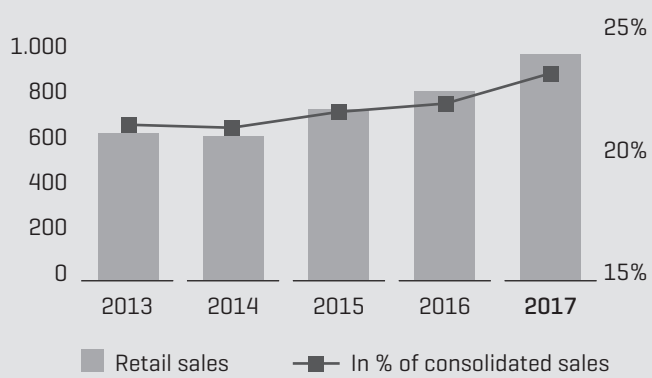
day in the world, known as *Black Friday*, turned out to be particularly successful. In addition, the introduction of our new products and collections, for example FENTY PUMA by Rihanna, resonated extraordinarily with our online customers.

LICENSING BUSINESS

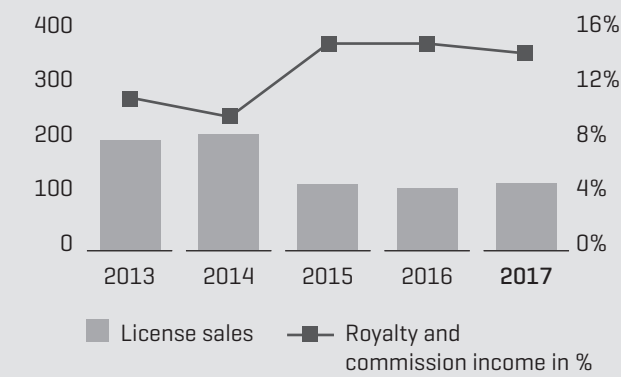
For various product segments, such as fragrances, eyewear and watches, PUMA issues licenses authorizing independent partners to design, develop, manufacture and sell these products. Revenue from license agreements also includes some sales licenses for various markets.

Licensing sales increased in 2017 in the reporting currency, the euro, by 8.8% [currency-adjusted by 9.3%] to € 113.5 million. The resulting royalty and commission income was € 15.8 million [previous year: € 15.7 million].

F.7 RETAIL SALES (€ million)



F.8 LICENCE SALES/ROYALTY AND COMMISSION INCOME (€ million)



RESULTS OF OPERATIONS**T.1 INCOME STATEMENT**

	2017		2016		+/- %
	€ million	%	€ million	%	
Sales	4,135.9	100.0	3,626.7	100.0	14.0
Cost of sales	-2,181.5	-52.7	-1,970.3	-54.3	10.7
Gross profit	1,954.3	47.3	1,656.4	45.7	18.0
Royalty and commission income	15.8	0.4	15.7	0.4	1.1
Other operating income and expenses	-1,725.6	-41.7	-1,544.5	-42.6	11.7
Operating income (EBIT)	244.6	5.9	127.6	3.5	91.7
Financial result/Income from associated companies	-13.4	-0.3	-8.7	-0.2	52.8
Earnings before taxes (EBT)	231.2	5.6	118.9	3.3	94.5
Income taxes	-63.3	-1.5	-30.5	-0.8	107.4
Tax rate	-27.4%		-25.7%		
Net earnings attributable to non-controlling interests	-32.2	-0.8	-26.0	-0.7	23.7
Consolidated net earnings	135.8	3.3	62.4	1.7	117.7
Weighted average shares outstanding	14.943		14.940		0.0
Weighted average shares outstanding, diluted	14.943		14.940		0.0
Earnings per share in €	9.09		4.17		117.7
Earnings per share, diluted in €	9.09		4.17		117.7

ILLUSTRATION OF EARNINGS DEVELOPMENT IN 2017 COMPARED TO THE OUTLOOK

In the outlook of the 2016 Annual Report, PUMA forecasted a slight improvement in the gross profit margin to around 46.0% for financial year 2017. PUMA expected an increase in a mid-to-high single-digit percentage rate for other operating income and expenses. The forecast for the operating income (EBIT) was within a range of between € 170 million and € 190 million. Furthermore, a significant improvement in consolidated net earnings was expected.

These forecasts were increased several times throughout the year due to the better-than-expected business development and PUMA now expects an improvement in the gross profit margin to approxi-

mately 46.5%, an increase in other operating income and expenses in the low double-digit percentage area and an operating result (EBIT) within a range of between € 235 million and € 245 million. In accordance with previous forecasts, management continued to expect a significant improvement in consolidated net earnings in 2017.

PUMA was able to fully reach the increased forecasts in 2017 and even slightly exceed them with regard to the gross profit margin. As a result, PUMA was able to considerably exceed the improvement in operating income and in operating margin that were the original target for 2017.

More details on earnings development are provided on the next pages.

GROSS PROFIT MARGIN

In the financial year 2017, gross profit increased by 18.0% from € 1,656.4 million to € 1,954.3 million.

The gross profit margin increased by 160 base points from 45.7% to 47.3%, as PUMA was able to more than compensate for the negative currency exchange effects based on the weakness of individual currencies against the US dollar through improvements in sourcing, higher sales of new products with higher margins, a higher share of its own retail store sales and selective price adjustments.

The gross profit margin in the footwear segment increased considerably from 42.5% in the previous year to 45.5%. The apparel gross profit margin increased from 48.4% to 49.0% and in accessories it increased from 47.9% to 48.5%.

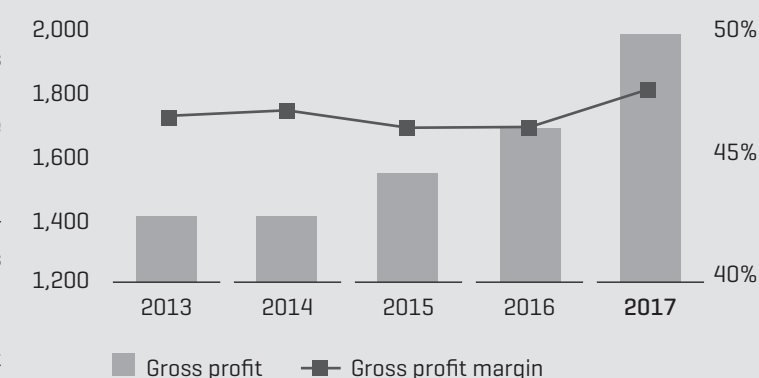
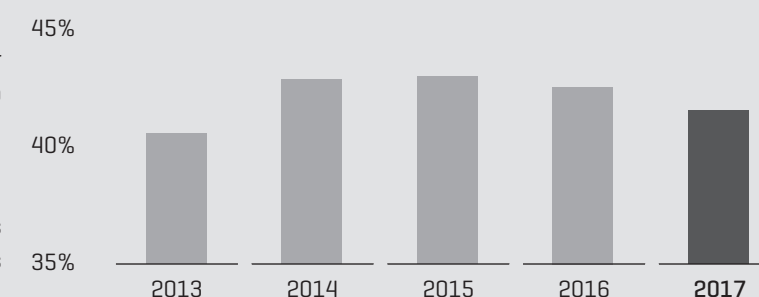
OTHER OPERATING INCOME AND EXPENSES

The consistent focus on the strict monitoring of other operating income and expenses continued to be top priority for PUMA in financial year 2017.

Nevertheless, further investment was made in a targeted manner in marketing so as to increase PUMA's brand heat and to position PUMA as the fastest sports brand in the world. Likewise, there was continued investment in modernizing the Company's own retail stores. The opening of new retail stores contributed to the increase in other operating income and expenses. Furthermore, progress was made in modernizing our IT infrastructure.

Other operating income and expenses increased in financial year 2017 by 11.7% from € 1,544.5 million to € 1,725.6 million. In percent of sales, the cost ratio improved from 42.6% to 41.7%. The decline in the cost ratio reflects the operating leverage achieved and significantly contributes to the increase in operating result.

Within the distribution expenses, there was an increase in expenses for marketing/retail by 12.4% from € 732.3 million to € 822.9 million. This development is primarily in connection with the consistent implementation of the *Forever Faster* brand campaign and the increased number of the Company's own retail stores. Due to the strong sales growth, the cost ratio nevertheless reduced from 20.2% to 19.9%. Other sales and distribution expenses stood

F.9 GROSS PROFIT/GROSS PROFIT MARGIN (€ million)**F.10 OPERATING EXPENSES AS A % OF CONSOLIDATED SALES**

at € 497.5 million, an increase of 10.5%. The expense ratio decreased from 12.4% to 12.0%.

Expenditure for research and development/product management increased overall by 5.1% to € 98.5 million in 2017 (previous year: € 93.7 million). The cost ratio reduced slightly to 2.4% (previous year: 2.6%).

Other operating income reduced from € 0.9 million in the previous year to € 0.3 million in 2017.

The administration and general expenses increase by 14.0% from € 269.3 million to € 307.0 million. The increase resulted inter alia from higher expenses for warehouses and IT. The cost ratio of administration and general expenses was unchanged at 7.4%.

Depreciation/amortization totaling € 70.3 million (previous year: € 59.9 million) is included under the respective cost items. This represents a 17.5% increase in depreciation/amortization compared to the previous year.

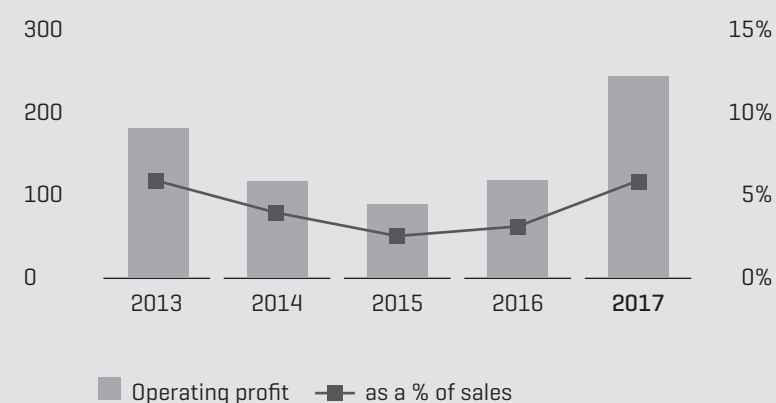
OPERATING INCOME (EBIT)

The operating result improved in 2017 by 91.7% from € 127.6 million to € 244.6 million. This result is at the upper end of the adjusted EBIT forecast [range of between € 235 million and € 245 million].

The operating margin therefore considerably improved from 3.5% in 2016 to 5.9% in the reporting year. This is mainly due to the sales growth in connection with a moderate increase in other operating income and expenses and the simultaneous improvement of the gross profit margin.

FINANCIAL RESULT

The financial result reduced in 2017 from € -8.7 million to € -13.4 million, with almost stable financial income of € 10.3 million [previous year: € 10.5 million] and almost unchanged expenses from currency conversion differences from € 6.9 million [previous year: € 6.4 million]. Interest rate expenses increased in the financial year due to the increased financing expenses in connection with currency hedging contracts from € 13.4 million to € 17.8 million. The result from the associated company Wilderness Holdings Ltd., which also flows into the financial result, increased in financial year 2017 to € 1.6 million [previous year: € 1.2 million].

F.11 **OPERATIONAL RESULT – EBIT** (€ million)**EARNINGS BEFORE TAXES (EBT)**

In the financial year 2017, PUMA generated earnings before taxes of € 231.2 million, an improvement of 94.5% from the previous year [€ 118.9 million]. Tax expenses were € 63.3 million compared to € 30.5 million in the previous year and the tax ratio increased slightly from 25.7% to 27.4% in 2017.

NET EARNINGS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Earnings attributed to non-controlling interests are based on our joint ventures in the North American market and increased in 2017 by 23.7% to € 32.2 million [previous year: € 26.0 million]. These companies concern Janed, which distributes socks and bodywear, PUMA Accessories North America and PUMA Kids Apparel that focuses on selling clothing for children.

CONSOLIDATED NET EARNINGS

Consolidated net earnings more than doubled in financial year 2017 and increased by 117.7% from € 62.4 million to € 135.8 million. Strong sales growth in connection with the moderate increase in other operating income and expenses with the simultaneous improvement of the gross profit margin were in particular crucial for the considerable improvement. In contrast, the financial result declined and there was a slight increase in the tax ratio.

Earnings per share as well as diluted earnings per share increased accordingly by 117.7% to € 9.09 in comparison to € 4.17 in the previous year.

DIVIDENDS

The Managing Directors and the Administrative Board will propose to the Annual General Meeting on Thursday, April 12, 2018 to distribute a one-off dividend of € 12.50 per share from PUMA SE's retained earnings for financial year 2017 [previous year: regular dividend € 0.75]. The dividends will be distributed in the days following the Annual General Meeting at which the resolution on the distribution is adopted.

REGIONAL DEVELOPMENT

Consolidated sales increased in 2017, currency-adjusted by 15.9%. All regions contributed to this development with double-digit growth rates.

Growth momentum was particularly high in the **EMEA** region. Sales increased in the reporting currency, the euro, by 19.1% to € 1,646.2 million. This corresponds to a currency-adjusted increase of 19.5%. Particularly strong momentum came from France, the DACH region (Germany, Austria and Switzerland) and the UK which recorded double-digit sales growth. Moreover, Russia and South Africa also developed very positively with double-digit sales growth. The EMEA region accounted for 39.8% of consolidated sales in comparison to 38.1% in the previous year.

In the product segments, sales of footwear recorded a currency-adjusted increase by 34.8%. Sales of apparel increased, currency-adjusted by 8.2% and a sales increase of 10.4%, currency-adjusted, could be achieved in accessories.

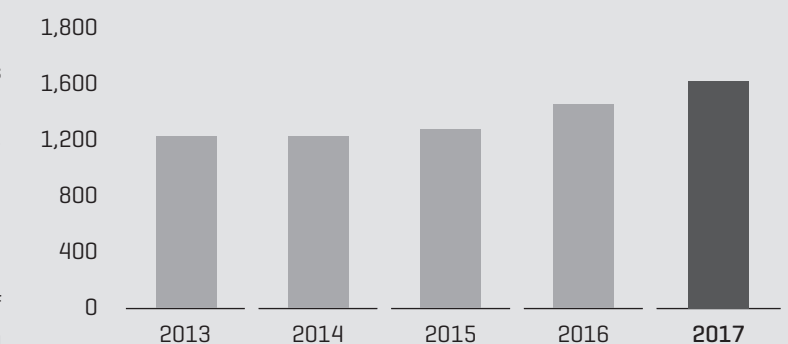
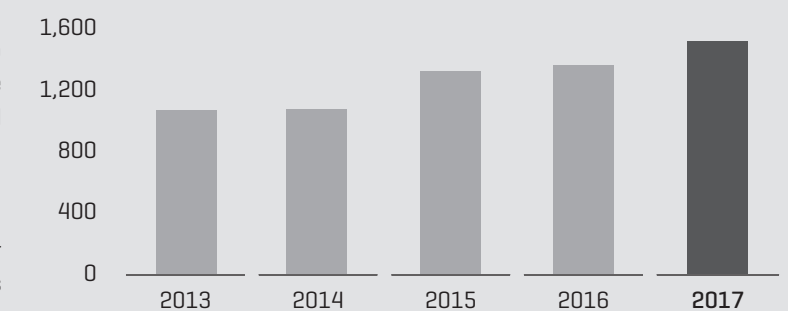
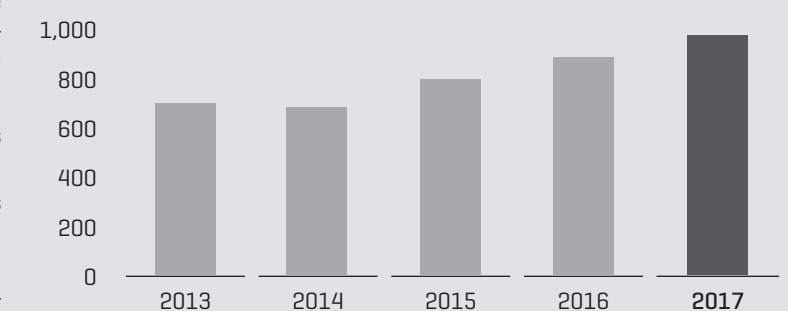
Sales in the **Americas** region increased in the reporting currency, the euro, by 11.6% to € 1,494.8 million. Currency-adjusted, sales increased by 14.3% where both North and Latin America contributed to the sale increase with double-digit growth rates. The share of the Americas region in Group sales reduced slightly from 36.9% in the previous year to 36.1% in 2017.

Looking at the product segments, both footwear [currency-adjusted +17.6%], apparel [+11.2%], as well as accessories [+11.0%] showed very strong double-digit growth.

In the **Asia/Pacific** region, sales rose in the reporting currency, the euro, by 10.0% to € 994.9 million. The currency-adjusted sales increase was 12.7%. The main driver of growth in the region was in particular China followed by Australia, which each recorded double-digit growth rates. In contrast, sales in Japan declined slightly compared to the previous year. The share of the Asia/Pacific region in Group sales reduced slightly from 24.9% in the previous year to 24.1% in 2017.

In relation to the product segments, the footwear segment was able to continue strong growth. Currency-adjusted footwear sales rose by 17.4%.

Currency-adjusted apparel sales were up by 11.1%. In contrast, Accessories only recorded close to stable sales progression compared to the previous year [currency-adjusted -0.8%], which is mainly due to sales of golf clubs.

F.12 **EMEA SALES** (€ million)F.13 **AMERICAS SALES** (€ million)F.14 **ASIA/PACIFIC SALES** (€ million)

NET ASSETS AND FINANCIAL POSITION**T.2 BALANCE SHEET**

	12/31/2017		12/31/2016		+/- %
	€ million	%	€ million	%	
Cash and cash equivalents	415.0	14.5	326.7	11.8	27.0
Inventories	778.5	27.3	718.9	26.0	8.3
Trade receivables	503.7	17.7	499.2	18.1	0.9
Other current assets (working capital)	164.0	5.7	141.4	5.1	15.9
Other current assets	23.6	0.8	79.2	2.9	-70.2
Current assets	1,884.8	66.0	1,765.4	63.8	6.8
Deferred taxes	207.9	7.3	229.5	8.3	-9.4
Other non-current assets	761.1	26.7	770.2	27.9	-1.2
Non-current assets	969.0	34.0	999.7	36.2	-3.1
Total assets	2,853.8	100.0	2,765.1	100.0	3.2
Current financial liabilities	29.0	1.0	25.3	0.9	14.5
Trade liabilities	646.1	22.6	580.6	21.0	11.3
Other current liabilities (working capital)	306.1	10.7	242.3	8.8	26.3
Other current liabilities	75.2	2.6	46.6	1.7	61.3
Current liabilities	1,056.5	37.0	894.9	32.4	18.1
Deferred taxes	37.6	1.3	63.1	2.3	-40.4
Pension provisions	29.7	1.0	31.6	1.1	-5.8
Other non-current liabilities	73.3	2.6	53.3	1.9	37.6
Non-current liabilities	140.7	4.9	148.0	5.4	-4.9
Shareholders' equity	1,656.7	58.1	1,722.2	62.3	-3.8
Total liabilities and shareholders' equity	2,853.8	100.0	2,765.1	100.0	3.2
Working capital	493.9		536.6		-7.9
- in % of consolidated sales	11.9%		14.8%		

EQUITY RATIO

PUMA continues to have an extremely solid capital base. Total assets increased as of December 31, 2017, by 3.2% from € 2,765.1 million to € 2,853.8 million. As equity reduced by 3.8% from € 1,722.2 million to € 1,656.7 million due to negative effects from currency conversion which are directly recorded in the other comprehensive income and therefore in equity, this resulted in a reduction of the equity ratio by 4.2 percentage points from 62.3% to 58.1%.

WORKING CAPITAL

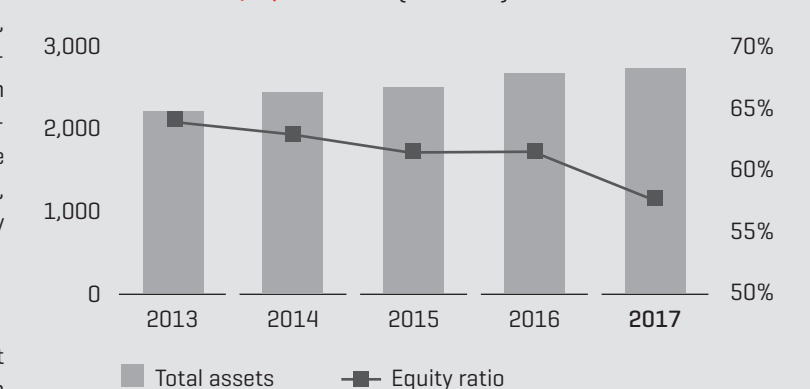
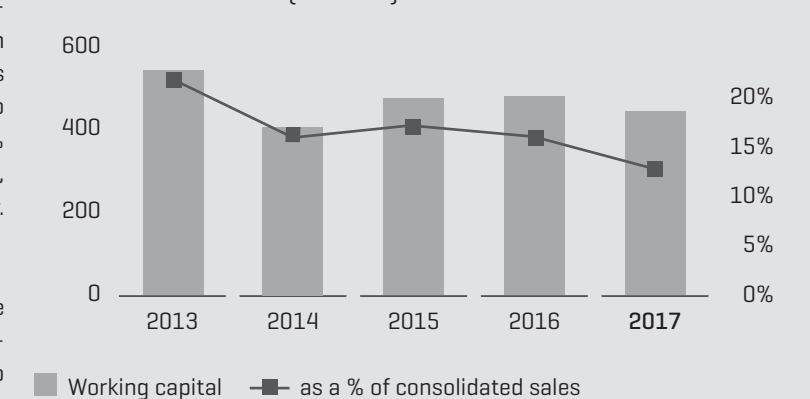
Our continued focus on working capital management and currency exchange effects led to a reduction in the working capital by 7.9% to € 493.9 million. In order to ensure the availability of products, even with increased demand and to cover the increased need for products due to new retail stores, inventories increased compared to the previous year by 8.3% from € 718.9 million to € 778.5 million. Trade receivables increased slightly by 0.9% from € 499.2 million to € 503.7 million. Trade liabilities increased by 11.3% and amounted to € 646.1 million as at December 31, 2017, compared to € 580.6 million in the previous year.

OTHER ASSETS AND OTHER LIABILITIES

Other current assets, which include the positive market value of derivative financial instruments, decreased compared to the previous year by 70.2% to € 23.6 million.

Other non-current assets, consisting mainly of intangible assets and property, plant and equipment, remained broadly stable at € 761.1 million.

Other current liabilities, which include the negative market value of derivative financial instruments, increased compared to the previous year from € 46.6 million to € 75.2 million.

F.15 TOTAL ASSETS/EQUITY RATIO (€ million)**F.16 WORKING CAPITAL (€ million)**

Pension provisions reduced slightly in 2017 by 5.8% to € 29.7 million.

Other non-current liabilities increased compared to the previous year by 37.6% to € 73.3 million. The increase is connected with the long-term loan to expand the building at the Herzogenaurach location.

CASH FLOW**T.3 CASH FLOW STATEMENT**

	2017	2016	
	€ million	€ million	+/- %
Earnings before taxes (EBT)	231.2	118.9	94.5
Financial result and non cash effected expenses and income	99.7	64.1	55.6
Gross cash flow	330.9	182.9	80.9
Change in current assets, net	-50.6	-0.2	-
Tax, interest and dividend payments	-53.1	-51.6	2.9
Net cash from operating activities	227.2	131.1	73.3
Payment for acquisition of shareholdings	0.0	-6.8	-
Payments for investing in fixed assets	-122.9	-84.3	45.7
Other investing activities	12.7	9.8	29.3
Net cash used in investing activities	-110.3	-81.4	35.5
Free cash flow	116.9	49.7	135.2
Free cash flow (before acquisitions)	116.9	56.5	106.8
- in % of consolidated sales	2.8%	1.6%	-
Net cash used in financing activities	-23.4	-61.1	-
Effect of exchange rate on cash	-5.3	-0.7	-
Change in cash and cash equivalents	88.3	-12.1	-
Cash and cash equivalents at beginning of the financial year	326.7	338.8	-3.6
Cash and cash equivalents at the end of the financial year	415.0	326.7	27.0

Gross cash flow improved in financial year 2017 due to the higher pre-tax profit by 80.9% from € 182.9 million to € 330.9 million. The financial result and non-cash effected expenses and income,

which in particular include depreciation and amortization of property, plant and equipment, amounted to € 99.7 million in 2017.

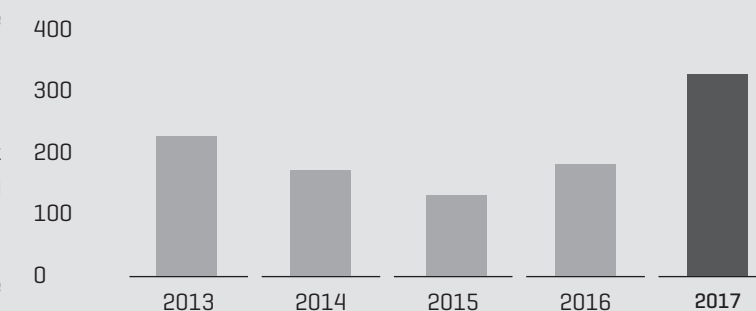
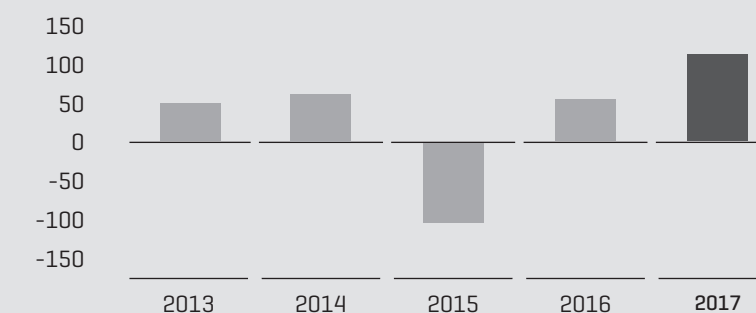
The focus on working capital management significantly contributed to the improvement of cash flow from operating business activity. In financial year 2017, net cash from operating activities increased from € 131.1 million in the previous year to € 227.2 million. The considerable improvement is due to the higher pre-tax profit as well as due to the decline of net working capital* in 2017. By contrast, the cash outflow from tax, interest and dividend payments increased by 2.9% to € 53.1 million.

The cash outflow from investing activities increased in the reporting year by 35.5% from € 81.4 million to € 110.3 million. Investment in fixed assets mainly involved investment in the company's own retail stores, IT infrastructure and the expansion of the building in Herzogenaurach in financial year 2017. Investments increased from € 84.3 million in the previous year to € 122.9 million. Other investing activities are associated with incoming payments from disposals of assets.

The free cash flow before acquisitions is the balance of the cash inflows and outflows from current operating and investing activities. Furthermore, an adjustment for payments in association with acquisitions is made. As a result of the higher pre-tax profit and the improvement of the cash flow from working capital, free cash flow before acquisitions improved by 106.8% from € 56.5 million to € 116.9 million. In percent of consolidated sales, free cash flow before acquisitions amounted to 2.8% compared to 1.6% in the previous year.

Cash flow from financing activities for financial year 2017 mainly resulted from dividend payments to PUMA SE shareholders of € 11.2 million and dividend payments to non-controlling interests of € 13.4 million. Net cash used in financing activities totaled € 23.4 million [previous year: cash outflow of € 61.1 million].

As of December 31, 2017, PUMA had cash and cash equivalents of € 415.0 million, an increase in cash and cash equivalents of 27.0% compared to the previous year (€ 326.7 million). The PUMA Group also had credit facilities totaling € 497.1 million as of December 31, 2017 [previous year: € 487.6 million]. Unutilized credit lines totaled € 440.2 million on the reporting date, compared to € 433.1 million in the previous year.

F.17 GROSS CASH FLOW (€ million)**F.18 FREE CASH FLOW (before acquisitions) (€ million)**

* Net working capital includes normal working capital line items plus current assets and liabilities, which are not normally part of the working capital calculation.

MANAGING DIRECTOR'S STATEMENT REGARDING THE BUSINESS DEVELOPMENT AND THE OVERALL SITUATION OF THE PUMA GROUP

We are extremely satisfied with the course of business and economic development in the last financial year. In 2017 sales and profitability have developed significantly better than originally expected. As a result, our forecast for financial year 2017 saw an upwards increase several times throughout the year. At the end of 2017, the increased financial targets were fully achieved and were even slightly exceeded with regard to the development of the gross profit margin. This success gives us confirmation that we are on the right path with the consistent implementation of the *Forever Faster* company strategy.

The strong sales growth in 2017 (currency-adjusted +15.9%) led to PUMA being able to exceed the symbolic sales mark of four billion euros for the first time in the Company's history. This meant that the sale of our products in our own retail stores and to our wholesale customers continued to improve. In our opinion, this is attributable above all to the increase in our brand heat and the improvement of our product range. With a view to profitability in 2017, we also improved significantly and achieved a considerable improvement in the operating result (EBIT), consolidated net earnings and the earnings per share. The operating result increased in the past financial year due to increased sales and thanks to the improved gross profit margin, as well as the improved operating leverage, by 91.7% from € 127.6 million to € 244.6 million. Consolidated net earnings and earnings per share more than doubled in 2017.

With regard to the consolidated balance sheet, we believe that PUMA has continued to have an extremely solid capital base (equity of approximately € 1.7 billion, equity ratio 58.1%). Furthermore, the ongoing focus on working capital management contributed to the fact that working capital reduced by 7.9% compared to the previous year despite the significant increase in sales.

The improvement of the income situation and focus on working capital also led to a considerable improvement in cash flow in the past financial year. Free cash flow before acquisitions more than doubled from € 56.5 million in the previous year to € 116.9 million. Cash and cash equivalents amount to € 415.0 million on the reporting date.

As a result, the PUMA group is characterized by an overall solid asset, financial and income situation at the time the Group management report was prepared. This enables us and the Administrative Board to propose a one-off dividend of € 12.50 per share for financial year 2017 (previous year: regular dividend € 0.75 per share) to the Annual General Meeting on Thursday, April 12, 2018.

COMMENTS ON THE GERMAN GAAP FINANCIAL STATEMENTS OF PUMA SE

PUMA SE's financial statements have been prepared pursuant to the rules of the German Handelsgesetzbuch (HGB - German Commercial Code).

PUMA SE is the parent company of the PUMA Group. PUMA SE's results are significantly influenced by the directly and indirectly held subsidiaries and shareholdings. The business development of PUMA SE is essentially subject to the same risks and opportunities as the PUMA Group.

PUMA SE is responsible for wholesale business in the DACH region, consisting of the home market of Germany, Austria and Switzerland. Furthermore, PUMA SE is also responsible for managing global distributors in the area of motorsport, the pan-European distribution for individual key accounts and sourcing products from European production companies as well as global licensing management. In addition, PUMA SE acts as a holding company within the PUMA Group and is as such responsible for international product development, marketing and the areas of finance, operations and PUMA's strategic direction.



RESULTS OF OPERATIONS

T.4 PROFIT AND LOSS STATEMENT [German GAAP, HGB]

	2017		2016		+/- %
	€ million	%	€ million	%	
Net sales	629.2	100.0	540.3	100.0	16.4
Other operating income	60.7	9.6	57.4	10.6	5.7
Material expenses	-201.9	-32.1	-154.5	-28.6	30.7
Personnel expenses	-105.5	-16.8	-86.1	-15.9	22.5
Depreciation	-15.8	-2.5	-14.1	-2.6	12.6
Other operating expenses	-507.8	-80.7	-406.1	-75.2	25.0
Total expenses	-831.0	-132.1	-660.8	-122.3	25.8
Financial result	279.1	44.4	145.3	26.9	92.1
Income before tax	137.9	21.9	82.2	15.2	67.8
Income tax	-9.3	-1.5	-3.5	-0.6	164.8
Net income	128.7	20.4	78.7	14.6	63.5

Sales [including royalties and commission income] overall increased in financial year 2017 by 16.4% to € 629.2 million. The increase was a result of increased sales in the DACH region, strong sales growth in individual regions and higher royalties and commission income. Product sales in the DACH region increased by 24.1% to € 227.4 million. At the same time, product sales in the other regions increased to € 73.2 million. Subsequently, PUMA SE sales from the sale of products increased overall by 34.2% to € 300.6 million. The royalties and commission income included in sales increased by 3.0% to € 289.7 million and other sales increased by 11.1% to € 38.8 million.

Other operating income amounted in 2017 to € 60.7 million [previous year: € 57.4 million] and in particular includes realized and unrealized income from currency conversion with regard to the reporting date valuation of receivables and payables in foreign currencies.

The total **expenditure** from material expenses, personnel expenses, depreciations/amortizations and other operating expenses increased compared to the

previous year by 25.8% to € 831.0 million [2016: total € 660.8 million]. The increase in material expenses was associated with the increase in sales.

Personnel expenses increased among other things due to the increased number of employees. Other operating expenses increased due to targeted further investment in marketing.

The **financial result** increased compared to the previous year by 92.1% to € 279.1 million. The cause for the increase was higher income from profit transfer agreements and decreasing expenses from loss absorption. In addition, write-ups on financial investments were made in 2017 which contrast the depreciations/amortizations on financial investments in the previous year.

The **income before tax** increased by 67.8% from € 82.2 million to € 137.9 million. Expenses for **income taxes** increased from € 3.5 million to € 9.3 million. **Net income** amounted to € 128.7 million compared to € 78.7 million in the previous year.

NET ASSETS

T.5 BALANCE SHEET [German GAAP, HGB]

	12/31/2017		12/31/2016		+/- %
	€ million	%	€ million	%	
Total non-current assets	559.8	44.0	507.6	43.8	10.3
Inventories	57.9	4.6	50.2	4.3	15.4
Receivables and other current assets	524.6	41.2	523.0	45.2	0.3
Cash and cash equivalents	119.4	9.4	73.1	6.3	63.3
Total current assets	701.9	55.2	646.3	55.8	8.6
Others	10.5	0.8	3.7	0.3	187.1
Total assets	1,272.2	100.0	1,157.6	100.0	9.9
Equity	665.7	52.3	547.8	47.3	21.5
Accruals/provision	102.8	8.1	63.1	5.4	63.0
Liabilities	502.1	39.5	544.5	47.0	-7.8
Others	1.6	0.1	2.3	0.2	-28.3
Total liabilities & shareholders' equity	1,272.2	100.0	1,157.6	100.0	9.9

Total non-current assets increased in 2017 by 10.3% to € 559.8 million. The increase resulted mainly from investments in intangible assets and in the new building and the write-up of financial investments.

In **total current assets**, inventories increased by 15.4% to € 57.9 million due to the increase of business volume. Trade receivables and receivables from affiliated companies remained almost unchanged in comparison to the previous year.

On the **liabilities side**, equity increased due to the net income by 21.5% to € 665.7 million. That corresponds to an improvement of the equity ratio from 47.3% to 52.3%. The increase in provisions resulted from higher personnel provisions and higher provisions for outstanding invoices. The decline in liabilities mainly resulted from the repayment of liabilities existing towards affiliated companies.

FINANCIAL POSITION

T.6 CASH FLOW STATEMENT (German GAAP, HGB)

	2017	2016	
	€ million	€ million	+/- %
Cash flow from operating activities	-2.2	-21.3	-
Cash flow from investing activities	-68.3	-63.0	8.5
Free cash flow	-70.5	-84.3	-
Cash flow from financing activities	116.8	109.8	6.4
Change in cash and cash equivalents	46.3	25.5	-
Cash and cash equivalents at beginning of the financial year	73.1	47.6	53.6
Cash and cash equivalents at year-end	119.4	73.1	63.3

The positive development of working capital significantly contributed to the improvement of **cash flow from operating business activity**. **Cash outflow from investing activities** increased slightly from € -63.0 million to € -68.3 million. This resulted in an overall improvement in **free cash flow** of € -84.3 million in the previous year to € -70.5 million in 2017.

The **cash flow from financing activity** showed a cash inflow of € 116.8 million in 2017 [previous year: € 109.8 million]. The increase compared to the previous year resulted from taking out a loan to finance the new building.

This led to an overall increase in cash and cash equivalents from € 73.1 million to € 119.4 million. Moreover, PUMA SE also has various financing credit lines at its disposal. As of December 31, 2017, the credit lines amounted to € 320.7 million and were not used as at the reporting date.

OUTLOOK

For the financial year 2018 PUMA SE expects a slight increase in net sales and income before tax.

The proposal of a one-off dividend of € 12.50 per share for the financial year 2017 will lead to a significant reduction in the equity ratio in the financial statements of PUMA SE according to German Commercial Code.

COMBINED NON-FINANCIAL REPORT

Due to the CSR Guideline Implementation Law, PUMA was obligated to submit a non-financial explanation for the first time in financial year 2017.

Sustainability is an important element in PUMA's company strategy. Social, economic and, environmental sustainability have been core values at PUMA for years. Therefore, PUMA publishes its Annual Report each year on the day of the Annual General Meeting, which contains the sustainability report for the past year, including the combined non-financial report, in addition to the Combined Management Report and the Consolidated Financial Statements. Furthermore, important sustainability information can be found on PUMA's website in the sustainability section (<http://about.PUMA.com/en/sustainability>). PUMA is planning to publish its sustainability report for financial year 2017 on Thursday, April 12, 2018, the day of PUMA SE's Annual General Meeting.

RELATIONSHIPS WITH AFFILIATED COMPANIES

At the end of the dependent company report given by the Managing Directors for the financial year 2017, the following statement was given: "Under the circumstances which were known to the Managing Directors at the time when the transactions listed in the report on relationships with affiliated companies were made, PUMA SE received an appropriate consideration in all cases. There were no reportable measures taken or not taken in the reporting period."

COMPENSATION REPORT

THE MANAGING DIRECTORS

The compensation of the Managing Directors, which is determined by the Administrative Board, consists of non-performance-based and performance-based components. The non-performance-based components consist of a fixed salary and non-cash compensation, whereas the performance-based components consist of bonuses and components with a long-term incentive effect. Along with job assignments and performance of each individual Managing Director, the criteria for calculating the total remuneration are the economic situation, long-term strategic planning and related targets, the long-term durability of targeted results and the Company's long-term prospects.

A fixed salary is paid out monthly as non-performance-based basic compensation. In addition, the Managing Directors receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Managing Directors in an equal manner and are included in the non-performance-based compensation. The fixed compensation for the three Managing Directors amounted to € 2.1 million in the financial year [previous year: € 1.9 million]. Non-cash compensation totaled € 0.1 million [previous year: € 0.1 million].

The bonus component of performance-related compensation is mainly based on the PUMA Group's operating income (EBIT) and free cash flow and is staggered according to the degree to which targets are met. In addition, qualitative individual goals are set. An upper limit is also agreed. In the financial year, variable bonuses came to € 3.9 million [previous year: € 2.5 million].

Pro-rata provisions totaling € 8.4 million [previous year: € 2.1 million] were set up for the existing compensation program [virtual shares/monetary units] with long-term incentives [from the years 2014 to 2017] for Managing Directors in financial year 2017 according to the vesting periods. Under the perfor-

mance-based program, 70% of the compensation will be based on the medium-term performance of PUMA SE's share and 30% will be based on the medium-term performance of Kering S.A.'s share in relation to benchmark companies. Further information on this program can be found in Section 19 of the Notes to the Consolidated Financial Statements. In addition, a payment of € 0.4 million [previous year: € 0.0 million] was made in connection with the *Stock Option Program 2012*, which expired at the end of April 2017.

Managing Directors have pension commitments as part of deferred compensation, which are paid from the aforementioned performance-based and/or non-performance-based remuneration for which the Company has taken out reinsurance for pension commitments. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, € 0.4 million was allocated for Managing Directors [previous year: € 0.4 million]. The present value of the pension benefits granted to active Managing Directors in the amount of € 4.5 million as of December 31, 2017 [previous year: € 2.6 million] was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

There are performance-based pension obligations to former members of the Board of Management and their widows/widowers amounting to € 3.3 million [previous year: € 3.5 million] and contribution-based pension obligations in association with deferred payment from previous members of the Board of Management and Managing Directors of € 10.3 million [previous year: € 10.1 million]. Both items are accordingly recognized as liabilities under pension provisions, unless they are offset against asset values of an equal amount. Pension obligations to former members of the Board of Management and their widows/widowers amounted to € 0.2 million [previous year: € 0.2 million].

RISK AND OPPORTUNITY MANAGEMENT**ADMINISTRATIVE BOARD**

In accordance with the Articles of Association, the Administrative Board has at least 3 members; it currently consists of 6 members. The compensation of the Administrative Board is comprised of a fixed and a performance-based component. The total fixed compensation amounted to € 0.3 million (previous year: € 0.3 million).

In accordance with the Articles of Association, each member of the Administrative Board receives a fixed annual compensation in the amount of € 25.0 thousand. The fixed compensation is increased by an additional fixed annual amount of € 25.0 thousand for the Chairman of the Administrative Board, € 12.5 thousand for the Vice Chairman of the Administrative Board, € 10.0 thousand for each committee chairman

(excluding the Nominating Committee) and € 5.0 thousand for each committee member (excluding the Nominating Committee).

In addition, each Administrative Board member receives performance-based compensation equal to € 20.00 for each € 0.01 by which the earnings per share figure exceeds a minimum amount of € 16.00 per share. The performance-based compensation amounts to a maximum of € 10.0 thousand per year. The Chairman of the Administrative Board receives twice this amount (maximum € 20.0 thousand) and the Vice Chairman receives one and a half times this amount (maximum € 15.0 thousand) in compensation. Since earnings per share are below the minimum amount in the financial year, no performance-based compensation will be paid.

Entrepreneurial activities are always associated with uncertainties and risks. This is particularly true for the fast-paced sports and lifestyle industry in which PUMA operates. Due to the global nature of business in this industry, PUMA is constantly exposed to risks and opportunities that must be identified and managed. Here, we need an effective risk and opportunity management through which risks and opportunities can be systematically recognized and monitored. A risk is defined as one or more future events with unplanned, negative effects for plans through to the continued existence of the Company. Similarly, an opportunity is defined as one or more events with unplanned, positive consequences for PUMA.

The Managing Directors of PUMA SE have overall responsibility for the risk and opportunity management system. The *Risk Management Committee* (hereinafter *RMC*) is a management-level committee responsible for the design and monitoring of the risk and opportunity management system, thereby acting as the first point of contact for risk report preparation. The task of the operational coordination and implementation of the Group-wide risk and opportunity management system has been transferred to Group Internal Audit & GRC (Governance, Risk Management & Compliance). Structured individual interviews (risk interviews) are conducted regularly across the group (currently twice annually) with executives at the management level below the Managing Directors (risk owners). The objective of these interviews is to systematically identify, validate and categorize risks. The Group Internal Audit & GRC department provides a uniform framework for the assessment of risks. The assessment considers probability of occurrence, the potential effect and the control of the risk in question.

The risks identified and assessed during the risk interviews are presented to the RMC in an aggregated form (the *risk heat map*). The RMC consists of a fixed group of executives from various corporate divisions, including the Managing Directors. The position of RMC Chairman is always filled by a Managing Director. The results of the RMC meetings are reported to the Audit Committee (sub-committee of the Administrative Board) by the Chair of the RMC and the Head of the Group Internal Audit & GRC department. An integrated GRC tool used to document the risk management processes is available to the Group Internal Audit & GRC department and to the risk owners.

PUMA also has a comprehensive reporting and controlling system, which is an essential component of its risk management approach. PUMA's reporting and controlling system is based on monthly financial reporting as well as the review and plausibility reports on reported information issued by Controlling.

Managers analyze opportunities and risks in annual planning discussions around the world, setting targets and defining courses of action based on the results. The comprehensive reporting system continuously monitors and generates reports on compliance with the set targets. This enables PUMA to promptly identify any deviations or negative developments and to initiate any necessary countermeasures in a timely manner.

RISK AND OPPORTUNITY CATEGORIES**MACROECONOMIC DEVELOPMENTS**

As an internationally acting Group, PUMA is exposed to global macroeconomic developments and the associated risks. For example, economic developments in important sales markets may have an effect on consumer behavior. This can have positive or negative effects on the planned sales and results. Likewise, political changes, exchange rate fluctuations, changes to the legal framework and social developments may have an effect.

Overall, PUMA manages these challenges with geographic diversification and the development of alternative scenarios for the possible occurrence of serious events. This applies in particular to political development and possible change of legal framework conditions which are continuously observed by PUMA.

BRAND IMAGE

Brand image and brand desirability are of key importance for PUMA, as consumer behavior can have a negative effect on the brand as well as a positive one. Accordingly, PUMA has formulated the guiding principle of *We want to be the fastest sports brand in the world* in order to underline the Company's long-term direction and strategy. The *Forever Faster* brand promise does not just stand for PUMA's product range as a sports company, but also applies to all company processes.

PUMA faces the brand image risks in particular through cooperating with brand ambassadors who embody the core of the brand and PUMA's brand values (*courageous, confident, determined and joyful*) and have a large potential for influencing our target group.

For example, we have far-reaching cooperations with Rihanna and The Weeknd in the area of sport style and with the Italian national football team, Arsenal FC and Borussia Dortmund in the area of sport performance. In 2017, the portfolio was also expanded with internationally important brand ambassadors like Selena Gomez, Big Sean and Lewis Hamilton. Furthermore, long-term sponsoring agreements have been concluded with Borussia Mönchengladbach and Olympique Marseille football clubs.

COUNTERFEIT PRODUCTS

Counterfeit products can cause damage to consumer confidence in the brand and can devalue PUMA's brand image. For this reason, PUMA has made fighting brand piracy a top priority. PUMA's intellectual property team does more than just protect a strong global intellectual property portfolio of trademarks, designs and patents. PUMA also works closely with customs and other law-enforcement authorities around the world and provides input regarding the implementation of effective laws to protect intellectual property.

SOURCING AND THE SUPPLY CHAIN

The majority of PUMA products is produced in selected markets in Asia (in particular China, Vietnam, Bangladesh and India). Production in these countries and transport in distribution countries is associated with significant risks for PUMA. For instance, certain risks may result from factors such as fluctuations in exchange rates, changes in taxes and customs duties, trade restrictions, natural disasters and political instability, as well as the international threat of terrorism.

Risks may also result from an overdependence on individual manufacturers. The portfolio is regularly reviewed and adjusted to avoid creating a dependence on individual suppliers and sourcing markets. To ensure that the necessary future production capacity will be available, framework agreements are generally concluded for extended periods.

There is also the risk of a breach of ILO (International Labor Organization) core labor standards by our suppliers. In addition, there is a risk that suppliers will not adhere to environmental standards or use hazardous chemicals in production, resulting in negative reporting. Inter alia, the PUMA Sustainability Team is also therefore tasked with verifying compliance with the applicable standards in regular audits of suppliers.

PRODUCT AND MARKET ENVIRONMENT

Recognizing and taking advantage of relevant consumer trends early on is key to countering the risk posed by market-specific product influences, in particular the risk of substitutability in the competitive sport and lifestyle market. Only those companies that identify these trends at an early stage will be able to gain an edge over their competitors.

PUMA's targeted investments in product design and development ensures that the characteristic PUMA design of the entire product range is consistent with the overall brand strategy (Forever Faster), thereby creating a unique level of brand recognition. In particular, PUMA is focusing on the expansion and improvement of the product range for women as part of the *The future is female* initiative.

RETAIL AND eCOMMERCE

PUMA operates various distribution channels (including traditional trade, PUMA's own retail stores and eCommerce platforms) in order to reduce dependency on individual distribution paths. The focus on the company's own retail stores and its own eCommerce platforms should furthermore ensure that PUMA products are presented in an exclusive brand environment.

Distribution through the Company's own retail stores and eCommerce platforms is, however, also associated with various risks for PUMA. This includes the necessary investments in expansion and infrastructure, setting up stores, higher fixed costs and leases with long-term lease obligations which can impact on profitability should business decline. On the other hand, extending the value chain can deliver higher gross margins and provide better control over distribution. In addition, PUMA-owned retail stores can deliver PUMA brand experience directly to the end customer.

To avoid risks and take advantage of opportunities, PUMA performs in-depth location and profitability analyses before making investment decisions. As a result of the Company's controlling and key performance indicator system, negative trends can be detected early on and the countermeasures required to manage individual stores can be taken accordingly. In eCommerce, there was a particular harmonization of global activities and further investment in the IT platform so as to further optimize purchase transaction settlement, thereby improving the purchasing experience for consumers.

REPORTING IN THE MEDIA

A negative media report about PUMA, such as a product recall, infringement of laws or internal or external requirements, can also do significant damage to the brand and ultimately result in the loss of sales and profit, regardless of whether these events actually happened or were just rumors. PUMA manages this risk by way of careful press and PR work, which is managed from the Group's headquarters in Herzogenaurach, Germany. In addition, PUMA regularly seeks an open dialog with key external stakeholders (e.g. NGOs) and this has been institutionalized in the *Talks at Banz*, which have been held annually since 2003.

ORGANIZATIONAL CHALLENGES AND PROJECT RISKS

The organizational structure of PUMA with the Group's headquarters in Herzogenaurach, a central sourcing organization in Hong Kong and globally positioned distribution companies, gives the Group a global orientation. This results in a risk for PUMA that the flow of goods and information are not sufficiently supported by modern IT infrastructure. For this reason, existing business processes must be continually optimized and adapted. This is carried out systematically through targeted optimization projects, which are planned and managed centrally by a staff member.

PERSONNEL DEPARTMENT

Creative potential and the commitment and performance of our employees are important factors for the success of any business and the source of significant opportunities as well. PUMA encourages independent thinking and acting, which are key in an open corporate culture with a flat hierarchy.

PUMA's human resources strategy seeks to ensure the long-term sustainability of this successful philosophy. To achieve this goal, a control process is in place to detect and assess human-resource risks. Accordingly, special attention has been paid to managing talent, identifying key positions and high-potential individuals and optimizing talent placement and succession planning. PUMA has instituted additional national and global regulations and guidelines to ensure compliance with legal provisions.

PUMA will continue to make targeted investments in the human-resource needs of particular functions or regions in order to meet the future requirement of our corporate strategy.

LEGAL RISKS

As an international company, the PUMA Group is exposed to various legal risks. These include contractual risks or risks that a third party could assert claims and litigation for infringement of its trademark rights, patent rights or other rights. The continuous monitoring of our contractual obligations and the integration of internal and external legal experts in contractual matters should ensure that any legal risks are avoided.

COMPLIANCE RISKS

PUMA is exposed to the risk that employees violate laws, directives and company standards (compliance violations). These risks, such as theft, fraud, breach of trust, embezzlement and corruption, as well as deliberate misrepresentations in financial reporting, may lead to significant monetary and reputational damage. PUMA therefore makes use of various tools to manage these risks. They include an integrated compliance management system, the internal control system, Group controlling and the internal audit department. As part of the Compliance Management System, awareness measures are carried out on important compliance subjects (for example corruption prevention, cartel law) and corresponding guidelines introduced. The employees of PUMA also have access to an integrity hotline for reporting unethical behavior.

CURRENCY RISKS

As an international company, PUMA is subject to currency risks resulting from the disparity between the respective amounts of currency used on the purchasing and sales sides and from exchange-rate fluctuations.

PUMA's biggest sourcing market is Asia, where most payments are settled in US dollars [USD], while sales of the PUMA Group are mostly invoiced in other currencies. PUMA manages currency risk in accordance with internal guidelines. Currency forward contracts are used to hedge existing and future financial liabilities denominated in foreign currencies.

To hedge signed or pending contracts against currency risk, PUMA only concludes currency forward contracts on customary market terms with reputable international financial institutions and Kering Finance SNC. As of the end of 2017, the net requirements for the 2018 planning period were adequately hedged against currency effects.

Foreign exchange risks may also arise from intra-group loans granted for financing purposes. Currency swaps and currency forward transactions are used to hedge currency risks when converting intra-group loans denominated in foreign currencies into the functional currencies of the Group companies [euro].

In order to disclose market risks, IFRS 7 requires sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on earnings and equity. The periodic effects are determined by relating the hypothetical changes caused by the risk variables to the balance of the financial instruments held as of the balance sheet date. The underlying assumption is that the balance as of the balance sheet date is representative for the entire year.

Currency risks as defined by IFRS 7 arise on account of financial instruments being denominated in a currency that is not the functional currency and is monetary in nature. Differences resulting from the conversion of the individual financial statements to the Group currency are not taken into account. All non-functional currencies in which PUMA employs financial instruments are generally considered to be relevant risk variables.

Currency sensitivity analyses are based on the following assumptions: Material primary monetary financial instruments [cash and cash equivalents, receivables, interest-bearing debt, liabilities from finance leases, non-interest-bearing liabilities] are either denominated directly in the functional currency or transferred into the functional currency through the use of currency forward contracts.

Currency forward contracts used to hedge against payment fluctuations caused by exchange rates are part of an effective cash-flow hedging relationship pursuant to IAS 39. Changes in the exchange rate of the currencies underlying these contracts have an effect on the hedge reserve in equity and the fair value of these hedging contracts.

If, as of December 31, 2017, the US dollar had appreciated [devalued] against all other currencies by 10%, the hedge reserve in equity and the fair value of the hedging contracts would have been € 120.4 million higher [lower] [December 31, 2016: € 106.2 million higher [lower]].

COUNTERPARTY RISKS

Because of its business activities, PUMA is exposed to default risk that is managed by continuously monitoring outstanding receivables and recognizing impairment losses, where appropriate. The default risk is limited where possible by credit insurance and the maximum default risk is reflected by the carrying amounts of the financial assets recognized on the balance sheet. Furthermore, default risks from other contractual financial obligations of the counterparty, such as cash at bank and derivative financial instruments result to a lower extent.

LIQUIDITY RISK

A liquidity reserve in the form of cash or cash equivalents as well as confirmed credit lines is maintained in order to ensure the Company's solvency at all times, its financial flexibility and the presence of a strategic liquidity buffer. Confirmed credit lines are made available until further notice or with a maturity period of less than one year. Furthermore, there is a loan for financing a new building with a residual term of up to four years.

PUMA continually analyzes short-term capital requirements through rolling cash flow planning at the level of the individual companies in coordination with the central Treasury Department. Thanks to the adequate liquidity of the PUMA Group and a central financing approach, any capital requirements are covered by internal financing, where and whenever possible. The central Treasury conducts medium-term liquidity planning as part of its budget process.

INTEREST-RATE RISKS

At PUMA, changes in interest rates do not have a significant impact on interest rate sensitivity and therefore do not require the use of interest rate hedging instruments.

SUMMARY

PUMA's risk management system allows the Company to fulfill the legal requirements pertaining to corporate control and transparency. The Management believes that, in an overall evaluation of the Company's risk situation, risk is limited and manageable. Due to the extremely solid balance sheet structure, in particular the high equity ratio and the positive business prospects, management does not see any particular endangerment of the continued existence of the PUMA Group.

MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS IT RELATES TO THE GROUP'S ACCOUNTING PROCESS

PUMA SE's Managing Directors are responsible for the preparation and accuracy of the Consolidated Financial Statements and the combined management report. The Consolidated Financial Statements were prepared in accordance with the International Financial Reporting Standards that apply in the EU, the requirements of the German Commercial Code [HGB] and the German SE Implementation Act [SEAG]. Certain disclosures and amounts are based on current estimates by management.

The Company's Managing Directors are responsible for maintaining and regularly monitoring a suitable internal control and risk management system covering the consolidated financial statements and the disclosures in the combined management report. This control and risk management system is designed to ensure the compliance and reliability of the internal and external accounting records, the presentation and accuracy of the consolidated financial statements and the combined management report and the disclosures contained therein. It is based on a series of process-integrated monitoring steps and encompasses the measures necessary to accomplish these, internal instructions, organizational and authorization guidelines, the PUMA Code of Ethics, a clear separation of functions within the Group and

the dual-control principle. The adequacy and operating effectiveness of these measures are regularly reviewed by the Group Internal Audit & GRC department.

For monthly financial reporting and consolidation, PUMA has a Group-wide reporting and controlling system that allows it to regularly and promptly detect deviations from projected figures and accounting irregularities and, where necessary, to take countermeasures.

The risk management system can regularly, as well as on an ad-hoc basis, identify events that could affect the Company's economic performance and its accounting process so that it can analyze and evaluate the resulting risks and take the necessary actions to counter them.

In preparing the consolidated financial statements and the combined management report, it is also sometimes necessary to make assumptions and estimates that are based on the information available on the balance sheet date and which will affect the reported amounts and recognition of assets and liabilities, income and expenses, contingent liabilities and other data that must be reported, as well as how these are classified.

The Administrative Board's Audit Committee meets regularly with the independent, statutory auditors, the Managing Directors and the Group Internal Audit & GRC department to discuss the results of the statutory audits of the financial statements and of the audit review with regard to the internal control and risk management system as it relates to the accounting process. The auditor reports to the Board of Management during the balance-sheet meeting on the results of annual and consolidated financial statements.

In addition to the risk and opportunity management described, the Group Internal Audit & GRC department carries out so-called *internal control self assessments [ICSA]* at the process level for all essential business processes. In these, process owners evaluate the existing control framework on the basis of best-practice standards. The objective is to continuously improve the internal control system and to identify specific risks at process level. The results of the ICSA are reported to the Audit Committee and are used specifically by the Group Internal Audit & GRC department in risk-oriented audit planning.

SUPPLEMENTAL REPORT AND OUTLOOK

SUPPLEMENTAL REPORT

There were no events after the balance sheet date which may have a material effect on the net assets, financial position and results of operations of PUMA Group.

With regard to the future development of PUMA's shareholder structure, we would like to make reference to the ad-hoc communication from PUMA SE on January 11, 2018.

OUTLOOK

GLOBAL ECONOMY

Due to the stimulating monetary and financial policy, experts from the Kieler Institut für Wirtschaft (Kiel Institute for the World Economy) expect a further strong increase in global GDP for 2018 in its winter forecast of December 13, 2017. After a growth in global GDP of 3.8% in 2017, an increase of 3.9% is forecasted for 2018. This is a slight increase of growth prospects by 0.2 percentage points compared to the summer forecast in 2017 (GDP growth in 2018 + 3.7%). Improvement compared to the summer forecast, may, in advanced economies, result on the one hand from persistently good investment conditions for companies, that contribute to increasing profits due to more favorable financial conditions and, on the other hand, should have a positive influence on the good mood among consumers and the increasing available income in private households.

With regard to emerging countries, higher raw material prices and a robust foreign economy justify the slight increase in growth prospects.

Risks for the forecast appear in particular to exist in the financial environment in connection with the persistent normalization of monetary policy. In contrast, the uncertainties originating from the political environment appear overall to have diminished somewhat compared to the previous year's forecast.

SPORTING GOODS INDUSTRY

If there are no significant negative effects on the part of macroeconomic development, we continue to expect stable growth in the sporting goods industry in 2018. It must be assumed that the interest in

sporting activity and health awareness will continue to increase, thereby strengthening the demand for sporting articles. Higher wages and increasing domestic consumption in emerging countries should continue to stimulate the global consumption of sporting articles in 2018. Furthermore, the football World Cup in Russia in 2018 should contribute to supporting growth in the sporting goods industry.

OUTLOOK 2018

Based on the positive business development in 2017 with strong sales growth and a significant improvement in profitability, the management is confident that 2018 will be another positive year for the Company and that PUMA is well positioned to carry forward the brand's momentum.

For the full year 2018, we expect that currency-adjusted net sales will increase by approximately 10%. The gross profit margin is forecasted to improve slightly (2017: 47.3%). Operating expenses (OPEX) are expected to increase at a mid to high single-digit rate, as PUMA will continue to invest in marketing, retail and IT.

At the current exchange rate levels, PUMA's management expects that the operating result (EBIT) in 2018 will improve significantly due to higher sales and a slightly improved gross profit margin. The EBIT is therefore expected to come in between € 305 million and € 325 million (2017: € 244.6 million). Net earnings will also continue to improve significantly in 2018.

INVESTMENTS

Investments totaling around € 125 million are planned for 2018. The significant part of investments concern investments in infrastructure in order to create the operating requirements for planned long-term growth. Likewise, further investments are made in the new building and the expansion and modernization of the Company's own retail stores.

FOUNDATION FOR LONG-TERM GROWTH

The Managing Directors and the Administrative Board have established long-term strategic priorities. Action plans are being implemented in a targeted, value-oriented manner. PUMA's management believes that the Forever Faster corporate strategy will lay the foundations for positive mid-term and long-term development.

INFORMATION CONCERNING TAKEOVERS

The following information, valid December 31, 2017, is presented in accordance with Art. 9 p. 1 c) (ii) of the SE Regulation and Section 22 p. 6 of the German SE Implementation Act (SEAG), in conjunction with Sections 289a, 315a German Commercial Code (HGB). Details under Sections 289a, 315a HGB which do not apply at PUMA SE are not mentioned.

Composition of the subscribed capital (Sections 289a [1][1][1], 315a [1][1][3] HGB)

On the balance sheet date, subscribed capital totaled € 38,611,107.84 and was divided into 15,082,464 no-par-value shares. As of the balance sheet date, the Company held 136,108 treasury shares.

Shareholdings exceeding 10% of the voting rights (Sections 289a [1][1][3], 315a [1][1][3] HGB)

As of December 31, 2017 there was one shareholding in PUMA SE that exceeded 10% of the voting rights. It was held by the Pinault family via several companies controlled by them (ranked by size of stake held by the Pinault family: Financière Pinault S.C.A., Artémis S.A., Kering S.A. and SAPARDIS SE). The shareholding of Kering S.A. in PUMA SE amounted to 86.3% according to Kering's ad hoc announcement on January 11, 2018.

Statutory provisions and regulations of the Articles of Association on the appointment and dismissal of the Managing Directors and on amendments to the Articles of Association (Sections 289a [1][1][6], 315a [1][1][6] HGB)

Regarding the appointment and dismissal of Managing Directors, reference is made to the applicable statutory requirements of Art. 40 SEAG. Moreover, Section 13[1] of PUMA SE's Articles of Association stipulates that the Administrative Board shall appoint one or several Managing Director(s). It may appoint one of these Managing Directors as Chief Executive Officer and one or two as Deputy Chief Executive Officers. Pursuant to Section 13[4] of PUMA SE's Articles of Association, Managing Directors may be dismissed only for good cause, within the meaning of Section 84[3] of the German Stock Corporation Act (AktG) or if the employment agreement is terminated, in which case a resolution must be adopted by the Administrative Board with a simple majority of the votes cast. Art. 59 SE Regulation and Sections 133[1], 179 [2] [1] German Stock Corporation Act (AktG) (i.e., a simple majority of votes and a majority of at least three quarters of the share capital repre-

sented at the time the resolution is adopted) are applicable for an amendment to the Articles of Association. The Company has not made use of Section 51 SEAG. Pursuant to Art. 9[1]c(ii) of the SE Regulation (SE-VO), the requirements for changing the Articles of Association are governed by Sections 133 and 179 of the German Stock Corporation Act (AktG). The Administrative Board is authorized to make changes to the Articles of Association that affect only the text (Article 9[3] of PUMA SE's Articles of Association).

Authority of the Administrative Board to issue or repurchase shares (Sections 289a [1][1][7], 315a [1][1][7] HGB)

The authority of the Administrative Board to issue shares result from Section 4 of the Articles of Association and from the statutory provisions:

The Administrative Board shall be authorized to increase the share capital of the Company by up to € 15,000,000.00 by issuing, once or several times, new no par-value bearer shares against contributions in cash and/or kind until April 11, 2022 (Authorized Capital 2017). In case of capital increases against contributions in cash, the new shares may be acquired by one or several banks, designated by the Administrative Board, subject to the obligation to offer them to the shareholders for subscription (indirect pre-emption right). The shareholders shall generally be entitled to pre-emption rights. However, the Administrative Board shall be authorized to partially or completely exclude pre-emption rights

- to avoid peak amounts;
- in case of capital increases against contributions in cash if the pro-rated amount of the share capital attributable to the new shares for which pre-emption rights have been excluded does not exceed 10% of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price for already listed shares of the same class, Section 186 [3] sentence 4 AktG. The 10% limit of the share capital shall apply at the time of the resolution on this authorization by the Annual General Meeting as well as at the time of exercise of the authorization. Shares of the Company (i) which are issued or sold during the term of the Authorized Capital 2017 excluding shareholders' pre-emption rights directly or respectively applying Section 186 [3] sentence 4 AktG

or (ii) which are or can be issued to service option and convertible bonds applying Section 186 [3] sentence 4 AktG while excluding shareholders' pre-emption rights during the term of the Authorized Capital 2017, shall be counted towards said limit of 10%;

- in case of capital increases against contributions in cash insofar as it is required to grant pre-emption rights regarding the Company's shares to holders of option or convertible bonds which have been or will be issued by the Company or its direct or indirect subsidiaries to such an extent to which they would be entitled after exercising option or conversion rights or fulfilling the conversion obligation as a shareholder;
- in case of capital increases against contributions in kind for carrying out mergers or for the (also indirect) acquisition of companies, participation in companies or parts of companies or other assets including intellectual property rights and receivables against the Company or any companies controlled by it in the sense of Section 17 AktG.
- The total amount of shares issued or to be issued based upon this authorization while excluding shareholders' pre-emption rights may neither exceed 20% of the share capital at the time of the authorization becoming effective nor at the time of exercising the authorization; this limit must include all shares which have been

disposed of or issued or are to be issued during the term of this authorization based on other authorizations while excluding pre-emption rights or which are to be issued because of an issue of option or convertible bonds during the term of this authorization while excluding pre-emption rights.

The Administrative Board shall be entitled to determine the remaining terms of the rights associated with the new shares as well as the conditions of the issuance of shares.

The resolution adopted by the Annual General Meeting on May 6, 2015 authorized the company to purchase treasury shares up to a value of 10% of the share capital until May 5, 2020.

Significant agreements of the Company which are subject to a change of control as a result of a takeover bid and the resulting effects [Section 289a [1] [1][8], 315a [1][1][8] HGB]

Material financing agreements of PUMA SE with its creditors contain the standard change-of-control clauses. In the case of change of control the creditor is entitled to termination and early calling-in of any outstanding amounts.

For more details, please refer to the relevant disclosures in the Notes to the Consolidated Financial Statements [Section 18].

CORPORATE GOVERNANCE REPORT INCLUDING THE STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289f AND SECTION 315d HGB

Effective implementation of the principles of corporate governance is an important aspect of PUMA's corporate policy. Transparent and responsible corporate governance is a key prerequisite for achieving corporate targets and for increasing the Company's value in a sustainable manner. The Administrative Board and the Managing Directors work closely with each other in the interests of the entire Company to ensure that the Company is managed and monitored in an efficient way that will ensure sustainable added value through good corporate governance. In the following the Administrative Board and the Managing Directors report on the corporate governance at PUMA SE in accordance with Section 3.10 of the German Corporate Governance Code. This section also includes the Statement of Compliance in accordance with Art. 9[1]c[ii] of the SE Regulation [SE-VO] and Section 22[6] of the German SE Implementation Act [SEAG], in conjunction with Section 289f and Section 315d HGB.

Under Art. 9[1]c[ii] of the SE Regulation [SE-VO] and Section 22[6] of the German SE Implementation Act [SEAG], in conjunction with § 161 AktG the Administrative Board of a listed German SE is required to issue a statement at least once a year stating whether the German Corporate Governance Code has been and is being observed and which of the Code's recommendations have not been or are not being applied and why. The Administrative Board of PUMA SE issued the following statement of compliance on November 9, 2017:

STATEMENT OF COMPLIANCE PURSUANT TO SECTION 161 AKTG FOR 2017

Pursuant to Art. 9 p. 1 c) [ii] of the SE Regulation [SE-VO] and Section 22 p. 6 of the German SE Implementation Act [SEAG], in conjunction with Section 161 AktG PUMA SE's Administrative Board declares that PUMA SE has been and will be in compliance with the recommendations issued by the *Government Commission on the German Corporate Governance Code* [the *Code*] (code version dated May 5, 2015 and February 7, 2017), since the last Statement of

Compliance from November 9, 2016 in consideration of the particulars of PUMA SE's single-tier system described under item 1 with the exceptions mentioned under item 2 and where it is not in compliance, explains why not.

1ST PARTICULARS OF THE SINGLE-TIER CORPORATE GOVERNANCE SYSTEM

According to Art. 43 - 45 SE-VO, in conjunction with Sections 20 et seq. SEAG, under the single-tier system, the management of the SE is the responsibility of a single company organ, the Administrative Board [see Para. 7 of the Code's Preamble]. The Administrative Board manages the Company, determines the Company's basic business strategies and monitors the implementation of said strategies by the Managing Directors. The Managing Directors manage the Company's business, represent the Company in and out of court and are bound by instructions from the Administrative Board.

Basically, PUMA SE takes those parts of the Code that used to apply to the Supervisory Board and applies them to the Administrative Board and takes those parts of the Code that used to apply to the Board of Management and applies them to its Managing Directors. The following exceptions apply with respect to the legal framework for the single-tier system:

- In derogation of No. 2.2.1 s. 1 of the Code, the Administrative Board must submit the annual financial statements and the consolidated financial statements to the Annual General Meeting, Section 48 p. 2 s. 2 SEAG.
- In derogation of Nos. 2.3.1 s. 1 and 3.7 p. 3 of the Code, the Administrative Board is responsible for convening the Annual General Meeting, Sections 48 and 22 p. 2 SEAG.
- The duties of the Board of Management listed in Nos. 4.1.1 [Corporate Governance], 4.1.2 in conjunction with 3.2 half-sentence 1 [Development of the Company's Strategic Orientation] of the Code are the responsibility of the Administrative Board, Section 22 p. 1 SEAG.

- The powers of the Board of Management governed by Nos. 2.3.2 s. 2 [Proxy Bound by Instructions], 3.7 p. 1 [Statement on a Takeover Bid] and 3.7 p. 2 [Conduct during a Takeover Bid], as well as 3.10 [Corporate Governance Report], 4.1.3 [Compliance] and 4.1.4 [Risk Management and Controlling] of the Code shall be the responsibility of PUMA SE's Administrative Board, Section 22 p. 6 SEAG.
- In derogation of Nos. 5.1.2 p. 2 s. 1 and 2 of the Code, Managing Directors, unlike members of the Board of Management, are not subject to a fixed, maximum term of office, Section 40 p. 1 s. 1 SEAG.
- In derogation of Nos. 5.4.2 s. 2 and 5.4.4 of the Code, members of the Administrative Board may be appointed as Managing Directors, provided that the majority of the Administrative Board continues to consist of non-executive Managing Directors, Section 40 p. 1 s. 2 SEAG.
- In accordance with the authorization by the Annual General Meeting on May 7, 2013, pursuant to Section 286 p. 5 HGB, the Company shall not publish the amounts of compensation for individual Managing Directors until the authorization expires [Nos. 4.2.4 and 4.2.5 of the Code]. The Managing Directors shall adhere to the authorization when they prepare the annual financial statements. Based on the authorization of the Annual General Meeting and in derogation of No. 4.2.5 p. 3 of the Code the information stated in this section regarding the compensation of the Managing Directors is not included in the Compensation Report.
- In derogation of No. 5.4.6 p. 2 s. 2 of the Code, members of the Administrative Board receive performance-based compensation that is not linked to the sustainable success of the Company. The compensation was authorized by the Annual General Meeting on April 14, 2011, it is stipulated in the Articles of Association and is deemed to be proper and correct by PUMA SE.
- In derogation of No. 5.4.6. p. 3 of the Code, the compensation of the Administrative Board members is not shown individually. In the opinion of PUMA SE, this is not additional information relevant to the capital market as the respective remuneration regulations included in the Articles of Association are in the public domain.

2ND EXCEPTIONS TO THE CODE'S RECOMMENDATIONS

- In derogation of No. 3.8 p. 3 of the Code, members of the Administrative Board are provided with D&O insurance with no deductible. The Administrative Board feels that it can dispense with a deductible for members of the Administrative Board, because the D&O insurance is group insurance for people in Germany and abroad and a deductible is fairly unusual abroad.
- In derogation of No. 4.2.3 p. 2 s. 6 of the Code the compensation of the Managing Directors does not show the maximum amount limits in total or their variable compensation components. The employment contracts of the Managing Directors were concluded in accordance with the then current version of the Code and are deemed to be proper and correct by PUMA SE.
- In derogation of No. 4.2.3 p. 5 of the Code no limits on severance payments for premature termination as a Managing Director due to a change of control have been agreed, because an agreement drawn up in advance would not be able to take into account the specific situation that gave rise to a premature termination or the other circumstances of the individual case of termination.

Herzogenaurach, November 9, 2017

PUMA SE

FOR THE ADMINISTRATIVE BOARD



Jean-François Palus

The Statement of Compliance is available at any time on the Company's website: <http://about.PUMA.com/en/investor-relations/corporate-governance/declaration-of-compliance>.

RELEVANT DISCLOSURES OF CORPORATE GOVERNANCE PRACTICES THAT ARE APPLIED BEYOND THE REGULATORY REQUIREMENTS

CORPORATE SOCIAL RESPONSIBILITY

In order to fulfill our ecological and social responsibility as a global sporting goods manufacturer, PUMA has developed groupwide guidelines on environmental management and on compliance with workplace and social standards. PUMA is convinced that only on such a foundation can a lasting and sustainable corporate success be achieved. That is why PUMA is committed to the principles of the UN Global Compact. The PUMA Code of Conduct prescribes ethical and environmental standards with which both employees and suppliers are required to comply. The PUMA Code of Conduct was revised in 2016 and explicitly addresses PUMA's obligation and commitment in respect of human rights and combating corruption. Detailed information on the Company's corporate social responsibility strategy can be found in the Sustainability section of the Annual Report or on the Company's homepage (<http://about.PUMA.com> under SUSTAINABILITY).

COMPLIANCE MANAGEMENT SYSTEM

Compliance with laws and internal regulations and values are of key importance for PUMA's corporate governance. For this reason, PUMA has introduced a compliance management system [CMS] to identify, control and monitor compliance risks at an early stage. By developing policies as well as advising and training employees, the CMS aims to prevent potential financial losses or reputational damage from the company and to prevent misconduct.

The Code of Ethics of the PUMA Group sets out the principles governing our actions and values. In addition to the general principles of conduct described as well in the PUMA Code of Conduct, among other things, the policy contains rules on the handling of conflicts of interest, personal data, insider information and prohibits anti-competitive behavior as well as corruption in any form. The Code of Ethics is an integral part of every employment contract. In order

to further reduce the risk of misconduct, the PUMA Code of Ethics is accompanied by concrete guidelines governing selected risk areas in detail.

With the help of various measures such as risk-based face-to-face trainings and e-learning, the employees of the PUMA Group are familiarized with the relevant legal regulations and internal guidelines and trained. In the past financial year, training was provided in particular in the areas of anti-corruption and antitrust law. In 2017, all PUMA employees were instructed by the CEO of PUMA SE to complete an e-learning course on the Code of Ethics as well as on the fight against bribery and corruption. The clear tone from the top led to 99% of PUMA employees successfully completing the e-learning on the Code of Ethics and 98% successfully completing the e-learning on the fight against bribery and corruption.

The Administrative Board and the Managing Directors have overall responsibility for the proper functioning of the CMS. They are supported by a compliance organization consisting of a Chief Compliance Officer and compliance officers in the most important Group companies. The Audit Committee of the Administrative Board of PUMA SE is regularly informed about the current status of the implementation of the compliance structures and serious compliance violations. The Chief Compliance Officer works closely with the Legal Department and Internal Audit. In addition, regular meetings of the PUMA SE Risk & Compliance Committee are held. This consists of a fixed circle of executives including the Managing Directors of PUMA SE. Among other things, the committee analyzes and evaluates compliance risks and defines and adopts appropriate measures [policies, training courses, etc.].

A whistleblower hotline operated by an external provider is available to PUMA employees throughout the Group, to whom unethical, illegal or criminal activities can be reported - if desired, anonymously as well. In addition to the complaint system for PUMA employees, there is a worldwide hotline for external whistleblowers from the supply chain.

DESCRIPTION OF THE WORKING PRACTICES OF THE ADMINISTRATIVE BOARD AND THE MANAGING DIRECTORS

PUMA SE has a **single-tier** management and control structure. According to Articles 43 – 45 SE-VO, in conjunction with Sections 20 et seqq. SEAG, under the single-tier system, management of the SE is the responsibility of a single body, the Administrative Board. The Managing Directors manage the Company's daily business. Another corporate body is the Annual General Meeting.

The **Administrative Board** of PUMA SE manages the Company, determines the Company's basic business strategies and monitors the implementation of said strategies by the Managing Directors. It appoints and dismisses the Managing Directors, decides on the compensation system and establishes the compensation. In accordance with the Articles of Association, the Administrative Board consists of at least three members. It currently consists of six members according to the Articles of Association of the Company. At least one independent member of the Administrative Board must have expertise in the areas of finance, accounting or auditing. The members of the Administrative Board are appointed at the Annual General Meeting, a third of them pursuant to the German Codetermination Act based on binding nominations by employee representatives. The members of the Administrative Board are appointed for a period up to the close of the Annual General Meeting that adopts the resolution approving the actions of the Administrative Board for the financial year 2021 and for a maximum of six years after the respective Administrative Board member was appointed. Administrative Board members may be reappointed.

The Administrative Board had eight members until the Annual General Meeting on April 12, 2017. One member died on March 12, 2017. The Administrative Board has consisted of six members since April 12, 2017. Further information on the members of the Administrative Board can be found in the Notes to the

Consolidated Financial Statements [last chapter].

Meetings of the Administrative Board must be held at least every three months. Meetings must also be held if required for the Company's well-being or if a member of the Administrative Board demands that a meeting be convened. The Board of Directors held four ordinary meetings and two extraordinary meetings in 2017.

The **Managing Directors** manage the Company's business with the goal of creating sustainable value with shared responsibility. They implement the guidelines and targets issued by the Administrative Board. The Board currently consists of three members and has a chairman. The Managing Directors inform the Administrative Board regularly, comprehensively and in a timely manner regarding all company-related issues with respect to planning, business development, the risk situation, risk management and compliance. They provide details on and reasons for deviations of business performance from established plans and objectives. Further information on the Managing Directors can be found in the Notes to the Consolidated Financial Statements [last chapter].

The Managing Directors are required to disclose conflicts of interest to the Administrative Board immediately and inform the other Managing Directors about any such conflicts. They are permitted to carry out additional activities, especially Supervisory Board or similar mandates outside the PUMA Group, only with the prior approval of the Administrative Board. In the past year, Managing Directors of PUMA SE had no conflicts of interest.

The principles of cooperation of the Managing Directors of PUMA SE are laid down in the Rules of Procedure for the Managing Directors, which can be viewed at <http://about.PUMA.com> under CORPORATE GOVERNANCE.

DIVERSITY CONCEPT

a) Objectives for the composition of the Administrative Board

The Administrative Board of PUMA SE is composed in such a way that its members as a group possess the appropriate knowledge, skills and professional experience necessary for the proper performance of their duties. The composition of the Administrative Board is primarily determined by appropriate qualification, taking into account diversity and the appropriate involvement of women. Based on Section 5.4.1 of the Code, the Administrative Board has set targets for his composition that have been fulfilled. In detail:

- The members of the Administrative Board as a group have the experience and knowledge in the field of management and/or monitoring market-oriented companies as well as in the business segments and sales markets of PUMA.
- A sufficient number of members have strong international backgrounds.
- Including the employees' representative on the Administrative Board, the Administrative Board has an appropriate number of independent members.
- The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control procedures and is independent.
- The members have sufficient time to perform his/her mandate in the Administrative Board.
- The Administrative Board prevents potential significant and not only temporary conflicts of interest of its members by regularly monitoring and critically scrutinizing its members' other activities.
- According to Section 1(4) of the Rules of Procedure for the Administrative Board, Administrative Board members may, in principle, not be over 70 years of age and their maximum term of office may not exceed three terms.

b) Profile of skills and expertise

The Administrative Board has determined a competence profile for the entire Board. It stipulates that the members of the Administrative Board as a whole must cover the following professional competencies:

- Managing of large or mid-sized international companies
- Leadership experience in the sporting or luxury goods industry
- International corporate background
- Leadership experience with various distribution channels, including eCommerce
- Expertise in building strong international brands
- Marketing, sales and digital know-how
- Financial expertise [accounting, treasury, risk management, corporate governance]
- Expertise in serving on the supervisory or administrative boards of publicly listed companies
- Experience with mergers & acquisitions
- Understanding of the industrial constitution law and advocating the interests of the employees
- HR expertise
- IT expertise

The Administrative Board of PUMA SE is currently composed in such a way that it has the competence profile as an overall body.

c) Commitments to promote the participation of women in management positions in accordance with Art. 9(1)(ii) of the SE Regulation [SE-VO] and Section 22(6) of the German SE Implementation Act [SEAG] in connection Section 76(4), Section 111(5) AktG

The Administrative Board has adopted new targets for the proportion of women on the Administrative Board, at the level of the Managing Directors and the two management levels below the Managing Directors. For the Administrative Board of PUMA SE a target of 30% women was set; for the level of the Managing Directors a target of 20% was set, on the

condition that PUMA SE has five or more Managing Directors. The Administrative Board adopted targets of 25% for the first management level below the Managing Directors and 30% for the second management level. At Group level, the proportion of women is expected to increase to 30% for the first management level below the Managing Directors and to 40% for the second management level.

All implementation deadlines run until October 31, 2021.

The targets set by PUMA in 2015 have been achieved partially. As only one member of the Administrative Board is a woman, the target for the Administrative Board has not been reached by June 30, 2017. The body of Managing Directors was not extended until June 30, 2017 and continues to consist of Messrs. Gulden, Lämmermann and Sørensen. The target figures of 20% and 30%, respectively, for the first two management levels below the Managing Directors were achieved at Group level, but not at the level of PUMA SE.

In the future, the inclusion of women among the Managing Directors shall be guaranteed in the event of a new appointment, in particular by giving special consideration to women from among several equally qualified applicants. If a position must be filled by outside candidates, special care should be taken to consider properly qualified female candidates. The same applies when filling management positions. In order to include even more women in management positions in the future, PUMA SE is using part-time and half-day models, as well as flexible working hours and the provision of more childcare places to promote a better balance between work and family life.

DESCRIPTION OF THE COMPOSITION AND THE WORKING PRACTICES OF THE COMMITTEES OF THE ADMINISTRATIVE BOARD

The Administrative Board has established four committees to perform its duties and receives regular reports on their work. The principles of cooperation of the Administrative Board of PUMA SE and the duties of the committees are set out in the Rules of Procedure for the Administrative Board, which can be viewed at <http://about.PUMA.com> under CORPORATE GOVERNANCE.

The Personnel Committee consists of three members. The Personnel Committee is responsible for entering into and making changes to Managing Directors' employment contracts and for establishing policies for Human Resources and personnel development. The entire Administrative Board decides on issues involving the Managing Directors' compensation based on recommendations from the Personnel Committee.

The Audit Committee consists of three members. The Chairman of the Audit Committee must be an independent shareholder representative and must have expertise in the fields of accounting and auditing in accordance with Section 100[5] AktG. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, internal audits, compliance and the statutory audit of the financial statements, with particular regard to the required independence of the statutory auditors, issuing the audit mandate to the statutory auditors, defining the audit areas of focus, any additional

services to be performed by the auditors and the fee agreement. The recommendation of the Administrative Board on the selection of the statutory auditors must be based on a corresponding recommendation by the Audit Committee. Once the Annual General Meeting has appointed the statutory auditors and the Administrative Board has issued the audit assignment, the Audit Committee shall work with the statutory auditors to specify the scope of the audit and the audit areas of focus. The statutory auditors shall attend a meeting to review the annual financial statements and the consolidated financial statements and shall report on the key findings of their audit. They shall also inform the Committee about other services they have provided in addition to auditing services and shall confirm their independence. Each month, the Audit Committee shall receive financial data on the PUMA Group, which will allow the tracking of developments in net assets, financial position, results of operations and the order books on a continual basis. The Audit Committee shall also deal with issues relating to the balance sheet and income statement and shall discuss these with Management. In addition, when the internal audit projects are completed, the Audit Committee shall receive the audit reports, which must also include any actions taken.

The Sustainability Committee consists of three members and is responsible for promoting business sustainability as well as awareness of the need to act fairly, honestly, positively and creatively in every decision made and every action taken.

The Nominating Committee has three members, who may only be representatives of the shareholders on the Administrative Board. The Nominating Committee proposes suitable shareholder candidates to the Administrative Board for its voting recommendations to the Annual General Meeting.

The current composition of the committees can be found in the Notes to the Consolidated Financial Statements [last chapter].

DIRECTORS' DEALINGS

In the reporting year, the Managing Directors and the members of the Administrative Board have acquired no PUMA shares. No sales were reported to us.

DECLARATION BY THE LEGAL REPRESENTATIVES

Regarding the Affirmation pursuant to Section 315[1][5] of the German Commercial Code [HGB] [Responsibility Statement/Bilanzaid], please refer to the Notes.

Herzogenaurach, February 9, 2018

THE MANAGING DIRECTORS

  
Gulden Lämmermann Sørensen