



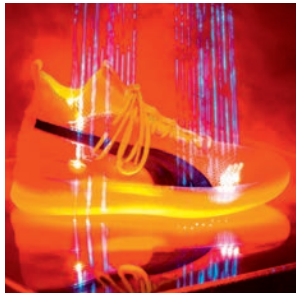


… denn PUMA macht's mit Qualität






ANNUAL REPORT 2018












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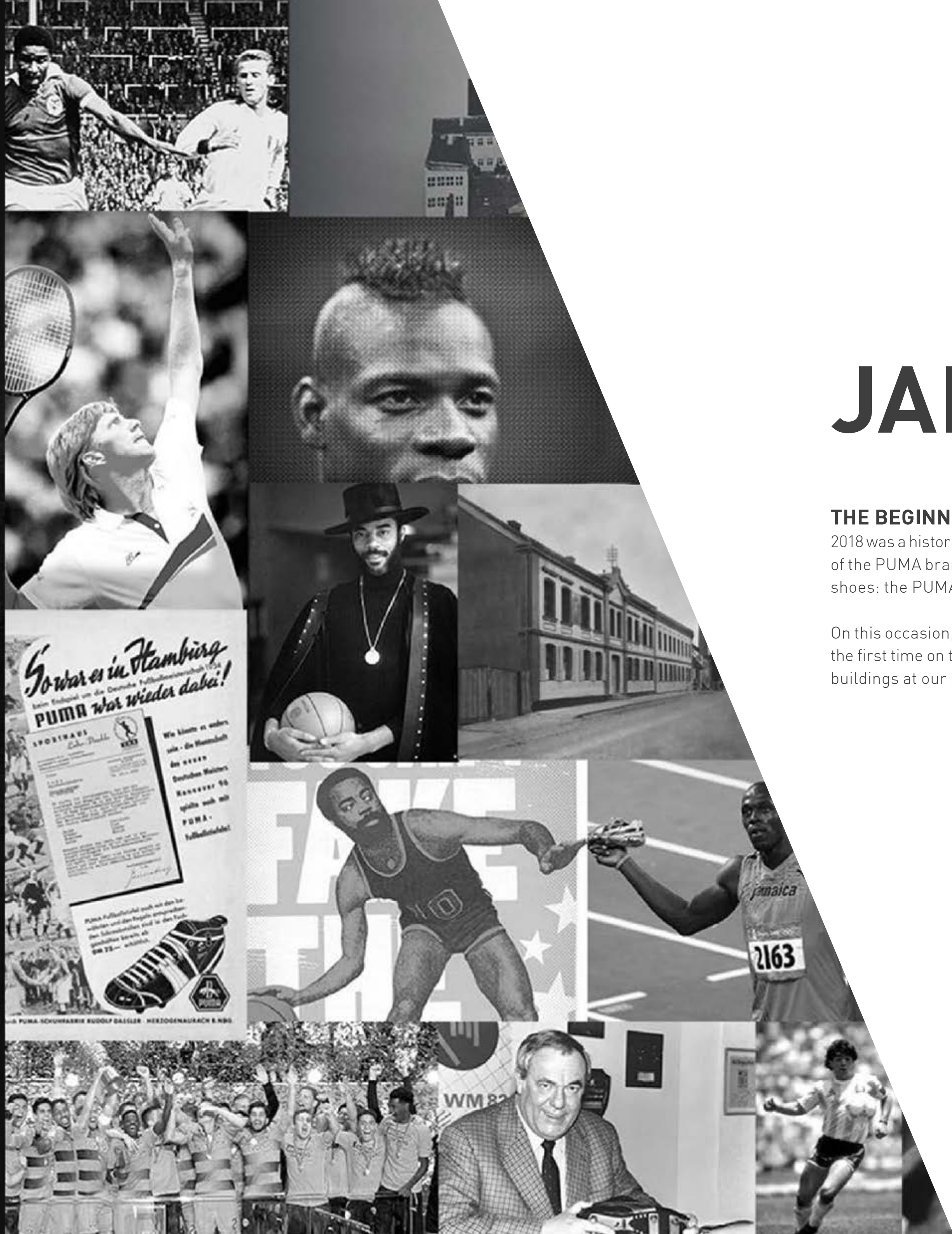


JANUARY

THE BEGINNING OF A HISTORIC YEAR

2018 was a historic year for us. Not only did we celebrate 70 years of the PUMA brand, but also 50 years of one of our most iconic shoes: the PUMA SUEDE.

On this occasion, the PUMA Archive exhibited its treasures for the first time on the PUMA BRIDGE, which connects both office buildings at our headquarters in Herzogenaurach.

FEBRUARY

ON YOUR MARKS, GET SET, GO!

In February, we announced a historic record: we passed the mark of four billion euros in sales in 2017. And as a growing business needs more space, the completion of the new office building at our headquarters in Herzogenaurach, Germany, came just in time. After two years of planning and construction, we merged our two locations in Herzogenaurach into one. The new, modern, glassy complex can accommodate up to 550 employees.

MARCH

USAIN BOLT'S TRY-OUT AT BVB

The world's fastest man, Usain Bolt, was looking for a new career opportunity: professional football player. After an unparalleled career in athletics, he challenged himself playing with Borussia Dortmund's A-team. After his try-out in the Signal Iduna Park, he declared: "Borussia Dortmund is a top international club, and I will use everything I learned to improve myself."

APRIL

PUMA PUSHES SPORT AND FASHION FORWARD WITH PHENOM LUX AND THUNDER SPECTRA

The first design collaboration between PUMA and Selena Gomez has been eagerly awaited ever since we announced the partnership with the American singer, actress and producer. With the PHENOM LUX, the waiting came to an end and the shoe sold out rapidly.

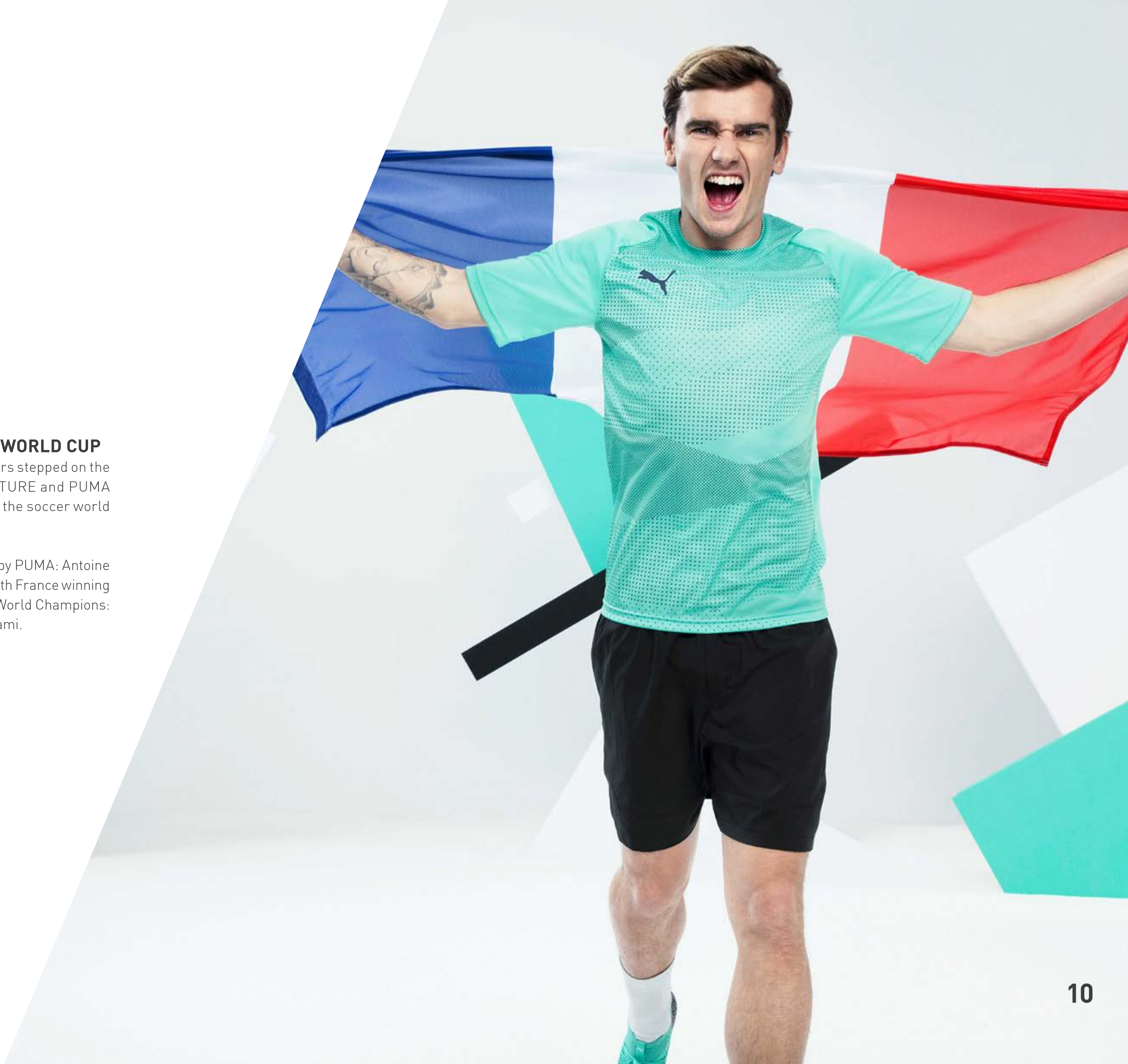
On the men's side, there was a highlight as well: The THUNDER SPECTRA disrupted conventional street style. With its bold, chunky design, the sneakers made their way into sneaker rotations worldwide.

MAY

PUMA'S CHANGE IN OWNERSHIP OPENS DOORS TO ITS COMEBACK TO MDAX

As announced in January, our majority shareholder Kering S.A. distributed part of their PUMA shares to their shareholders, thus reducing their stake in our company. The effective reduction of their total share capital from 86% to 16% in May led to a greater free float of PUMA stocks, allowing PUMA to make its comeback to the German MDAX in June.

JUNE



PUMA PLAYERS ILLUMINATE THE WORLD CUP
An impressive roster of PUMA football players stepped on the world's biggest stage: With our PUMA FUTURE and PUMA ONE football boots, our players illuminated the soccer world championship in Russia.

Two of the three top-scorers were equipped by PUMA: Antoine Griezmann and Belgium's Romelu Lukaku. With France winning the title, three PUMA players were crowned World Champions: Antoine Griezmann, Olivier Giroud and Adil Rami.

JULY

NEW KITS FOR OUR NEW PUMA FOOTBALL CLUBS
PUMA further strengthened its position in football by signing some of Europe's most prestigious teams: A.C. Milan in Italy, Olympique de Marseille in France, and Borussia Mönchengladbach in Germany.

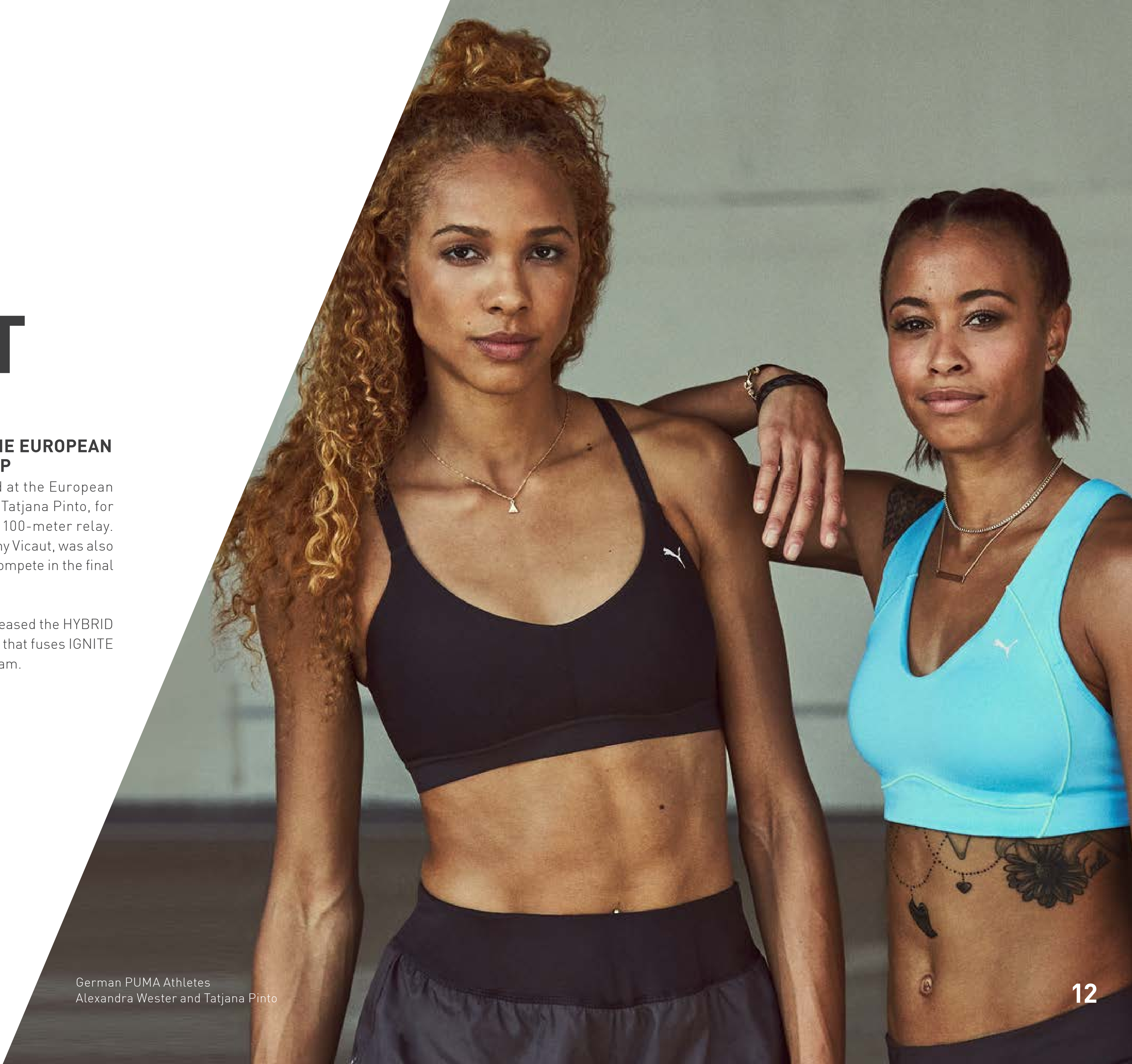
In July, the first interpretations of their iconic jerseys were revealed and acclaimed by their fans.

AUGUST

HIGHER, FASTER, FURTHER AT THE EUROPEAN TRACK AND FIELD CHAMPIONSHIP

Our top track and field athletes competed at the European Championship in Berlin. German sprinter Tatjana Pinto, for instance, won the bronze medal in the 4 x 100-meter relay. Europe's fastest man, French sprinter Jimmy Vicaut, was also the fastest in the semi-finals, but couldn't compete in the final due to an injury.

In perfect time for the championship, we released the HYBRID Runner, a highly technological running shoe that fuses IGNITE FOAM and NRGY beads to create a hybrid foam.



German PUMA Athletes
Alexandra Wester and Tatjana Pinto

Walt „Clyde" Frazier, Deandre Ayton and Adam Petrick

SEPTEMBER

BACK TO THE HOOPS!

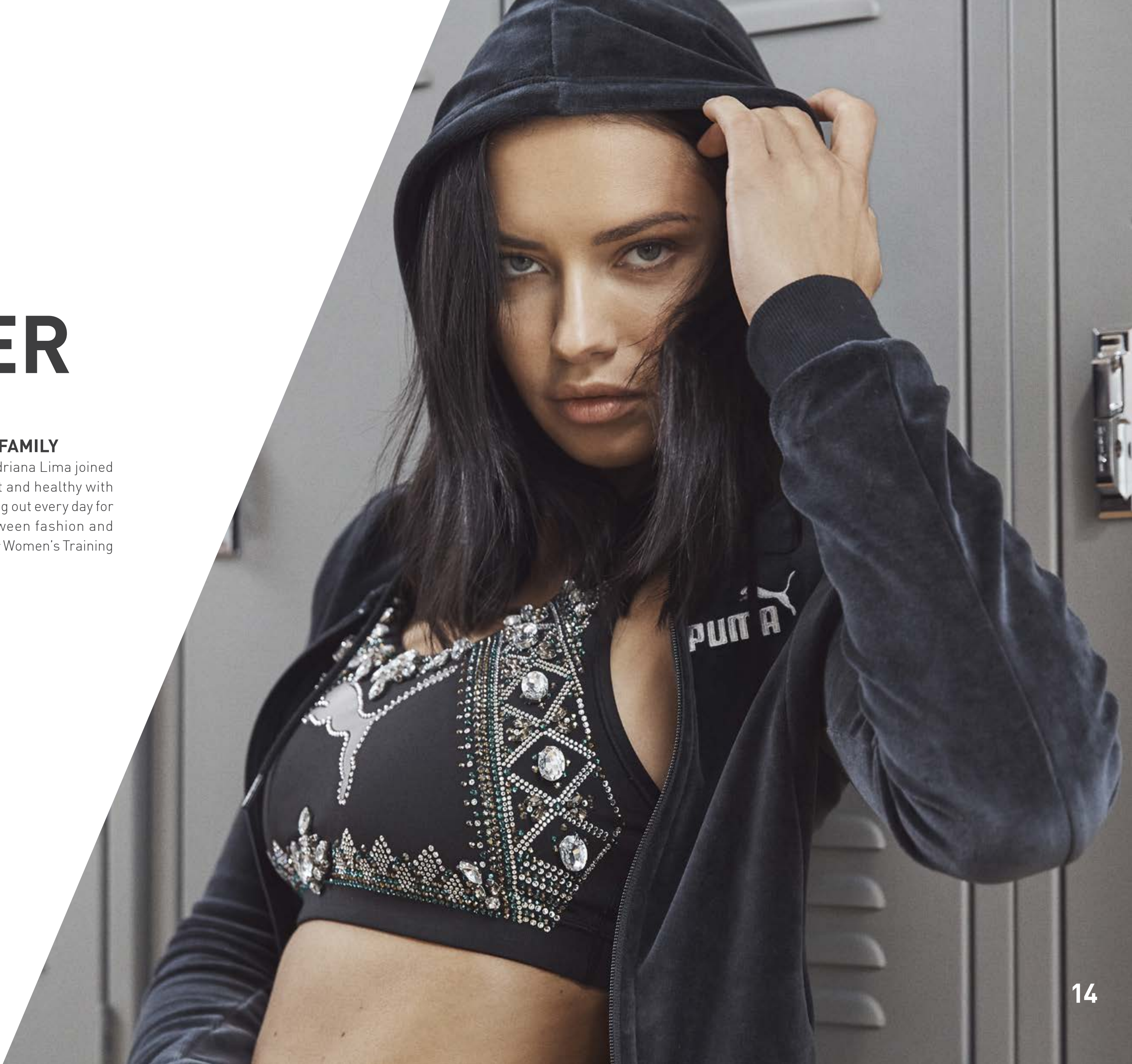
After two decades of absence, we're back on basketball courts, thus adding another sports category to our business. With the support of Jay-Z, we are taking a different approach, looking at basketball through a cultural lens.

With the CLYDE COURT DISRUPT, we have the perfect product to conquer the basketball courts again. Embodying the spirit and style set by our iconic basketball legend Walt "Clyde" Frazier in the 1970s, we take cues from the past and apply them to today's standards and beyond.

OCTOBER

ADRIANA LIMA JOINS THE PUMA FAMILY

International supermodel and sports ace Adriana Lima joined our PUMA family. Adriana keeps herself fit and healthy with boxing, weight lifting, and jump rope. Working out every day for several hours and managing her life between fashion and sports, she is the perfect ambassador for our Women's Training category.



NOVEMBER

A CLASSIC FROM THE ARCHIVE RE-INVENTED
Reflecting on our heritage, we reissued the CELL Endura, a classic from our PUMA Archive. In the 90s, we created the PUMA CELL technology, which was one of the most durable and resilient cushioning technologies of the day.

The 2018 CELL Endura stays true to its original technology, maintaining the running tech details of the original model, but comes with new materials and new production techniques. It features distinctive eyelets, a chunky silhouette, and a sleeker toe shape.

DECEMBER

SHE RUNS THE WORLD

31 goals scored in 29 matches: with this impressive track record, Ada Hegerberg surpassed her male counterparts. After a phenomenal season with Lyon, PUMA player Ada Hegerberg was named the world's best female football player of 2018. She made history by becoming the first woman ever to win football's most prestigious award, the Ballon d'Or.

TO OUR SHAREHOLDERS

Bjørn Gulden

CEO LETTER

DEAR PUMA SHAREHOLDERS,

2018 has been yet another successful year for PUMA, with some remarkable events. We have strengthened the PUMA brand on a global basis, with double-digit growth rates in all regions. Double-digit growth rates in all product segments demonstrate PUMA's highly competitive product range. We still have a lot to improve, but we feel we are moving our brand and company in a good direction. These results encourage us to keep working hard and executing against our FOREVER FASTER strategy, in order to exploit PUMA's enormous potential and reach our goal of becoming the fastest sports brand in the world. We are confident we will achieve the mid-term financial goals we have set out for 2021 / 2022, and the strong results in 2018 confirm that we are on the right track.

For you as shareholders, the year has also been quite eventful. Our majority shareholder, Kering S.A., distributed some 70% of PUMA shares to its shareholders, a spinoff that sharply increased our free float from 13% to 55%. I am happy to welcome all the new investors, who have joined us this year. In June, after the change in ownership was completed, PUMA made its comeback to the MDax. In March, we also hosted our first Capital Markets Day since 2010, where we presented our mid-term guidance for 2021 / 2022.

The reentry into the basketball strategy and category has been another major milestone for us. We are excited to be back on court with the CLYDE COURT DISRUPT, our first elite performance basketball shoe in nearly two decades. There is no sport that unites performance and lifestyle the way basketball does, and we are thrilled to be working with Jay-Z as our creative director and perfect partner for our unique strategy. We are now well represented in the NBA by a mix of very talented young players, including the top picks of the NBA Draft as well as excellent veteran players such as DeMarcus Cousins, a four-time NBA All Star.

Football's 2018 World Cup in Russia was a great stage for our teams and players. We were represented by the teams from Serbia, Switzerland, Senegal and Uruguay, who all played a respectable tournament. In terms of individual players, the PUMA strikers Romelu Lukaku and world champion Antoine Griezmann both had excellent performances on the pitch. Equipped with special editions of the PUMA ONE and PUMA FUTURE football boots, they stood out as two of the top three scorers in the tournament.

The strategic priorities of our FOREVER FASTER strategy continue to be brand heat and desirability, a competitive product range, a leading offer for women, improved quality of distribution, organizational speed, and now a strong reentry into basketball as the latest addition.

The PUMA brand is built on credibility from its long history and tradition in sports. PUMA is associated with some of the greatest sporting legends such as Pelé, Maradona, Usain Bolt, Tommie Smith, Martina Navratilova, Boris Becker, Merlene Ottey, Lothar Matthäus, Heike Drechsler, 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 such as Lewis Hamilton, Bryson DeChambeau, Sergio Agüero, Antoine Griezmann, Borussia Dortmund, Olympique de Marseille and AC Milan. In 2019, we are excited to welcome the international top clubs Manchester City and Valencia CF to the PUMA family.

PUMA also frequently works with the most relevant 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 partnerships that we have had with Rihanna and Selena Gomez have defined a new way for cultural influencers and brands to interact. In 2018, PUMA has further capitalized on this success and has entered a partnership with supermodel Adriana Lima as an ambassador for Women's Training.

For our product creation teams, the ambition is to create "Cool Stuff that Works" and to respond to trends as quickly as possible. In 2018, we were among the first sports brands to react to the "chunky shoes" trend with our THUNDER fashion sneakers, and we were able to nurture and leverage the trend further with the RS-0 and our latest model, the RS-X. We proved that our FOREVER FASTER spirit is deeply ingrained into the way we do business. One of PUMA's greatest design icons, the SUEDE, celebrated its 50th anniversary in 2018, and in its honor, we released many exclusive editions of this timeless silhouette throughout the course of the year. For PUMA, innovation is at the heart of product design. The HYBRID running shoe is the latest addition to our Running and Training collection, combining two of our most innovative technologies, IGNITE Foam and NRGY beads. With superior cushioning and energy return, this running shoe is ideal for longer and faster runs. In our Golf category, we have attracted a lot of attention to our COBRA ONE Length irons, a unique advance that gives the player a full set of irons all of the same length, and the COBRA KING F9 driver with the SPEEDBACK technology, which combines a highly aerodynamic clubhead shape with a low center of gravity.

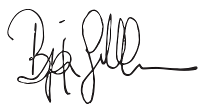
Female consumers are increasingly participating in athletic activities worldwide, and remain a top priority for PUMA. Women are not only continuing to take inspiration from athletic wear for their everyday wardrobe, but they have also driven the growth in popularity of sports such as yoga, Pilates and high-intensity interval training (HIIT). Building on PUMA's fashion expertise and sports credibility, as well as a profound understanding of the modern female athletic consumer, PUMA has delivered on its positioning of "Where the Gym Meets the Runway." Key styles behind our women's footwear business were the training shoes DEFY and MUSE. Supported by our ambassadors Selena Gomez, Cara Delevingne and Adriana Lima, we want to inspire women everywhere to stay true to themselves.

PUMA has continuously improved the quality of its distribution and expanded its presence in key sports performance and Sportstyle retailers around the world. PUMA remains dedicated to strengthening its relationships with key retail partners by being a flexible and service-oriented business partner, always easy to do business with. Improved sell-through has further helped PUMA to gain more shelf space in our partners' retail stores in 2018. We have achieved higher sell-through in wholesale accounts, like-for-like sales growth in our own retail stores, the extension of our retail store network, and continued strong growth in our eCommerce business. On a regional basis, we have continued to grow in Europe despite a difficult market environment. In China, sales growth has accelerated even further. In the Americas, sales increased significantly with both North and Latin America contributing with double-digit growth rates in constant currency.

In 2018, PUMA further invested in IT infrastructure. A new Security Operations Center was implemented to maximize protection from outside threats, and a greater focus was put on the development of a new ERP system to be rolled-out in 2019 and the following years. PUMA's International Trading Organization saw further improvements in the fields of capacity management and collaboration regarding the sharing of performance data. The new product development system, implemented in 2017, was further enhanced and rolled-out to all divisions. In 2019, PUMA has started the construction of a new multichannel distribution center in Geiselwind, Germany, which will be operational in 2021.

Sustainability remains a key priority for PUMA. We have reconfirmed our commitment to the 10 principles of the UN Global Compact, and have aligned our sustainability program with the United Nations Sustainable Development Goals. In 2018, we were well on track to reach our 10FOR20 sustainability targets. We are also proud to acknowledge that we have already hit our 2020 material targets for cotton, polyester, leather, and cardboard. Consequently, we will increase our ambition level from 50% more sustainable cotton and polyester to 90%, and have established a new target for responsible down feathers. With our first carbon-neutral product collection launched in partnership with British online retailer ASOS, we have once again begun to communicate sustainability attributes of products. Our sustainability efforts have been acknowledged by our readmission into the FTSE4GOOD Sustainability Index as well as an improved rating for the Carbon Disclosure Project. To help the fight against climate change on an industry scale, we took a leading role in the development of the Fashion Charter on Climate Action under the umbrella of the United Nations Climate Program. While we are stepping up our game to hit our 2020 sustainability targets, we are already working on our sustainability strategy for 2025, which will be communicated in our next Annual Report.

In closing, I would like to thank our employees for their commitment to PUMA. It is their hard work, their alignment with our FOREVER FASTER strategy, and their dedication to the brand that has enabled us to deliver such strong results in 2018. Our people are our most important resource. I would also like to thank you, our shareholders, for your support. Your commitment is a sign of your appreciation and trust, and we will do everything within our power to ensure that PUMA remains an attractive investment for you. I am optimistic that we have excellent momentum in our business, and are very well positioned in the marketplace.



Bjørn Gulden
Chief Executive Officer PUMA

REPORT BY THE SUPERVISORY BOARD

Jean-François Palus

DEAR SHAREHOLDERS,

Last year was an eventful year for PUMA SE. Kering S.A. distributed the majority of its PUMA shares to its own shareholders by means of a dividend in kind. As a result, Kering is no longer the majority shareholder of PUMA. The change in the shareholder structure has prompted PUMA to change the management structure of PUMA SE from monistic to dualistic. As a result, managing the company is now the responsibility of the Management Board, as is customary in German stock corporations. The three managing directors were appointed as members of the Management Board. The members of the Administrative Board were elected as members of the Supervisory Board by the Annual General Meeting, which ensures the continuity of the Board's work. These topics were discussed in detail at the company's Annual General Meeting in 2018. The preparation and follow-up of the separation of PUMA SE from the scope of consolidation of the Kering Group shaped the work of the Supervisory Board of PUMA SE during the reporting period. The work of the Supervisory Board described below refers to the work of the Administrative Board and the Supervisory Board.

In the financial year 2018, the Supervisory Board has exercised all its duties under the law, statutes, and company rules. The Supervisory Board has dealt extensively with the status and the development of PUMA and has regularly advised and supervised the Management Board in its management of the company.

In this regard, the Supervisory Board has in its four regular meetings discussed and resolved on the company's business policies, all relevant aspects of corporate development and corporation planning, the company's economic situation, including its net assets, financial position and results of operations, and all key decisions for the Group. All members participated in drawing up the resolutions. The Management Board has informed the Supervisory Board regularly, comprehensively, and in a timely manner in written and verbal form about the implementation of all decisions and about all major business transactions. Furthermore, in 2018 two extraordinary and a constitutive meeting of the Supervisory Board took place.

The Supervisory Board discussed in detail all of the company's key business transactions, based on the reports by the Management Board and the committees, and presented its own ideas. The Management Board has provided the Supervisory Board with information on any deviations of the business performance from the expected figures. The Supervisory Board verified all of these explanations using the supporting documents submitted. The Supervisory Board was involved in all key decisions at an early stage. In addition, the Chairman of the Supervisory Board maintained, and continues to maintain, regular verbal or written contact with the CEO and keeps himself informed of all major developments. Overall, these discussions did not give rise to any doubts that the Management Board were managing the Group in anything other than a lawful and proper manner.

Main advisory focus

In the financial year 2018, the focus was primarily on the following topics: Audit and approval of the 2017 financial statements, consequences of the distribution of the dividend in kind by Kering S.A. and measures to be taken, one-time dividend to PUMA's shareholders, mid-term outlook, change from the monistic to the dualistic governance structure, conclusion of credit facility agreements, setting the agenda for the Annual General Meeting of April 12, 2018, ongoing business and sales development, the Group's financial position, business planning for 2018, and medium-term planning, including investments, compliance and internal control system as well as material litigation in the Group.

In addition, the Supervisory Board confirmed the target figures for the proportion of women on the Supervisory Board, the Management Board, and the two management levels below the Management Board set by the Administrative Board in the monistic structure, as well as the competence profile and diversity concept for the Supervisory Board.

As every year, the Personnel Committee and the Supervisory Board set the target achievements for 2017 and decided on the bonus for the members of the Management Board.

Against the background of the need to conclude new employment contracts with the members of the Management Board, the Personnel Committee and the Supervisory Board dealt with the remuneration of the Management Board. In order to review all Management Board employment contracts and to ensure the appropriateness of the individual remuneration, the Supervisory Board obtained a benchmark analysis taking into account the peer group companies defined by the Supervisory Board. The benchmark analysis was evaluated by the Personnel Committee and the resulting measures were prepared for the Supervisory Board. The Supervisory Board examined the appropriateness of the remuneration of the Management Board and determined that it was appropriate in terms of amount and structure. In addition, the Supervisory Board was informed about the status of the implementation of the General Data Protection Regulation.

Conflicts of interest

The members of the Supervisory Board are required to disclose any conflicts of interest immediately. In the past year, no such disclosures were made.

Committees

In its constitutive meeting on June 6, 2018, the Supervisory Board established three committees to perform its duties. The Board receives regular reports on their work. The members of the committees are listed in the Notes to the Consolidated Financial Statements.

Personnel Committee

The Personnel Committee is responsible for entering into and making changes to Management Board employment contracts and for establishing policies for Human Resources and personnel development. It met twice in 2018. Discussions focused on recommendations for setting bonus payments for the members of the Management Board. The Supervisory Board was given a respective recommendation for a resolution. Moreover, as described above, the Personnel Committee dealt with the new Management Board employment contracts and the appropriateness of the remuneration for the Management Board members.

Audit Committee

The Audit Committee held four regular meetings in financial year 2018. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, risk management and 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.

Sustainability Committee

The Sustainability Committee was abolished after the transition from the monistic to the dualistic management system.

Nominating Committee

The Nominating Committee proposes suitable shareholder candidates to the Supervisory Board for its voting recommendations to the Annual General Meeting. It held one meeting in the last financial year. The Nominating Committee recommended to the Supervisory Board that the Supervisory Board proposes the election of Mr. Jean-François Palus (Group Managing Director and member of the Supervisory Board of Kering S.A., Paris / France), Mr. Jean-Marc Duplaix (Chief Financial Officer (CFO) of Kering S.A., Paris / France), Mr. Thore Ohlsson (President of Elimexo AB, Falsterbo / Sweden) and Ms. Béatrice Lazat (Human Resources Director, Kering S.A., Paris / France) at the Annual General Meeting on April 12, 2018.

Corporate Governance

As in previous years, the Supervisory Board addressed current developments in the German Corporate Governance Code (GCGC) in the financial year 2018. The GCGC contains essential statutory regulations and recommendations for the management and supervision of listed companies and standards for responsible corporate governance. The corporate governance standards have long been a part of the corporate routine.

Pursuant to Paragraph 3.10 of the GCGC, the Supervisory Board reports on corporate governance in the Corporate Governance Report. With very few exceptions, the company satisfies the requirements of the GCGC and explains these system-related exceptions in the Statement of Compliance. The Statement of Compliance of November 9, 2018, is available to our shareholders at any time on the company's website under **http://about.puma.com/en/investor-relations/corporate-governance/declaration-of-compliance**.

Annual financial statements adopted

The annual financial statements for PUMA SE prepared by the Management Board in accordance with German Commercial Code (Handelsgesetzbuch / HGB), the consolidated financial statements and the combined management report for PUMA SE and the PUMA Group, each for the financial year 2018, prepared in accordance with Section 315a HGB on the basis of the International Financial Reporting Standards (IFRS) have been audited by the statutory auditors Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, who were appointed at the Annual General Meeting on April 12, 2018, and commissioned by the Supervisory Board to audit the annual financial statements and the consolidated financial statements, and have been given an unqualified auditor's opinion.

In their report, the statutory auditors conclude that PUMA's institutionalized risk management system, in accordance with Section 91(2) of the German Stock Corporation Act (Aktiengesetz / AktG), is capable of detecting at an early stage, and countering, any developments that might jeopardize the continuity of the company as a going concern. The Supervisory Board has been updated by the Management Board regularly on all relevant risks in this regard, in particular their assessments of market and procurement risks, financial risks (including currency risks), and organizational risks.

The accounting records, the audit reports from the statutory auditors, and the Management Board's and Supervisory Board's recommendation on the appropriation of net profit were made available to all members of the Supervisory Board in a timely manner. At the meeting of the Audit Committee on February 13, 2019, and at the subsequent Supervisory Board meeting held on the same day, the statutory auditors reported on the key results of their audit and discussed them in detail with the Management Board and the members of the Supervisory Board. No discrepancies were detected.

The Supervisory Board reviewed in detail the annual financial statements, the combined management report for PUMA SE and the PUMA Group, the Management Board's and the Supervisory Board's recommendation on the appropriation of net profit and the consolidated financial statements, and raised no objections. In accordance with the recommendation of the Audit Committee, the Supervisory Board agreed with the results of the audit of both statements, and approved the annual financial statements of PUMA SE and the consolidated financial statements for the 2018 financial year. The 2018 annual financial statements have thus been adopted.

The Supervisory Board and the Management Board resolved to propose to the Annual General Meeting a distribution of a dividend of € 3.50 per dividend-entitled share for the financial year 2018. In this context, the liquidity situation of the company, the financing, and the effects on the capital market were discussed. A total amount of around € 52 million will be paid out in dividends from PUMA SE's net income. The remaining net income of around € 92 million will be carried forward.

Finally, in its meeting on February 13, 2019, the Supervisory Board was presented the first draft of the combined non-financial report in accordance with §§ 315c in conjunction with §§ 289c to 289e of the German Commercial Code (HGB) and the state of data collection was discussed. When the non-financial report is finalized, it will be submitted to the Supervisory Board for approval.

Report on relationships with affiliated companies

Until May 16, 2018, PUMA SE has been a dependent company of Kering S.A., which in turn is a subsidiary of Artémis S.A. (due to the voting right majority), pursuant to Section 17 of the German Stock Corporation Act (AktG). The report by the Management Board on relations with affiliated companies (Dependent Company Report) specified in Section 312 AktG has been made available to the Supervisory Board. The report has been reviewed by the statutory auditors, who issued the following auditor's opinion:

"We have duly examined and assessed the report and hereby certify that:

1. the information contained in the report is correct,

2. the payments made by the corporation in the legal transactions listed in the report were not unduly high and

3. regarding the other measures listed in the report, there are no circumstances indicating a materially different assessment from that of the Management Board."

After a thorough review, the Supervisory Board agreed with the Dependent Company Report prepared by the Management Board and approved the auditors' findings. No objections were raised.

Personnel changes in the Supervisory Board

There were the following changes in personnel on the part of the shareholder representatives in the financial year 2018: The Annual General Meeting on April 12, 2018, elected a Supervisory Board consisting of six members. The members are Mr. Jean-François Palus (Group Managing Director and member of the Supervisory Board of Kering S.A., Paris / France), Mr. Jean-Marc Duplaix (Chief Financial Officer (CFO) of Kering S.A., Paris / France), Mr. Thore Ohlsson (President of Elimexo AB, Falsterbo / Sweden) and Ms. Béatrice Lazat (Human Resources Director, Kering S.A., Paris, France) as shareholder representatives, and Mr. Martin Koeppel (Chairman of the Works Council of PUMA SE), and Mr. Bernd Illig (Administrator IT Systems PUMA SE) as employees' representatives. Each of their terms of office end with the close of the Annual General Meeting that adopts the resolutions approving the actions of the Board for the financial year 2022.

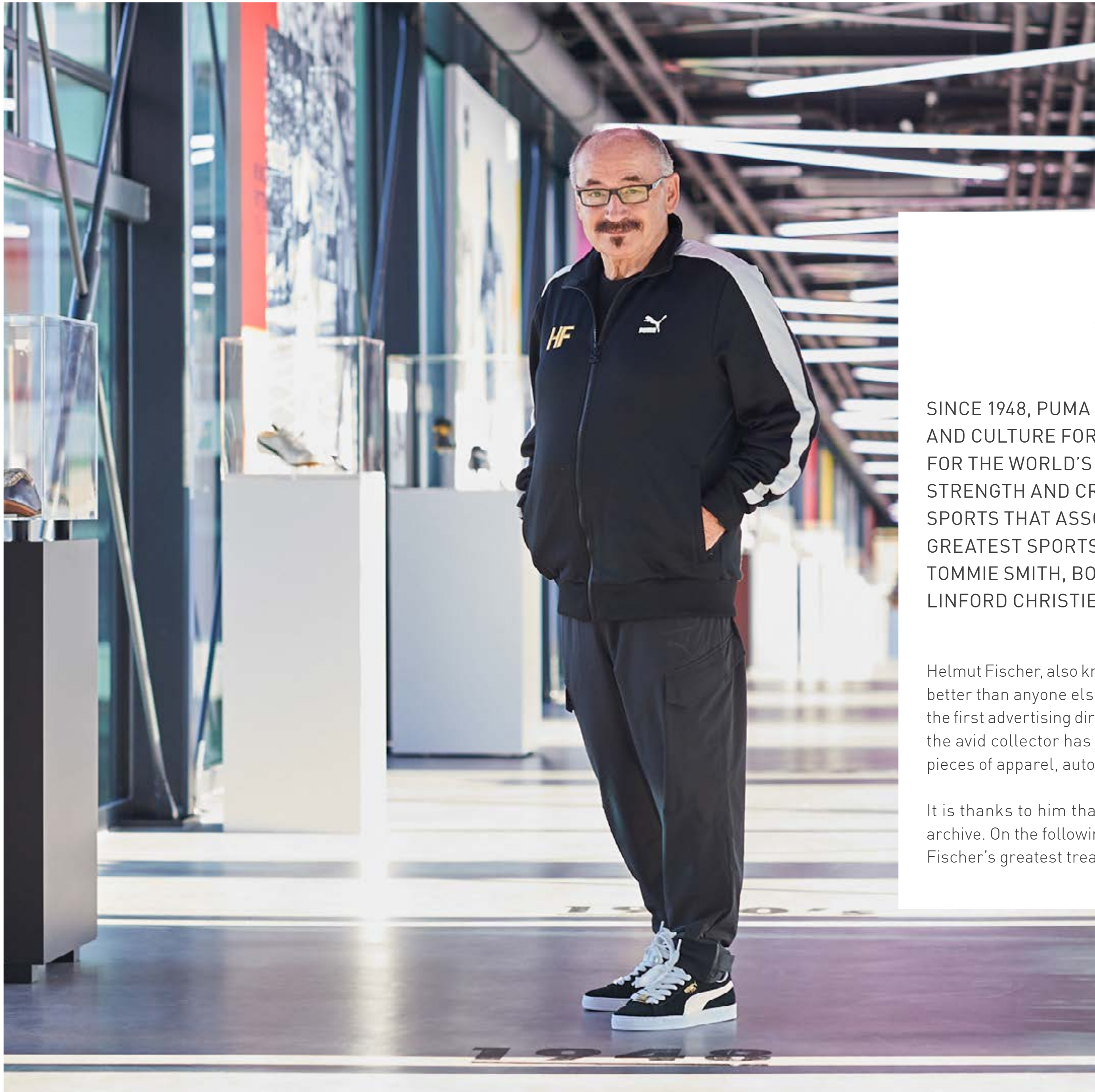
Thanks

We would like to express our gratitude and recognition to the Management Board, the management teams at the Group companies, the Works Council, and all our employees for their hard work and their outstanding cooperation in 2018.

Herzogenaurach, February 13, 2019

On behalf of the Supervisory Board

Jean-François Palus
Chairman



SINCE 1948

SINCE 1948, PUMA HAS RELENTLESSLY PUSHED SPORT AND CULTURE FORWARD BY CREATING FAST PRODUCTS FOR THE WORLD'S FASTEST ATHLETES. WE DRAW STRENGTH AND CREDIBILITY FROM OUR HERITAGE IN SPORTS THAT ASSOCIATES US WITH SOME OF THE GREATEST SPORTS LEGENDS: PELÉ, MARADONA, TOMMIE SMITH, BORIS BECKER, LOTHAR MATTHÄUS, LINFORD CHRISTIE, JUST TO NAME A FEW.

Helmut Fischer, also known as "Mr. PUMA", knows our brand's history better than anyone else. Part of the PUMA family since 1978, he was the first advertising director of the brand. Over the past four decades, the avid collector has collected more than 8,000 shoes, numerous pieces of apparel, autographs and other memorabilia.

It is thanks to him that PUMA can now build up its first corporate archive. On the following pages you will be able to catch a glimpse of Fischer's greatest treasures from the PUMA Archive.

1952
SUPER ATOM

The launch of PUMA's SUPER ATOM in 1952 creates a stir. Rudolf Dassler collaborates with experts, such as West Germany's national coach Sepp Herberger to develop the world's first boot with screw-in studs.

In addition to the successful product launch, this marks the beginning of PUMA's football heritage.

1968
SACRAMENTO

With the SACRAMENTO brush spike, PUMA disrupts track and field. This innovative brush sole features 68 small, brush-like bristles in the front area of the foot – maximizing traction and minimizing resistance on the newly introduced tartan lanes.

This spike leads various athletes to victory and world records. Right before the Olympic Games in Mexico, the spike is deemed "too dangerous" and is consequently banned. This decision has not been rectified until today.

1968
PUMA SUEDE

Over the past 50 years, the PUMA SUEDE has become a timeless classic. Basketball legend Walt "Clyde" Frazier made this shoe popular in the 70's, wearing different colorways at each match. This is just one of many stories around the street style icon SUEDE.

1970
PUMA KING

With the PUMA KING, we create another revolutionary product. Its flat structure makes it lighter, while the soft leather increases comfort. Wearing the PUMA KING, Pelé wins the World Cup 1970 and is crowned "player of the tournament".

1985
BORIS BECKER

Boris Becker needs a special shoe to help him take even more risks on the court without incurring injuries. This mid-top tennis shoe prevents ankle turning and provides the tennis star with the confidence and protection to take flight.

In 1985, he wears this colored tennis shoe during his legendary victory in Wimbledon.

1998
JIL SANDER

As the first sports brand, we merge sports and fashion through a cooperation with star designer Jil Sander. Fusing two PUMA icons – the PUMA KING and the running shoe EASYRIDER - we set the trend for sport-inspired styles, designed for the street.

2009
WHO FASTER?

This is truly the world's fastest shoe: In 2009, Usain Bolt smashes the world record, running the 100 meters in 9.58 seconds. This spike is custom-made following Bolt's technical and design demands. The shoe bears his signature phrase "Who faster?", which he usually shouts after winning a race.

BRAND

BRAND STRATEGY


Adam Petrick

INTERVIEW WITH ADAM PETRICK, GLOBAL DIRECTOR BRAND MARKETING

PUMA JUST CELEBRATED ITS 70TH ANNIVERSARY. HOW WOULD YOU DESCRIBE PUMA'S EVOLUTION AS A BRAND SINCE 1948?

Adam Petrick: When I think about "evolution" in our brand, I like to start by thinking about Rudolf Dassler's goals and objectives for our company, and what he felt sport stood for. He believed that the work we do here is a constant pursuit of progress and achievement – particularly with a focus on athletic performance, but also in the pursuit of bringing people together emotionally. FOREVER FASTER means that there's always something out there that we can be doing better, especially thrilling and uniting people in new, innovative ways. That mantra comes directly from him and his words.

It's interesting that in the long arc of a brand, even if you go astray for some time, you often come back to the things that were most important at the beginning. Though there may have been a period when we stepped away from sport and placed a greater emphasis on style or fashion, we can now zoom-out fully and say that this "middle period" was quite useful to our overall development. It gave us a dimension that is a valuable differentiator for us today as we seek to blend and leverage a range of sport and cultural influences to drive progress.

Through the course of 70 years, we have come right back to where we needed to be: grounded in the vision of our founder but enriched by our journey.

WHAT DO YOU THINK IS PUMA'S BIGGEST ACCOMPLISHMENT IN 2018?

Our most significant accomplishment in 2018 has been the re-entry into performance Basketball, giving us a powerful new platform in sports and setting a new standard for approaching a sport category through the culture and influences that surround it. Expanding our portfolio of performance categories from Golf, Track & Field, and Football into something that is a commercial, mainstream sport in some of our most important markets – that's a big deal.

We've been able to sharpen our performance credibility to demonstrate our sporting point of view in a more cohesive and coherent way, especially in the US, and we've done a lot to create brand heat for the company overall. We can confidently say that Basketball has helped us to sell more football boots, more fashion sneakers, even more branded apparel.

WHAT DOES IT MEAN FOR THE BRAND?

Throughout 2018, we've also become clearer about what it means to participate in "sport culture." We made a lot of progress in Football culture whether it's understanding our football-obsessed teen as our core consumer, or signing a new generation of exciting athletes who are unique individuals on and off the pitch. I think Golf has always been a category where PUMA capitalizes on golfing culture.

Now, I believe we are finally defining our method and approach to sports in a way that is consistent with our brand's ethos and energy in all of our categories. We've sharpened our focus on blending style and technology in Motorsport and that's starting to really pay dividends. Even our training initiatives are reaching into the cultures of fitness, wellness, and health, and are proving what we mean when we say, "Sport Culture is Sport."

IN A FAST-PACED AND HIGHLY COMPETITIVE SPORTSWEAR INDUSTRY, WHAT IS PUMA DOING TO KEEP GROWING AND STAND OUT FROM ITS COMPETITORS?

I think that with each passing year, we are getting better and better at focusing on the culture around sports, and thinking about the ways to impact the people who are a part of that culture, as efficiently and effectively as possible. In 2019, we have a huge opportunity to improve the techniques that we use to communicate across the board. The communications channel shift that we have observed over the last several years suits PUMA very well.

The trends we see in the market and among consumers play to our strengths: social media power, word of mouth storytelling, influencer marketing. These communication channels are built around the ways that our "Generation Hustle" consumers speak to one another. These trends also demonstrate that we need to recognize that the kid who's into Basketball might also be into Football, might also be into Golf, might also be into Motorsport, and doesn't necessarily care which category their products are coming from – as long as they're relevant and cool and interesting. If we continue to evolve our thinking in that sort of enlightened way and address Sport Culture across the board – the fashion of sports, the music of sports, the gaming, the humor, the inside knowledge of sports, and so on – that's our differentiation point. That's how we are going to win.

PUMA CAN LOOK BACK ON A GREAT YEAR IN SPORTS, FILLED WITH EXCITEMENT, INNOVATION, PERFORMANCE, AND STYLE.

Founded in 1948 by Rudolf Dassler, PUMA has been equipping the world's fastest athletes with innovative products ever since. Its strong reputation for fast and innovative product designs go across its Performance categories Football, Running and Training, Basketball, Golf, and Motorsport.

In addition, we keep pushing sports and fashion forward with our trend-setting Sportstyle category, which develops a range of lifestyle products that have their roots in sports.

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PRODUCT

TEAMSPORT

IN 2018, PUMA FOOTBALL TOOK ITS GAME TO NEW LEVELS BY ADDING GROUNDBREAKING NEW PRODUCTS AND SIGNING NEW PARTNERSHIPS WITH EXCITING TEAMS AND WORLD-CLASS PLAYERS. ON TOP OF THIS, OUR CLUBS AND PLAYERS ENJOYED A VERY SUCCESSFUL YEAR, MAKING WAVES ACROSS THE WORLD OF FOOTBALL.

WELCOME TO THE PUMA FAMILY

In 2018, we succeeded in strengthening our position as a leading football brand, adding exciting teams and players to our roster.

European giants AC Milan, Olympique de Marseille, and Borussia Mönchengladbach joined the PUMA family, as well as Swedish top-flight team BK Häcken.

New player additions caused a buzz with the signings of Romelu Lukaku (Manchester United), Luis Suárez (FC Barcelona), David Silva (Manchester City), Vincent Kompany (Manchester City), Axel Witsel (Borussia Dortmund), and Dejan Lovren (Liverpool).

ILLUMINATING THE WORLD CUP

The undisputed highlight of 2018 was, of course, the FIFA World Cup in Russia. Of the four national teams representing PUMA, Switzerland reached the knock-out stages, while Uruguay made it to the quarterfinals.

Our individual players put up a remarkable show, above all Antoine Griezmann, who was voted "Man of the Match" as he led France to victory in the final. He was joined in lifting the trophy by fellow PUMA athletes Adil Rami and Olivier Giroud. Griezmann and newly-signed Belgian striker Romelu Lukaku were among the top three goal-scorers in the tournament.

These performances showcased our tournament footwear, the "illuminate pack." We provided both FUTURE and PUMA ONE boots with new technology and material upgrades elevated in a striking color combination.

The PUMA ONE introduced FUSEFIT technology to a football boot for the first time, delivering a more streamlined silhouette and a super-soft-kangaroo -leather upper for supreme comfort and touch on the ball. The FUTURE received an evolved NETFIT upper for even more customizable lacing options, thus improving our players' agility and reactivity on the pitch.

FEATURE STORY

BOLT LINKS UP WITH BORUSSIA DORTMUND

One of the biggest surprises in football in 2018 came in the form of the world's fastest man, Usain Bolt, joining up with Borussia Dortmund. Immediately following the end of his active athletics career, Usain linked up with the Bundesliga giants for a training experience. During an exhibition game at the club's training center, Bolt scored two goals and impressed with his performance to the delight of a huge crowd and international media that had gathered to see the sprint legend.

Following his BVB experience, Usain captained the World XI at 2018 Soccer Aid game played in front of 72,000 spectators, helping to raise a record £ 6.7 million for UNICEF. Usain subsequently played for Central Coast Mariners in Australia, featuring in a series of friendly games.

PUMA PLAYERS: FOREVER SUCCESSFUL

The year ended on a fantastic high for Ada Hegerberg (Olympique Lyonnais Féminin), who was the debutant winner of the women's Ballon D'Or award. In her honor, PUMA gifted Ada with her very own customized version of the PUMA ONE, engraved with the words 'Believe in Yourself' – a true inspiration to young and ambitious women in football. The entire Ballon D'Or top three consisted of PUMA players, with Pernille Harder (VfL Wolfsburg) and Dzenifer Marozsán (Olympique Lyonnais Féminin) as runners-up. In the men's category, world champion Antoine Griezmann was ranked third, while Sergio Agüero (Manchester City), Diego Godín (Atletico Madrid), and Luis Suárez (FC Barcelona) were shortlisted.

MORE HEAT COMING IN 2019

After such a successful year full of achievements, new product releases, disruptive campaigns, and new signings, it is vitally important to keep this momentum going. That's exactly what we aim to do in 2019, with even more exciting partnerships and products coming your way.

On the product side, we will bring a new upgraded version of our two football boot silos FUTURE and PUMA ONE with the release of the POWER UP pack. Under the seasonal theme of gaming, we will leverage the crossover between gaming and football to engage the modern football consumer.

World Champion Antoine Griezmann

Showcased at the FIFA World Cup 2018: PUMA FUTURE (left) and PUMA ONE (right) in the "Illuminate Pack"

In terms of new signings, we are proud to announce that PUMA will be partnering with the City Football Group in a groundbreaking agreement. This partnership will encompass the sponsorship of Manchester City (England), Girona (Spain), Melbourne City (Australia), Sichuan Jiuniu F.C. (China), and Club Atlético Torque (Uruguay). They will be joined by Valencia CF in Spain's La Liga, completing our portfolio of title-challenging clubs across Europe's top five leagues.

Cuban long-jump talent Juan-Miguel Echevarria

RUNNING & TRAINING

WHAT AN EXTRAORDINARY YEAR FOR PUMA'S RUNNING & TRAINING UNIT, FILLED WITH NUMEROUS MEDALS, RECORDS, AND EXCITING NEW SIGNINGS.

It is the very essence of PUMA to provide the fastest performance products to benefit the fastest athletes on the planet. Blending technology, style, and culture, we help athletes rule the track and become FOREVER FASTER.

HIGHER, FASTER, FARTHER

The legendary blue tartan tracks of the Olympic Stadium in Berlin were the showcase of one of the highlights of 2018's athletic year: the 24th European Athletics Championships. PUMA of course did not miss out in the competition. Our latest partner, the Norwegian Athletics Federation, reached new heights, finishing 8th in the nations' rankings – their best result in the history of this tournament – while high jumper Marie-Laurence Jungfleisch won her first international medal, getting bronze for the German team.

At the IAAF World Indoor Championships, triple jumper Will Claye won the gold medal in Birmingham, while the young Cuban long-jump talent Juan-Miguel Echevarria also took first place in his discipline with a jump of 8.46 meters. Later that year, he ended up the 2018 World leader in Long Jump with a result of 8.68 meters.

At the CAC Games, which took place in Colombia, PUMA athletes won a total of 16 gold medals. And during the NACAC Senior Championships in Toronto, which was co-sponsored by PUMA, additional medals were added to the collection.

Jamaican discus thrower Fedrick Dacres achieved his farthest throw, being nominated 'Athlete of the year of NACAC' after a very impressive season.

Other notable results of the NACAC Games were Jenna Prandini's gold medal in the 100 meters. Jenna was also the second female – after Merlene Ottey in 1982 – to win the NCAA 100 meters and the National Outdoor 200 meters in the same year.

PUMA INTRODUCES HYBRID – DESIGNED FOR THE EVERYDAY RUNNER

Fusing technology with style, PUMA introduced the new footwear silhouette HYBRID in 2018. HYBRID reinvented midsole technology, combining two of PUMA's most performative technologies – IGNITE and NRGY. While the NRGY beads provide ultimate cushioning, the IGNITE FOAM returns all energy. Instant comfort is provided thanks to the knitted upper and its sock-like fit. This runner is a real game-changer for both men and women.

LEWIS HAMILTON TAKES 24 / 7 TO THE NEXT LEVEL

Lewis Hamilton loves workouts that are not constricted to the gym. The multiple Formula One world champion was once again the face of the 24 / 7 campaign, that offers men a wardrobe that performs not only in the gym, but also on the street. PUMA and Lewis Hamilton took over Marseille for the launch of the training shoe Mantra FUSEFIT. With its aggressive rubber wrap-up, this shoe provides stability in every workout while allowing quick, agile movements. The knitted FUSEFIT upper allows customizable lacing while maintaining a sock-like feel. This shoe helps men find their sport and push themselves to the next level.

FEATURE STORY

TEAM FASTER GOES TO MIAMI

White beaches, palm trees, romantic sunsets: Miami has a lot to offer. This year, the Magic City hosted PUMA's annual "Team Faster Summit." The perfect background to welcome a new member to the team: supermodel Adriana Lima, who is not only a bad ass on the runways but also a kick-ass boxer. She was bold enough to challenge Usain Bolt in the ring. He admitted: "I might be the fastest with my feet, but she certainly is fast with her fists." Having its fastest team in town, PUMA unveiled its latest training innovations: the MODE XT for women and JAAB XT for men.

Selena Gomez wearing her STRONG GIRL collection

International supermodel Adriana Lima trains with PUMA

STRONG GIRL SELENA DEFIES THE NORM

As the ultimate inspiration for daring women, Selena Gomez is the muse behind PUMA's new Women's training silhouette DEFY. She bravely opposes conventions and carves her own lane without apologizing. Its platform sole, inspired by the resurgence of the chunky-shoe trend, defies training standards and goes beyond style. The platform fully supports side-to-side movement, includes PROFOAM (PUMA's energy-return foam), and provides lightweight cushioning that adds functionality and brings style to training.

The most anticipated collection of the year was the STRONG GIRL collection, Selena's first collaboration with PUMA and a statement of strength and confidence for today's girls. The collection comprised footwear, apparel, and accessories for bold and feminine looks. Blending Selena's personal style with PUMA's classic court and running shoes, the SG Runner, a new shoe designed and constructed by Selena Gomez, was one of the key pieces of the collection.

FROM RUNWAY TO THE GYM, ADRIANA LIMA JOINS THE PUMA FAMILY

In autumn 2018, we were proud to international supermodel Adriana Lima as the latest ambassador for our Women's Training business. Adriana Lima is a role model to millions of women, inspiring strength, grace, and confidence. She is not only a supermodel who works out to prepare for fashion shows, but she loves sports, especially boxing. Lima takes our female consumers on her personal training journey, sharing her healthy and balanced lifestyle with them.

BASKETBALL

BACK TO THE HOOPS

After a 20-year absence from the Basketball world, PUMA made a sensational return to this sport in 2018. With our rich heritage, our unique approach and strong stance in culture PUMA made headlines globally, excited the world of basketball, and disrupted the U.S. marketplace.

LOOKING AT BASKETBALL THROUGH THE CULTURAL LENS

For PUMA, Basketball goes way beyond what happens on the court. Our goal is to enhance and uplift performance basketball by mixing in the cultural elements that surround the sport, breaking away from traditional lanes by putting our focus on music, art, community, entertainment and fashion.

To make this happen, we partnered with none other than one of entertainment's biggest names: cultural icon Jay-Z. Taking the role of PUMA's Creative Director for the basketball category, Jay now oversees our creative strategy, creative marketing and product design.

THE PUMA HOOPS SQUAD

To bring our strategy to life, we managed to secure some of the top players of the 2018 NBA Draft in Marvin Bagley III (Sacramento Kings), Deandre Ayton (Phoenix Suns), Zhaire Smith (Philadelphia 76ers), Michael Porter Jr. (Denver Nuggets), and Kevin Knox (New York Knicks). We also signed partnership deals with Rudy Gay (San Antonio Spurs), Danny Green (Toronto Raptors), DeMarcus Cousins (Golden State Warriors), Terry Rozier (Boston Celtics), rounding out an extremely impressive roster of NBA talent.

We were also proud to sign the WNBA's biggest star, Skylar Diggins-Smith (Dallas Wings), and anticipate adding many more players from the WNBA in the coming seasons.

The CLYDE COURT DISRUPT pays tribute to basketball legend and style icon Walt "Clyde" Frazier

PUMA DISRUPTS THE COURT

Our approach of disrupting the game and conquering the hearts of basketball players and fans is epitomized by the launch of our first new performance Basketball footwear in nearly two decades: the Clyde Court Disrupt. The aggressive colorway and sleek silhouette are tribute to the spirit and style of basketball icon Walt "Clyde" Frazier. It features PUMA's latest innovations in footwear technology for an enhanced performance on the court: a lightweight knit upper paired with our new Hybrid Foam technology, which offers extremely responsive cushioning that reduces the impact of landings and enables quick movements.

The Disrupt triggered positive noise around the industry and put PUMA HOOPS into the daily conversation of basketball in the U.S. market.

WE'RE JUST GETTING STARTED...

For 2019, we plan to continue on our successful path. We will not only expand our footwear range, but also add apparel and accessories to our collection – to be worn on and off the court.

And of course we will have our eyes on potentially expanding our sports marketing roster in both the NBA, WNBA, and this year's upcoming 2019 draft.

FEATURE STORY

LIFETIME CONTRACT FOR WALT "CLYDE" FRAZIER

New York City, 1973, NBA shooting star Walt "Clyde" Frazier partnered up with PUMA with the aim of standing out. The result: a light low-top suede leather shoe that gave him the support and flexibility he needed to perform his signature moves. But not only that. Their ever-changing color combinations made him a style icon.

Last summer, we paid homage to our heritage in basketball and signed Walt "Clyde" Frazier to a lifetime contract.

PUMA's celebrated P Cap continues to be Rickie Fowler's go-to on tour

GOLF

COBRA PUMA GOLF PUSHES THE BOUNDARIES OF PERFORMANCE & STYLE

In 2018, COBRA PUMA Golf stood for innovation, performance, and style, delivering on-trend, performance-ready golf apparel, footwear, and accessories along with game-changing equipment that helped golfers play with confidence and style, all in the pursuit of game enjoyment.

AMBASSADORS WITH WINNING STYLE

Our athletes and ambassadors are bold, stylish, and extremely talented. In 2018, they were crucial in increasing awareness, generating excitement, and providing Tour-level validation for our key products.

Rickie Fowler closed out 2017 with a record-breaking win at the Hero World Challenge, followed by a successful 2018 season that included six top 10s, and a stellar runner-up finish at The Masters at Augusta National.

Bryson DeChambeau's 2018 was one for the history books, finishing with nine top 10s, and four wins, two of them coming during the exclusive FedExCup Playoff events, catapulting him to number five in the Official World Golf Rankings.

Lexi Thompson closed out the year, cruising to a four-shot victory at the CME Group Tour Championship, displaying her tremendous talent, undeniable determination and unwavering drive to succeed.

Lexi Thompson in PUMA's PWRSHAPE skirt

Bryson DeChambeau after his stunning win at the Memorial Tournament

COBRA GOLF – DOING THINGS DIFFERENTLY

When it comes to product design and creation, COBRA Golf continues to push the boundaries of what is possible, delivering groundbreaking technologies throughout its entire product lineup.

In 2018, the brand introduced the KING F8 and F8+ drivers, featuring the industry's first CNC PRECISION MILLED driver face, paired with revolutionary 360 Aero Technology, delivering the smartest, fastest, and most precise driver. COBRA's first fully-machined driver face utilizes a unique multi-directional CNC milling pattern that delivers the highest level of precision for superior performance.

Additionally, COBRA continued to revolutionize the golf space with the introduction of the first set of smart golf clubs, incorporating COBRA CONNECT's electronically-enabled grips in the entire KING F8 family. With COBRA CONNECT, golfers can go beyond guesswork with detailed statistics and analysis on distance and accuracy, and track improvements with every club in the bag.

COBRA continued to advance the ONE Length trend, introducing KING F8 ONE Length, the second iteration of irons in the category. Aiding in the success of the ONE Length irons, which surpassed all 2018 sales forecasts, was DeChambeau's incredible play and multiple wins, providing crucial Tour validation and awareness around the unique irons.

ON-TREND & PERFORMANCE READY

The Spring / Summer'18 collection showcased fresh, fashionable patterns, a versatile color palette, and cutting-edge technical elements designed to enhance on-course performance and provide looks that turn heads whether golfers are in bunkers or at the office. 2018 also introduced new PWRSHAPE™ TECHNOLOGY in women's bottoms, engineered to provide a smooth, slimming effect and the ultimate support. The four-way stretch fabric is soft, breathable, and provides unrestricted range of motion, while the bonded waistband and flatlock seam construction deliver maximum comfort.

MORE EXCITEMENT AND INNOVATION TO COME…

COBRA Golf will continue to introduce breakthrough technologies in 2019, creating buzz and excitement around its innovative equipment, including the KING F9 SPEEDBACK line up, delivering the ultimate formula for speed. PUMA Golf is on trend to continue making a splash in the footwear category with 'NXT' level golf shoes as well as on the apparel side with its highly anticipated Jackpot Pant and new FUSIONYARN Flex and ALTERKNIT Technology in its apparel.

FEATURE STORY

SUEDE G

To celebrate the 50th anniversary of PUMA's iconic SUEDE's, the brand introduced the Throwback collection which included the **SUEDE G**, the same iconic style of a classic SUEDE shoe with modern performance technologies ideally suited for the golf course. Building off the retro design of the SUEDE G, PUMA's Throwback Collection for men and women included accessories and apparel that pay homage to yesteryear, including a polo, corduroy bottoms, P Cap, and a T7 Jacket, delivering timeless style from head to toe.

MOTORSPORT

FAST, FASTER, PUMA MOTORSPORT: WE LOOK BACK AT AN INCREDIBLE YEAR OF SPEED, PASSION, AND POLE POSITIONS.

Driven by innovation, creativity, and state-of-the-art technology, we deliver ultra-high-performance racing equipment to the world's fastest teams and drivers, giving them the confidence and safety they need to perform on the racetrack, while offering stylish apparel, footwear, and accessories to their fans.

Max Verstappen, Kimi Räikkönen, and Lewis Hamilton on the podium in Austin

NO PODIUM WITHOUT A PUMA

In Formula One, PUMA partners with the three teams that have been dominating the sport's top flight for years: Scuderia FERRARI, MERCEDES-AMG PETRONAS, and Aston Martin RED BULL RACING.

2018 marked the year in which Lewis Hamilton was crowned World Champion for the fifth time. He also spearheads our Men's training campaign 24 / 7. Winning eleven races this season, he also allowed his MERCEDES-AMG PETRONAS team to take the Constructors' World Championship for the second time in a row. Scuderia FERRARI and Aston Martin RED BULL RACING followed the unstoppable Mercedes team, ranking second and third respectively.

In addition, we are official suppliers of BMW MOTORSPORT in the racing series DTM, IMSA, WEC, and Formula E, and of Team Penske in NASCAR and IndyCar, providing them with the best possible equipment to be FOREVER FASTER.

The MERCEDES-AMG PETRONAS lifestyle collection has speed and style in its genes

The BMW Motorsport product line pleases sports and fashion fans alike

MOVING THE RACE FORWARD TO THE FUTURE

With a form that recalls the sleekest lines on race cars, PUMA created one of the most iconic sneakers of the early 2000s: the Future Cat. Updating this asymmetrical, avant-garde silhouette with our latest technology, we brought new excitement for low-profile sneakers to motorsport fans worldwide.

FULL SPEED INTO 2019

We are proud to announce a new, prestigious partner: Porsche Motorsport. Starting 2019, PUMA will become technical supplier of the Porsche work teams competing in the FIA World Endurance Championship (WEC) and the IMSA WeatherTech SportsCar Championship (IWSC). Additionally, PUMA enters a strategic partnership with Porsche Design, which features engineered products that will perform at the top level and stand for the fusion of lifestyle and performance wear.

FROM THE RACETRACK TO THE CAT WALK

We fuel the passion of motorsport fans across the globe with our PUMA Lifestyle product range, taking inspiration from the performance gear worn by our partnered drivers and teams. Our licensed apparel, footwear, and accessories collections leverage both the unique identity of the racing teams and PUMA's heritage in the world of motorsport.

In 2018, we experienced a true hype for PUMA Motorsport products, as excellent results were achieved across all product categories and licenses, resulting in increased shelf-space in stores and promising years ahead.

We reached a broader consumer base, going beyond the classic Formula One fan, as we benefitted from the growing popularity of BMW MOTORSPORT and MERCEDES-AMG PETRONAS lifestyle apparel in the hip-hop scene.

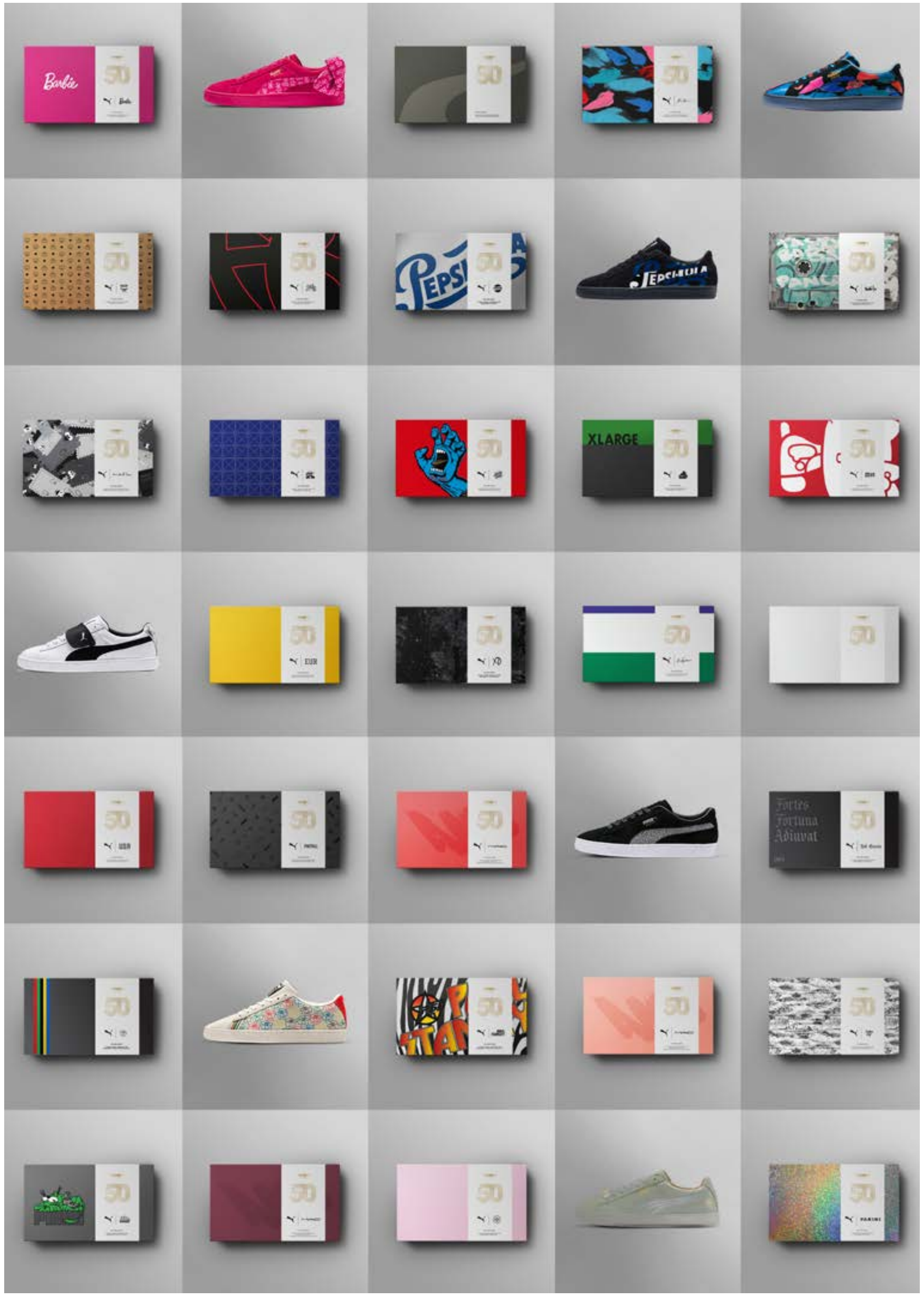
We continued to push design and fashion forward, launching groundbreaking products such as the Evocat Sock LS sneaker, which brought PUMA an additional iF Design Award in 2018. Designed for the Scuderia FERRARI lifestyle range, this astonishing shoe fuses PUMA's evoKNIT technology with street style and comfort.

FEATURE STORY

SPECIAL RACE GEAR FOR A VERY SPECIAL OCCASION

At the Abu Dhabi Grand Prix, Hollywood star Will Smith played a viral social media prank on his buddy Lewis Hamilton. Smith kidnapped Hamilton, tying him to a chair right before the race. The "Men in Black" star wanted to get a "once in a lifetime opportunity," discreetly replacing the Formula One champion to compete in the race himself.

PUMA was one of the co-conspirators, providing Will Smith full MERCEDES-AMG PETRONAS Motorsport race gear, which was specially crafted for him in Italy. Luckily, this was all a joke and Hamilton could compete and win the season's final race.



SPORTSTYLE

ANYONE AS PASSIONATE ABOUT SPORTS AS WE ARE CAN SHOW IT EVEN OUTSIDE OF THE GYM, FIELD, OR TRACK.

With PUMA's range of innovative, sports-inspired lifestyle products as well as classic silhouettes, we reach out to anyone looking for an authentic style rooted in sports. Our Sportstyle designs reflect our rich sporting heritage and attitude, and the message is clear: We're always FOREVER FASTER.

SUEDE 50 #FORALLTIME

Celebrating the SUEDE's legacy with the SUEDE 50 campaign, PUMA tapped into creatives, designers, and artists to put their spin on the iconic silhouette. From Swarovski crystal-studded sneakers to designs inspired by MCM, Pepsi, Barbie, and Hello Kitty, the SUEDE's 50th anniversary celebrations brought to life unique iterations of the classic silhouette under the motto #FORALLTIME. A must-have sneaker for every generation over the last five decades, the timeless classic rules the streets in style.

WHERE THE GYM MEETS THE RUNWAY

Continuing our commitment to empower women with the right products, PUMA launched street-ready silhouettes that epitomized their individuality, style, and performance. Keeping the sneaker game on point, we introduced an Archive-inspired all-new CALI for women, featuring brand ambassador Selena Gomez. Channeling West Coast vibes, the re-imagined CALI silhouette conquered the streets in style with its cool and understated aesthetics.

With progressive design and performance-inspired details, the MUSE collection launched in 2018 echoed PUMA's #DoYou campaign, inspiring women to be confident, motivated, and uncompromising in every aspect of life. Sported by brand ambassador Cara Delevingne, the sneakers epitomized individuality, style, and performance.

West Coast Vibes: Selena Gomez wears the CALI

FUTRO - A MIX OF FUTURE AND RETRO

FUTRO is where we react to and influence street culture. In 2018, PUMA embraced the future and honored the past by resurrecting OG-inspired styles with the launch of two new Futro franchises: THUNDER and RS. Each shoe remixed current trends with classic PUMA details and technologies.

FUTRO is a term originally conceived by PUMA's SELECT partner ADER ERROR, and is used by PUMA as a new product classification and design ethos, guiding us as we create future street icons with our retro sport DNA.

THUNDER

The brand's unconventional approach to chunky design first came to the fore with the launch of THUNDER. Inspired by the 90's running silhouette and the PUMA x McQueen collaboration, the sneakers payed homage to past collaborations and silhouettes ahead of their time. The exaggerated tooling, blown-up proportions, and loud color-blocking reserved a spot for the THUNDER in the global fashion community.

RS

This year marked PUMA's reboot of the 80's Running System (RS) range with the all-new RS-0 model. With an innovative design that evolved from the past and is distinctly future-looking, the sneakers were reinvented and rebooted for a new world. Later in the year, PUMA took it to the next level with the introduction of RS-X, which was all-things extreme, exaggerated, and remixed.

Pushing culture forward, 2018 also saw PUMA partner with powerful brands that exemplified extreme reinvention in their respective industries. From Hasbro and Mattel to SEGA, Polaroid, and Roland, the most iconic FUTRO stories were brought to life with exclusive drops that successfully broke the monotony of streetwear through innovation in design, style, and technology.

CELL - SINCE 1998

When PUMA CELL technology first arrived in 1998, it was revolutionary. Celebrating 20 years of the OG sneaker, CELL was pulled straight from the Archive in a new context that highlighted its chunky glory and throwback good looks for a new era of streetstyle. Leading the pack with two pinnacle models from the 90's, CELL ENDURA and CELL VENOM were reintroduced in 2018 as street-ready silhouettes.

A ROSTER OF CREATIVES

Partnering with up-and-coming brands across the world, PUMA has worked with creative trailblazers like ADER ERROR to elevate sports-inspired style. In their debut collection with PUMA, ADER ERROR, as the Creative Director, put FUTRO as the main theme, bringing their forward-thinking aesthetic and fusing their fondness for nostalgia onto iconic PUMA silhouettes. With two successful drops and more in the works, PUMA x ADER ERROR capsule collections were all things extreme and FUTRO, perfectly fusing street sensibilities to sport-inspired silhouettes. 2018 also saw PUMA work with designers on OUTLAW MOSCOW, ATELIER NEW REGIME and HAN KJØBENHAVN that perfectly fused runway-worthy styles with sports-inspired street wear.

PUMA X ADER ERROR collection

Playful designs: PUMA x tinycottons

KIDS

In 2018, PUMA introduced a range of capsule collections for kids in partnership with popular brands like Hot Wheels, Transformers, and Barbie. This year also witnessed the return of successful collaborations with Justice League and tinycottons for a collection designed with bright colors and playful patterns that give every style a unique personality.

MORE EXCITING STYLES AND COLLABORATIONS TO COME...

Riding on the success of bold and futuristic silhouettes, PUMA is launching brand-new sneakers like ALTERATION and STORM, while also bringing back court classics like RALPH SAMPSON and ROMA, as well as new iterations of CELL that exemplify the brand's sport-meets-fashion approach. Continuing with FUTRO, 2019 will see new iterations of RS and CALI dropping amazing new stories throughout the year.

In terms of collaborations, PUMA will announce new and inspiring partnerships that encapsulate a vibrant mix of creative brands and trailblazers from the fashion and music industries for a modern, experiential approach to sports-inspired fashion.

LICENSING

PUMA'S STRATEGY FOR LICENSING FOCUSES ON BUILDING PRESENCE AND AWARENESS IN PRODUCT CATEGORIES THAT ARE OUTSIDE ITS CORE AREAS, BUT WHICH COMPLEMENT AND ENHANCE ITS OWN PRODUCTS.

PUMA's licensees offer desirable and compelling products to the end consumer, while adding value to PUMA's brand strength and appeal.

PUMA partners with specialized market leaders with the aim of maintaining the highest standards of quality across all complementary product categories. These brands design, develop, manufacture, and distribute products with PUMA trademarks in line with PUMA's brand positioning, specifically targeting the PUMA consumer.

PUMA optical frames by Kering Eyewear

PUMA WATCHES BY FOSSIL

PUMA and watch manufacturer Fossil have joined forces through a multi-year global license partnership agreement for the design, development, and distribution of PUMA-branded watches and smartwatches. The agreement is a long-term collaboration which sets both companies on an exciting journey to develop compelling products with a sporty design that can be worn for training purposes as well as for everyday activities.

The first collection of analog watches will be available worldwide in Spring / Summer'19. The products will be available on **puma.com** and in selected PUMA stores, as well as in selected department stores, specialty retailers, and e-commerce channels in Fossil Group's global network.

PUMA EYEWEAR BY KERING EYEWEAR

Since July 2015, PUMA has partnered with Kering Eyewear for the key category of Sunglasses and Optical Frames. 2018 was a year of consolidation of the PUMA Eyewear business with specific focus on the Performance, Sportstyle, Active and Kids' categories. With its extensive distribution system in around 100 countries, Kering Eyewear has launched two seasonal collections per year since the start of the partnership.

PUMA WORKWEAR BY WATEX

PUMA workwear is a range of apparel specifically developed by PUMA's new license partner WATEX and aimed at the workwear market. The collection was introduced to the trade at A+A in Düsseldorf in October 2017 and, since then, has successfully launched at selected accounts and countries.

PUMA SAFETY FOOTWEAR BY ISM

An established German manufacturer and distributor of safety shoes, ISM has been PUMA's partner for PUMA safety shoes for well over a decade. The PUMA safety shoe collection enjoys distribution in more than 35 countries and in 2018, ISM continued to distribute the product offer under various product lines, such as "Urban," "Technical," and "Motion".

PUMA FRAGRANCES BY L'ORÉAL

PUMA's license partner in the Personal Care category is L'Oréal, who in 2016 launched the first body sprays in France. Since then, L'Oréal have developed nine deodorant sprays and fragrances and extended their distribution to include mainly Germany and a few other countries in Eastern Europe and Latin America.

Classic with a feminine twist: the SUEDE BOW BACKPACK

SUEDE 50 special: PUMA X
KARL LAGERFELD collection

ACCESSORIES

PUMA'S ACCESSORIES BUSINESS UNIT COMPLEMENTS OUR PRODUCT RANGE WITH APPEALING AND VARIED COLLECTIONS, COVERING SPORTSTYLE, RUNNING, TRAINING, AND MOTORSPORT.

Our accessories combine all the attributes PUMA stands for: quality, creativity, and innovation. Our bag and headwear ranges perfectly complete every outfit, while convincing with functionality and style.

REFINED ACCESSORIES REFINE EVERY SPORTSTYLE OUTFIT

The ARCHIVE SUEDE BOW WOMEN'S BACKPACK turned quite a few heads with its feminine interpretation of the classic PUMA backpack, combining an enchanting bow with pastel colors. Displayed in an ad campaign featuring Cara Delevingne, the SUEDE BOW backpack was an instant success and sold out immediately.

Toward the end of the year, Selena Gomez launched her first collection for PUMA. As one can guess from its name, the STRONG GIRL collection has strength stitched into every piece. With confident colors and bold silhouettes from head to toe, the collection was elevated by refined accessories, including beanies, bags and gloves.

SUEDE 50 BOOSTS VISIBILITY THROUGH EXCITING PARTNERSHIPS

In 2018, PUMA celebrated the 50th anniversary of its legendary shoe, the SUEDE, with 37 unique collaborations in partnership with some of the most prestigious names from the worlds of music, fashion, street, and pop culture. Accessories rounded-up the key styles of the SUEDE 50 initiative and even rivaled the shoe in terms of popularity: The HELLO KITTY BACKPACK, the PUMA X KARL LAGERFELD SHOULDER BAG or the BARBIE caps – just to name a few – brought a lot of visibility to our accessories category and products sold out fast.

DRIVING PERFORMANCE INNOVATION

With our STANCE HOODED BACKPACK, PUMA developed the ideal companion for street running, bringing the best of our innovation, performance, and design together, as the backpack minimizes carry stress and maximizes performance in an urban environment during the day. This backpack was awarded the industry's most prestigious prizes: The Red Dot Award for Product Design and the iF Design Award.

WORN BY CHAMPIONS

Worn by our assets at the world's biggest sports events, our caps increasingly find their place on the podium. Golf champions Rickie Fowler and Bryson DeChambeau never compete without their stylish caps, while in Formula One, RED BULL RACING driver Max Verstappen and Scuderia FERRARI's Sebastian Vettel love to wear their Motorsport Teamwear caps throughout the season.

OUR STORES

PUMA Store in Guangzhou, China

TOP OPENINGS 2018

IN 2018, WE FURTHER EXTENDED AND IMPROVED OUR RETAIL NETWORK, OPENING NEW STORES IN EXCITING LOCATIONS, WHILE GIVING SOME OF OUR EXISTING STORES A NEW LOOK.

The majority of our full-price stores and factory outlets worldwide follow the FOREVER FASTER store concept, offering a broad selection of PUMA's Performance and Sportstyle products. This helps us to fulfil our mission of becoming the fastest sports brand in the world.

In addition, PUMA opened further SELECT Stores, offering a dedicated space to its premium sportstyle products, featuring the brand's newest product ranges and high-profile collaborations.

GUANGZHOU, CHINA

PUMA opened its largest full-price store of 2018 in Guangzhou, China. With 252 square meters of sales area, the store offers a wide range of products from its Sportstyle, Motorsport, Teamsport, and Running & Training categories.

PARIS, FRANCE

The newly refitted store is based in Boulevard de Sébastopol, at the very heart of Paris. With over 200 square meters of sales area, the store space offers a full range of commercial products from PUMA's Performance and Sportstyle categories, as well as special limited collections.

MARINA BAY SANDS, SINGAPORE

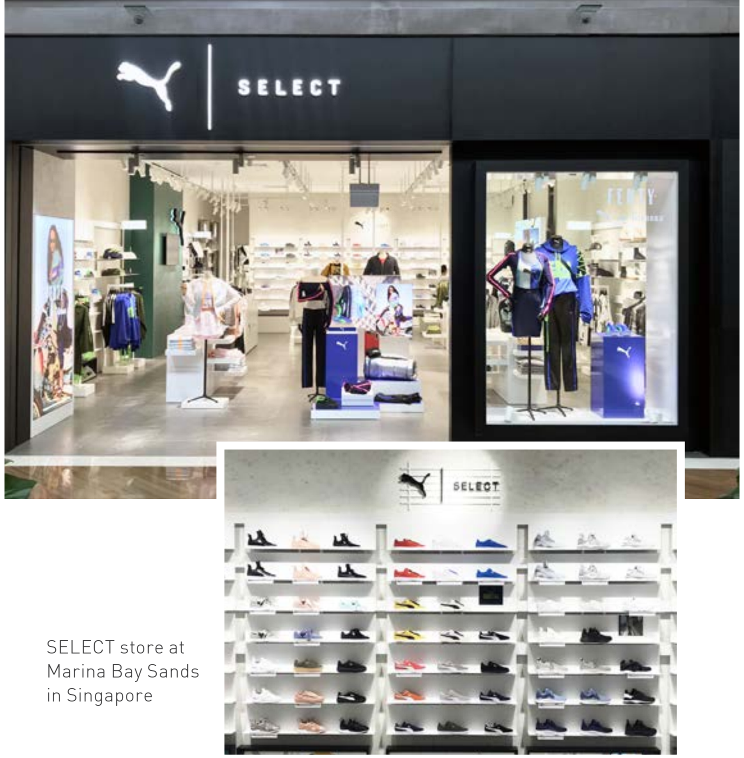
In March 2018, PUMA opened a new SELECT Store at Marina Bay Sands in Singapore. The retail concept is elevated and features the best of PUMA's Sportstyle range, with a focus on its premium products. One key section of the store is the impressive footwear wall-display showcasing the latest lineup of PUMA SELECT sneakers.

MADRID, SPAIN

PUMA reopened its factory outlet store in Madrid in summer 2018. The store is located in the Las Rozas Village, a go-to place for shopping fans. The PUMA store has 155 square meters of sales area, offering a wide range of apparel, footwear, and accessories, with a particular focus on Motorsport.

HONG KONG, CHINA

Another brand-new SELECT store was inaugurated in Hong Kong in August 2018. The store is located in the Elements Shopping Mall and features the brand's latest products and collaborations. With 110.5 square meters of sales area, the store space offers all premium products like ADER ERROR or PUMA x TYAKASHA.



SELECT store at Marina Bay Sands in Singapore

Madrid factory outlet store in Las Rozas Village

Teamsport section at the Guangzhou store

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OUR PEOPLE

Dietmar Knoess

DEAR SHAREHOLDER,

Our people are our most important asset, as they enable PUMA to push sports and fashion forward. Their combined talent, dedication, and creativity help us to become the world's fastest sports brand.

Recruiting, managing, and retaining talent, as well as developing well-performing teams and leaders, is at the core of our mission. We aim to offer our employees an attractive work environment and a unique corporate culture. We are committed to improving our employees' wellbeing, helping them achieve a good work-life balance and encouraging their personal development.

To help us master our role as a leading employer, we have defined a set of values that describe our unique work culture and serve as a guideline for our employees. Under the label SPEED AND SPIRIT, we inspire our people to follow the principles BE DRIVEN, BE VIBRANT, BE TOGETHER, and BE YOU.

2018 was an exciting year for the brand and an important year for the development of our company. We reinforced our efforts in talent management, implemented our new office concept at our international PUMA locations, and sped up our processes through digitalization.

A big thank you to our employees, who put all their efforts, dedication, and passion into making PUMA as successful as it is today.

Sincerely,

Dietmar Knoess
Global Director Human Resources

PEOPLE@PUMA

As a company, we can only reach our goals when we have the right people. We depend on finding, connecting, and developing the right talent, thereby ensuring PUMA´s future growth.

Competing for the best talent on the market, our intention is to raise awareness of PUMA as a top employer that offers challenging roles in international teams, while providing professional talent management and great development opportunities.

DIVERSITY: ENSURING A DIVERSE AND INCLUSIVE ENVIRONMENT

PUMA's team spirit thrives on the diversity of people with various skills, backgrounds, and experiences. PUMA's unique company culture reflects, embraces, and respects the individuality of every single person, while providing the opportunity for all employees to achieve their full potential. This is the key to creating effective and competitive teams that drive forward innovation and success. At our headquarters in Herzogenaurach alone, we employ people from 59 different nationalities.

Based on this belief, we committed ourselves to the PUMA Code of Ethics (2005) and to our Diversity Charter (2010) to ensure a fair work environment and equal opportunities for all PUMA employees, regardless of their gender, nationality, ethnicity, religion, disability, age, or sexual orientation.

Last year, 86% of our employees worldwide held permanent contracts, while 41% of our people were covered by a collective bargaining agreement.

Another strength of our teams lies in the well-balanced gender distribution: Across all PUMA locations, the male to female ratio is 52 percent to 48%, a stable tendency over the past years. This shows we provide a work environment equally attractive to women and men.

At PUMA, we promote gender balance at all management levels. We continue our efforts to raise the proportion of women across all levels of management. In 2018, the groupwide percentage of women in management positions amounted to 40%.

Until the end of October 2021, we want to achieve an even more ambitious goal: We aim to have at least 30% of women on the Supervisory Board, 20% on the Management Board, while having 30% and 40% of women at the two management levels below the Management Board respectively.

Additionally, we offer women specific training and access to inspirational networks. The interaction with experienced female executives should encourage our female employees to aspire to leadership positions within the Group.

T.1 **WOMEN IN LEADING POSITIONS – PUMA GROUP** (in %)

Region	**2018**	2017	2016	2015	2014
Europe	31	31	30	30	29
EEMEA	43	38	40	39	39
North America	48	46	45	42	40
LATAM	38	35	34	33	29
APAC	44	41	43	42	38
TOTAL	**40**	**38**	**38**	**37**	**35**

TALENT MANAGEMENT: FINDING AND FOSTERING THE BEST PEOPLE

Our integrated and consistent talent management drives our performance and development culture. We identify and promote talent within teams and across functions, regardless of their job level.

This includes offering a wide range of tailored trainings to accelerate professional development towards becoming a leader, providing the required skills to manage teams.

Having implemented systematic talent conferences, we assess the entire PUMA workforce every year. Such conferences are conducted worldwide, involving all levels of management, up to and including the Management Board.

Employees are being evaluated on criteria such as individual performance and competencies, potential, ambition, career progression, and mobility. The targeted analysis of our employees' profiles allows us not only to prepare individual development plans, but also to match internal talent with vacancies, helping us to find potential successors within the company. This process has a proven track record of attractive career and development opportunities for our employees and efficient succession planning.

Speed Up / Speed Up²

With Speed Up and Speed Up² we provide personal development programs for employees, with the aim of preparing selected talent for the next step in their careers. Designed for upcoming or seasoned leaders, both programs offer targeted training, consisting of interdisciplinary projects and tasks, mentoring and coaching, as well as job rotations. An additional component of the Speed Up programs lies in raising the participants' visibility at top management level, while encouraging them to build cross-functional networks.

LEARNING: EMPOWERING LIFELONG LEARNING

At PUMA, learning is not only part of our culture, but is a key part of our strategy to constantly train our people and offer them a development path. We support our employees in their lifelong learning, which has become a necessity in a world that changes at an ever-increasing pace.

Our efforts in learning and training include the integration of FUTURE CHAMPIONS into our workforce, along with the personal development of our employees and managers.

This way we ensure we have the right competencies available today as well as tomorrow.

Future Champions

Identifying talent at a very early stage is key to fostering the next generation of employees that will contribute to PUMA's future success.

In this context, we offer high school graduates and students a multitude of options to start a career in a challenging international work environment.

To spot our FUTURE CHAMPIONS, we cooperate with a large range of universities and schools at an international level. Throughout the year, PUMA hosts various events specially designed for students at our international headquarters and abroad.

EMPOWERING THE NEXT GENERATION

In 2018, 15 dual-program students and trainees joined the PUMA Headquarters in Herzogenaurach. In total, PUMA had 49 apprentices and dual-progam students by the end of 2018, majoring in a range of subjects, from International Business to IT.

In 2018, we were excited to host PUMA's first Design Sprint, gathering Europe's most promising design students, who got the chance to prove themselves to PUMA's designers and Creative Directors. After two days of brainstorming, sketching, and creating drafts, the students showcased their results to PUMA top executives on the PUMA BRIDGE.

Another promising event was the INNOVATION SPRINT, a hackathon offering students with a tech or digital background the chance to work on real cases, such as the improvement of the PUMA TRACK app.

Events like these offer students of different academic backgrounds the opportunity to look behind the scenes, get first practical experience in their domain, and learn from professionals. Some participating students were even identified for an internship.

LEARN@PUMA

Beyond attracting new talent, we are committed to continuously developing our people in the best possible way.

Learning is optimized when it's done 70% on the job, 20% by learning from others, and 10% with training and self-study. With this formula in mind, we have designed our PUMA learning program, which offers a wide range of training and workshops, either pre-defined or tailored to individual needs, both on-site and online.

In 2018, 14,884 employees worldwide participated in training courses and workshops over a total of 132,450 hours.

ILP und ILP²

At PUMA, it is a key priority to develop leaders who can navigate through complexity and master challenging experiences. Our modular International Leadership Programs, ILP and ILP², have been set up to provide the best preparation and support for unlocking our peoples' abilities to lead teams in our company. Conducted at a global level and across all regions, they convey a general understanding of what leadership means at PUMA, while providing the needed skills and tools to become a successful leader. With modules including "mindful leadership," "agile working methods," and "leading diverse teams," we help participants to fulfill their role, while preparing them for future challenges.

PUMA – A GREAT PLACE TO WORK

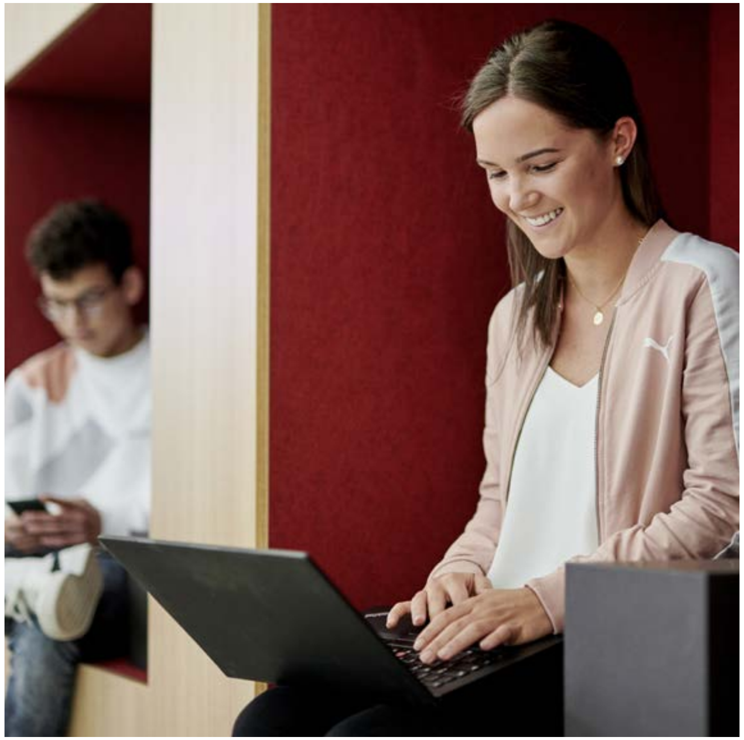
Offering an attractive and pleasant work environment, on and off the job, has a proven positive impact on employee engagement, increasing loyalty and commitment to the company.

This is what we had in mind when we developed our new office concept, which provides our employees with the working conditions of the future. We also created a unique wellbeing program, which takes care of employees' health and supports them in balancing their work and private lives.

We are proud to see that our efforts continued to be rewarded by major international experts, based on employee feedback. In 2018, we won more than 20 Employer Awards worldwide, recognizing PUMA's unique work culture and the ongoing pursuit of offering a workplace where our employees can grow and take on new opportunities, while finding the right work-life balance.

In Germany, PUMA was ranked seventh of 1,000 companies in the "Top National Employer Award" by business magazine FOCUS, while coming in second at the Leading Employer Award. On Glassdoor, PUMA has established itself as the top employer of the industry, reaching the fifth position in the national ranking.

For the third consecutive year, PUMA Nordics have received the Swedish Award "Karriärföretagen." In Asia, our teams based in China, Taiwan, the Philippines, and Hong Kong received the " HR-Asia Award." In the United States, our Boston and Carlsbad teams were ranked in the Top 10 among the "101 Best and Brightest" employers.



PUMA'S OFFICE CONCEPT: CREATING THE WORKPLACE OF THE FUTURE

After two years of construction, our new headquarter office building "NOHO" in Herzogenaurach was completed in the summer 2018. The new part, which is connected with the existing building through the PUMA BRIDGE, has an effective area of 10,200 square meters, spreading across six floors. It can accommodate up to 550 employees, providing space for future growth. In total, our global headquarters have a capacity of almost 2,000 employees. Having all teams centralized in one place supports our mission to become FOREVER FASTER.

This new building provides state-of the-art offices that foster communication, teamwork, and productivity. After having conducted a survey among our workforce, we developed an innovative global office concept that transforms our offices into dynamic environments for creativity, focus, and connection. Depending on the type of work they are doing, our employees can choose between the different areas and a variety of office features. The friendly office design, which incorporates light colors, natural materials, and large windows, helps people feel at home while working. We have been refurbishing all of our international offices according to these principles.

WELLBEING@PUMA: IMPROVING OUR EMPLOYEES' WELLBEING

At PUMA, fostering the wellbeing of our people is a top priority. Our wellbeing approach merges four aspects: FLEX, SOCIAL, FINANCE, and ATHLETE.

Pioneered in our headquarters in Germany, this comprehensive wellbeing program has been embraced by all PUMA locations around the world and was adapted to local needs and regulations.

We are proud to have received the German "audit beruf & familie" (job & family) certificate again last year, after our headquarters had been reaudited successfully.

FLEX

For us, flexible working is the basic equipment all our players need to have. We know that our employees are looking for dynamic careers in modern workplaces, and we give our best to provide a range of solutions that suit the different stages in their lives. The group-wide average age of our employees is 33. With flexible working hours, mobile working, sabbaticals, as well as a range of family services and childcare opportunities, we support a healthy work-life balance. We offer and promote part-time opportunities: In 2018 our part-time employment ratio was 23%.

T.2 EMPLOYMENT CONTRACTS (FULL-TIME / PART-TIME) IN HEADCOUNTS - PUMA GROUP

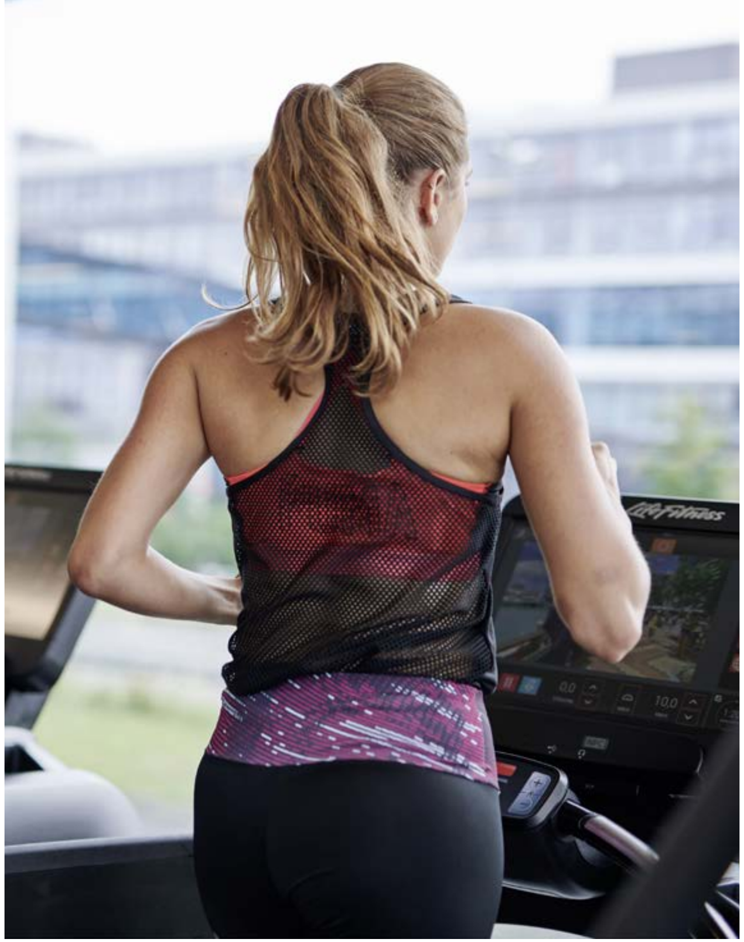
	GENDER DISTRIBUTION			
Employment contracts	Female	Male	Diverse	**TOTAL**
Full-time	5.152	6.259	2	**11.413**
Part-time	1.990	1.990	11	**3.354**
Totaltime	7.142	7.612	13	**14.767**

T.3 EMPLOYMENT CONTRACTS (PERMANENT / TEMPORARY) IN HEADCOUNTS - PUMA GROUP

	PERMANENT			TEMPORARY		
Regions	Male	Female	Diverse	Male	Female	Diverse
Europe	1,509	1,395	0	229	354	0
EEMEA	1,732	1,072	1	81	111	0
North America	1,102	1,225	9	235	291	2
LATAM	1,238	774	0	103	61	0
APAC	1,166	1,511	0	219	347	0
TOTAL	**6,747**	**5,977**	**10**	**867**	**1,164**	**2**

PARENT-CHILD-OFFICE

Last year, we refurbished our Parent Child Office at our headquarters in Herzogen-aurach. If needed, it offers parents the possibility to bring their children to the office and work while their children play in the room.

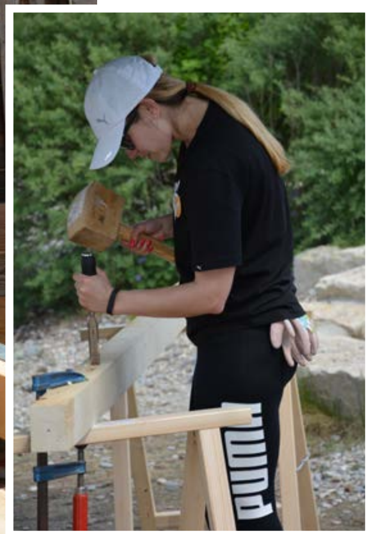


ATHLETE

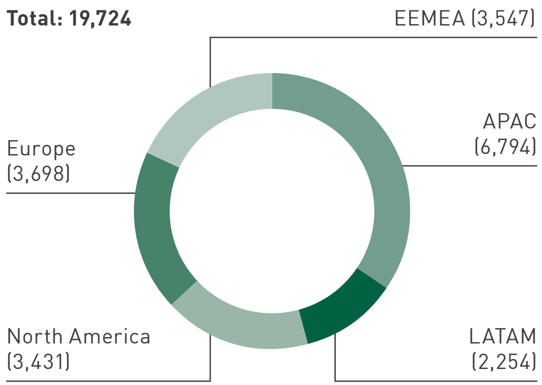
What connects our employees is their common love for sports. We offer them the best conditions to work out whenever they feel like it. A major highlight in 2018 was the opening of our new sports facilities at the PUMA Headquarters in Herzogenaurach.

Football, volleyball, TRX, or yoga - there's something for every sports fan. The new building offers a variety of different sports facilities including a gym, an outdoor area with a soccer pitch, and basketball and beach volleyball courts. The new fitness area has two course rooms and state-of-the-art training equipment.

We offer a variety of sporting events and activities throughout the year, as well as regular internal sports classes using our own sports facilities. No fewer than 36 events and 23 weekly sports classes were organized for our people at our headquarters in 2018, with a total of 1,253 registrations. Similar initiatives and courses are being adopted worldwide.



G.1 **HOURS OF COMMUNITY ENGAGEMENT ACTIVITIES PER REGION**



COMMUNITY ENGAGEMENT: CREATING A POSITIVE IMPACT FOR THE COMMUNITY

Thanks to our employees all around the world, we were able to continue our engagement with local communities. Our goal was to reach a total of hours spent on community engagement that equals the number of our average FTE (Full Time Equivalent) employees per year.

We reached out to all of our people worldwide to inform them about the ongoing projects and encourage them to participate. In addition, an online platform has been set up on which projects and engagement can be registered. Local Human Resources departments found new partners in their communities and initiated a variety of projects.

In total, initiatives led by our subsidiaries in five regions racked up to a total of 19,724 hours (1,589 for PUMA SE) of community engagement, focused on protecting the environment, promoting health and fitness, fighting discrimination, and supporting children with their education. Considering that the average number of FTEs in 2018 was 12,192 (1,041 for PUMA SE), we far exceeded our target.

CHARITY CAT

A team of about 20 PUMA employees founded Charity Cat in 2004. Since then a lot of PUMA employees, but also some external members, have joined the organization. All team members are volunteers and donate their free time to different charitable projects.

With the help of PUMA, Charity Cat gets the possibility to use PUMA's infrastructure and other internal resources, such as no longer needed product samples.

Throughout the year, Charity Cat regularly sets up huge product sample giveaways and encourages PUMA employees at the Headquarters in Herzogenaurach to donate an appropriate amount of money for a good cause in return.

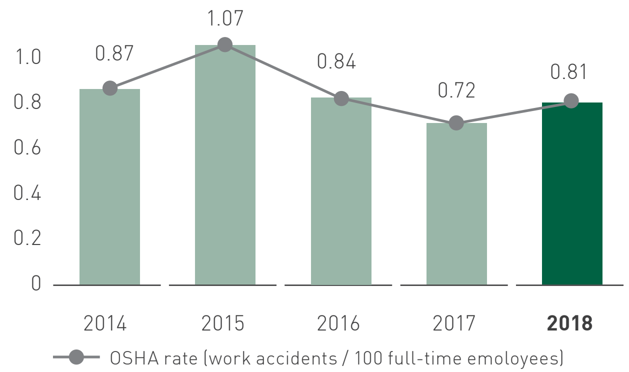
OCCUPATIONAL HEALTH AND SAFETY: KEEPING OUR EMPLOYEES HEALTHY AND SAFE

Providing a work environment that keeps our employees healthy and safe is a key priority. We have set ourselves the goal to consistently reduce the average injury rate every year. In 2018, our goal was to stay below an injury rate of 1.0 according to the Occupational Safety and Health Administration (OSHA). Conducting safety-related training courses in all of our locations, we additionally offer online training programs to prepare employees for potential emergency situations and thus reduce the number of accidents.

In 2018, we conducted a total of 12,096 hours of safety training. Over the past year, 6,039 employees have been trained in fire safety and 2,720 in first aid.

On a global scale, only 101 occupational accidents that implied work loss were registered in 2018. According to the OSHA, it is equivalent to an injury rate of 0.81 compared to 0.72 in 2017, showing that we have achieved our goal for 2018. For PUMA SE in Germany, the (OSHA) injury rate stood at 0.90.

G.2 **INJURY RATE ACCORDING TO OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION** (OSHA rate)



HR GOES DIGITAL

In 2018, we pushed our digital frontiers faster and further. In our mission to become the fastest sports brand in the world, we are striving to offer digital solutions that respond to our employees' needs and offer potential candidates a state-of-the-art digital journey.

Furthermore, we aim to simplify and align our HR processes worldwide, aiming to set up the infrastructure we need to enable future growth.

PUMA'S NEW CAREER PAGE: OFFERING A STATE-OF-THE-ART DIGITAL CANDIDATE EXPERIENCE

In 2018, we relaunched our corporate website with an extensive career section at its heart. Focusing on candidates' needs, the new career section enables finding relevant open positions fast, while giving deep insight into PUMA's unique corporate culture. Through our location and team pages, candidates can get a first glimpse of their potential future workplace and learn more about teams and responsibilities.

We have put our focus on creating a seamless candidate experience that allows candidates to intuitively navigate between the different platforms, including the corporate sections of the website, review channels, and the job search function.

WORKDAY: SIMPLIFYING WORLDWIDE HR PROCESSES

We continue to simplify and accelerate business processes through digitalization. After introducing WORKDAY, one of the world's leading human capital management system in 2017, we rolled out this system to include other modules such as "talent and performance," "time & absence management," and "learning".

Having implemented WORKDAY in all our locations, we now have a worldwide solution for recording work time, vacation, and other absences. Employee profiles and organizational charts can also be consulted in a few clicks.

WORKDAY also makes life easier for our employees, offering them an easy-to-use platform on which they can track their working time, manage their absences, recruit or apply for open positions, and track their performance and pay.

PUMA LEARNING PLAZA: MAKING LEARNING INSTANTLY ACCESSIBLE

Digital learning is not the next big thing – at PUMA it is the big thing right now. We have enriched our learning catalogue with a wide offer of online courses, accessible according to our employees' needs: Anytime, anywhere, and on any device.

Our learning platform PUMA LEARNING PLAZA is available to all PUMA employees and managers worldwide.

We have developed and designed customized PUMA trainings, such as the onboarding eLearning training "Inside PUMA," which offers valuable insight into the company, our product creation cycle, and brand strategy.

For our E-learning course "PUMA Talent Development Talk," we received the "eLearning Award 2019." This content supports our managers worldwide, while, at the same time, allowing them to familiarize themselves with the topic of talent development talks, ensuring they are prepared to speak to their team members.

In addition, employees can access selected business booklets, articles, and TED videos. We also offer our employees free access to the interactive learning platform **lynda.com**.

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FOREVER FASTER SUSTAINABILITY


Michael Bennett

MESSAGE FROM MICHAEL BENNETT, GLOBAL DIRECTOR SOURCECO

At PUMA, we endeavor to be the fastest sports brand in the world. We understand that achieving this ambitious goal requires a clear, focused strategy, but we also recognize that the challenges facing the world from a sustainability perspective will not be solved by the actions of any single brand or company. It is only through collective action with our industry peers via industry-wide initiatives and organizations, that progress will be made on key sustainability issues, such as climate change and human rights.

We believe that exercising our influence in corporate sustainability means taking our work out of the board room and into the factories where our products are made, and into the marketplace where they are sold. In 2011, PUMA became the first company to place a monetary value on its environmental impact, fundamentally shifting the landscape of corporate sustainability and the way we operate. Since then, we have maintained our commitment to sustainability in areas including product innovation, such as our climate-neutral collection in collaboration with ASOS, and the use of more sustainable materials such as Better Cotton and bluesign® certified polyester.

To ensure alignment with global priorities, we launched our 10FOR20 Targets in 2015, linking each of PUMA's 2020 targets to the relevant United Nations Sustainable Development Goals. Under this sustainability strategy, we have continued to develop and implement initiatives across our supply chain, both in regions in which PUMA operates, and where our products are manufactured. For example, our award-winning vendor financing program incentivizes environmental and social responsibility by rewarding suppliers who score highest with better financing options; in addition, we rolled out the Zero Discharge of Hazardous Chemicals Foundation (ZDHC) waste water guidelines in our main wet processing factories.

Looking at 2020 and beyond, we will continue working with our industry peers and pushing industry-wide initiatives to help usher a more sustainable future for the next generations of athletes, customers, and people everywhere.

Sincerely,

Michael Bennett
Global Director SourceCo

The Sustainable Development Goals (SDGs) from the United Nations define the global development priorities for 2030 and look to join efforts among business, governments and civil society around a defined set of targets. PUMA's 10FOR20 Strategy supports the SDGs' implementation in the regions where PUMA operates and where PUMA products are manufactured. Throughout this sustainability chapter, we highlight which SDG(s) we support with our sustainability targets.

AIMING HIGHER

INTERVIEW WITH STEFAN SEIDEL, HEAD OF CORPORATE SUSTAINABILITY


Stefan Seidel

HOW IS PUMA TAKING ACTION IN TERMS OF SUSTAINABILITY?

At PUMA, our sustainability focus is clear: we are committed to creating positive social and environmental impact by taking action to dive deeper into our supply chain, permeating all aspects of our operations, and expanding our partnerships with various industry groups and sustainability organizations. We believe that a commitment to the future of our planet and its people is not only a social obligation, but that it's good for business, too.

WHAT CAN YOU TELL US ABOUT PUMA'S SUSTAINABILITY JOURNEY?

We started over 20 years ago with our first Code of Conduct and by establishing social compliance processes. It was an important step, as it provided us with the foundation for our sustainability program in 1999. We soon established ourselves as sustainability pioneers, which enabled us to shape expectations around sustainability, rather than just respond to them. We were for instance the first major company to place a monetary value on the environmental impact of our operations and the first in the fashion industry to agree to eliminate hazardous chemicals from our supply chain.

WHAT WERE THE MAJOR ACHIEVEMENTS MADE IN 2018?

Following our spin-off from Kering in 2018, we were re-admitted into the FTSE4Good sustainability index while retaining our Oekom prime rating. Now operating as an independently-listed company, we see a fresh opportunity to take our sustainability to the next level, which will flow into our work in 2019 and the development of our 2030 vision and strategy.

Furthermore, we are proud to have initiated and strengthened partnerships in 2018, including a Fashion Charter for Climate Action launched at the United Nations Climate Conference in Poland. This agreement to work with our industry peers toward significant advances has the potential to effect changes far more impactful than what any one brand could achieve alone.

WHAT ARE YOU MOST LOOKING FORWARD TO IN 2019 AND BEYOND?

We are excited to continue our progress on our trajectory toward our 10FOR20 Targets and to provide positive contributions to business performance along the way. We will continue to work on our existing targets and take new topics into consideration: Through our refreshed materiality analysis, we identified more sustainable products, plastics, circularity and living wages as additional topics of focus to address in our sustainability strategy beyond 2020.

MEANINGFUL PROGRESS AND IMPACT

This report provides a summary of the progress we made during the calendar year 2018 towards our 10FOR20 Sustainability Targets, while also highlighting those areas where challenges remain.

Anticipating growing consumer demand for sustainably designed and produced lines of PUMA products, we emphasized enhanced research and innovation in this area. After many years of contributing to initiatives around improving the performance of our global supply chain, we are proud to report that several are now scaled up within the industry, including tools from the Zero Discharge of Hazardous Chemicals Foundation and the Social and Labor Convergence Program. Furthermore, in a demonstration of our commitment to transparency, we have also published on **our website** the lists of our most important Tier 1 and Tier 2 suppliers.

PROGRESS ON 10FOR20 TARGETS

Now more than halfway through the five-year period PUMA allotted for meeting our 10FOR20 targets, 2018 was the time to take a critical look at our progress on each one. This inquiry found that we have made good progress thus far, with **8 of our 10FOR20 Targets on track**. Below is a comprehensive table of our targets for each area, as well as the updated status of each:

T.1 **10FOR20 TARGETS' PROGRESS**

Target	Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
01 Stakeholder Engagement	• Talks at Banz Stakeholder Meeting • Regional Supplier Round Table Meetings	• Regional Supplier Round Tables • Materiality Analysis refreshment involving internal and external stakeholders	• Alternate global stakeholder meeting between Europe and Asia • Continue Round Tables in all major sourcing markets	• Stakeholder dialogue • Public reporting • Consumer information	On track
02 Human Rights	• Human Rights Screening	• 19,000 hours of community engagement • Follow up on Human Rights Assessments from previous years • First warehouse assessment realized	• Merge Human Rights and Social Compliance Target areas • Continue community engagement work and support of Soccer Aid • Expand warehouse assessments	• Embed Human Rights across our operations and suppliers • Positively impact communities where PUMA is present	On track
03 Social Compliance	• All Tier 1 suppliers frequently audited • Workers complaints received and progressed	• Started roll out of Joint industry assessment tool (SLCP) in China • 39% of audits shared with other organizations • All major component and material suppliers audited • Amount of Zero Tolerance Issues prevailing at year end: 0	• No Zero Tolerance Issues prevailing at year-end • Expand roll out of joint industry assessment tool (SLCP) to at least two more countries • Increase percentage of shared audits to 50%	• Compliance with industry standards / ILO Core Conventions for all core suppliers, including suppliers of finished goods as well as component and material suppliers	On track
04 Climate Change	• Science Based Target (SBT) development announced	• Industry Working Group on Climate Change formed under the umbrella of UNFCCC • Climate Charter developed and launched at COP 24 • 3% interim reduction target achieved • PUMA (Scope 1&2) relative to sales: -6.2% Suppliers (Scope 3): -5%	• Start working groups under Climate Charter including work on sector based SBT • Continue supplier energy efficiency programs • Start project on reducing emissions from air freight	• Science Based Reduction Target to be developed and implemented	SBT – not on track 3% relative reduction on track

Target		Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
05 Chemicals	3, 6	• Commitment to Zero Discharge of Hazardous Chemicals	• PFCs phased out • RSL failure rate remaining below 3% • VOC index for footwear 17.7g / pair (target 20g / pair)	• Keep RSL failure rate below 3% • Roll out ZDHC Chemicals Gateway for MRSL check of supplier chemical inventories • Reduce VOC consumption per pair of shoes to 16g / pair	• Zero discharge of hazardous chemicals from our supply chain	On track
06 Water & Air	6	• Start of wastewater testing and publication	• ZDHC wastewater guideline tests at 58 suppliers with wet processing • Compliance rates of 71% (chemicals) and 52% (conventional parameters)	• Increase compliance rates to ZDHC wastewater guideline to 90% (chemicals) and 70% (conventional parameters) • Support finalization of ZDHC guideline on air emissions	• Industry good practice on water treatment and air emissions are met by 90% of PUMA core suppliers	Not on track Water and Air need to speed up efforts
07 Materials	12, 15	• bluesign® (polyester), Leather Working Group (leather), and FSC (paper & cardboard) certification used in significant volumes	• Apparel: Cotton - BCI 50% Polyester - bluesign®: 66% • Footwear: Leather - LWG: >99% • Accessories: Polyester - bluesign® 46% • Cardboard & Paper-FSC: 92%* *including supply chain and corporate consumption	• Apparel: Cotton - BCI 75% Polyester - bluesign®/Oeko-Tex®: 75% • Footwear: Leather - LWG: 90% • Accesories: bluesign®/Oeko-Tex®: 75% • Cardboard & Paper - FSC: 90% • New Targets: Responsible Down (RDS): 90% Better PU: Target in development	• More sustainable materials used for our key materials: • BCI 90% • bluesign® 90% LWG 90% • FSC 90% • RDS 90% • Better PU: Target in development	On track
08 EP&L	7, 12	• Kering Group EP&L published (including PUMA figures)	• PUMA EP&L 2017 published	• Calculate EP&L independent from Kering • Reduce EP&L impact per sales value	• Continue to report impact on an annual basis • PUMA EP&L value significantly reduced	On track
09 Health & Safety	3	• Occupational Health and Safety (OHS) part of compliance audits	• Fatal Accidents PUMA: 0 Suppliers: 0 • Injury Rate PUMA: 0.8 Core T1 Suppliers: 0.6	• Zero fatal accidents • Average injury rate of PUMA entities below 1	• Zero fatal accidents • Injury rates below industry average • Significantly reduce injury rates	On track
10 Governance	8, 16	• PUMA Code of Ethics training with low participation rate • Ethics training participation rate: 60%	• PUMA Code of Ethics training participation rate: 99% (staff with email accounts) • 93% of core suppliers trained in anti-corruption	• Ensure PUMA staff (with a corporate email account) training rate remains over 90% • Roll out supplier anti-corruption training to non-core suppliers	• Maintain and run a state-of-the-art compliance system	On track

BCI: Better Cotton Initiative, EP&L: Environmental Profit and Loss, FSC: Forest Stewardship Council, LWG: Leather Working Group, MRSL: Manufacturing Restricted Substances List, PFC: Perfluorinated Chemicals, PU: Polyurethane, RDS: Responsible Down Standard, RSL: Restricted Substances List, SBT: Science-Based Target, VOC: Volatile Organic Compound.

SOME HIGHLIGHTS FROM OUR 2018 RESULTS ARE:

Direct results

- With the support of our material suppliers, we achieved our 2020 material targets for cotton, polyester, leather and cardboard at the end of 2018, two years ahead of schedule.
- Our worker complaints resolution rate remains above-target at 100%, reflecting the commitment our suppliers have made to building better workplaces by listening to workers and addressing their concerns.
- Our China-based suppliers have made progress on improving social insurance coverage for employees, and we will continue our efforts to partner with them to further improve coverage rates.
- We launched the Partnership for Cleaner Textile program in Bangladesh on energy efficiency and renewable energy in partnership with the World Bank's International Finance Corporation and our major suppliers in Bangladesh. This provides funding and pathways to lower environmental pollution and reduce operating costs for suppliers.

Better tools and tracking

- The Zero Discharge of Hazardous Chemicals – Wastewater Guidelines were rolled out to 58 of the wet processing units in our supply chain. This enables us to respond more effectively to situations where local water quality can be improved.
- We rolled out the new Sustainable Apparel Coalition Higg Index Environmental Facilities tool to 188 factories, allowing for the accurate measure and scoring of a supplier's sustainability performance.
- We successfully piloted the assessment tool of the Social and Labor Convergence Program in China. Rather than using our own auditing tool, we thereby encourage further the use of shared audits, which made up 39% of our audits in 2018.

REMAINING CHALLENGES

One goal of PUMA has been to publish science-based CO_2 emission targets, which require an absolute reduction of greenhouse gas emissions in line with the Paris Agreement under the United Nations Framework Convention for Climate Change. While our emissions relative to sales are constantly being reduced, rapid business growth in recent years has made achieving an absolute reduction as an individual company challenging. Therefore, we worked with our industry peers and UN Climate during 2018 on an industry-wide climate change program. A result of these efforts was the launch of the Fashion Charter for Climate Action alongside 42 other signatories in December. One of the working groups formed during the Charters' launch will develop a sector decarbonization approach – which will make it easier for PUMA to publish – and later on achieve – our own science-based emission target.

On the way to hitting our target of 90% compliance with industry good practices on water treatment, we currently stand at 71% for chemicals and 52% for conventional wastewater parameters, a clear indication that we must accelerate our efforts. For air quality we are still waiting for an industry standard to be finalized. This is planned by the Zero Discharge of Hazardous Chemical Foundation for 2019.

MORE SUSTAINABLE PRODUCTS

In our continued focus on what our customers look for, we responded to increased demand for more sustainable products with the 2018 launch of a climate-neutral apparel collection in partnership with ASOS. In footwear, we won a PETA Vegan Fashion Award, while from an industry perspective, we achieved respectable ratings in a number of independent rankings including the Carbon Disclosure Program, Fashion Revolution, Corporate Information Transparency Index and Know the Chain.

ENHANCED TRANSPARENCY

We recognize the importance of transparency in our supply chain. As part of our commitment to facilitate it, we make publicly available the list of our core component and material **suppliers** (Tier 2) and our core suppliers (Tier 1).

SELECT SECTIONS OF PUMA'S 2018 SUSTAINABILITY PERFORMANCE

In this year's annual report, our sustainability section focuses on the topics that were highlighted as most important by internal and external stakeholders during our most recent materiality analysis.

HUMAN RIGHTS AND SOCIAL COMPLIANCE

PUMA is defined not only by the products we create, but by the lives we improve. This not only applies to our customers, but also to our workers and the communities in which they live. We aim to ensure that our products are manufactured in workplaces where human rights are respected. On a daily basis, our global sustainability team (located in nine countries over three continents) collaborates with our manufacturing partners to improve working conditions, ensure workers are treated fairly, and certify that factory conditions meet safety standards.

We describe below our work and plans for improvement through our capability-building projects, audits system, worker feedback systems, and use of social key performance indicators across our suppliers.

Capability Building

Our capability-building initiatives are grounded in our endeavor to align our sourcing practices with the principles of sustainable development. PUMA works with suppliers on capability-building initiatives to build resilience and self-sufficiency in these areas. In 2018, our work included an expanded partnership with the International Labor Organization's Better Work program in Bangladesh, training over 1,000 workers on issues related to women's empowerment in the workplace. More broadly, we trained 315 PUMA suppliers at our annual supplier Round Table Meetings on how to avoid forced labor. This was done in collaboration with the International Organization of Migration, or other expert organizations, which highlighted the connection between recruitment fees paid by migrant workers in countries like Mauritius and Taiwan and potential forced-labor issues. Migrant workers are the group considered most exposed to significant risks of forced labor in supply chains.

PUMA adheres to the UN Declaration of Human Rights, the International Labor Organization's Core Labor Conventions, and the ten principles of the United Nations Global Compact–these have been reflected in our **Code of Conduct** since 1993 and in our **Code of Ethics** since 2005. We will continue to build on this enduring commitment to improve the lives and working conditions of the workers we rely on.

Audits

Social audits remain an important pillar of measuring human rights impacts as they illuminate areas for improvement across our supply chain. In 2018, we continued our partnership with the Fair Labor Association, the Better Work Program of the International Labor Organization and International Finance Corporation, and the Social and Labor Convergence Program (SLCP), supporting the rollout of the SLCP in China. Additionally, we engaged various regional organizations to ensure supplier compliance to international human rights and labor standards. As duplicative audits by numerous brands can create an administrative burden on a single vendor and be an inefficient use of resources, we heightened our collaborative efforts in this area to increase the percentage of shared audits with other companies from 27% to 39% of PUMA suppliers. In this way, we are enabling our value chain to receive two sets of benefits, reducing costs and resources and maximizing the efficiency of how we monitor our collective supply chain as an industry.

PUMA's social audits evaluate the status of workers' situations in areas such as freedom of association, health, safety, appropriate wages, fair treatment and working hours. In 2018, we continued to achieve nearly 100% compliance monitoring of our active Tier 1 manufacturing partners. We also audited our most important Tier 2 suppliers and piloted an audit in a PUMA warehouse.

In total, we conducted 536 audits in 473 factories with 94% of our Tier 1 earning a passing grade. Since the prior year, Tier 1 vendor compliance improved by 2%, continuing our positive trajectory. 6% failed to meet our requirements and if an active PUMA supplier, we worked with these partners to improve the situation. 47% received passing grades of those that received a second audit. Eleven factories could not sufficiently improve their performance and were consequently delisted from our active supplier factory base. Those that applied to be suppliers but failed their first audits were not admitted.

In 2019, we plan to further increase the passing grade within our T1 and core T2 suppliers to 95%.

T.2 **AUDIT PERFORMANCE 2015-2018**

	2018		2017		2016		2015	
Tier Level Ratings	**T1**	**T2**	T1	T2	T1	T2	T1	T2
A (Pass)	82	15	87	13	58	12	36	1
B+ (Pass)	148	29	122	27	166	26	156	16
B- (Pass)	128	42	118	34	87	32	75	12
C (Fail)	17	7	18	3	28	12	25	2
D (Fail)	5	0	9	1	5	2	9	
Total	**380**	**93**	**354**	**78**	**344**	**84**	**301**	**31**
Pass Rate (in %)	94	92	92	95	90	83	89	94

Workers' Feedback

Having the ability to articulate one's needs and concerns is a key tenet of human rights. Providing workers with avenues to use their voices to advocate for themselves is a top priority for PUMA as part of our commitment to playing fairly as a market leader.

In 2008, we developed Worker Voice, a workers' feedback system that enables vendor employees to share concerns in a confidential manner, as well as for outside parties to provide input to PUMA. The objective of Worker Voice is to understand if our sustainability initiatives create a positive impact for workers and effectively identify areas for further improvement. PUMA responds directly to concerns raised through this system and shares them with vendor management, upholding worker confidentiality, to take collaborative action and arrive at holistic and appropriate resolutions.

We are pleased to see that our efforts in 2018 have given our workers a platform for voicing complaints, advocating for their needs, and ensuring that their concerns are acknowledged. We expanded our Worker Voice coverage by including more than 4,000 workers who participated in a well-being survey among nine Chinese core suppliers through an app-based technology. In total, 44 workers across eight countries took advantage of PUMA's feedback system, compared to 74 in 2017. Our team resolved all complaints raised, 5% more than the year prior. We also received three third-party complaints from external organizations related to PUMA manufacturing partners, after ten complaints in the year prior. Two external third-party complaints focused on the right to freedom of association and one focused on fair compensation. Of these, two were resolved and one is still pending a decision in local labor courts.

In 2019, we aim to keep our resolution rate for workers complaints consistently above 90% and resolve all third-party complaints.

T.3 **WORKERS' COMPLAINTS AND RESOLUTION RATES 2015-2018**

Worker Complaints	**2018**	2017	2016	2015
Total Received	55	81	72	150
Total Confirmed	44	74	n.a.	n.a.
Resolved	44	70	70	148
Not Resolved	0	4	2	2
Resolution Rate (in %)	**100**	95	97	99

Social Key Performance Indicators (S-KPIs)

Social Key Performance Indicators (S-KPIs) help us measure and report on important aspects of our business that affect worker health and safety, fair wages, and diversity and inclusion. These S-KPIs include:

1. The average number of work accidents per 100 full-time employees
2. Payment of workers at our manufacturing partners compared to local minimum wages
3. Female representation among our workers
4. Average hours of overtime work per week
5. Coverage under social insurance provisions
6. Percentage of fixed-term vs. permanent contracts
7. Workers covered by a collective bargaining agreement

Table 4 shows that 95% of workers employed at our core suppliers are covered by social insurance. In addition, 68% have a permanent working contract, four percentage points more than in 2017. Over the last year, we have experienced improvements in the areas of overtime hours and coverage by collective bargaining agreements, by almost one hour less per week and five percentage-point increase respectively. These improvements have a direct impact on worker well-being and ensure that more of the people employed by our suppliers have access to the help they need, when they need it.

While PUMA does not measure the payment of a "living wage", table 4 indicates that on average, our core suppliers pay 21% above legally mandated minimum wages in their respective countries. Adding overtime and bonuses, this increases to 84%.

Our plans for improvement are to further increase the percentage of permanent contracts and workers covered by social insurance over time, while maintaining an average salary structure well above minimum wages. We will also continue to highlight the importance of freedom of association and collective bargaining as an enabling right for all other labor standards.

T.4 **S-KPIS FROM PUMA T1 CORE SUPPLIERS***

	LATIN AMERICA		**SOUTH ASIA**			**EAST AND SOUTHEAST ASIA**				**EMEA**	**2018 AVERAGE**	2017 AVERAGE	2016 AVERAGE
S-KPI	El Salvador	Mexico	Bangladesh	India	Pakistan	China	Cambodia	Indonesia	Vietnam	Turkey			
Gross wage paid above minimum wage excluding overtime and bonuses (in %)	6.9	63.7	38.0	15.0	29.5	7.1	5.2	1.2	40.2	2.1	20.9	26.1	22.1
Gross wage paid above minimum wage including overtime and bonuses (in %)	16.8	246.4	110.0	22.5	38.0	184.9	57.4	37.3	102.7	20.6	83.7	86.7	69.1
Workers covered by social insurance (in %)	99.8	100	100	93.5	100	65.6	100	99.7	94.6	100	95.3	95.7	95.9
Overtime work (hours per week)	0.4	7.4	9.6	0.0	0.2	18.2	6.9	7.2	6.8	4.3	6.1	6.8	6.6
Workers covered by a collective bargaining agreement (in %)	0.0	0.0	0.0	0.0	0.0	86.7	47.7	33.3	98.8	0.0	26.7	21.5	35.7
Female workers (in %)	71.5	48.2	41.4	22.0	3.6	57.8	85.5	89.8	80.1	60.5	56.0	59.3	64.2
Permanent workers (in %)	100	8.3	100	100	100	21.5	15.2	84.3	51.2	100	68.0	63.6	n.a.
Annual turnover rate (in %)	17.6	63.3	30.3	10.6	47.5	79.7	31.3	16.9	30.9	40.0	36.8	40.3	n.a.
Injury Rate	0.8	0.2	0.3	0.0	0.0	0.5	3.2	0.3	0.3	0.0	0.6	0.4	n.a.

* Data received from 50 PUMA core suppliers representing 74% of 2018 production volume
Reporting period for data collection: November 2017 – October 2018

REDUCING IMPACTS ON THE ENVIRONMENT

By making intentional business decisions about what we produce and how, we strive toward our target to provide people with a planet in which they can play. Climate change threatens our ability to live well in the long term, because it threatens the health and availability of the natural resources we enjoy today. Our customers can only be athletes when they have clean air and water, and a field on which to compete. According to the Intergovernmental Panel on Climate Change (IPCC), even if overall global warming is limited to below two degrees Celsius as agreed by the United Nations in Paris, there will still be wide-ranging consequences for low-lying regions, human health, and the health of our ocean ecosystems, where those hardest-hit are likely to be some of the world's most vulnerable communities.

At PUMA, we believe in doing our part to contribute to a healthy ecosystem for all to thrive in. We summarize below our current work and future plans for addressing climate change, materials use, sustainable product design, sustainable packaging, water use and chemicals management throughout our supply chain.

PUMA's sustainability strategy focuses on reducing our own carbon emissions through the following measures:

- The use of energy efficient vehicles, buildings and devices
- The direct purchase of renewable electricity where available
- The purchase of renewable energy certificates where a direct purchase is not feasible

We are aiming to reduce carbon emissions within our supply chain through the following additional initiatives:

- Working with logistics service providers who are leaders in fighting climate change
- Energy efficiency programs for our core suppliers
- Supporting selected suppliers to invest in renewable energy creation
- Switching from conventional to more sustainable raw materials
- Engaging with our industry peers for industry-wide climate solutions

Environmental Key Performance Indicators (E-KPIs)

We hold ourselves accountable to our sustainability strategy by collecting and publishing data on the average water consumption, CO_2 emissions, and waste for finished goods manufacturing within our major product categories. These Environmental Key Performance Indicators (E-KPIs) allow us to quickly evaluate the results of our actions in finished goods manufacturing.

We are pleased to report that we have made clear improvements on all reported E-KPIs since our baseline year 2015. The reductions in CO_2 emissions as well as energy and water usage per piece or pair produced show that our multiple energy efficiency programs and consistent reporting of core suppliers have generated positive momentum, eliminating unnecessary consumption and increasing energy and water efficiency. In addition, a number of our suppliers have already switched to or installed renewable energy sources, including bio-mass boilers and solar photovoltaic panels at their facilities.

T.5 **E-KPIS PROGRESS FROM PUMA T1 CORE SUPPLIERS** (in %)

		Variation Footwear		Variation Apparel	
E-KPI	Unit	**2018 / 2017**	**2018 / 2015**	**2018 / 2017**	**2018 / 2015**
Water	l / Piece or pair	-15	-33	-44	-38
Energy	kWh / Piece or pair	-11	-18	-17	-3
CO_2	kg / Piece or pair	-7	-31	-15	-27
Waste	g / Piece or pair	-6	-4	6	-8

T.6 E-KPIS FOOTWEAR PRODUCTION 2015-2018*

E-KPI	Unit	WEIGHTED VALUE 2018	2017	2016	2015
Water	l / Pair	12.3	14.5	18.4	18.3
Energy	kWh / Pair	1.2	1.4	1.6	1.5
CO_2	kg / Pair	0.9	1.0	1.1	1.4
Waste	g / Pair	108.5	115.9	105.2	113.6

* Figures derived from 21 out of 21 core suppliers worldwide, covering 90% of PUMA production worldwide
* Figures cover only core Tier 1 suppliers
* Includes all types of energy

T.7 E-KPIS APPAREL PRODUCTION 2015-2018*

E-KPI	Unit	WEIGHTED VALUE 2018	2017	2016	2015
Water	l / Piece	4.2	7.6	8.0	6.8
Energy	kWh / Piece	0.6	0.7	0.7	0.6
CO_2	kg / Piece	0.3	0.3	0.4	0.4
Waste	g / Piece	46.5	44.0	49.3	50.6

* Figures derived from 18 out of 19 core suppliers worldwide, covering 74% of PUMA production worldwide
* Figures cover only core Tier 1 suppliers
* Includes all types of energy

In addition to finished goods manufacturing, we are also working with our major materials suppliers on reducing their environmental impact and improving their resource efficiency.

The next tables provide average consumption figures for the manufacturing of textile fabrics and leather. We use these figures to benchmark our fabric and leather suppliers over time and against one another. This helps us to prioritize those suppliers for efficiency programs, where we expect to achieve the largest impact.

T.8 E-KPIS TEXTILES

E-KPI	Unit	2018	2017	Variation 2018 / 2017 (in %)
Water	m^3 / Ton	122.8	119.3	3.0
Energy	MWh / Ton	13.4	13.7	-2.0
CO_2	Ton CO_2e / Ton	4.5	4.5	0.0
Waste	kg / Ton	70.6*	299.6	n.a.

Figures derived from 18 core fabric mills in Asia and Europe
* Sludge is no longer included in Waste KPIs

T.9 E-KPIS LEATHER

E-KPI	Unit	2018	2017	Variation 2018 / 2017 (in %)
Water	m^3 water / m^2	90.2	91.8	-2.0
Energy	kWh / m^2	8.7	9.1	-5.0
CO_2	Tons CO_2e / m^2	3.2	3.4	-2.0
Waste	kg /m^2	0.9*	1.6	n.a.

Figures derived from 6 core tanneries in Asia
* Sludge no longer included in Waste KPIs

Sustainable Product Design and Development

We believe that the use of more sustainable materials is crucial for designing and developing products that both anticipate evolving consumer demand and facilitate more environmentally resilient consumption. In 2018, we re-emphasized the need for our teams to design and develop more sustainable products. Utilizing our PUMA Sustainability-Index (S-Index), our benchmark for more sustainable products, we have encouraged our product team to significantly increase the use of more sustainable materials in their collections.

This year also saw the launch of new collaborations with ASOS, the British fashion and retailer, and SONRA, a German footwear brand that creates shoes from sustainably tanned leather. Both product lines emphasize local sourcing and production to minimize the distance to market (reducing emissions relating to transport of materials and goods). Furthermore, in the case of the collaboration with ASOS, emissions from the production phase were offset with a renewable energy project established in Turkey, rendering the line effectively carbon-neutral.

Sourcing and Efficient Use of more Sustainable Product Materials

Consumer and environmental trends over the past year have underscored the importance of responsible sourcing and manufacturing to provide customers with high-quality products whose origins reflect the values of those who use them. PUMA has continued to push its longstanding commitment to these values to enable a smooth transition to sourcing sustainable materials. Although these resource expenditures and associated negative impacts from producing raw materials are embedded in the operations of our partners, we continue to reach deep into our supply chain to achieve better environmental outcomes. Sourcing better materials helps reduce and avoid operations that accelerate environmental challenges, such as heavy water consumption, CO_2 emissions, pesticide damage to ecosystems, animal cruelty, and harm to human health.

As part of our 10FOR20 Sustainability Strategy, we established 'volume targets' for sourcing more sustainable versions of key product materials, including cotton (Better Cotton Initiative or organic) and Polyester (bluesign® or Oeko-Tex®-certified, or recycled). Our efforts since 2015 have enabled us to meet our targets two years early (notably, the target for sustainable leather and FSC cardboard sourcing was 90%). This early achievement provided us with the opportunity to level up our ambition, so we increased our target for both more sustainable cotton and polyester sourcing by 40 points to 90% of our total procurement for both materials. We continued to aim higher by adding a new global volume target for Responsible Down Standard-certified down feathers (90%), as well as for better (i.e. solvent-reduced) polyurethane (500,000 pieces).

Alone, the 10,370 tons of BCI-certified cotton we used in 2018 will enable water expenditure savings during cotton farming of between 3% and 20%, depending on the regions where the farming takes place. At an average water consumption of ten cubic meters per kilogram of cotton, even a 3% savings amounts to 3.1 million cubic meters of water saved, an amount capable of filling approximately 15 million bath tubs.

T.10 **KEY MATERIALS TARGETS AND PROGRESS 2015-2018** (in %)

Material	New 2020 Target	Previous 2020 Target	2018	2017	2016	2015
BCI and / or organic Cotton*	90	50	50	40	19	3
bluesign®, Oeko-Tex® and / or recycled Polyester**	90	50	86 (bluesign® 61)	47	24	15
LWG Medal-rated leather	90	90	> 99	99	94	99
FSC certified and / or recycled Paper & cardboard	90	90	92	95	78	85
RDS-certified down feathers	90	-	-	-	-	-
Better PU (Polyurethane)	500k pieces	Pilot	First production	Pilot	-	-

* In 2018, we added organic cotton to BCI cotton
** In 2018, we added Oeko-Tex® and recycled polyester to bluesign®

Maximizing Resource Utilization

Our industry needs to redefine the concept of "waste". Our more sustainable product strategy also includes the reduction of waste created during the production process, through more efficient use of resources. The result is a more streamlined consumption of raw materials that lightens our environmental impact. We are discovering and innovating around new ways to take material 'waste' that would otherwise be discarded and reincorporate it back into the production of PUMA products. For example, small pieces in the 'first run' of producing footwear soles can be melted together for a different collection or put into packaging or components of other products. This reduces the contributions to landfills, which emit methane, a greenhouse gas, and directly contributes to climate change.

In 2018, we continued to develop initiatives with suppliers to discover and implement the reusability of waste materials in production processes. This begins with front-end design and development decisions, such as our renewed focus on expanding S-Index product requirements to including recycled materials. Our objective has been to find simple and feasible solutions for production processes that create a net benefit in terms of environmental impact, where reincorporating reusable material is not excessively laborious or energy-intensive.

More Sustainable Plastics and Packaging

2018 brought new insights into how ocean plastic pollution and microplastics may endanger human health, ecosystems, and the wildlife that relies on them. Given the potential consequences of plastics in the environment, our responsible use of polyester, polyurethane, and polyethylene is a top priority for PUMA. The topic has been as well raised as relevant issue for PUMA by a variety of stakeholders, including environmental NGOs, own employees and customers.

Following is a summary of actions taken in 2018 with regard to polyester, polyurethane, polyethylene, as well as streamlining our cardboard packaging and hangtags. Together, these efforts aim to reduce the impact that PUMA's plastic usage generates, which helps protect forests, and leads to less ocean pollution and lower volumes of landfill waste. In many cases, this also reduces our costs, making what is best for the environment, best for our business.

Polyester used on PUMA products: Polyester is the most widely used plastic-based material across PUMA product lines.

- We increased our 2020 target of sourcing certified sustainable polyester by 40 points to 90%. Our 2018 actual level of sourcing was 86%, taking into consideration bluesign®, Oeko-Tex® and recycled polyester certifications.

- PUMA established plans to join a research program on microfibers in early 2019 to explore how we can best take action in this area to make significant positive impact. This builds on our participation in related industry meetings and our own efforts to closely follow existing and emerging research.

Polyurethane used on PUMA products: Polyurethane is widely used on PUMA shoes and accessories.

- In 2018, we initiated sourcing for better (solvent-reduced) polyurethane, to reduce the amount of dimethylformamid or DMFa, a chemical that is widely used in conventional polyurethane processing.

Polyethylene used for bags and packaging:

- All PUMA retail stores have completed implementation of bans on the use of plastic bags.

- For our outlet stores, any plastic bags used must contain at least 80% recycled content (effective beginning of 2019).

- We have worked to reduce the thickness of polybags (used for packaging PUMA apparel and accessories) to decrease the use of polyethylene.

- We continued our research on replacing polyethylene with a more sustainable material.

Footwear packaging and hangtags:

- We ensured the PUMA shoe box, primarily cardboard and paper, continues to be made of 92% recycled paper content and certified by the Forest Stewardship Council (FSC©).

- Our cardboard-based hangtags are also fully FSC©-certified.

CO_2 Emissions

In line with the United Nation's Paris Agreement, PUMA is committed to contributing its fair share to limit global warming to well below two degrees Celsius. In 2019, we will continue our development of a science-based CO_2 emissions target. In the interim, PUMA established an internal target of 3% reduction relative to sales. This ensures that we continue to take goal-oriented actions. To check our pace toward the 3% reduction milestone, the first step is tracking CO_2 emissions–which also helps identify key areas to make significant changes in our supply chain, both in our direct operations and in those of our supply chain partners.

The scope of our CO_2 emissions tracking includes key environmental performance data for PUMA offices, stores and warehouses, and from business travel. Reaching deeper into our supply chain, we also include emissions from Tier 1 suppliers and transport partners. In summary, 2018 saw a 5.3% combined reduction of tons of CO_2 per million euros of turnover per year over the year prior. This equals 3.3 tons of CO_2 per million euros of turnover per year which is equivalent to over 3,000 passenger cars taken off the roads.

We were able to reduce our emissions relative to sales for our own offices, stores and warehouses, for example by abandoning an old and less efficient building at our headquarters. We also reduced the emissions from the Tier 1 suppliers of our goods as described on table 5.

However, we also recorded an over-proportional increase in airfreight caused by the increased volume of goods produced and shipped, as well as a substantial increase in business travel. In 2019, we will work on reversing the negative trend in those two areas.

T.11 **CO_2e EMISSIONS BREAKDOWN BY SOURCE** [1-7]

CO_2e Emissions (Absolute Figures)	2018	2017	2016	2015	Variation 2018 / 2017 (in %)	Variation 2018 / 2015 (in %)
Scope 1 - Direct CO_2e emissions fossil fuels (T)	**6,918**	7,678	6,854	7,296	-9.9	-5.2
Car Fleet (T)	4,073	4,134	3,746	4,087	-1.5	-0.4
Heating (T)	2,845	3,545	3,107	3,209	-19.7	-11.3
Scope 2 - Indirect CO_2e emissions electricity & steam (T)	**43,366**	40,029	37,300	35,591	8.3	21.8
Electricity (T)	42,145	38,914	36,046	34,445	8.3	22.4
Steam (T)	1,221	1,115	1,254	1,146	9.5	6.6
Scope 3 - Other indirect CO_2e emissions [T]	**222,315**	208,525	196,896	192,305	6.6	15.6
Business Travel Transportation (T)	15,582	14,394	12,167	10,191	8.3	52.9
B2B Goods Transport (T)	74,182	64,076	48,484	57,085	15.8	29.9
B2C Goods Transport (T)	5,961	6,994	16,223	6,321	-14.8	-5.7
Manufacturing in Tier 1 Suppliers (T)	126,590	123,061	120,023	118,708	2.9	6.6
TOTAL SCOPE 1-3 [T]	**272,599**	256,232	241,049	235,192	6.4	15.9
Annual sales PUMA (in € million)	4,648.3	4,135.9	3,626.7	3,387.4	12.4	37.2
TOTAL CO_2e EMISSIONS RELATIVE TO SALES (in tons CO_2e per € million sales per year)	58.6	62.0	66.5	69.4	-5.3	-15.5

1. PUMA uses own methodology for CO_2 accounting, with reference to the GHG protocol.
2. The consolidation scope follows the operational control approach, including PUMA-owned or operated offices, warehouses, stores and own industrial sites (Argentina).
3. Outsourced Tier 1 production is accounted in the scope 3 emissions, covering CO_2 emissions from all three divisions (Accessories, Apparel, and Footwear).
4. Due to the Kering spin-off we reviewed the scope in our sustainability reporting tool. From this year on, we will apply the "min. 90% rule" for data collection from PUMA entities, covering min. 90% of PUMA's FTE employees worldwide. The residual will be extrapolated.
5. PUMA applies the market-based approach for scope 2, using emission factors by ADEME. In addition to the market-based approach, the location-based approach is used in the CDP questionnaire. Scope 3 emissions factors are based on additional company and industry-specific emission factors.
6. Data includes extrapolations or estimations where no real data could be provided.
7. Methodological changes over the last three years influence results.

Water Use

The access to clean and safe water is a fundamental human right. Availability of adequate clean water is essential for health as well as social and economic development.

We recognize that industrial water consumption comprises 22% of global water use as per findings by the United Nations, which underscores our opportunity to make a positive difference toward higher availability and water quality in local communities and on the ecosystems on which they rely. In 2018, we stepped up our commitment and delivered better results in the areas of water efficiency and wastewater management to achieve improvements in the communities where PUMA products are made.

Water Efficiency

In 2018, we continued a collaboration with the World Bank's International Finance Corporation on running programs focused on water efficiency (as well as energy efficiency and climate-change performance). Through this partnership, we established two resource efficiency programs with eleven core factories in our major sourcing countries, Vietnam and Bangladesh. Those programs enable participating factories to undergo a detailed resource efficiency audit, followed by proposals on how to improve their efficiency in a cost-effective way. Frequent reporting and help from the IFC to identify the right finance tools for implementation round out the program's scope.

Ongoing benchmarking and the phase out of ineffective suppliers have led to an average reduction of water use in finished goods manufacturing of 33% for footwear and 38% for apparel between 2015 and 2018 see tables 5.

On Tier 2 or the material supplier level, we have not yet been able to replicate these savings. However, we have started to measure water consumption from Tier 2 suppliers and hope to realize resource efficiency gains in the coming years.

Wastewater Management

Textile production requires large volumes of water as a solvent for chemicals and dyes as well as to wash and rinse products. This series of operations is known as wet processing. PUMA focuses water efficiency efforts on facilities with wet processing operations as they represent the most water-intensive stage of production. Because wet processing typically occurs at the material supplier level (Tier 2), we include major suppliers from this category in our wastewater testing program to comprehensively understand the impacts of our supply chain.

Firstly, compliance with relevant national wastewater standards is a precondition for all suppliers interested in conducting business with PUMA. Ensuring wastewater standards is thus a required component of our frequent PUMA compliance audits conducted for all potential and existing suppliers globally.

The PUMA wastewater testing program is aligned to the wastewater quality guideline of the Zero Discharge of Hazardous Chemicals Foundation (ZDHC), which was developed and published with the help of PUMA in 2016. Since its inception, we have been able to consistently increase the scope of the program, from 33 suppliers in 2015 to 58 in 2018.

Testing includes both traditional wastewater parameters and hazardous chemicals and includes 183 different chemicals. A failure within one single parameter leads to a non-compliant rating. The results show that heavy metals are hardly found in the wastewater of our wet-processing supply chain. Regarding priority hazardous chemicals, the compliance rate improved from 67% in 2017 to 71% last year, meaning that seven out of ten suppliers did not find any such chemicals in their wastewater. For conventional wastewater parameters, such as pH value, biological oxygen demand or color, we still see room for improvement, despite a minor increase in compliance rates from 48% to 52%. While typically not toxic, the release of colored or hot wastewater can still have a negative effect on the receiving water body and local environment.

In 2019, we will use the experiences gained from two years of wastewater testing according to the ZDHC guideline to work with those suppliers whose compliance rates remain below our standards. Training programs developed by the ZDHC, and used across ZDHC member brands, will assist us in this effort.

T.12 **WASTEWATER TESTS STATISTICS 2015-2018**

	2018	2017	2016	2015	Variation 2018 / 2017	Variation 2018 / 2015
Number of reports	104	54	61	33	50	71
Number of factories	58	42	44	33	16	25
Compliance Rate* Hazardous Chemicals (in %)	71	67	n.a.	n.a.	+4	n.a.
Compliance Rate* Heavy Metals (in %)	100	78	n.a.	n.a.	+22	n.a.
Compliance Rate* Physical Parameters (in %)	52**	48**	n.a.	n.a.	+4	n.a.

* Factories
** Excluding the parameter E-Coli, where unclear sampling methods have led to unclear results

HEALTH, SAFETY & CHEMICALS COMPLIANCE

Our commitment to health and safety is foundational to how we operate and a guiding principle that informs our supply chain partnerships. Our view extends from the suppliers' employees, to the local communities in which PUMA operates and consumers. We demonstrate this by exceeding local legal requirements when required to reduce the negative impacts of chemicals used in our supply chain in the communities we serve. We also adhere to the highest legal standards for product safety in all countries in which we operate.

While the effects of potentially hazardous chemicals on human health have yet to be completely assessed, PUMA takes precautionary measures to prevent potential harm to human health and the environment from its products and operations. These measures include supporting working groups with industry peers to further research the topics and better management of natural resources used in operations.

Furthermore, to facilitate our chemical sustainability strategy, PUMA has adopted the Restricted Substances List of the AFIRM Group, and the Manufacturing Restricted Substances List of the ZDHC. Both groups work as industry leaders on chemical management best practices. This provides us not only with the industry standards for streamlining our processes, but also gives us the opportunity to coordinate alongside other members in our industry on which chemicals we use, enabling greater and more systemic impact within global supply chains. We mandate that all materials used for PUMA products be tested in accordance with our Restricted Substances List ("RSL") before the start of production in independent and accredited third-party laboratories.

Table 13 provides an overview of the RSL testing results and certifications between 2015 and 2018. We are pleased to report compliance rates of over 97% for all product divisions in 2018, with an average compliance rate of 98.1%, representing a 6.2% improvement over the 2015 average.

In addition to our materials testing program, PUMA also conducts random testing of finished products to confirm full compliance with legal requirements and the AFIRM Restricted Substances List. During 2018 our random testing confirmed full compliance of all tested products.

T.13 **RESTRICTED SUBSTANCES LIST TESTS STATISTICS 2015-2018**

	2018		2017		2016		2015		Variation 2018 / 2017		Variation 2018 / 2015	
Product Division	No. of Test Reports	Compliance Rate (in %)	No. of Test Reports	Compliance Rate (in %)	No. of Test Reports	Compliance Rate (in %)	No. of Test Reports	Compliance Rate (in %)	No. of Test Reports (in %)	Compliance Rate (in %)	No. of Test Reports	Compliance Rate (in %)
Footwear	3,512	98.4	2,707	97.9	1,781	96.0	1,150	92.1	30	0.5	205	6.3
Apparel	988	98.0	925	99.1	500	98.0	480	93.1	7	-1.1	106	4.9
Accessories	764	97.1	753	96.0	677	94.1	624	92.0	1	1.1	22	5.1
Others*	54	100	44	95.5	78	93.6	82	93.9	23	4.5	-34	6.1
Total	**5,318**	**98.1**	4,429	97.8	3,028	95.8	2,336	92.3	20	0.3	128	5.8

* Packaging and labeling materials

Phase Out of Hazardous Chemicals

PUMA is committed to supporting the global agenda of managing chemical use carefully – especially for those that are considered hazardous – as well as to phasing out those that raise health-related or environmental concerns.

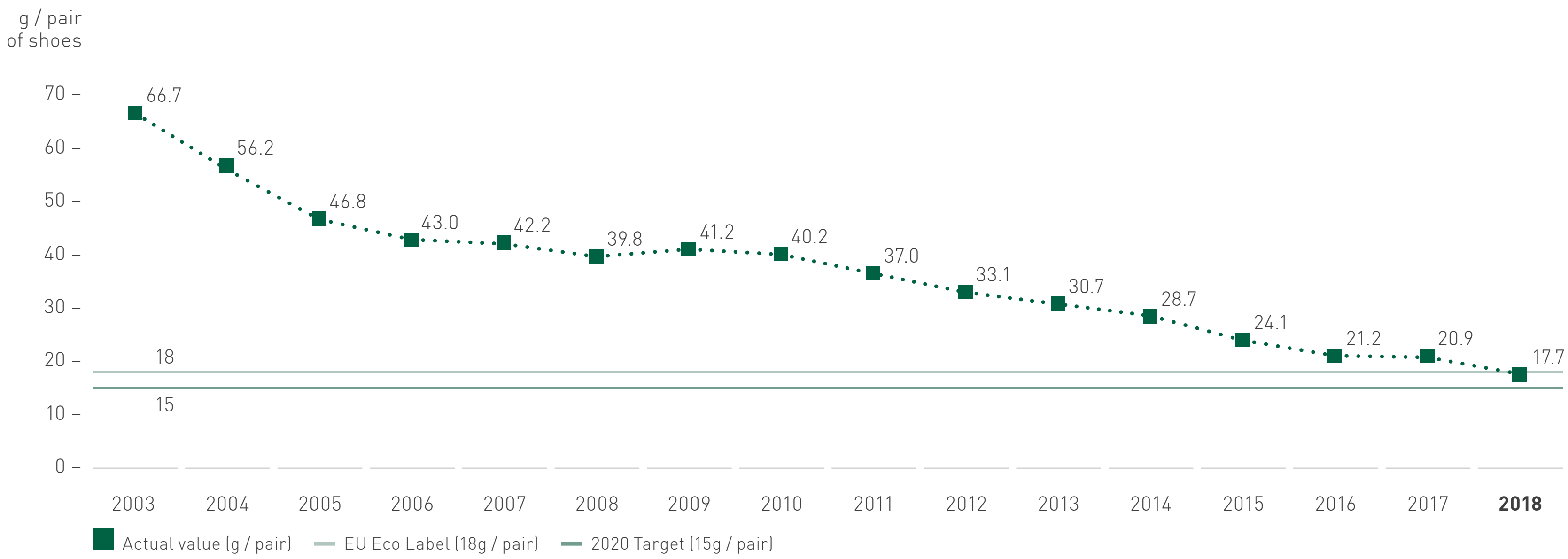
In 2011, PUMA made a historic commitment to eliminate priority hazardous chemicals from our supply chain, co-founding the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation initiative. That same year PUMA was the first company to agree to a public "Detox" commitment with Greenpeace. We agreed to proactively phase out hazardous chemicals, not only from finished PUMA products, but also from the production cycle across our global business. In our continuous pursuit of this goal, we have partnered with several industry peers to implement a Manufacturing Restricted Substances List, using standards developed by the ZDHC.

We are proud of our progress on the phase-out of two major hazardous chemicals groups in 2018. First, perfluorinated chemicals (PFCs), typically used for water-repellent coatings, are considered environmental contaminants, because they fail to break down once they have been used. In addition, they disrupt normal chemical processes in living things and can have negative effects on immune function. We are happy to announce that we have completed this phase-out and that PUMA products are now PFC-free.

We also worked on our long-term reduction of organic solvents or volatile organic compounds (VOCs) in footwear production. Since VOCs easily evaporate, exposure can occur through inhalation and lead to negative health effects for workers in footwear factories. VOCs can also cause an unpleasant smell in products.

A reduction in the use of VOCs therefore protects both workers and consumers. Our efforts demonstrate steady improvement over recent years, reducing consumption per pair of shoes from 40.2 grams per pair in 2010 to 17.7 grams per pair in 2018. This result falls below 18 grams per pair for the first time, meeting the EU Eco Label requirement. We are encouraged by this success and confident that we are on track to achieve our target of 15 grams per pair by 2020.

F.1 **VOC INDEX PROGRESS FOR FOOTWEAR PRODUCTION 2003-2018**



We also traced the phase-out of other chemicals listed on the Manufacturing Restricted Substances List through chemical inventory checks, our wastewater testing program, and through regular compliance audits. We are proud to report that the results of these tests and audits indicate that chemicals from the Manufacturing Restricted Substances List are no longer intentionally used during the manufacturing of PUMA products. However, we learned that traces of banned chemicals are still found in 29% of wastewater samples, so we will continue to work toward improvement in this area in 2019.

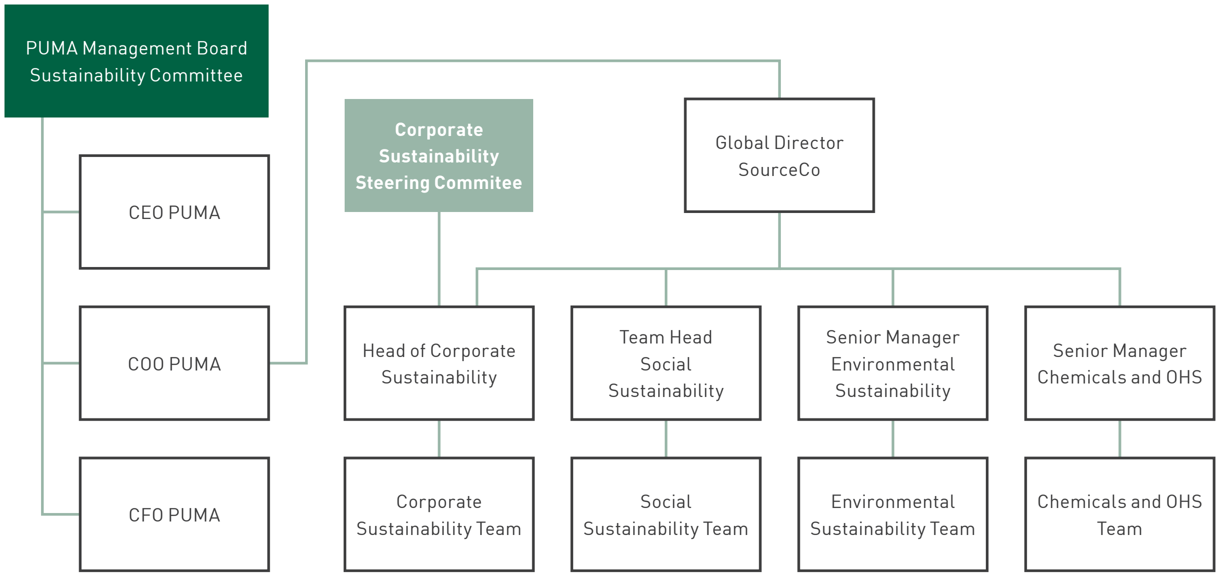
Our targets for specific materials include the responsible use of chemicals during the raw-material phase, including the growth phase for agricultural products such as cotton. We look forward to accelerating our efforts toward achieving full compliance with the Manufacturing Restricted Substances List in 2019, and to eliminating the use of priority hazardous chemicals from our supply chain by 2020, which is our ultimate goal.

WHERE WE ARE GOING

In order to best serve the needs of a quickly evolving planet and the communities that rely on it, PUMA is committed to ensuring that our sustainability strategy remain dynamic to align our vision for the future with the most relevant needs of the communities we serve. Following our spin-off from Kering and in an effort to keep our own priorities as relevant and impactful as possible to meet current challenges and anticipate future ones, PUMA introduced a new sustainability organizational structure and conducted a review of our list of top priorities in 2018 to inform our current strategy and optimize the focus of our efforts in 2019.

To be able to move faster on each thematic program area, we appointed separate leads for Social and Environmental Sustainability as well as for Chemicals and OHS. In order to better work with our suppliers where the impact is greatest, our social and environmental leads are both based in Asia.

T.14 **SUSTAINABILITY ORGANIZATIONAL CHART PUMA 2018**



The highest-ranking governance body at PUMA in terms of sustainability is the Management Board of PUMA SE. The Management Board is informed and consulted about PUMA's sustainability strategy and performance during regular meetings with the Global Director SourceCo and Head of Sustainability.

UPDATING OUR PRIORITIES FOR 2019

At PUMA, we define materiality by gathering feedback from our stakeholders to help us identify and focus on PUMA's most material aspects from the sustainability perspective as well as the highest influence on business success. To ensure that our current sustainability strategy is actively supporting the United Nations Sustainable Development Goals ("SDGs"), we conducted a review of those topics we have classified as most material to inform our strategy and drive our efforts.

This review analyzed our 10FOR20 targets alongside the SDGs and global sustainability trends and included engaging with our internal and external stakeholders to seek their input as we refined our strategy. Building on previous exercises, the results confirmed that most of the topics covered by our current strategy continue to be important and should remain in focus in the upcoming years. These include human rights, worker health and safety, chemical management and addressing the threat of climate change. In addition, we identified new topics which we found to be increasingly relevant, such as sustainable product design, innovation around plastics and packaging, and circularity.

The results of our updated materiality analysis were shared with the PUMA Management Board and provided us with an refreshed list of emphases for our sustainability strategy going forward that maps to our 10FOR20 targets. These are our most material topics:

OUR PRIORITIES

- **Supply chain transparency**
- **Good supplier working conditions**
- **Living wage**
- **Human rights**
- **Worker health and safety**
- **Responsible sourcing of raw materials**
- **Chemical use and discharge**
- **Climate change strategy**
- **Diversity and inclusion**
- **Sustainable product design and development**
- **Sustainable plastics and packaging**
- **Circularity**

OUR VISION FOR 2030

As we approach 2020, we have also begun to build the foundations for our 2030 vision, using our trajectory thus far, as well as scientific projections of future environmental conditions, as a platform on which to shape our strategy and establish concrete goals.

During the year 2019 we will work on our sustainability targets beyond 2020. Building on our rich history in sustainability efforts and the renewed materiality analysis from 2018, we will consult our most important stakeholders before finalizing our new target set – which again will aim to maximize the positive impact we create for our customers and athletes, but also employees, suppliers, and communities around us, as well as for the planet.

ENDNOTES

STAKEHOLDER ENGAGEMENT

PUMA engages in substantive dialogues with its internal and external stakeholders and integrates their feedback in the decision-making process. Regional teams identify, map and prioritize their stakeholders. The consolidated information shows the engagement priority for each stakeholder. During the year 2018, we did not conduct a global stakeholder dialogue meeting, but instead focused on our annual supplier round-table meetings in all major sourcing regions as well as interviews and a stakeholder survey as part of our updated materiality analysis.

The stakeholders with whom PUMA engages include employees, NGOs (international and local), suppliers, workers / unions, academia, trade / industry associations, investors, consumers, international institutions, retailers, external monitors, service providers and the media.

PUMA continues to place a strong emphasis on industry collaboration. Therefore, PUMA engages throughout the year with a number of international organizations including the Better Work Program, the Fair Labor Association, the Sustainable Apparel Coalition, the Zero Discharge of Hazardous Chemicals Foundation, the Apparel and Footwear International Restricted Substances List Management Group as well as the United Nations Climate Secreteriat. In addition, we partner with relevant certification organizations regarding the use of specific materials, such as bluesign® Technologies, the Leather Working Group, the Better Cotton Initiative, the Forest Stewardship Council and Textile Exchange. Our global initiatives are supported by regional partnerships with organizations such as the Bangladesh Accord on Fire and Building Safety, the Indonesia Protocol on Freedom of Association and the German Partnership for Sustainable Textiles. Lastly, we are active members of the World Federation of the Sporting Goods Industry as well as the European Sporting Goods Industry Federation.

For more information on our stakeholder engagement please visit:
http://about.PUMA.com/en/sustainability/stakeholders

HOW WE REPORT

This report constitutes a combined non-financial report in accordance with sections 289b to 289e and 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB).

The reporting period covered is January 1st, 2018 to December 31st, 2018. No restatements of information have been made in this report.

We have provided separate reports for PUMA SE and the PUMA Group within the "Governance and People at PUMA" section only. Separate reporting of other sustainability data would not add any meaningful new information or value and would require significant additional resources, so we have omitted it here.

Information about PUMA's business model is set out in the Financial section of this Annual Report on page 92.

CORPORATE GOVERNANCE

COMPLIANCE MANAGEMENT SYSTEM AT PUMA

PUMA is a global sports company, aiming for sustainable growth and innovation. PUMA recognizes the legal risks inherent in running a global business in a fast-paced environment where laws and customs differ from country to country. 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 for the company and to prevent misconduct.

PUMA's compliance organization consists of a Chief Compliance Officer based at the headquarter in Herzogenaurach and reporting to the CEO of PUMA SE and a network of Local Compliance Officers. Local compliance Officers have been appointed for operating subsidiaries in all regions to ensure that Compliance measures are rolled out globally and to give employees a local point of contact. As an additional method of preventing and detecting incidents, we have implemented an electronic whistleblowing system which offers employees an additional channel to report suspected compliance violations. Employees are encouraged to report their concerns to their manager, Local Compliance Officer or HR Business Partner. However, if this is not possible for some reason, they can report from anywhere at any time, anonymously if they choose, by using a web-based platform. Incidents are reported to the top management, investigated immediately and thoroughly, and the required disciplinary steps are taken where necessary.

The PUMA **Code of Ethics** sets out the principles governing our actions and values. It 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.

ANTI-CORRUPTION MEASURES

The fight against corruption is one of the core topics of the Compliance Management System. At PUMA, we have a zero-tolerance approach regarding bribery and corruption and this is clearly communicated by top-level management.

Employees are regularly familiarized with the rules of the Code of Ethics and the Group guidelines, can access them on the Compliance site on the Intranet and are thus made aware of compliance regulations. Every year, PUMA rolls-out a group-wide mandatory e-learning unit on the PUMA Code of Ethics. To make sure that employees are familiar with all topics described in the Code of Ethics, the e-learning covers different topics every year. The e-learning that was launched in October 2018 focussed on conflicts of interest as a form of bribery, confidentiality of information and financial integrity. Sponsor of the campaign was the Management Board of PUMA SE, above all the CEO Bjørn Gulden, who promoted the e-learning lessons to all PUMA employees. The completion rate of this e-learning on the reference date 31 October 2018 was appr. 99% of PUMA Group (PUMA SE appr. 99%) employees with a corporate email account. In addition, special face-to-face training sessions were held on individual topics such as antitrust and anti-corruption, which raise awareness of the essential legal framework and internal company regulations.

Highlights: 99% of all PUMA staff with email account globally completed our Code of Ethics training and 93% of our core suppliers were trained in corruption measures

To emphasise PUMA's commitment to the fight against corruption along the supply chain, we have explicitly included appropriate principles of conduct in the **PUMA Code of Conduct** in 2016. The Code of Conduct sets out the minimum standards to which our partners in the supply chain must adhere. In 2017, we added anti-corruption clauses to the contracts with our suppliers on this basis. They oblige our contractual partners to establish or further develop appropriate systems for fighting bribery and corruption in their respective companies. PUMA controls compliance with these requirements within the scope of its annual SAFE audits. In 2018, 93% of all PUMA's core suppliers submitted their certificates of the UN Global Compact e-learnings tool on the subject in order to raise awareness of the fight against corruption. We provide our suppliers with our guidelines for combating and preventing bribery and corruption in order to facilitate the establishment of appropriate internal standards.

INDEPENDENT AUDITOR'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT CONCERNING SUSTAIN-ABILITY INFORMATION ACCORDING GRI *

To PUMA SE, Herzogenaurach (Germany)

OUR ENGAGEMENT

We have performed a limited assurance engagement on the disclosures made within the section "Sustainability" and "Our People" within the group report 2018 – Combined Financial and Sustaina-bility Report (hereinafter: "sustainability report") of PUMA SE, Herzogenaurach (Germany), (herein-after: "the Company") for the period from January 1 to December 31, 2018.

In the course of our review we did not examine and assess the non-financial information concerning their accordance based on § 315c HGB (German Commercial Code) in conjunction with §§ 289c to 289e HGB. In addition, the examination of references to internal or external sources of documentation and expert opinions was not subject of our engagement.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

The Legal Representatives of the Company are responsible for the preparation of the sustainability report in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative provided in the "Core" option (hereafter: "GRI criteria") as well as for the selection of the disclosures to be assessed.

This responsibility of the Company's Legal Representatives includes the selection and application of appropriate methods for the sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. In addition, the Legal Representatives are responsible for such internal control they have determined necessary to enable the preparation of the sustainability report that is free from material misstatements, whether intentional or unintentional.

PRACTITIONER'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY

We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit company applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws governing the rights and duties of public auditors and chartered accountants (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the disclosures within the sustainability report, based on the assurance engagement we have performed.

We conducted our assurance engagement in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement in a form that enables us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report of the Company for the period from January 1 to December 31, 2018 has not been prepared, in all material respects, in compliance with the relevant GRI criteria. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.

* We have issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

Within the scope of our limited assurance engagement, which was performed from January to March 2019, we conducted, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Interview of the Legal Representatives and the relevant employees that participated in the preparation of the sustainability report about the preparation process, about the internal control system relating to the process as well as about the disclosures within the sustainability report at the headquarter in Herzogenaurach (Germany)
- Identification of risks of material misstatement within the sustainability report
- Analytical assessment of disclosures within the sustainability report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and combined management report
- Evaluation of the presentation of the disclosures

PRACTITIONER'S CONCLUSION

Based on the assurance work performed and evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report of the Company, for the period from January 1 to December 31, 2018 has not been prepared, in material respects, in compliance with the relevant GRI criteria.

Our opinion does not cover the non-financial information concerning their accordance based on § 315c HGB (German Commercial Code) in conjunction with §§ 289c to 289e HGB. In addition, the examination of references to internal or external sources of documentation and expert opinions was not subject of our engagement.

PURPOSE OF THE ASSURANCE STATEMENT

We issue this report on the basis of the engagement agreed with the Company. The limited assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company on the results of the assurance engagement.

LIABILITY

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility exclusively refers to the Company and is also restricted under the engagement agreed with the Company on January 15, 2019 as well as in accordance with the "General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German public auditors and German public audit firms)" from January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. We do not assume any responsibility to third parties.

Munich (Germany), March 1, 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Christof Stadter
[German Public Auditor]

ppa. Thomas Krick

p.p. Thomas Krick

COMBINED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2018

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Combined Management Report:
This report combines the Management Report of the PUMA Group and the Management Report of PUMA SE.

Michael Lämmermann

OVERVIEW 2018

2018 was an exciting and successful year for PUMA, filled with many highlights in sports and business. In the year of our 70th anniversary, we kept going full steam ahead towards our goal of becoming the world's fastest sports brand.

With our return to basketball and the signings of European top football clubs, like A.C. Milan and Olympique de Marseille, we further strengthened our position in sports performance, while our partnered teams, athletes and federations were very successful.

Footwear was a large revenue contributor in 2018, even though changing consumer tastes presented us with some challenges. We proved, however, that our FOREVER FASTER spirit has become deeply engrained into the way we conduct our business. When consumers demanded more "chunky shoes" during the year, a reemerging fashion trend from the 1990s, we reacted swiftly with our successful new style platforms Thunder, RS-0 and the RS-X. With the unique CELL Platform, we also revived a true PUMA classic from the nineties.

Our majority shareholder Kering S.A. distributed some 70% of PUMA shares to its shareholders, a spinoff which sharply increased our free float from 13% to 55%. As a result, we changed our governance structure from a monistic management system to a dualistic system with a Management Board ("Vorstand") and a Supervisory Board ("Aufsichtsrat"). After the change in ownership was completed, PUMA made its comeback to the M-Dax in June 2018.

Another highlight, both from a sports and business perspective, was PUMA's re-entry into the basketball category. With the help of Jay-Z, PUMA's Creative Director for Basketball, we rolled out an exciting campaign, which was well received by athletes, media and fans alike. Our first shoe in this category in a long time, the Clyde Court Disrupt, was quickly sold out in its market debut. We added to our credibility by signing some of the biggest names in basketball, such as Skylar Diggins-Smith, Terry Rozier, Rudy Gay, Danny Green and four-time NBA All-star DeMarcus Cousins. In addition, we contracted the Number 1 picks in this year's NBA draft Deandre Ayton, Marvin Bagley III, Kevin Knox, Michael Porter Jr and Zhaire Smith.

In football, the FIFA World Cup 2018 in Russia offered us the perfect stage to present our brand and innovative performance products. We achieved high visibility during the tournament thanks to our four partnered national teams Uruguay, Switzerland, Serbia and Senegal and our impressive roster of players. With Uruguay and Switzerland PUMA assured its presence in the knockout stage, while with Antoine Griezmann and Romelu Lukaku two of the three top scorers of the tournament were PUMA players. Antoine Griezmann was even awarded "FIFA Man of the Match" after scoring the winning goal in the final. All our players were equipped with special editions of the football boots PUMA FUTURE or PUMA ONE. Furthermore, we have enlarged our players' roster with international football stars, including Barcelona and Uruguay striker Luis Suarez, Vincent Kompany (Manchester City), Axel Witsel (Borussia Dortmund), David Silva (Manchester City), Dejan Lovren (FC Liverpool) and Davie Selke (Hertha BSC).

In 2018, our Running and Training category was driven by the extraordinary performances of our athletes in track and field along with the introduction of first-class products. For example, the 19-year-old Cuban Juan Miguel Echevarria did not only win the Diamond League Meeting in Stockholm, but also the IAAF title "Highlight of the Season 2018" with his incredible long-jump of 8.83 meters. We also enlarged our portfolio by signing additional top athletes like Europe's "fastest man", French sprinter Jimmy Vicaut.
With the running shoe HYBRID, we delivered an entirely new definition of midsole technology to the market. Meanwhile, the biggest highlights of 2018 in our Women's category were the shoe models PHENOM and DEFY, advertised by popstar and social media influencer Selena Gomez, along with the announcement of supermodel Adriana Lima as an ambassador for Women's training.

Once again, the PUMA partnered teams – Mercedes-AMG Petronas, Scuderia FERRARI and Red Bull Racing – dominated the Formula One season, deciding the championship between themselves. Finally, the title was claimed by Mercedes and Lewis Hamilton, who also won the fifth drivers' title of his career. More good news for PUMA Motorsport was the hype surrounding their lifestyle products, which were particularly tangible on the US and French markets.

In Golf, our players Rickie Fowler, Lexi Thompson and Bryson DeChambeau continued to add excitement to the brands PUMA and COBRA Golf, with their many sporting successes. Bryson DeChambeau, for instance, caused a stir with his ONE Length irons, achieving five tournament victories with this to-date unique technology, that provides all irons with the same length.

Another milestone birthday rounded up PUMA's anniversary year: In our sport-style category, the SUEDE, one of our greatest classics, turned 50. We marked this occasion with a string of collaborations and special editions with several designers, artists and brands. Throughout the year, new editions of the SUEDE were emblazoned with designs by fashion icon Karl Lagerfeld, rock legend Paul Stanley and cartoon character Hello Kitty to name but a few.

Inspired by Tommie Smith, who made a mark against racism and social inequality with his legendary "silent gesture" at the 1968 Olympics, PUMA launched the #REFORM campaign in Autumn 2018. With the help of activists from the world of sports, music and entertainment, among others American rapper Meek Mill, the program supports NGOs and encourages conversations around issues such as universal equality and criminal justice reform in the United States.

With the move of our employees into the new office building, the extension of our company headquarters in Herzogenaurach was completed. The new offices with space for 550 employees were designed according to an innovative design concept and impress with state-of-the-art equipment, light-flooded offices and flexible workplaces. A top-equipped fitness studio with the latest equipment and classrooms, as well as outdoor facilities for football, basketball and volleyball, offer our employees a comprehensive range of sports.

The consistent implementation of our FOREVER FASTER corporate strategy and our ability to react quickly and flexibly to changes and trends in market conditions have contributed to PUMA's strong sales growth in the financial year 2018. This shows that, with regard to increasing our brand heat and improving our product range, we are also on the right path. PUMA's sales rose in the financial year 2018 currency-adjusted by 17.6%. Therefore, the currency-adjusted sales growth in a high single-digit percentage rate prospected in the previous Management Report for 2018 and the forecast of currency-adjusted sales growth of 14% to 16%, that was adjusted upwards during the year, were exceeded. In the reporting currency, the Euro, this corresponds to an increase in sales of 12.4% from € 4,136 million in the previous year to € 4,648 million in 2018. The relatively large difference between currency-adjusted sales growth (+17.6%) and the change in the sales in the reporting currency, the Euro, (+12.4%) is due to the weakness of a large number of currencies against the Euro. Nevertheless, PUMA was able to fully achieve its financial targets for the past financial year.

PUMA's gross profit margin improved in the financial year 2018 by 110 basis points from 47.3% to 48.4%. This, in addition to the sales growth, significantly increased profitability in 2018. The main drivers for the development of the gross profit margin were further improvements in sourcing, higher sales of new products with a higher margin, and a higher proportion of our own retail sales. Other operating income and expenses increased by 11.8% in the financial year 2018 due to ongoing investment in marketing, retail and IT. In terms of sales, this meant an improvement in the cost ratio from 41.7% in the previous year to 41.5%, which also contributed to the improvement in profitability in 2018.

The operating result (EBIT) increased in the financial year by 37.9% from € 244.6 million to € 337.4 million and was therefore above the guidance given in the beginning of 2018, which had originally forecasted an operating result within a range of between € 305 million and € 325 million. The forecast, as adjusted during the year, of an operating result within a range of between € 325 million and € 335 million was therefore slightly exceeded in the past financial year.

The significant improvement in profitability in 2018 was also reflected in the increase in net earnings and earnings per share, which increased by 38.0% compared to the previous year. Net earnings increased from € 135.8 million in the previous year to € 187.4 million, and the earnings per share increased accordingly from € 9.09 in the previous year to € 12.54.

PUMA's dividend policy foresees a distribution of 25% to 35% of net earnings. In accordance with this, the Management Board and the Supervisory Board will propose a dividend of € 3.50 per share for the financial year 2018 at the Annual General Meeting on April 18, 2019. This corresponds to a payout ratio of 27.9%.

The PUMA share was again included in the M-DAX in June 2018, as the free float increased from just under 13% to 55% due to the reduction in Kering's shareholding and, as a result, the trading volume of the PUMA share also increased significantly. The share price developed very positively in 2018 and stood at € 427.00 at the end of the year. This represents an increase of 17.6% compared to the previous year's € 363.00. The market capitalization of the PUMA Group increased accordingly to around € 6.4 billion (previous year: € 5.4 billion).

PUMA GROUP ESSENTIAL INFORMATION

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 chapter 26 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 a small number of countries.

As of December 31, 2018, 103 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 administration. A full list of all subsidiaries can be found in chapter 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, we have focused on five priorities over the past few years: brand heat, a competitive product range, a leading offer for women, an improved distribution quality and organizational speed. Positive feedback from retail partners around the world, better sell-through as well as improved financial results in 2018 confirm that PUMA is on the right track. In 2018, we have added a sixth priority: re-entering basketball with the aim to strengthen our position on the North-American sports market.

The PUMA brand draws strength and brand heat from its unique heritage in sports. PUMA is associated with some of the greatest sports legends: Pelé, Maradona, Usain Bolt, 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: star strikers Antoine Griezmann, Romelu Lukaku, Sergio Agüero and Luis Suarez, international top clubs Arsenal F.C., Borussia Dortmund and A.C. Milan, golf stars Lexi Thompson and Rickie Fowler, the five-time Formula One world champion Lewis Hamilton, Canadian sprinter André De Grasse and the Jamaican and Cuban Olympic Federations.

In its Sportstyle category, that offers a lifestyle product-range, 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 partnerships PUMA enters with stars like Selena Gomez, Cara Delevingne and Adriana Lima, open new doors to an authentic interaction with our target group, aged 16 to 24.

On the product side, PUMA follows a simple and catchy mantra: "Cool stuff that works". Our 2018 bestsellers, such as the running shoe HYBRID, the football boots PUMA FUTURE and PUMA ONE or the successful new Sportstyle silhouettes Thunder, RS-0 and RS-X, follow that principle.

The "Women's" category continues to be a priority for PUMA. Not only because the number of women who do sports is constantly increasing worldwide, but also because they are trendsetters in taking inspiration from athletic wear for their everyday wardrobe. PUMA has defined its design principle for women as "where the gym meets the runway". Our women's business has again bolstered the brand in 2018. Key styles were among others the training shoes DEFY and MUSE. With our strong standing among women, PUMA is uniquely positioned to capitalize on this growing segment within the global sportswear market.

A major highlight for us in 2018 was PUMA's re-entry into the basketball category. To us, it is not only the performance on the court that matters, but also the culture surrounding the sport. In addition, our return to basketball is a key building block to sharpening our overall sports performance credibility in North America and hence extend our business in other sports categories. We are excited that JAY-Z has taken the role of Creative Director for PUMA Basketball. In this function, he is overseeing the creative strategy, marketing, and product design for all basketball related products. With the CLYDE COURT DISRUPT, our first basketball silhouette after more than 20 years of absence, we see ourselves well positioned.

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 flexible and service-oriented business partner. Improved sell-through has further helped PUMA to gain more shelf space in our partners' retail stores in 2018. We have been able to record higher sell-through in wholesale, expand our retail store network and achieve like-for like sales growth in our own retail stores, while registering continued strong growth of our eCommerce business. Furthermore, PUMA continued to upgrade its owned-and-operated retail store network with further refurbishments. On a regional basis, we have continued to grow in Europe despite a difficult market environment, while in China sales growth has accelerated even further, underpinned by approximately 400 store openings through our partners. In North America we have received a very good response to our basketball offering so far.

In 2018, PUMA further invested into its IT infrastructure with a strong focus on Business Intelligence, Planning and IT Security. Concerning the latter, a new Security Operations Center was implemented to maximize protection from outside threats. Additional focus was put on the development of a new ERP system to be rolled-out in 2019 and the following years. PUMA's International Trading Organization, which manages global order and invoice flows centrally, saw further improvements in the fields of capacity management and collaboration regarding the sharing of performance data. The new product development system, implemented in 2017, was further enhanced and rolled-out to all divisions. Furthermore, PUMA put additional efforts into the modernization of distribution centers in various countries around the globe.

In addition to these six priorities, social, economic and environmental sustainability remains a core value for PUMA. In 2018, we continued to execute our 10FOR20 sustainability strategy with a focus on creating positive impact through industry collaboration. Together with many industry peers, we started to roll out a harmonized assessment methodology on social and environmental compliance for our core suppliers. Moreover, we developed an Industry Charter for Climate Action under the umbrella of UN CLIMATE CHANGE, which will come into effect 2019. We also launched a sustainability focused and carbon neutral apparel collection together with our customer ASOS. Our efforts were recognized by PUMA's return to the FTSE4Good Index for sustainable companies, as well as by winning the PETA fashion award for a vegan shoe.

The year 2018 was exciting and eventful. Thanks to our commitment to the FOREVER FASTER strategy and our fantastic team at PUMA we have taken a further and significant step of becoming the fastest sports brand in the world.

PRODUCT DEVELOPMENT AND DESIGN

When Rudolf Dassler founded the company back in 1948, his vision was to create shoes that give athletes the speed, agility and spirit of a puma, inspiring them in competition and empowering them to win. With our mission statement FOREVER FASTER, we stay true to our initial purpose: As the World's fastest sports brand, we offer athletes the products that help them unleash their full potential and allow them to express their personality and style.
FOREVER FASTER also stands for the rapid development and implementation of new technologies and designs: Fast decision-making and agile production pipelines allow the brand to quickly react to consumer trends and deliver relevant products to the market.

With clear seasonal creative directions and a consistent visual language, our designers, under the guidance of PUMA's Global Creative Director Torsten Hochstetter, create products that both capture the Zeitgeist and set future trends. The **fusion of sport and style** is what makes PUMA products desirable, as they not only meet performance needs, but also look great.

Spring-Summer 2018, for instance, was all about the FIFA World Cup 2018 and the "Euphoria" of football fans, while our Women's offer followed the principle "En pointe", inspired by the dancers of the New York City Ballet and their powerful grace. Our Autumn-Winter 2018 creative direction focused on concepts such as "New Skool", which thoughtfully curated and reinterpreted iconic styles of the 80s and 90s with bold geometries and modern color block.

In 2018, we introduced a broader product range to the market, mixing innovative technologies with bold styles. This mix was proven to be on point, as PUMA's improved sell-through performance and the continued positive response of retail partners and customers showed.

For its return to Basketball, PUMA introduced its first basketball silhouette in more than 20 years: the Clyde Court Disrupt, which was first brought to the market in an aggressive colorway in October 2018. Engineered for the court, with swagger for the street, the Clyde Court Disrupt catches the spirit and style set down by NBA icon Walt Clyde Frazier. The shoe's technical features, including PUMA's Hybrid Foam technology and a lightweight knit upper, provide the player with the support and flexibility they need to perform on court. Additional models followed, such as the Halloween special edition X-RAY, the PURPLE GLOW, the OCEAN DRIVE and the PEACE ON EARTH right before Christmas.

Another milestone of 2018 was the introduction of HYBRID, the latest addition to the brand's Running & Training product line. Combining two of its most innovative technologies - IGNITE FOAM and NRGY beads - PUMA offers an entirely new definition of mid sole technology. With superior cushioning and energy return, this running shoe is ideal for longer and faster runs.

With the launches of the THUNDER and the new editions of the Running System (RS) and CELL, PUMA paid tribute to its most iconic silhouettes of the 80s and 90s, while responding to 2018's "chunky shoe" trend.

The THUNDER, with its retro color blocking and disruptive design, was an instant success, as the first two product drops were sold out worldwide within hours. The PUMA CELL Endura, a classic from the PUMA Archive, with its durable and resilient cushioning technology, celebrated its comeback thanks to new materials and state of the art production techniques. PUMA's "Future Retro" product range draws its inspiration from the past to inspire future designs.

Key styles of our Women's footwear business were the training silhouettes MUSE, PHENOM and DEFY, while the CALI and NOVA enriched our Sportstyle range.
The highly exclusive PHENOM LUX marked Selena Gomez's first design collaboration with PUMA. This stylish performance shoe was not only made to stand out, but also to help out: the sales benefitted the Lupus Research Alliance, the world's leading private funder of Lupus research, an autoimmune disease, from which Selena Gomez also suffers.
One of the most notable training silhouettes for Women's, the DEFY, literally defied training standards, by merging high energy return and high fashion in one shoe.

Research and product development at PUMA mainly comprise 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, 2018, a total of 946 people were employed in research and development / product management (previous year: 894). In 2018, research and development / product management expenses totaled € 97.8 million (previous year: € 98.5 million), of which € 54.0 million (previous year: € 53.4 million) related to research and development.

SOURCING

The Sourcing Organizationn

PUMA's sourcing functions, referred to as the central management of the sourcing of products for PUMA and PUMA Group's own brand, Cobra, are merged in PUMA Group Sourcing (PGS.). PUMA's global trading entity, PUMA International Trading GmbH (PIT), with head office in PUMA's corporate headquarters 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. Additionally, PIT manages the cooperation with PUMA's suppliers worldwide and oversees the production processes at the different sourcing sites in Hong Kong, China, Vietnam, Bangladesh, India, Portugal, South Africa, Brazil and Mexico. Furthermore, PIT carries out a centralized hedging against currency risks. 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.
PUMA Group Sourcing (PGS) collaborates with a network of independent manufacturers worldwide. The aim is to offer an optimal 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. Additionally, PUMA's sustainability function (Corporate Sustainability Department, formerly PUMA SAFE) is successfully integrated into the PGS organization since 2016. This ensures that social and environmental issues and standards of good corporate governance are integrated into day-to-day sourcing activities.

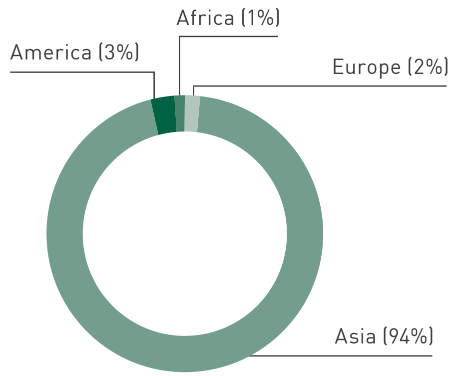
In 2018, further operating improvements could be implemented in sourcing, in particular with regards to the centralization and standardization of processes and systems, capacity management, data analysis and business intelligence. In 2018, the operational improvements over the last few years have made a significant contribution to the successful handling of the significantly increased sourcing volume, especially in the apparel segment, with the existing sourcing organization setup. Additionally, PUMA Group Sourcing established a new office in Portugal to manage the local sourcing of high quality products with short lead times.

Furthermore, 2018 saw the successful continuation of the innovative financing program for PUMA suppliers. This program allows for receivables of the suppliers from goods delivered to PUMA to be paid more quickly provided they meet certain 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

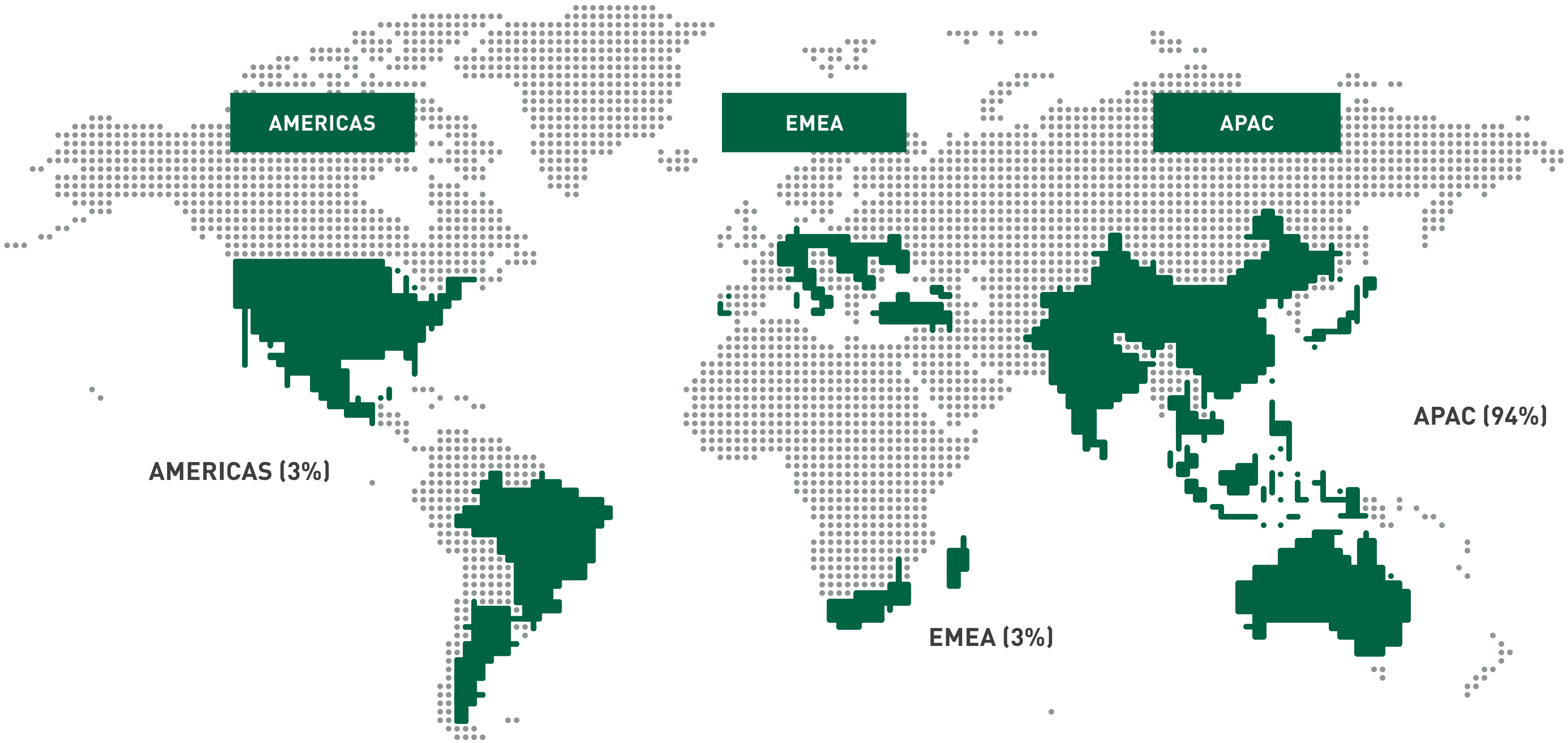
During the financial year 2018, PGS via PIT collaborated with 152 independent suppliers (previous year: 160) in 33 countries worldwide. Thus, a certain continuity is apparent for the supplier base. The strategic cooperation with long-term partners was one of the key competitive advantages in 2018 to ensure stable sourcing of a significantly increased sourcing volume, in particular in the apparel segment.

F.1 **SOURCING MARKETS 2018** (Amount)



Asia remains the strongest sourcing region overall with 94% of the total volume, followed by America with 3%, and EMEA with also 3% (thereof Europe with 2% and Africa with 1%).

F.2 **SOURCING REGIONS OF PUMA GROUP SOURCING**



As a result, the six most important sourcing countries (91% 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%. Cambodia was in third place at 14%, one percentage point up from 2017. Bangladesh, which focuses on apparel, is in fourth place at 13%. Bangladesh thus increased its share of the sourcing volume from 10% in the previous year to 13% in 2018. Indonesia, which focuses on footwear production, produces 4% of the total volume and is in fifth place. India is in sixth place at 3%.

Rising wage costs and macroeconomic influences, such as changes in the trade environment, have continued to influence sourcing markets in 2018. Such impacts need to be taken into account in allocating the production. This is a significant 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.

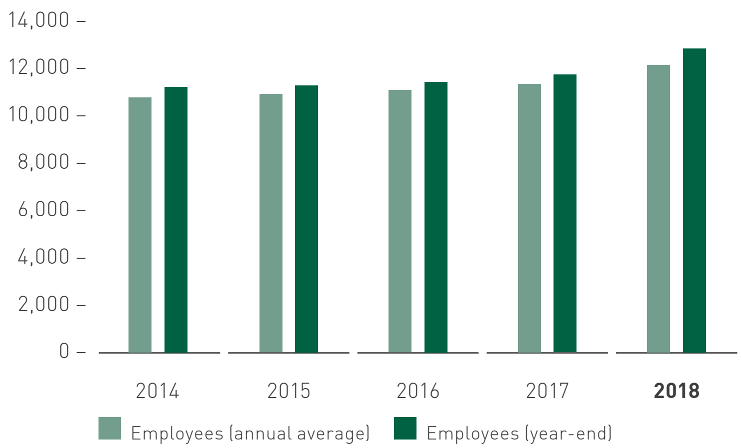
EMPLOYEES

Number of employees

The global number of employees on a **yearly average** was 12,192 employees in 2018 compared to 11,389 in the previous year. This increase resulted mainly from the retail area due to the increased number of own retail stores.

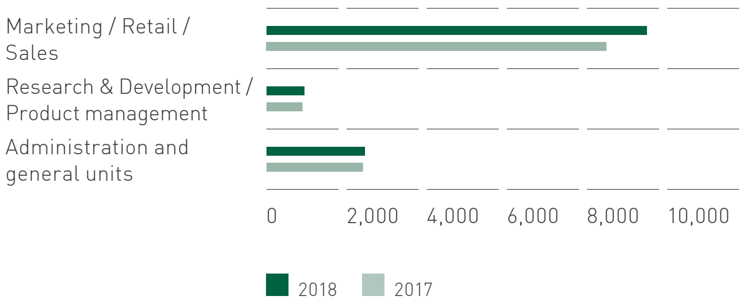
Personnel expenses in 2018 increased overall by 0.9% from € 549.1 million to € 553.8 million. On average, personnel expenses were € 45.4 thousand compared to € 48.2 thousand in the previous year.

F.3 **DEVELOPMENT EMPLOYEES**



As **of December 31, 2018**, the number of employees was 12,894, compared to 11,787 in the previous year. This represents a 9.4% increase in the number of employees compared to the previous year. The development in the number of employees per area is as follows:

F.4 **EMPLOYEES** (Year-end)



Talent Recruitment and Development

Our employees are our most important capital for our business success. They are at the center of our human resources strategy which focuses particularly on talent recruitment and development. Against the backdrop of our unique company culture, we provide workplaces worldwide that are aligned with modern and agile work methods and ensure the wellbeing of our employees.

In order to continue to expand our position in the market, it is essential that we have highly qualified and motivated personnel and are perceived as an attractive employer. Our diverse recruitment activities allow us to recruit external talent in advance, appropriate to the target group, via various channels, including in particular through a proactive direct approach, thereby boosting our workforce. In addition, we have expanded our activities at colleges and universities nationally and internationally to identify potential future employees even earlier.

The digitalization and related simplification and acceleration of business processes made further progress in 2018. After we globally introduced "Workday", a leading Human Capital Management System, in 2017, we expanded the system this year by adding the "talent and performance", "time recording and absence management" and "learning" modules. This gives us a worldwide system for recording working hours as well as vacations and other absences in Workday. The learning module functions as a platform for all e-learning courses and on-site training. The training module also provides employees with the option of creating learning content and sharing it with colleagues.

Our aim is to help each of our employees to develop, in an international environment as well, and at the same time successfully and sustainably keep them loyal to our company. As a central component of current competitiveness, this 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. Based on the Workday software, a systematic succession plan is created as part of talent management in addition to the performance assessment and target-setting. Talent available in the company is identified in the annual employee interviews and fostered using individual development plans. This type of talent management means that we can offer our employees attractive career and development opportunities and secure forward-looking succession planning at the same time.

The continuous professional and personal development of our employees also guarantees 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, we also promote the systematic training of our professionals and managers as well as a range of different training and dual-track (combined work-study) programs. The range of training we provide includes a number of online or offline training courses and workshops that are standardized or personally tailored to individual needs. The continuous development of our PUMA training programs ensures that our employees always have innovative and diverse opportunities to add to their qualifications, acquire new skills and build on existing expertise. 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, consisting of several modules, comprises the ILP ("International Leadership Program") and ILP² seminars. These contain a number of measures to equip employees with the required skills and knowledge to be able to lead their team. They include intensive training and coaching, including interactive learning, roleplay simulations and best practice learning, as well as joint projects. The focus is therefore particularly on "Mindful Leadership" as well as agile work methods.

Using Speed Up and Speed Up², we carry out human resources development programs for employees on various levels. Various groups consisting of top talents are given intensive preparation for the next step in their careers by taking on interdisciplinary projects and tasks, targeted training courses, mentoring, and coaching as well as rotating between jobs. Increased visibility to upper management, the creation of cross-function cooperation and establishing a strong network are also important components of this program.

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 the senior management level that honor the sustainable development and performance of the business. In 2018, the bonus system was standardized worldwide and made even more transparent. Incentives are now exclusively linked to PUMA's corporate goals.

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 result (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 and 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 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 incoming and outgoing payments that are associated with shareholdings in companies.

We use the indicator **working capital** in order 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.

INFORMATION REGARDING THE NON-FINANCIAL REPORT

In accordance with Sections 289b and 315b of the German Commercial Code (HGB), we are required to make a non-financial declaration for PUMA SE and the PUMA Group within the Management Report or present a non-financial report external to the Management Report, in which we report on environmental, social and other non-financial aspects. PUMA has been publishing Sustainability Reports since 2003 under the provisions of the Global Reporting Initiative (GRI) and since 2010 has published financial data and key sustainability indicators in one report. In this context, we report the information required under Sections 289b and 315b of the HGB in the Sustainability chapter of our Annual Report. The Annual Report for the financial year 2018 will be available from April 18, 2019, on the following page of our website:
https://about.puma.com/en/investor-relations/financial-reports
Furthermore, significant sustainability information can be found on PUMA's website under Sustainability at any time:
http://about.puma.com/en/sustainability

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

Global Economy

According to the winter forecast by the Kiel Institute for the World Economy (IFW Kiel) on December 11, 2018, the global economy slowed over the course of 2018. In addition to uncertainty caused by increasing trade policy conflicts – particularly between the United States of America and China – the tightening of monetary policy in the United States, in particular, contributed to the slowing down of growth. For 2018, IFW Kiel's experts expect an increase in global gross domestic product (GDP) of 3.7%, which represents a slight reduction of 0.1% compared to its summer forecast.
The slowdown in economic development in 2018 is evident both in the advanced economies and in the emerging markets. While 2017 was marked by synchronous growth, 2018 saw differences in economic development between the individual countries and groups of countries increase. In the industrial nations, expansion in the United States continued at a faster pace, supported by significant fiscal stimuli, while the economies of the euro zone and Japan lost considerable momentum. In the emerging markets, growth slowed to varying degrees, partly due to poorer financing conditions due to a more restrictive monetary policy on the part of the US Federal Reserve. While large parts of Asia, Russia and parts of South America continued their growth trend, Argentina and Turkey fell into recession.

Sporting goods industry

The sporting goods industry continued to grow strongly in 2018. This development was primarily driven by higher private household income, which enabled an increase in consumer spending on sporting goods. The global fitness boom also continued in 2018. Plenty of movement, a healthy lifestyle, and the accompanying increase in free-time sporting activities are still in fashion worldwide across large parts of the population. At the same time, there continued to be a strong demand for sporting everyday clothes in 2018.
The e-commerce business was a strong driver of growth in the sporting goods industry in 2018. Many commercial opportunities were taken advantage of in order to improve the purchasing experience for consumers, such as mobile technology and social media. In terms of major sporting events of the last year, it was particularly the Football World Cup in Russia that supported the growth of the sporting goods industry.

SALES

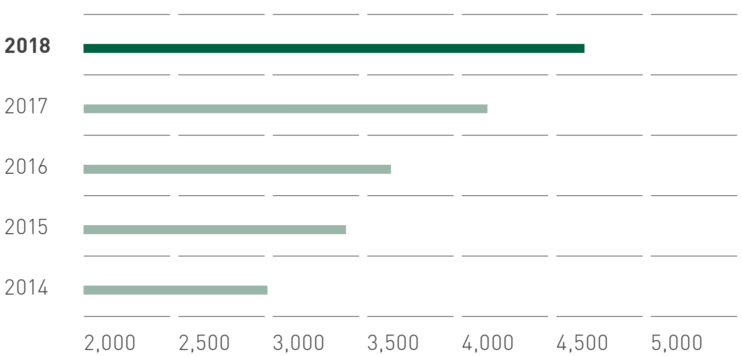
Illustration of Sales Development in 2018 compared to the Outlook

PUMA's 2017 Management Report had predicted a currency-adjusted growth in sales of around 10% for the financial year 2018. This forecast was increased several times throughout the year and PUMA then expected a currency-adjusted sales increase of between 14% and 16% for financial year 2018. PUMA was able to surpass the revised forecast for financial year 2018, exceeding the originally planned sales target.
More details on sales development are provided below.

Net Sales

PUMA's net sales rose in the financial year 2018 in the reporting currency, the Euro, by 12.4% to € 4,648.3 million. Currency-adjusted sales increased by 17.6%. In particular, the Asia / Pacific region, driven by China, showed a strong double-digit growth in sales. In terms of products, apparel was the main driver of sales growth.

F.5 **SALES** (in € million)

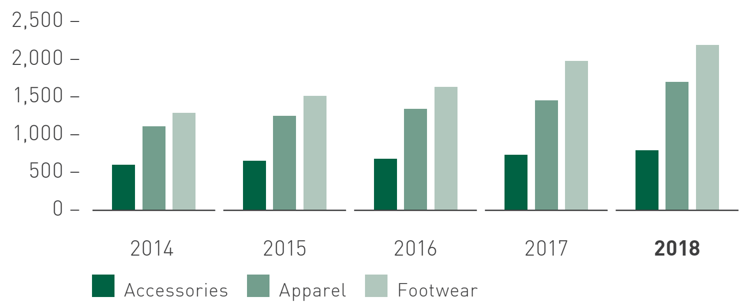


The most important segment for PUMA – **footwear** – recorded a growth trend persistent for 18 quarters at the end of financial year 2018. The strongest growths were in the Sportstyle and Running and Training categories. Sales increased in the reporting currency, the Euro, by 10.6% to € 2,184.7 million, meaning that the footwear segment exceeded the sales mark of € 2 billion for the first time. Currency-adjusted sales growth of 16.6% was achieved. The proportion of this segment in total sales fell slightly from 47.7% in the previous year to 47.0% in 2018.

In the **apparel** segment, sales increased in the reporting currency, the Euro, by 17.1% to € 1,687.5 million. Currency-adjusted sales increased by 22.2%. The Sportstyle category was the main driver of sales growth. In addition, the introduction of new products in the Teamsport and Motorsport categories contributed to this growth. The apparel segment accounted for 36.3% of Group sales (previous year: 34.9%).

In the **accessories** segment, sales increased in the reporting currency, the Euro, by 7.8% to € 776.1 million. This represents a currency-adjusted increase of 11.0%. The increase resulted particularly from higher sales of socks and bodywear. Its share in Group sales reduced slightly from 17.4% in the previous year to 16.7% in 2018.

F.6 **SALES BY PRODUCT SEGMENTS** (in € million)

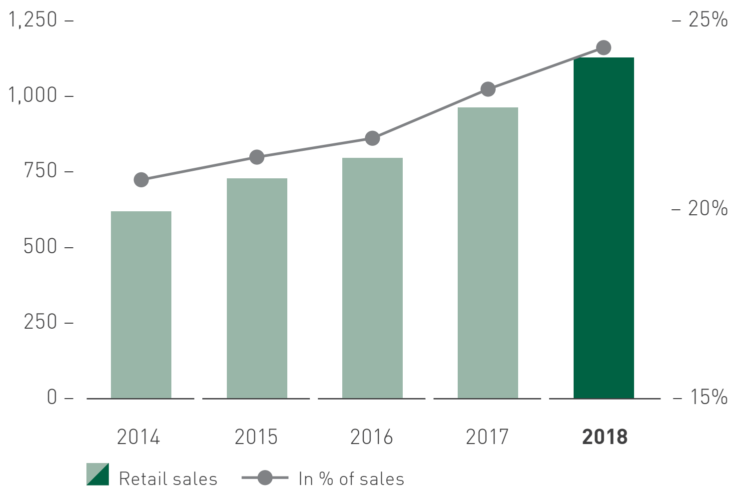


Retail Businesses

PUMA's retail activities include direct sales to our consumers ("Direct to Consumer business"). This includes PUMA's own retail stores, the so-called "Full Price Stores", "Factory Outlets", and e-commerce online sales. Our own retail store activities ensure regional availability of PUMA products and the presentation of the PUMA brand in an environment suitable to our brand positioning.
PUMA's retail sales increased in the financial year 2018 by a currency-adjusted 24.0% to € 1,127.5 million. This corresponds to a 24.3% share in total sales (previous year: 23.2%). The increase of PUMA's retail sales resulted from both the increase in sales on a comparable floor area basis compared to last year and from the targeted expansion of our portfolio of own retail stores. In addition to the opening of additional retail stores at selected locations worldwide, 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.

Our e-commerce business recorded a far above-average growth in 2018. This was brought about by, for example, the expansion of the product range in online stores worldwide and by our targeted sales promotions in the online business. In addition, our e-commerce activities on special days in the online business such as Singles' Day in China on November 11 and the world's biggest online shopping day, known as "Black Friday / Cyber Monday", turned out to be particularly successful.

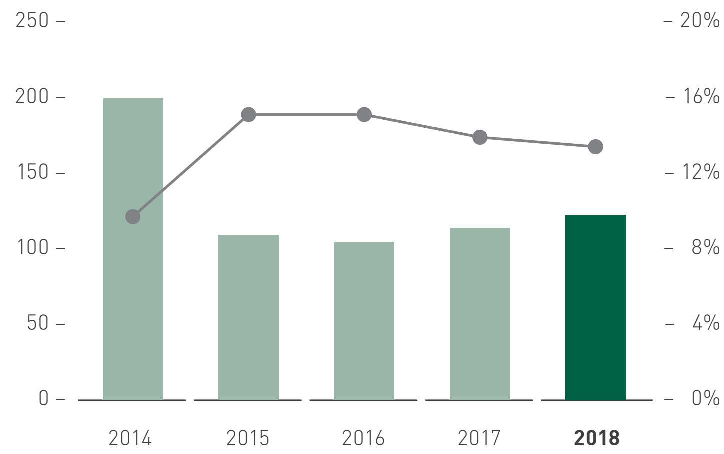
F.7 **RETAIL SALES** (in € million)



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. License sales, which are not part of PUMA's consolidated sales, but which are, however, the basis for PUMA's licensing and commission income, increased in 2018 in the reporting currency, the Euro, by 7.4% to € 121.9 million. PUMA's resulting licensing and commission income increased in 2018 by 3.2% to € 16.3 million.

F.8 **LICENSE SALES** (in € million) **/ ROYALTY AND COMMISSION INCOME** (in %)



REGIONAL DEVELOPMENT

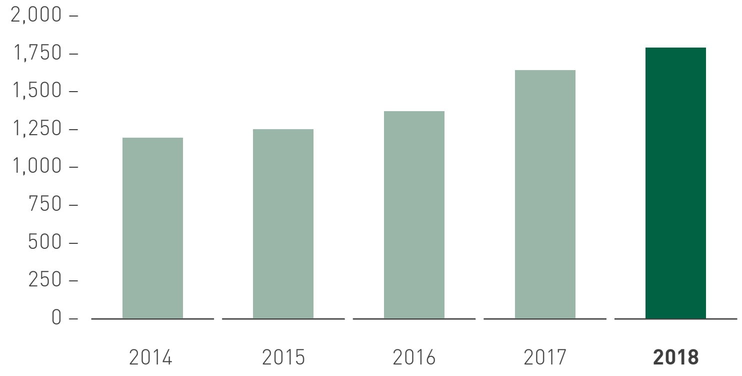
In the following explanation of the regional distribution of sales, the sales are allocated to the respective region of the customer ("Customer Site"). It is divided into three geographic regions (EMEA, America and Asia / Pacific). A more detailed regional presentation of the sales according to the registered office of the respective Group company can be found in chapter 26 in the Notes to the Consolidated Financial Statements.

PUMA's sales increased in 2018, by currency-adjusted 17.6%. All regions contributed to this currency-adjusted development with double-digit growth rates.

In the **EMEA** region, sales rose in the reporting currency, the Euro, by 9.4% to € 1,800.3 million. This corresponds to a currency-adjusted increase in sales of 11.4%. A particularly strong increase came from France, Spain and the United Kingdom (UK), which showed double-digit growth in sales. Russia, Ukraine, Turkey and the United Arab Emirates also grew strongly with double-digit growth rates. However, the strength of the Euro against, for example, the Turkish Lira led to significant negative currency exchange effects on sales in the reporting currency, the Euro.
The EMEA region accounted for 38.7% of Group sales in 2018 in comparison to 39.8% last year.

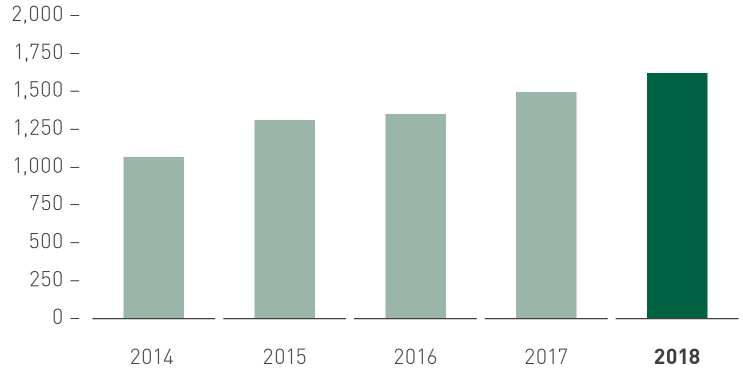
In terms of the product segments, sales of footwear recorded a currency-adjusted increase of 8.6%. Sales from apparel increased by a currency-adjusted 18.4% and sales from accessories grew by a currency-adjusted 6.6%.

F.9 **EMEA SALES** (in € million)



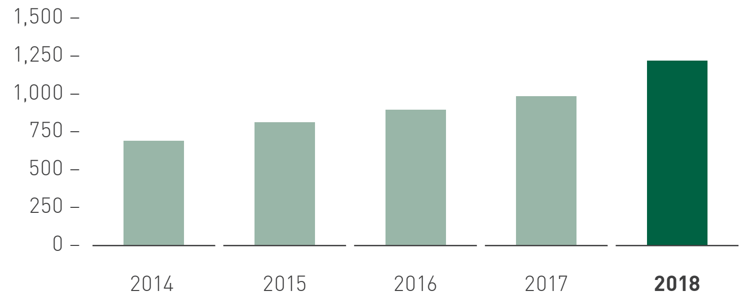
Sales in the **America** region increased in the reporting currency, the Euro, by 7.9% to 1,612.5 million. Currency-adjusted sales rose by 16.9%, with both North and Latin America showing double-digit growth rates and thereby contributing to the increase in revenue. The weakness of the Argentine Peso against the Euro did, however, lead to significant negative currency exchange effects on sales in the reporting currency, the Euro. The share of the America region in Group sales decreased from 36.1% in the previous year to 34.7% in 2018.
In terms of the product segments, both footwear (currency-adjusted +11.7% compared to the previous year), apparel (+25.2%), and accessories (+17.7%) showed very good double-digit growth.

F.10 **AMERICAS SALES** (in € million)



In the **Asia / Pacific** region, sales growth was particularly strong. Here, sales increased in the reporting currency, the Euro, by 24.2% to € 1,235.5 million. This corresponds to a currency-adjusted increase in sales of 28.8%. The main drivers of growth in the region were Greater China and Korea, which each showed an above-average double-digit growth rate. By contrast, sales in Japan grew moderately compared to the previous year with a high single-digit percentage rate. The share of the Asia / Pacific region in Group sales increased from 24.1% in the previous year to 26.6% in 2018.
In the product segments, sales from footwear increased by a currency-adjusted 37.9%. Sales from apparel increased by a currency-adjusted 23.9% and accessories recorded a rise in sales of a currency-adjusted 7.2%.

F.11 **ASIA / PACIFIC SALES** (in € million)



RESULTS OF OPERATIONS

T.1 **INCOME STATEMENT**

	2018		2017		
	€ million	%	€ million	%	+ / −%
Sales	**4,648.3**	100.0	**4,135.9**	100.0	12.4
Cost of sales	-2,399.0	-51.6	-2,181.5	-52.7	10.0
Gross profit	**2,249.4**	48.4	**1,954.3**	47.3	15.1
Royalty and commission income	16.3	0.4	15.8	0.4	3.2
Other operating income and expenses	-1,928.4	-41.5	-1,725.6	-41.7	11.8
Operating result (EBIT)	**337.4**	7.3	**244.6**	5.9	37.9
Financial result / Income from associated companies	-24.0	-0.5	-13.4	-0.3	79.6
Earnings before taxes (EBT)	**313.4**	6.7	**231.2**	5.6	35.5
Taxes on income	-83.6	-1.8	-63.3	-1.5	32.0
Tax rate	-26.7%		-27.4%		
Net earnings attributable to non-controlling interests	-42.4	-0.9	-32.2	-0.8	31.7
Net earnings	**187.4**	4.0	**135.8**	3.3	38.0
Weighted average shares outstanding (million)	14.947		14.943		0.0
Weighted average shares outstanding, diluted (million)	14.947		14.943		0.0
Earnings per share in €	12.54		9.09		38.0
Earnings per share, diluted in €	12.54		9.09		38.0

Illustration of Earnings Development in 2018 compared to the Outlook

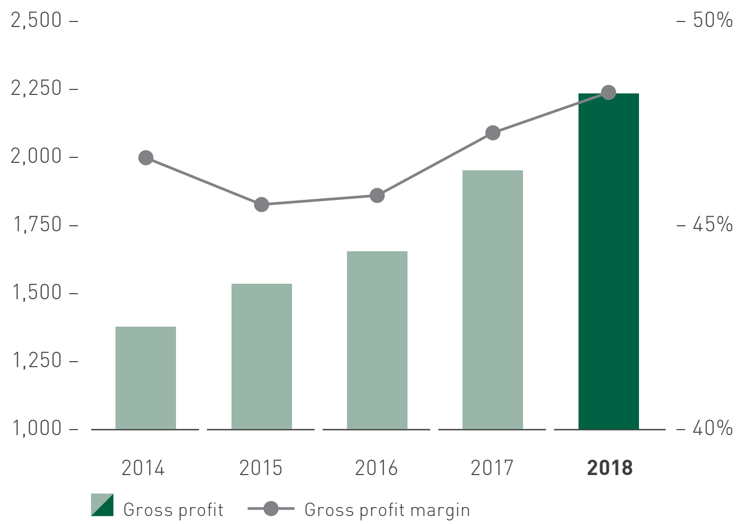
In the outlook of the 2017 Annual Report, PUMA forecasted a slight improvement in the gross profit margin for financial year 2018. PUMA expected an increase in a mid-to-high single-digit percentage rate for other operating income and expenses. The forecast for the operating result (EBIT) was within a range of between € 305 million and € 325 million. In addition, a significant improvement in net earnings was expected.
These forecasts were raised slightly several times during the year and PUMA thereafter expected an improvement in the gross profit margin of around 100 basis points compared to the previous year (2017: 47.3%), an increase in other operating income and expenses in the low double-digit percentage range and an operating result (EBIT) within a range of between € 325 million and € 335 million. In accordance with the previous forecasts, Management expected a significant improvement in net earnings for the financial year 2018.
PUMA was able to fully achieve the increased forecasts in 2018, and even slightly exceed them. This means that PUMA exceeded the originally targeted improvement in operating result for 2018.
More details on earnings development are provided below.

Gross Profit Margin

Gross profit improved in the financial year 2018 by 15.1% from € 1,954.3 million to € 2,249.4 million. The gross profit margin increased by 110 basis points from 47.3% to 48.4%, particularly because of improvements in sourcing and higher sales of new products with a higher margin. In addition, the higher share of own retail sales and the development of the regional sales mix had a small positive effect on the gross profit margin. In 2018, there were no exchange rate effects on the gross profit margin compared with the previous year, as effects during the year offset each other on a full-year basis.

The gross profit margin in the footwear segment increased from 45.5% in the previous year to 45.8% in 2018. The apparel gross profit margin improved from 49.0% to 50.9% and the gross profit margin for accessories also increased from 48.5% to 50.3%.

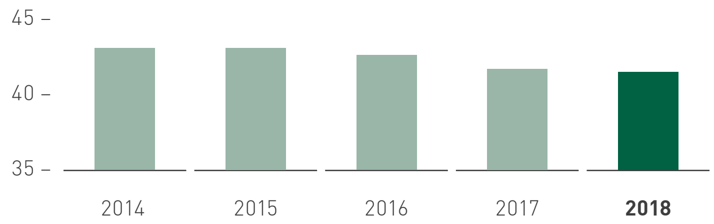
F.12 **GROSS PROFIT** (in € million) **/ GROSS PROFIT MARGIN** (in %)



Other Operating Income and Expenses

In the past financial year, further planned investment was made in marketing so as to increase PUMA's brand heat and to position PUMA as the fastest sports brand in the world. Investments in the modernization of our own retail stores and in the opening of further retail stores also continued. Furthermore, progress was made in modernizing our IT infrastructure. This led to an overall increase in operating income and expenses in the financial year 2018 of 11.8% from € 1,725.6 million to € 1,928.4 million. As a percentage of sales, the cost ratio improved from 41.7% to 41.5%. The decrease in the cost ratio confirms the consistent focus on the strict control of other operating income and expenses, which continues to be a high priority for PUMA, and which contributed to the improvement of the operating result in the financial year 2018.

F.13 **OPERATING EXPENSENS** (as a % of sales)

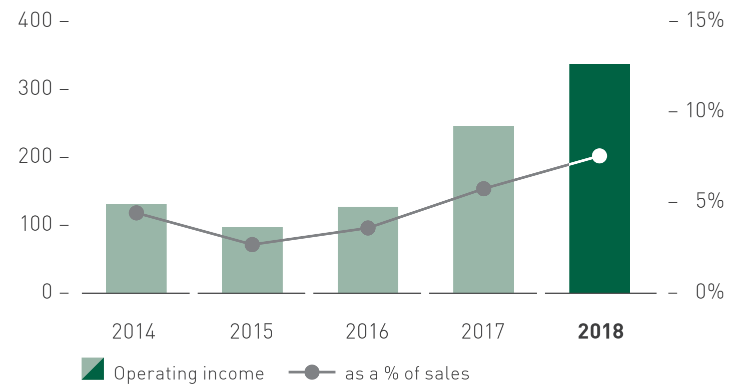


Within sales expenses, the expenses for marketing / retail grew by 13.2% from € 822.9 million to € 931.2 million. This development is primarily connected to the consistent implementation of the FOREVER FASTER brand campaign and the increased number of own retail stores. At 20.0% of sales, the cost ratio remained almost unchanged compared to the previous year. Other sales expenses, which mainly include sales-related variable costs and transportation costs, increased by 19.1% to € 592.4 million. This increase is primarily due to higher sales-related expenses from operating our own retail stores and from the e-commerce business. The cost ratio of other sales expenses in 2018 was 12.7% of sales. Research and Development / Product Management expenses remained almost stable compared to the previous year at € 97.8 million and the cost ratio fell slightly to 2.1%. Other operating income in the past financial year amounted to € 21.1 million and consisted primarily of income arising from the release of provisions. Administrative and general expenses increased in 2018 by 6.9% from € 307.0 million to € 328.1 million. The slight increase resulted from, amongst other things, higher expenses in warehousing, logistics and IT. The cost ratio of administrative and general expenses decreased from 7.4% to 7.1%. Depreciation / amortization are included in the relevant costs and total € 81.5 million (previous year: € 70.3 million). This represents a 15.9% increase in depreciation / amortization compared to the previous year.

Operating result (EBIT)

Operating result increased by 37.9% from € 244.6 million in the previous year to € 337.4 million in 2018. This result is slightly above the adjusted EBIT forecast within a range of between € 325 million and € 335 million. The significant improvement in profitability in 2018 resulted from the strong growth in sales combined with the improvement in the gross profit margin. The EBIT margin rose accordingly from 5.9% in the previous year to 7.3%.

F.14 **OPERATING INCOME - EBIT** (in € million)



Financial Result

The financial result decreased in 2018 from € -13.4 million in the previous year to € -24.0 million. This development was primarily due to the increase in expenses from currency conversion differences from € 6.9 million in the previous year to € 14.4 million in 2018.

Financial income improved slightly from € 10.3 million in the previous year to € 11.6 million in 2018. Financial income includes interest income of € 4.0 million (previous year: € 4.1 million) and income from interest components related to currency hedging contracts of € 7.6 million (previous year: € 6.3 million). In contrast, however, there was a slight increase in interest expenses from € 14.3 million to € 15.1 million. The remaining financial expenses arising from the valuation of pension plans and from interest components related to currency hedging contracts amounted to € 4.5 million in 2018 (previous year: € 4.2 million). The result from associated companies, which is included in the financial result, was € -1.5 million in the financial year 2018 (previous year: € 1.6 million).

Earnings before taxes (EBT)

In the financial year 2018, PUMA generated earnings before taxes of € 313.4 million, an improvement of 35.5% from the previous year (€ 231.2 million). Tax expenses were € 83.6 million compared to € 63.3 million in the previous year, and the tax ratio decreased slightly from 27.4% to 26.7% in 2018.

Net Earnings Attributable to Non-controlling Interests

Net earnings attributable to non-controlling interests relate to companies in the North American market, in each of which the same shareholder holds a minority stake. The earnings attributable to this shareholder increased in the financial year 2018 by 31.7% to € 42.4 million (previous year: € 32.2 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, and their respective subsidiaries in Canada.

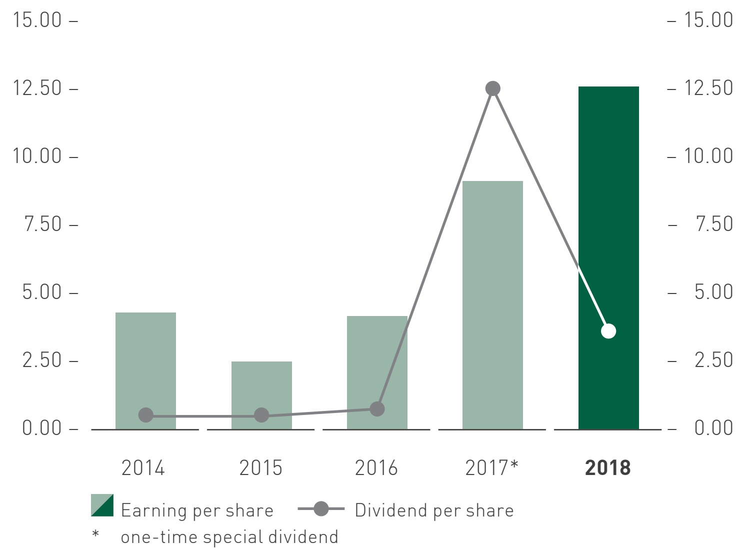
Net Earnings

Net earnings increased in the financial year 2018 by 38.0% from € 135.8 million to € 187.4 million. The significant improvement in net earnings mainly resulted from the strong growth in sales combined with the improvement in the gross profit margin. While the financial result decreased in 2018, the slight decline in the tax rate had a positive effect on net earnings. Earnings per share and diluted earnings per share increased accordingly by 38.0% to € 12.54 compared to € 9.09 in the previous year.

DIVIDENDS

The Management Board and the Supervisory Board will propose to the Annual General Meeting on April 18, 2019, to distribute a regular dividend of € 3.50 per share for the financial year 2018 from PUMA SE's retained earnings under commercial law. As a percentage of net earnings, the payout ratio amounts to 27.9%. This is in accordance with the current dividend policy of PUMA SE, which foresees a payout ratio of 25% to 35% of net earnings. The dividends will be distributed in the days following the Annual General Meeting at which the resolution on the distribution is adopted. In the previous year, a one-time special dividend of € 12.50 was distributed.

F.15 **EARNINGS / DIVIDEND PER SHARE** (in €)



NET ASSETS AND FINANCIAL POSITION

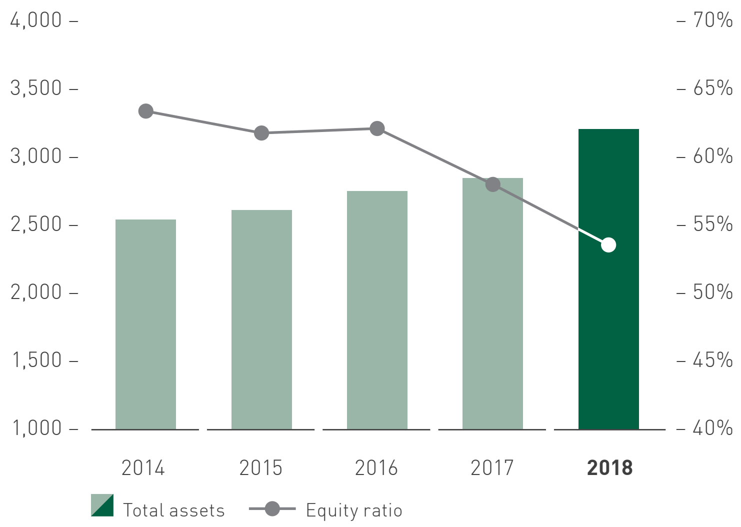
T.2 **BALANCE SHEET**

	12 / 31 / 2018		12 / 31 / 2017		
	€ million	%	€ million	%	+ / –%
Cash and cash equivalents	463.7	14.5	415.0	14.5	11.7
Inventories	915.1	28.5	778.5	27.3	17.5
Trade receivables	553.7	17.3	503.7	17.7	9.9
Other current assets (working capital)	187.7	5.9	164.0	5.7	14.5
Other current assets	72.6	2.3	23.6	0.8	207.2
Current assets	**2,192.8**	68.4	**1,884.8**	66.0	16.3
Deferred taxes	207.6	6.5	207.9	7.3	-0.2
Other non-current assets	806.8	25.2	761.1	26.7	6.0
Non-current assets	**1,014.4**	31.6	**969.0**	34.0	4.7
Total assets	**3,207.2**	100.0	**2,853.8**	100.0	12.4
Current financial liabilities	20.5	0.6	29.0	1.0	-29.2
Trade liabilities	705.3	22.0	646.1	22.6	9.2
Other current liabilities (working capital)	447.3	13.9	306.1	10.7	46.1
Other current liabilities	22.1	0.7	75.2	2.6	-70.6
Current liabilities	**1,195.2**	37.3	**1,056.5**	37.0	13.1
Deferred taxes	47.7	1.5	37.6	1.3	27.0
Pension provisions	28.9	0.9	29.7	1.0	-2.9
Other non-current liabilities	213.1	6.6	73.3	2.6	190.6
Non-current liabilities	**289.7**	9.0	**140.7**	4.9	106.0
Shareholders' equity	**1,722.2**	53.7	**1,656.7**	58.1	4.0
Total liabilities and shareholders' equity	**3,207.2**	100.0	**2,853.8**	100.0	12.4
Working capital	**503.9**		**493.9**		2.0
- in % of consolidated sales	10.8%		11.9%		

Equity Ratio

PUMA continues to have an extremely solid capital base. As of December 31, 2018, total assets increased by 12.4% from € 2,853.8 million in the previous year to € 3,207.2 million. As the shareholders' equity increased by 4.0% from € 1,656.7 million to € 1,722.2 million, there was a mathematical decline in the equity ratio from 58.1% in the previous year to 53.7%, due in particular to the distribution of the special dividend.

F.16 **TOTAL ASSETS** (in € million) / **EQUITY RATIO** (in %)



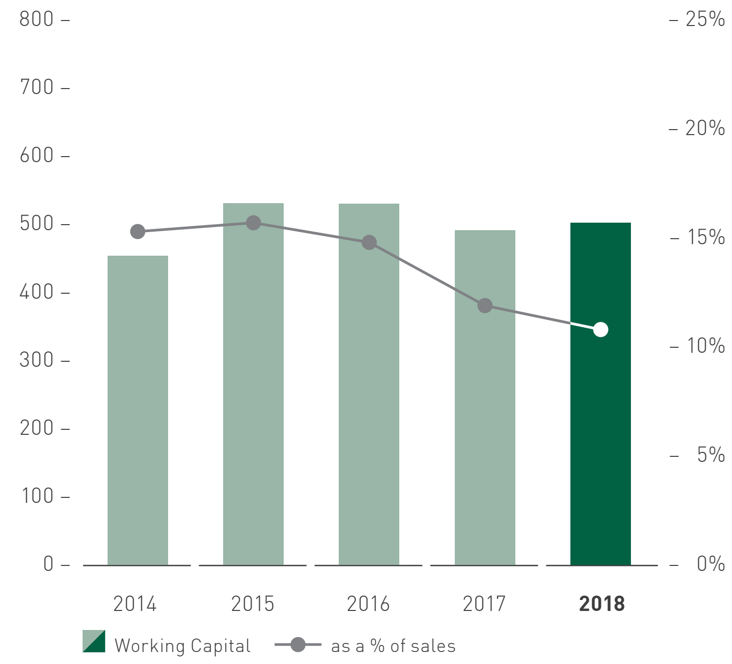
Working Capital

Despite the significant increase in sales and the increased number of our own retail stores, working capital rose only slightly in the past financial year by 2.0% from € 493.9 million to € 503.9 million.

Inventories increased by 17.5% from € 778.5 million to € 915.1 million. This increase is related to the planned sales growth from the 2019 spring / summer collection. In addition, the change in the presentation of expected returns in the balance sheet due to IFRS 15 led to an extension of the balance sheet total and an increase in inventories and other current liabilities. Trade receivables increased by 9.9% from € 503.7 million to € 553.7 million. Other current assets included in working capital increased by 14.5% from € 164.0 million to € 187.7 million.

On the liabilities side, trade liabilities increased by 9.2% from € 646.1 million to € 705.3 million. Other current liabilities included in working capital increased significantly due to the balance sheet extension (IFRS 15) by 46.1% from € 306.1 million to € 447.3 million.

F.17 **WORKING CAPITAL** (in € million)



Other Assets and Other Liabilities

Other current assets, which include the positive market value of derivative financial instruments, increased compared to the previous year from € 23.6 million to € 72.6 million.

Other non-current assets, which mainly comprises intangible assets and property, plant and equipment, rose as a consequence of the investments in non-current assets by 6.0% from € 761.1 million to € 806.8 million.

Other current liabilities, which include the negative market value of derivative financial instruments, decreased compared to the previous year from € 75.2 million to € 22.1 million.

Pension provisions remained almost stable compared to the previous year at € 28.9 million (previous year: € 29.7 million).

Other non-current liabilities increased from € 73.3 million in the previous year to € 213.1 million, mainly due to the issue of promissory note loans totaling € 160.0 million.

CASH FLOW

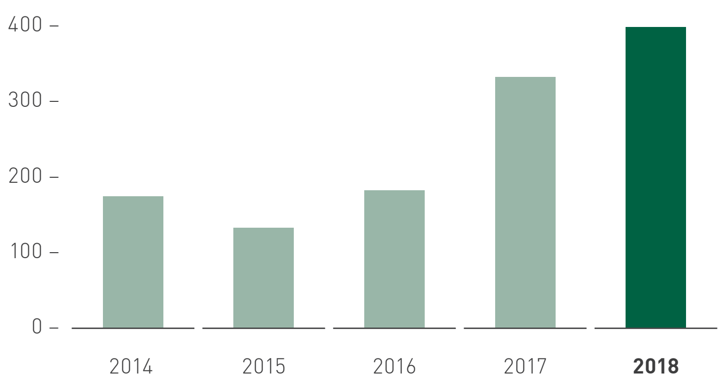
T.3 **CASH FLOW STATEMENT**

	2018	2017*	
	€ million	€ million	+ / –%
Earnings before tax (EBT)	313.4	231.2	35.5
Financial result and non-cash effected expenses and income	84.7	99.7	-15.1
Gross cashflow	**398.0**	**330.9**	20.3
Change in current assets, net	-38.0	-50.6	-25.0
Tax payments and dividends received	-81.9	-41.5	97.2
Net cash from operating activities	**278.1**	**238.8**	16.5
Payments for acquisitions / proceeds from the sale of shareholdings	23.5	0.0	-
Payment for investing in fixed assets	-130.2	-122.9	5.9
Other investing activities	1.4	12.7	-88.6
Net cash used in investing activities	**-105.3**	**-110.3**	-4.5
Free cashflow	**172.9**	**128.5**	34.5
Free cashflow (before acquisitions)	**149.4**	**128.5**	16.3
- in % of consolidated sales	3.2%	3.1%	-
Net cash used in financing activities	**-128.3**	**-34.9**	-
Effect on exchange rates on cash	4.2	-5.3	-
Change in cash and cash equivalents	48.7	88.3	-44.8
Cash and cash equivalents at beginning of the financial year	415.0	326.7	27.0
Cash and cash equivalents at year-end	**463.7**	**415.0**	11.7

* Prior-year figures adjusted, see notes to the consolidated financial statements chapter 27 (notes to the cash flow statement)

The increase in earnings before taxes (EBT) in the financial year 2018 led to an increase in gross cash flow by 20.3% from € 330.9 million to € 398.0 million. The financial result and the non-cash effected expenses and income, which include in particular the depreciation on property, plant and equipment, were € 84.7 million in 2018.

F.18 **GROSS CASHFLOW** (in € million)

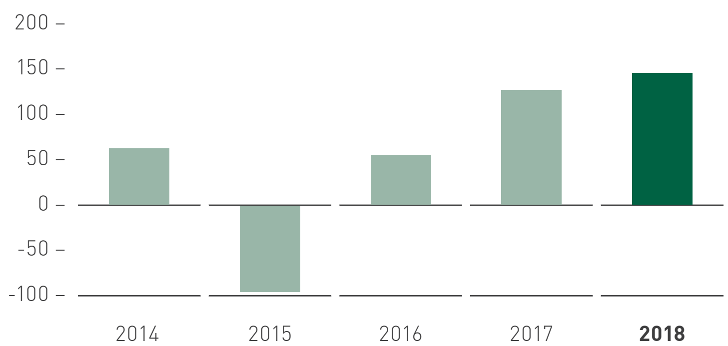


The continuing strong focus on working capital management significantly contributed to the improvement of the cash flow from operating activities. Net cash from operating activities increased from € 238.8 million in the previous year to € 278.1 million. This resulted from the decline in net current assets* in addition to the increased earnings before tax in 2018. By contrast, the cash outflow from tax payments and dividends received increased to € 81.9 million.

Cash outflow from investing activities in the year under review fell slightly from € 110.3 million to € 105.3 million. The investment in non-current assets included in this figure rose in 2018 from € 122.9 million in the previous year to € 130.2 million and represented primarily investments in own retail stores, IT infrastructure, distribution centers and the completion of the new administration building in Herzogenaurach. The other cash inflows of € 24.9 million (previous year: € 12.7 million) relate in particular to cash inflows from the sale of shareholdings and cash inflows from asset disposals.

The free cash flow before acquisitions is the balance of the cash inflows and outflows from operating and investing activities. In addition, an adjustment is made for cash inflows and outflows that relate to shareholdings. The increase of earnings before tax in 2018 was the main driver for the improvement of free cash flow before acquisitions by 16.3% from € 128.5 million to € 149.4 million. As a percentage of sales, the free cash flow before acquisitions was 3.2% compared to 3.1% in the previous year.

F.19 **FREE CASHFLOW** (before acquisitions) (in € million)



Cash flow from financing activities for the financial year 2018 was attributable to the payment of a one-time dividend of € 186.8 million to shareholders of PUMA SE and dividend payments of € 55.7 million to non-controlling interests. On the other hand, net cash inflows from taking up financial liabilities amounted to € 126.8 million. Taking into account interest payments, the cash outflow from financing activities amounted to € 128.3 million (previous year: cash outflow of € 34.9 million).

As of December 31, 2018, PUMA had cash and cash equivalents of € 463.7 million, an increase in cash and cash equivalents of 11.7% compared to the previous year (€ 415.0 million). The PUMA Group also had credit facilities totaling € 691.9 million as of December 31, 2018 (previous year: € 497.1 million). Unutilized credit lines totaled € 501.0 million on the reporting date, compared to € 440.2 million in the previous year.

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

STATEMENT REGARDING THE BUSINESS DEVELOPMENT AND THE OVERALL SITUATION OF THE GROUP

Overall, the management is very satisfied with the course of business and the economic development in the past financial year. In 2018, PUMA was able to fully meet or even slightly exceed its financial targets, which had already been raised during the year. We owe this in particular to our ability to react quickly and flexibly to changes in our dynamic business environment. For example, volatile exchange rates, the strength of the Euro against a large number of major currencies, and the trade conflict between China and the United States of America led to uncertainties in the trading environment. In addition, major changes in product trends and consumer demand, particularly in footwear, have necessitated a quick response to these changes. We are of the opinion that PUMA managed these challenges very well in the past financial year thanks to our "fast attitude". The success of our measures is also reflected in the business results of the past year. We see this as further confirmation that we are on the right track with the consistent implementation of the FOREVER FASTER corporate strategy.

PUMA was again able to record strong sales growth in the past financial year with a currency-adjusted increase in sales of 17.6%. This meant that sales of our products in our own retail stores and at our wholesale customers continued to improve. In our opinion, this is primarily due to the increase in our brand heat and the competitiveness of our product range. In 2018, we were also once again able to make significant improvements in terms of profitability, with the operating result (EBIT), net earnings and earnings per share increasing by around 38% compared to the previous year. In addition to the strong sales growth, this is primarily due to the improvement in the gross profit margin and also to the decrease in cost ratio of other operating expenses. At € 337.4 million, the operating result in the past financial year was even slightly above our forecast of € 325 million to € 335 million, which had been raised during the year. Earnings per share rose significantly compared to the previous year from € 9.09 to € 12.54. We thus fully achieved our profitability targets in the past financial year and even slightly exceeded them.

With regard to the consolidated balance sheet, we believe that PUMA continues to have an extremely solid capital base. At the balance sheet date, the equity of the PUMA Group was more than € 1.7 billion and the shareholders' equity ratio was just under 54%. Furthermore, the consistent focus on working capital management contributed to the fact that working capital increased by only 2% compared to the previous year despite the significant increase in sales.

The increase in earnings before taxes (EBT) and the continued strong focus on the working capital management in the past financial year also contributed to a significant improvement in cash flow. The free cash flow before acquisitions compared to the same period last year increased by 16.3% to € 149.4 million. Cash and cash equivalents amounted to € 463.7 million on the balance sheet date (previous year: € 415.0 million).

As a result, the PUMA group is characterized by an overall solid asset, financial and income situation at the time the combined management report was prepared. This enables the Management Board and the Supervisory Board to propose a dividend of € 3.50 per share for the financial year 2018 to the Annual General Meeting on April 18, 2019. In accordance with the dividend policy, this corresponds to a payout ratio of 27.9% of the net earnings.

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 the wholesale business in the DACH region, consisting of the home market of Germany, Austria and Switzerland. Furthermore, PUMA SE is also responsible for the pan-European distribution for individual key accounts and sourcing products from European production countries 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 and merchandising, international marketing, and the global areas of finance, operations as well as PUMA's strategic direction.

RESULTS OF OPERATIONS

T.4 **PROFIT AND LOSS STATEMENT (GERMAN GAAP, HGB)**

	2018		2017		
	€ million	%	€ million	%	+ / –%
Sales	**675.3**	100.0	**629.2**	100.0	**7.3**
Other operating income	**50.8**	7.5	**60.7**	9.6	**-16.4**
Material expenses	-224.9	-33.3	-201.9	-32.1	11.4
Personnel expenses	-101.7	-15.1	-105.5	-16.8	-3.6
Depreciation	-20.1	-3.0	-15.8	-2.5	26.7
Other operating expenses	-492.1	-72.9	-507.8	-80.7	-3.1
Total expenses	**-838.8**	-124.2	**-831.0**	-132.1	**0.9**
Financial result	**212.9**	31.5	**279.1**	44.4	**-23.7**
Income before taxes	**100.1**	14.8	**137.9**	21.9	**-27.4**
Income tax	-16.8	-2.5	-9.3	-1.5	81.2
Net income	**83.3**	12.3	**128.7**	20.4	**-35.3**

Sales rose in the financial year 2018 by 7.3% to € 675.3 million. The increase resulted from both increased product sales and commission income from license management and higher other sales. Revenue from PUMA SE product sales increased by 8.9% to € 329.5 million. The licensing and commission income included in sales increased by 4.6% to € 303.0 million. The other revenue, which mainly consisted of recharges of costs to affiliated companies, rose by 16.2% to € 42.8 million.

Other operating income amounted to € 50.8 million in 2018 (previous year: € 60.7 million) and includes in particular realized and unrealized gains from currency conversion related to the measurement of receivables and payables in foreign currencies.

The total **expenditure** from material expenses, personnel expenses, depreciations / amortizations and other operating expenses increased only slightly compared to the previous year by 0.9% to € 838.8 million (previous year: € 831.0 million). The increase in material expenses was associated with the increase in sales. Depreciation / amortization increased primarily due to investments in the new administration building in Herzogenaurach, and continued investments in IT. Other operating expenses fell compared to the previous year, which is mainly attributable to the reduction in losses from currency conversion. In addition, the transfer of individual sponsoring contracts to affiliated companies contributed to the decline in other expenses.

The **financial result** decreased compared to the previous year by 23.7% to € 212.9 million. The decline was due in particular to lower dividends from affiliated companies. This was offset by higher income from the transfer of profits from affiliated companies. As in the previous year, there were no write-downs on financial assets in 2018.

Income before taxes decreased in 2018 by 27.4% from € 137.9 million to € 100.1 million. **Taxes on income** amounted to € 16.8 million (previous year: € 9.3 million) and were mainly composed of expenses for withholding taxes for the current year totaling € 9.3 million and income tax for the current year totaling € 1.0 million and totaling € 6.5 million for previous years. **Net income** amounted to € 83.3 million compared to € 128.7 million in the previous year.

NET ASSETS

T.5 **BALANCE SHEET (GERMAN GAAP, HGB)**

	12 / 31 / 2018		12 / 31 / 2017		
	€ million	%	€ million	%	+ / –%
Total non-current assets	657.9	48.4	559.8	44.0	17.5
Inventories	52.9	3.9	57.9	4.6	-8.8
Receivables and other current assets	576.4	42.4	524.6	41.2	9.9
Cash and cash equivalents	59.5	4.4	119.4	9.4	-50.2
Total current assets	688.8	50.6	701.9	55.2	-1.9
Others	14.0	1.0	10.5	0.8	32.6
Total Assets	**1,360.6**	100.0	**1,272.2**	100.0	**6,9**
Equity	564.3	41.5	665.7	52.3	-15.2
Accruals / provisions	101.5	7.5	102.8	8.1	-1.3
Liabilities	694.5	51.0	502.1	39.5	38.3
Others	0.3	0.0	1.6	0.1	-
Total Liabilities & Shareholders' Equity	**1,360.6**	100.0	**1,272.2**	100.0	**6,9**

Non-current assets increased in 2018 by 17.5% to € 657.9 million. The increase is mainly due to capital increases at subsidiaries of PUMA SE, which led to an increase in shareholdings. Investments in the new administrative building in Herzogenaurach and in IT also contributed to the increase.

Within **current assets**, inventories decreased by 8.8% to € 52.9 million. By contrast, trade receivables and receivables from affiliated companies rose compared to the previous year by 9.9% to € 576.4 million. This development is due to the increase in sales and financing requirements of affiliated companies at the reporting date. Cash and cash equivalents decreased compared to the previous year by 50.2% to € 59.5 million.

On the **liability side**, equity decreased, in spite of the net income for 2018, by 15.2% to € 564.3 million. This was due to the distribution of the € 186.8 million one-time special dividend for the financial year 2017 in 2018. This led to a decrease in the equity ratio at the balance sheet date from 52.3% to 41.5%. Provisions remained virtually unchanged from the previous year. The increase in liabilities by 38.3% to € 694.5 million resulted mainly from the issuance of promissory note loans of € 160.0 million in 2018.

FINANCIAL POSITION

T.6 **CASH FLOW STATEMENT (GERMAN GAAP, HGB)**

	2018 € million	2017 € million	+ / –%
Cash flow from operating activities	**-12.9**	**-2.2**	**>100**
Cash flow from investing activities	**-72.7**	**-68.3**	**6.4**
Free Cash Flow	**-85.6**	**-70.5**	**21.4**
Cash flow from financing activities	**25.7**	**116.8**	**-78.0**
Change in cash and cash equivalents	**-59.9**	**46.3**	**>-100**
Cash and cash equivalents at beginning of financial year	119.4	73.1	63.3
Cash and cash equivalents at year-end	**59.5**	**119.4**	**-50.2**

Cash flow from operating activities decreased compared to the previous year to € -12.9 million. This is primarily due to an increase in working capital at the balance sheet date, due to higher receivables from affiliated companies. **Cash outflow from investing activities** rose from € -68.3 million to € -72.7 million due to the increased investment in non-current assets. This led to a decline in **free cash flow** from € -70.5 million in the previous year to € -85.6 million in 2018.

Cash flow from financing activities showed a cash inflow of € 25.7 million in 2018 (previous year: € 116.8 million). In 2018, this was primarily caused by the distribution of the special dividend for the year 2017 in 2018. On the other hand, PUMA SE issued promissory note loans. This led to an overall reduction in cash and cash equivalents from € 119.4 million to € 59.5 million. In addition, PUMA SE has access to a syndicated credit line of € 350.0 million, which was not utilized as of the balance sheet date. This facility is used for general corporate financing, such as the financing of short-term, seasonal requirements from the purchase of goods.

OUTLOOK

In line with the Group forecast, PUMA SE expects an increase in sales of around 10% and a moderate increase in earnings before taxes for the financial year 2019.

RELATIONSHIPS WITH AFFILIATED COMPANIES

At the end of the dependent company report of the Management Board for the financial year 2018, the following statement was given: "Under the circumstances which were known to the Management Board 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".

FURTHER INFORMATION

INFORMATION CONCERNING TAKEOVERS

The following information, valid December 31, 2018, is presented in accordance with Art. 9 p. 1 c) (ii) of the SE Regulation 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 with a proportional amount in the statutory capital of € 2.56 per share. As of the balance sheet date, the Company held 130,994 treasury shares.

Shareholdings exceeding 10% of the voting rights (Sections 289a [1][1][3], 315a [1][1][3] HGB)
As of December 31, 2018, 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. and Kering S.A.). The shareholding of Kering S.A. in PUMA SE amounted to 15.7% of the share capital according to Kering's press release from May 16, 2018. The shareholding of Artémis S.A. and Kering S.A. amounts to 44.22% of the share capital according to their voting rights notification as of May 24, 2018.

Statutory provisions and regulations of the Articles of Association on the appointment and dismissal of the members of the Management Board and on amendments to the Articles of Association (Sections 289a [1][1][6], 315a [1][1][6] HGB)
Regarding the appointment and dismissal of the members of the Management Board, reference is made to the applicable statutory requirements of § 84 German Stock Corporation Act (AktG). Moreover, Section 7[1] of PUMA SE's Articles of Association stipulates that Management Board shall consist of two members in the minimum; the Supervisory Board determines the number of members in the Management Board. The Supervisory Board may appoint deputy members of the Management Board and appoint a member of the Management Board as chairperson of the Management Board. Members of the Management Board 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 Supervisory Board with a simple majority of the votes cast.

Amendments to the Articles of Association of the Company require a resolution by the Annual General Meeting. Resolutions of the Annual General Meeting require a majority according to 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 represented at the time the resolution is adopted). The Company has not made use of Section 51 SEAG.

Authority of the Management Board to issue or repurchase shares (Sections 289a [1][1][7], 315a [1][1][7] HGB)
The authority of the Management Board to issue shares result from Section 4 of the Articles of Association and from the statutory provisions:

Authorized Capital
The Management Board shall be authorized with the approval of the Supervisory Board to increase the share capital of the Company by up to EUR 15,000,000.00 by issuing, once or several times, new no par-value bearer shares against contributions in cash and / or kind until 11 April 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 Management 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 Management Board shall be authorized with the approval of the Supervisory Board 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 Management Board shall be entitled with the approval of the Supervisory Board to determine the remaining terms of the rights associated with the new shares as well as the conditions of the issuance of shares.

The Management Board of PUMA SE did not make use of the existing Authorized Capital in the current reporting period.

Conditional Capital
The Annual General Meeting of 12 April 2018 has authorized the Management Board until 11 April 2023 with the approval of the Supervisory Board to issue once or several times, in whole or in part, and at the same time in different tranches bearer and / or registered convertible bonds and / or bonds with warrants, and participation rights and / or participating bonds or combinations thereof with or without maturity restrictions in the total nominal amount of up to EUR 1,000,000,000.00 (Conditional Capital 2018).

The share capital is conditionally increased by up to EUR 7,722,219.52 by issue of up to 3,016,492 new no-par bearer shares. The conditional capital increase shall only be implemented to the extent that option / conversion rights are exercised or the option / conversion obligations are performed or tenders are carried out and to the extent that other forms of performance are not applied.

No use has been made of this authorization to date.

Authorization to purchase treasury 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 (chapter 18).

COMPENSATION REPORT

Management Board (Managing Directors until July 9, 2018)

Compensation for the Management Board (Managing Directors of the monistic PUMA SE until July 9, 2018), which is set by the Supervisory Board (Administrative Board of the monistic PUMA SE until July 9, 2018), 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 Management Board member, 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 Management Board members receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Management Board members in an equal manner and are included in the non-performance-based compensation. The fixed compensation for the three Management Board members amounted to € 2.3 million in the financial year (previous year: € 2.1 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 result (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 € 2.7 million (previous year: € 3.9 million).

Pro-rata provisions totaling € 5.8 million (previous year: € 8.4 million) were set up for the existing compensation program (virtual shares / monetary units) with long-term incentives (from the years 2016 to 2018) for Management Board members in financial year 2018 according to the vesting periods. The performance-based program is based on the medium-term performance of the PUMA SE share. The shares from the 2016 and 2017 programs that were based on the medium-term performance of the Kering SA share were valued as of the reporting date of 12 / 31 / 2017 and converted into virtual shares / monetary units of PUMA SE. Further information on this program can be found in chapter 19 of the Notes to the Consolidated Financial Statements.

For the financial year 2019, a new modern compensation program with a long-term incentive for Management Board members will be introduced, which is to be decided on by the Supervisory Board in early 2019.

Management Board members 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, PUMA allocated € 0.5 million for Management Board members (previous year: € 0.4 million). The present value of the pension benefits granted to active Management Board members in the amount of € 10.1 million as of December 31, 2018 (previous year: € 4.5 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

There were pension obligations to former members of the Management Board and their widows / widowers amounting to € 3.2 million (previous year: € 3.3 million) as well as contribution-based pension commitments in connection with deferred compensation of former members of the Management Board and Managing Directors amounting to € 10.6 million (previous year: € 10.3 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 Management Board and their widows / widowers amounted to € 0.2 million (previous year: € 0.2 million).

Supervisory Board (Administrative Board until July 9, 2018)

In accordance with the Articles of Association, the Supervisory Board (Administrative Board of the monistic PUMA SE until July 9, 2018) has at least three members; it currently consists of six members. The compensation of the Supervisory Board is comprised of a fixed and a performance-based component. The total fixed compensation amounted to € 0.2 million (previous year: € 0.3 million).

In conformity with § 15 of the Articles of Association, each Supervisory Board member receives a fixed annual compensation of € 25,000.00, which is payable at the end of the Annual General Meeting for the respective financial year. The fixed compensation is increased by an additional fixed annual amount of € 25,000.00 for the Chairman of the Supervisory Board, € 12,500.00 for the Vice Chairman of the Supervisory Board, € 10,000.00 for the Chairman of a committee and € 5,000.00 for each member of a committee. The definitive committees here are the Personnel Committee, the Audit Committee and the Sustainability Committee.

In addition to the fixed compensation, each Supervisory Board member receives annual performance-based compensation equal to € 20.00 for each € 0.01 by which the earnings per share figure as disclosed in the consolidated financial statements exceeds a minimum amount of € 16.00 per share. The performance-based compensation amounts to a maximum of € 10,000.00 per year. The Chairman of the Supervisory Board receives € 40.00 for every € 0.01 in profit per share and a maximum of € 20,000.00 per year, and the Deputy Chairman receives € 30.00 for every € 0.01 in profit per share and a maximum of € 15,000.00 per year. As earnings per share in the financial year are below the minimum amount, no performance-related remuneration is payable.

A member of the Supervisory Board who is only active for part of a financial year receives pro rata remuneration calculated on the basis of the period of activity determined for full months.

CORPORATE GOVERNANCE REPORT INCLUDING THE STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289F AND § 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 Management Board and the Supervisory Board 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 Management Board and the Supervisory Board 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) in conjunction with Section 289f and Section 315d HGB.

PUMA SE has the legal form of a European company (Societas Europaea, or SE). Being an SE headquartered in Germany, PUMA SE is subject to European and German law for SEs while remaining subject to German stock corporation law. As a company listed in Germany, PUMA SE adheres to the German Corporate Governance Code (DCGK).

Until July 9, 2018, PUMA SE had a monistic management system with an Administrative Board as the uniform management and control body. The managing directors managed the company's day-to-day business. After the former majority shareholder of the company, Kering S.A., had announced that it would distribute a portion of its PUMA shares, corresponding to approximately 70% of the share capital of PUMA SE, to the shareholders of Kering S.A. by means of a dividend in kind, the Annual General Meeting of PUMA SE on April 12, 2018 decided to replace the previous monistic management system with the dualistic management system consisting of the Management Board as the management body and the Supervisory Board as the supervisory body. The corresponding amendment to the Articles of Association took effect on July 9, 2018.

Statement of Compliance pursuant to Section 161 AktG for 2018:

In their Statement of Compliance the Management Board and the Supervisory Board of PUMA SE declare at least once a year whether the DCGK has been and is being observed. On November 9, 2018, the Management Board and the Supervisory Board declared that PUMA SE has complied and will comply with the recommendations of the DCGK (version dated February 7, 2017) since the last Statement of Compliance dated November 9, 2017, with the following exceptions and, if not, why not.

Exceptions to the Code's recommendations

- In derogation of No. 3.8 p. 3 of the Code, members of the Supervisory Board are provided with D&O insurance with no deductible. The Supervisory Board feels that it can dispense with a deductible for members of the Supervisory Board, because the D&O insurance is group insurance for people in Germany and abroad, and a deductible is fairly unusual abroad.

- According to No. 4.2.3 p. 2 s. 4 of the Code both positive and negative developments shall be taken into account when determining variable remuneration components. As regards negative developments this recommendation is deviated from, since the structure of the PUMA Monetary Unit Plan may not fully comply with the purpose of the recommendation, but it comes fairly close.

- In derogation of No. 4.2.3 p. 2 s. 6 of the Code the compensation of the members of the Management Board does not show the maximum amount limits in total or their variable compensation components. This is due to the fact that neither the existing PUMA Monetary Units Plans 2016 / 2017 / 2018 nor the PUMA Board Member Bonus Plan nor the discretionary extra bonus clause provide for a maximum amount.

- In derogation of No. 4.2.3 p. 2 s. 8 of the Code subsequent amendments to the performance targets or comparison parameters are not excluded. This provides the possibility to the Supervisory Board to react to extraordinary effects using its equitable discretion.

- According to No. 4.2.3 p. 3 of the Code the target level of pension benefits for every pension commitment shall be established by the Supervisory Board. Due to the defined contribution plans, PUMA does not comply with this recommendation.

- 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 until June 5, 2018. As part of the change of the governance structure from a monistic SE to a dualistic SE and the conclusion of new service agreements with the members of the Management Board, a limit has been included into the agreements. Insofar the Code recommendation has been fully met since the conclusion of the agreements on June 6, 2018.

- In accordance with the authorization by the Annual General Meeting on April 12, 2018, pursuant to Section 286 p. 5 HGB, the Company shall not publish the amounts of compensation for individual members of the Management Board until the authorization expires (Nos. 4.2.4 and 4.2.5 of the Code). The members of the Management Board 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 members of the Management Board is not included in the Compensation Report.

- In derogation of No. 5.4.6 p. 2 s. 2 of the Code, members of the Supervisory 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 12, 2018, 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 Supervisory 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.

Herzogenaurach, November 09, 2018

PUMA SE

For the Management Board		**For the Supervisory Board**
Bjørn Gulden	Michael Lämmermann	Jean-François Palus

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-learnings, 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 2018, all PUMA employees were instructed by the CEO of PUMA SE to complete an e-learning course on the Code of Ethics including modules on managing conflicts of interest, financial integrity and confidentiality. The clear tone from the top led to 99% of PUMA employees successfully completing the e-learning on the Code of Ethics.

The Management Board have overall responsibility for the proper functioning of the CMS. The Management Board is supported by a compliance organization consisting of a Chief Compliance Officer and compliance officers in the most important operational Group companies. The Audit Committee of the Supervisory 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. Among other things, the committee analyses and evaluates compliance risks and defines and adopts appropriate measures (policies, training courses, etc.).

After the separation from Kering PUMA introduced a new whistleblower platform operated by an external provider that is available to PUMA employees throughout the Group and to whom unethical, illegal or criminal activities can be reported - if desired, anonymously as well. The introduction of the new platform was communicated throughout the Group by the CEO and the communication was accompanied by appropriate information material. 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 Management Board and the Supervisory Board

PUMA SE has three bodies - the Management Board, the Supervisory Board and the Annual General Meeting.

MANAGEMENT BOARD

The Management Board of PUMA SE manages the company on its own responsibility with the goal of sustainable value creation. It develops PUMA's strategic orientation and coordinates it with the Supervisory Board. In addition, it ensures group-wide compliance with legal requirements and an effective risk management and internal control system.

The members of the Management Board are appointed by the Supervisory Board. The Supervisory Board has set a general age limit of 70 years for the members Management Board. The Management Board currently consists of three members and has a CEO. Further information on the areas of responsibility of the members of the Management Board can be found in the Notes to the Consolidated Financial Statements (last chapter).

The members of the Management Board are obliged to disclose conflicts of interest to the Supervisory Board without delay and to inform the other members of the Management Board accordingly. They may only assume secondary activities, in particular supervisory board and comparable mandates outside the PUMA Group, with the prior consent of the Supervisory Board. In the past fiscal year, the members of the Management Board of PUMA SE did not report any conflicts of interest.

The principles of cooperation of the Management Board of PUMA SE are set out in the Rules of Procedure for the Management Board, which can be viewed at **http://about.PUMA.com** under "Corporate Governance".

SUPERVISORY BOARD

The German Co-determination Act does not apply to PUMA SE as a European company. Rather, the size and composition of the Supervisory Board are determined by the Articles of Association of PUMA SE and the Agreement on the Involvement of employees in PUMA SE dated July 11, 2011 and its amendment dated February 7, 2018. The Supervisory Board of PUMA SE consists of six members, four of whom are shareholder representatives and two of whom are employee representatives. The term of office of the current Supervisory Board members ends at the end of the Annual General Meeting which resolves on the discharge of the members of the Supervisory Board for the financial year 2022. Further information on the members of the Supervisory Board can be found in the Notes to the Consolidated Financial Statements (last chapter).

The Supervisory Board monitors and advises the Management Board on the implementation of the strategy. It appoints the members of the Management Board and may dismiss them at any time for good cause. In addition, it decides on the remuneration system and determines the respective remuneration of the members of the Management Board. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of relevance to the Company relating to planning, business development, the risk situation, risk management and compliance. It deals with deviations in the course of business from the established plans and targets, stating the reasons. The Supervisory Board is involved by the Management Board in decisions of paramount importance for the company or beyond the ordinary course of business of PUMA SE and the PUMA Group.

ANNUAL GENERAL MEETING

The shareholders of PUMA SE exercise their rights, in particular their information and voting rights, at the Annual General Meeting. Each share has one vote. Our shareholders can exercise their voting rights themselves or through a proxy appointed by the company and bound by instructions. All documents and information on the Annual General Meeting are available on the website of PUMA SE.

Description of the working practices and the composition of the committees of the Supervisory Board

The Supervisory Board meets at least every three months. Meetings must also be held if the best interests of the Company so require or if a member of the Supervisory Board requests that the meeting be convened. The Supervisory Board has established three committees to perform its duties and receives regular reports on their work. The principles of cooperation of the Supervisory Board of PUMA SE and the duties of the committees are set out in the Rules of Procedure for the Supervisory 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 the Management Board members' employment contracts and for establishing policies for Human Resources and personnel development. The entire Supervisory Board decides on issues involving the Management Board members' 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 Supervisory 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 Supervisory 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. Inaddition, when the internal audit projects are completed, the Audit Committee shall receive the audit reports, which must also include any actions taken.

The Nominating Committee has three members, who may only be representatives of the shareholders on the Supervisory Board. The Nominating Committee proposes suitable shareholder candidates to the Supervisory 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).

Diversity Concept for the Supervisory Board

a) Objectives for the composition of the Supervisory Board

The Supervisory 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 Supervisory 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 Supervisory Board has set targets for his composition that have been fulfilled. In detail:

- The members of the Supervisory 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 Supervisory Board, the Supervisory 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 Supervisory Board.
- The Supervisory 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 Supervisory Board, Supervisory 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 Supervisory Board has determined a competence profile for the entire Board. It stipulates that the members of the Supervisory 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 e-commerce
- 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 Administrative or Supervisory 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 Supervisory 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)c(ii) of the SE Regulation (SE-VO) in connection with Section 76(4) and Section 111(5) AktG

The Supervisory Board has adopted the targets set by the Administrative Board for the proportion of women on the Supervisory Board, at the level of the Management Board and the two management levels below the Management Board. For the Supervisory Board of PUMA SE a target of 30% women was set; for the level of the Management Board a target of 20% was set, on the condition that the Management Board of PUMA SE consists of five or more members. The Supervisory Board adopted targets of 25% for the first management level below the Management Board 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 Management Board and to 40% for the second management level. All implementation deadlines run until October 31, 2021.

The current composition of the Supervisory Board largely implements the diversity concept. With regard to the target figure for the proportion of women on the Supervisory Board, targets have been set to be achieved by October 31, 2021.

Diversity Concept for the Management Board

The Supervisory Board and the Management Board promote an agile, open corporate culture in which the advantages of diversity are consciously utilized and everyone can freely unfold their potential for the best of the company. PUMA strives to fill Management Board positions and senior management positions primarily with people developed within the company.

The Supervisory Board's decision regarding a particular appointment to the Management Board is always taken in consideration of the Company's best interests based on the professional and personal suitability of the candidate. It must be ensured that the members of the Management Board as a whole have the knowledge, skills and experience required for the best possible fulfillment of the tasks of a member of the Management Board of a sporting goods manufacturer such as PUMA. It is not necessary for every member of the Management Board to reflect all technical requirements of all areas of the Management Board. The diversity concept for the Management Board therefore stipulates that gender, internationality, age, educational background and experience must be taken into account in its composition:

- Gender

PUMA aims to have 20% women on the Management Board by October 31, 2021, provided that the Board has five or more Management Board members. In order to achieve this goal, the Management Board ensures that an appropriate proportion of female candidates are included on the succession lists within the framework of the internal global management structure for the development of junior staff for the Management Board. In the future, the participation of women in the Management Board is to be guaranteed in the event of a necessary replacement, in particular by giving special consideration to women in various equally qualified candidates. Insofar as external candidates are to be appointed, suitably qualified female candidates shall be considered in particular. The same applies to the filling of management functions. In order to involve women even more in management functions in the future, PUMA promotes the compatibility of family and career, for example through part-time and half-day models as well as flexible working hours and the provision of childcare places.

• Internationality

PUMA is a globally operating company. An appropriate number of board members must therefore have international experience either due to their origin or due to their many years of professional experience abroad.

• Age

The Supervisory Board ensures a balanced age structure in the Management Board. This is important to ensure the continuity of the Management Board's work and to facilitate smooth succession planning. In principle, members of the Management Board may not be older than 70 years.

• Training and experience background

With regard to the educational and professional background, the selection of Management Board members should be based on the competencies required in the PUMA Management Board in general as well as for the respective Management Board with regard to corporate management, strategy development, finance and accounting, supply chain, sales and HR. The same criteria apply here as were developed for the competence profile of the Supervisory Board. These competencies do not have to be acquired as part of university studies or other educational training, but may also have been acquired in other ways within or outside PUMA.

The current composition of the Management Board largely implements the diversity concept. With regard to the target figure for the proportion of women on the Management Board, targets have been set for the period up to 31 October 2021.

Directors' Dealings

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

RISK AND OPPORTUNITY REPORT

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, adverse effects for the company up to and including any threat to the continued existence of the company. Similarly, an opportunity is defined as one or more events with unplanned, positive consequences for the company.

The members of the PUMA SE Management Board, who acted as managing directors through July 2018, 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 management system, thereby acting as the first point of contact for risk report preparation. The task of operationally coordinating and implementing the Group-wide risk management system has been transferred to Group Internal Audit & GRC (Governance, Risk Management & Internal Control). Opportunity management is not part of risk management. Individual interviews (risk interviews) are conducted with select executives at the management level below the Management Board (risk owners) throughout the company at regular intervals (currently twice a year). The objective of these interviews is to systematically identify, validate and categorize risks and record countermeasures. 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 Management Board. The position of RMC Chairman is always filled by a member of the Management Board. The results of the RMC meetings are reported to the Audit Committee (sub-committee of the Supervisory 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 a Group that operates internationally, 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, such as in connection with a disorderly Brexit, 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 developments and possible changes of legal framework conditions which are continuously monitored 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 become 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 manages brand image risks in particular through cooperation with brand ambassadors who embody the core of the brand and PUMA's brand values ("courageous", "confident", "determined" and "fun-loving"), and have a large potential for influencing PUMA's target group. PUMA has therefore strengthened its position as a sports brand through its partnerships with top athletes such as sprint legend Usain Bolt, star striker Antoine Griezmann and Formula One star Lewis Hamilton. In football, PUMA entered into long-term sponsorship agreements with leading clubs such as Borussia Mönchengladbach, Olympique Marseille and AC Milan in 2018. PUMA's return to basketball in 2018 is also in this context. PUMA reaches young trendsetters via brand ambassadors and collaborations from the cultural and fashion scene, such as Jay-Z, Cara Delevingne and Selena Gomez.

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 brands, 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 in China, Vietnam, Bangladesh and India. Production in these countries and transport to distribution countries is associated with significant risks for PUMA. For instance, certain risks may result from factors such as exchange rate fluctuations, changes in taxes and customs duties or trade restrictions, but also natural disasters and political instability, as well as the international threat of terrorism.
Moreover, risks may 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. Generally, long-term master framework agreements are agreed upon to secure production capacities required in the future.
Furthermore, there is a risk that suppliers will violate core ILO (International Labour Organization) labor standards, not comply with environmental standards or use hazardous chemicals in production. This would violate PUMA requirements to suppliers and also result in negative reporting. Adherence to applicable standards is ensured through regular audits of supplier companies.
Climate change and increasing customer requirements with regard to sustainability are leading to a stronger ecological focus both in our own locations and along the production and supply chain. More efficient use of resources as well as minimization of CO_2 emissions and use of sustainable materials in production are expressions of PUMA's sustainability strategy.

Product and Market Environment

The risk posed by market-specific product influences, in particular the risk of substitutability in the highly competitive sport and lifestyle market is decisively countered by the early recognition and taking advantage of relevant consumer trends. Only those companies that identify these trends at an early stage will be able to gain an edge over their competitors.
Targeted investments in product design and product development are to ensure 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. PUMA is focusing, for example, on the expansion and improvement of the product range for women as part of the "The future is female" initiative.

Retail and e-commerce

PUMA operates various distribution channels (including traditional trade, PUMA's own retail stores and e-commerce platforms) in order to reduce the dependency on individual distribution paths. The focus on the company's own retail stores and its own e-commerce platforms should furthermore ensure that PUMA products are presented exclusively in the desired brand environment. Distribution through the company's own retail stores and e-commerce 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 have an adverse impact on profitability should business decline. On the other hand, extending the value chain can deliver higher gross profit margins and provide better control over distribution. In addition, PUMA-owned retail stores can deliver the PUMA brand experience directly to the end customer.
In order 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 reporting and controlling system, negative trends can be detected early on, and the countermeasures required to manage individual stores can be taken accordingly. In e-commerce, global activities are harmonized and investments in the IT platform are made to further optimize purchase transaction settlement and further improve 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 "Global Stakeholder Dialogues" which take place regularly.

Organizational Challenges and Project Risks

The organizational structure of PUMA with the Group's headquarters in Herzogenaurach, a central sourcing organization and globally positioned distribution companies, gives the Group a global orientation. This results in a risk for PUMA that the flows 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

The creative potential and commitment and performance of PUMA employees are important factors for the success of any business and the source of significant opportunities as well. PUMA encourages independent thinking and action, which are key in an open corporate culture with flat hierarchies.

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 requirements of its corporate strategy.

Legal Risks

As an internationally operating Group, PUMA 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 contractual obligations and the integration of internal and external legal experts in contractual matters is to 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, such as corruption prevention and cartel law and corresponding guidelines are introduced in the Group. PUMA employees also have access to an integrity system 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 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. As of the end of 2018, the net requirements for the 2019 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 and 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.

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 result to a lesser extent from the counterparty's other contractual financial obligations such as bank deposits and derivative financial instruments.

Liquidity Risk
PUMA continually analyzes short-term funding requirements through rolling cash flow planning at the level of the individual companies in coordination with the central treasury department. In order to ensure solvency, financial flexibility and a strategic liquidity cushion at all times, a liquidity reserve is maintained in the form of cash and confirmed credit lines.
In 2018, the PUMA Group implemented an independent financing concept after the distribution of the majority shareholding of Kering S.A. A syndicated credit line of € 350.0 million was taken out for this purpose. The syndicated credit line was not utilized as of December 31, 2018.
To finance medium and long-term funding requirements that cannot be covered directly from the cash flow from operating activities, promissory note loans were issued for the first time in July 2018 in four tranches, one tranche each with a variable and fixed coupon over 3 years (total € 100.0 million) and one tranche each over 5 years (total € 60.0 million).

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. In 2018, there was no material change in the assessment of the risk situation. The Management assumes that, in an overall assessment of the company's risk situation, the risks are limited and manageable. Due to the extremely solid balance sheet structure, in particular the high equity ratio and the positive business outlook, the management does not see any substantial threat to 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 Management Board is responsible for the preparation and accuracy of the annual financial statements, the consolidated financial statements and the combined management report of PUMA SE. 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), the German Stock Corporation Act (AktG) and the German SE Implementation Act (SEAG). Certain disclosures and amounts are based on current estimates made by management and the Management Board.

The company's Management Board is 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 Supervisory Board's Audit Committee meets regularly with the independent, statutory auditors, the Management Board, 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 Supervisory Board 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 the PUMA Group.

Mr. Lars Radoor Sørensen has resigned as a member of the Management Board of PUMA SE with effect from January 31, 2019. With effect from February 1, 2019, the Supervisory Board of PUMA SE appointed Ms. Anne-Laure Descours to the Management Board as Chief Sourcing Officer.

OUTLOOK

Global Economy

After the global economy slowed down in 2018, the experts of the Kiel Institute for World Economy (IFW Kiel), in their winter forecast of December 11, 2018, expect the global gross domestic product (GDP) to rise by 3.4% in 2019. This corresponds to a slight decline of 0.3% on the GDP forecast for 2018. The pace of expansion is expected to slow slightly in 2019, both in the advanced economies and in the emerging markets. Risks for the growth outlook lie in particular in an intensification of trade conflicts, a disorderly Brexit and a further tightening of monetary policy in the United States of America. Experts' forecasts, however, predict that a solution for the trade disputes will be found and there will therefore be no significant slowdown in economic development over the course of the year 2019.

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 2019. It can be assumed that the trend for sporting activities and a healthy lifestyle will continue and the demand for sporting goods will therefore also continue to rise.

Outlook 2019

Our business developed strongly in 2018, both in terms of sales and profitability. We are confident that the positive development will continue in 2019.

For the full year 2019, we therefore expect currency-adjusted sales growth of around 10%. We forecast the gross profit margin to show a slight improvement compared to last year (2018: 48.4%) and operating expenses (OPEX) to increase at a slightly lower rate than sales. Based on the current exchange rate levels, management expects an operating result (EBIT) for the financial year 2019 in a range between € 395 million and € 415 million (2018: € 337.4 million). Management also expects a significant improvement of net earnings in 2019.

The new accounting standard relating to lease accounting (IFRS 16), which is effective since January 1, 2019, leads to a capitalization of the operating leases on the balance sheet (approximately € 618 million on January 1st, 2019). The outlook for the operating result (EBIT) in a range of € 395 million to € 415 million (see above) includes a positive effect of approximately € 16 million caused by the new accounting standard. This effect on the operating result is composed of a decrease in rental expenses of approximately € 153 million and an increase in depreciation for leases of approximately € 137 million. Taking into account further interest and deferred tax effects of IFRS 16, the estimated impact on net earnings in 2019 is a negative amount of approximately € 7 million.
Please refer to the Notes to the Consolidated Financial Statements, Chapter 1 General, for a detailed description of the new accounting standards and the effects of the first-time application of IFRS 16 Leases.

Investments

Investments in fixed assets of around € 200 million are planned for 2019. The majority of these investments will be in infrastructure in order to create the operating requirements for the planned long-term growth. The increase compared with the investments in 2018 mainly relates to planned investments in our own distribution and logistics centers. Further investments will also be made in the expansion and modernization of the Group's own retail stores.

Foundation for Long-Term Growth

The Management Board and the Supervisory Board have set the long-term strategic priorities. Action plans are being implemented in a targeted and value-oriented manner. The management believes that the corporate strategy FOREVER FASTER provides the basis for medium- and long-term positive development. We therefore confirm our medium-term target of an average annual growth rate of currency-adjusted sales of around 10% (CAGR) and the achievement of a 10% EBIT margin by 2021 / 2022.

Herzogenaurach, January 30, 2019

The Management Board

Bjørn Gulden   Michael Lämmermann   Lars Radoor Sørensen

This is a translation of the German version.
In case of doubt, the German version shall apply.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

T.1 **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (in € million)

ASSETS	Notes	12 / 31 / 2018	12 / 31 / 2017
Cash and cash equivalents	3	463.7	415.0
Inventories	4	915.1	778.5
Trade receivables	5	553.7	503.7
Income tax receivables	23	33.9	26.8
Other current financial assets	6	111.2	66.7
Other current assets	7	115.2	94.1
Current assets		**2,192.8**	**1,884.8**
Deferred income taxes	8	207.6	207.9
Property, plant and equipment	9	294.6	260.1
Intangible assets	10	437.5	412.9
Investments in associates	11	0.0	16.6
Other non-current financial assets	12	65.4	51.7
Other non-current assets	12	9.4	19.8
Non-current assets		**1,014.4**	**969.0**
TOTAL ASSETS		**3,207.2**	**2,853.8**

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	12 / 31 / 2018	12 / 31 / 2017
Current financial liabilities	13	20.5	29.0
Trade payables	13	705.3	646.1
Income taxes	23	68.0	54.7
Other current provisions	16	39.6	86.2
Other current financial liabilities	13	57.2	94.9
Other current liabilities	13	304.6	145.5
Current liabilities		**1,195.2**	**1,056.5**
Deferred income tax liabilities	8	47.7	37.6
Pension provisions	15	28.9	29.7
Other non-current provisions	16	26.3	34.6
Liabilities from acquisitions	17	3.3	4.8
Other non-current financial liabilities	13	180.7	30.9
Other non-current liabilities	13	2.9	3.0
Non-current liabilities		**289.7**	**140.7**
Subscribed capital	18	38.6	38.6
Group reserves	18	146.8	50.7
Retained earnings	18	1,546.7	1,566.1
Treasury stock	18	-28.9	-30.0
Equity attributable to the shareholders of the parent		**1,703.3**	**1,625.5**
Non-controlling interests	18	18.9	31.2
Shareholders' equity		**1,722.2**	**1,656.7**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,207.2**	**2,853.8**

CONSOLIDATED INCOME STATEMENT

T.2 **CONSOLIDATED INCOME STATEMENT** (in € million)

	Notes	2018	2017
Sales	20, 26	**4,648.3**	**4,135.9**
Cost of sales	26	-2,399.0	-2,181.5
Gross profit	26	**2,249.4**	**1,954.3**
Royalty and commission income		16.3	15.8
Other operating income and expenses	21	-1,928.4	-1,725.6
Operating income (EBIT)		**337.4**	**244.6**
Result from associated companies	22	-1.5	1.6
Financial income	22	11.6	10.3
Financial expenses	22	-34.1	-25.3
Financial result		**-24.0**	**-13.4**
Earnings before taxes (EBT)		**313.4**	**231.2**
Taxes on income	23	-83.6	-63.3
Consolidated net earnings for the year		**229.8**	**168.0**
attributable to:			
Non-controlling interest	18	-42.4	-32.2
Equity holders of the parent (net earnings)		**187.4**	**135.8**
Earnings per share (€)	24	12.54	9.09
Earnings per share (€)-diluted	24	12.54	9.09
Weighted average shares outstanding (million)	24	14.947	14.943
Weighted average shares outstanding, diluted (million)	24	14.947	14.943

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

T.3 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** (in € million)

	After tax 2018	**Tax impact 2018**	**Before tax 2018**	After tax 2017	Tax impact 2017	Before tax 2017
Net earnings before attribution	**229.8**		**229.8**	**168.0**		**168.0**
Currency changes	-11.7		-11.7	-114.9		-114.9
Cashflow hedge						
Release to the income statement	42.9	-3.5	46.4	-43.8	0.1	-43.9
Market value for cashflow hedges	35.6	-1.6	37.2	-55.0	4.2	-59.1
Neutral effects of available-for-sale financial assets*				3.8	0.0	3.8
Share in the other comprehensive income of at equity accounted investments	-0.2		-0.2	-0.4		-0.4
Items expected to be reclassified to the income statement in the future	**66.7**	**-5.1**	**71.8**	**-210.3**	**4.2**	**-214.5**
Remeasurements of the net defined benefit liability	0.3	-0.3	0.6	1.0	-0.3	1.3
Neutral effects financial assets through other comprehensive income (FVTOCI) *	9.1	0.0	9.1			
Items not expected to be reclassified to the income statement in the future	**9.4**	**-0.3**	**9.7**	**1.0**	**-0.3**	**1.3**
Other result	**76.1**	**-5.4**	**81.5**	**-209.3**	**3.9**	**-213.2**
Comprehensive income	**305.9**	**-5.4**	**311.3**	**-41.4**	**3.9**	**-45.2**
attributable to:						
Non-controlling interest	43.4		43.4	29.2		29.2
Equity holder of the parent	262.5	-5.4	267.8	-70.6	3.9	-74.5

* Due to the first-time application of IFRS 9, the line "Neutral effects of available-for-sale financial assets" in the statement of comprehensive income was allocated to those components that will not be reclassified to the income statement in the future and renamed "Neutral effects of financial assets in the FVTOCI category". Prior year figures have not been adjusted.

CONSOLIDATED STATEMENT OF CASHFLOWS

T.4 **CONSOLIDATED STATEMENT OF CASHFLOWS** (in € million)

	Notes	2018	2017*
Operating activities			
Earnings before tax (EBT)		313.4	231.2
Adjustments for:			
Depreciation	9, 10	81.5	70.4
Non-realized currency gains / losses, net		-15.7	15.7
Result from associated companies	11	1.5	-1.6
Financial income	22	-11.3	-10.1
Financial expenses	22	19.7	18.5
Changes from the sale of fixed assets		1.0	1.7
Changes to pension accruals	15	-0.6	-0.4
Other non-cash effected expenses / income		8.6	5.6
Gross Cashflow	27	**398.0**	**330.9**
Changes in receivables and other current assets	5, 6, 7	-61.2	-92.8
Changes in inventories	4	-122.8	-117.2
Changes in trade payables and other current liabilities	13	146.0	159.4
Cash inflow from operating activities		**360.1**	**280.3**
Dividends received	11, 12	0.9	1.0
Income taxes paid	23	-82.9	-42.6
Net cash from operating activities	27	**278.1**	**238.8**
Investing activities			
Proceeds from the sale of long-term shareholdings	11	23.5	0.0
Purchase of property and equipment	9, 10	-130.2	-122.9
Proceeds from sale of property and equipment		1.5	12,6
Payment for other assets	12	-3.6	-1.7
Interest received	22	3.5	1.8
Cash outflow from investing activities		**-105.3**	**-110.3**
Financing activities			
Changes in leasing liabilities	13	-1.8	-0.2
Raising / (-) Repayment of current financial liabilities	13	-16.6	-12.1
Raising of non-current financial liabilities	13	145.2	15.4
Dividend payments to equity holders of the parent	18	-186.8	-11.2
Dividend payments to non-controlling interests	18	-55.7	-13.4
Interest paid	22	-12.6	-11.6
Other changes		0.0	-2.0
Cash outflow from financing activities	27	**-128.3**	**-34.9**
Exchange rate-related changes in cashflow		4.2	-5.3
Change in cash and cash equivalents		**48.7**	**88.3**
Cash and cash equivalents at beginning of the financial year		415.0	326.7
Cash and cash equivalents at the end of the financial year	3, 27	**463.7**	**415.0**

* Prior-year figures adjusted, see Notes to the Consolidated Financial Statements chapter 27 (Notes to the Cash flow statement)

STATEMENT OF CHANGES IN EQUITY

T.5 **STATEMENT OF CHANGES IN EQUITY** (in € million)

	Subscribed capital	Reserves					Retained earnings	Treasury stock	Equity before non-controlling interests	Non-controlling interests	TOTAL equity
		Capital reserve	Revenue reserves	Difference from currency conversion	Cash flow hedges	At equity accounted investments					
12 / 31 / 2016	**38.6**	**193.7**	**55.6**	**-100.9**	**54.3**	**0.5**	**1,496.6**	**-31.4**	**1,706.9**	**15.3**	**1,722.2**
Net Earnings							**135.8**		**135.8**	32.2	168.0
Net income directly recognized in equity			4.8	-111.7	-99.1	-0.4			**-206.4**	-2.9	-209.3
Total comprehensive income			**4.8**	**-111.7**	**-99.1**	**-0.4**	**135.8**		**-70.6**	**29.2**	**-41.4**
Dividends paid to equity holders of the parent company / non-controlling interests							**-11.2**		**-11.2**	-13.4	-24.6
Transfers to revenue reserves			55.0				**-55.0**				
Repurchase of equity instruments		-1.8							**-1.8**		-1.8
Utilization / Issue of shares		0.8						1.4	**2.2**		2.2
12 / 31 / 2017	**38.6**	**192.6**	**115.3**	**-212.6**	**-44.8**	**0.2**	**1,566.1**	**-30.0**	**1,625.5**	**31.2**	**1,656.7**
Net Earnings							**187.4**		**187.4**	42.4	229.8
Net income directly recognized in equity			9.4	-13.0	78.8	-0.2			**75.0**	1,1	76,1
Total comprehensive income			**9.4**	**-13.0**	**78.8**	**-0.2**	**187.4**		**262.5**	**43.4**	**305.9**
Dividends paid to equity holders of the parent company / non-controlling interests							**-186.8**		**-186.8**	-55.7	-242.5
Transfers to revenue reserves			20.0				**-20.0**				
Repurchase of equity instruments											
Utilization / Issue of shares		1.0						1.1	**2.2**		2.2
12 / 31 / 2018	**38.6**	**193.6**	**144.7**	**-225.6**	**34.1**	**-0.0**	**1,546.7**	**-28.9**	**1,703.3**	**18.9**	**1,722.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Under the "PUMA" brand name, PUMA SE and its subsidiaries are engaged in the development and sale of a broad range of sports and sports lifestyle products, including footwear, apparel and accessories. The company is a European stock corporation (Societas Europaea / SE) and parent company of the PUMA Group; its registered office is on PUMA WAY 1, 91074 Herzogenaurach, Germany. The competent registry court is in Fürth (Bavaria), the register number is HRB 13085.

The consolidated financial statements of PUMA SE and its subsidiaries (hereinafter shortly referred to as the "Group" or "PUMA") were prepared in accordance with the "International Financial Reporting Standards (IFRS)" accounting standards issued by the International Accounting Standards Board (IASB), as they are to be applied in the EU, and the supplementary accounting principles to be applied in accordance with Section 315e (1) of the German Commercial Code. The IASB standards and interpretations, as they are to be applied in the EU, which are mandatory for financial years as of January 1, 2018, have been applied.

The preparation of the consolidated financial statements was based on historical acquisition and manufacturing costs, with the exception of the profit or loss assessment of financial assets and liabilities at fair value.

The items contained in the financial statements of the individual Group companies are measured based on the currency that corresponds to the currency of the primary economic environment in which the company operates. The consolidated financial statements are prepared in Euros (EUR or €). The presentation of amounts in millions of Euros with one decimal place may lead to rounding differences since the calculation of individual items is based on figures presented in thousands.

The cost of sales method is used for the income statement.

The following new and amended standards and interpretations have been used for the first time in the current financial year:

T.6

Standard	Title
First-time adoption in the current financial year	
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the associated Clarifications
Amendment IAS 40	Transfers of Investment Property
Amendment IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendment IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRIC 22	Foreign Currency Transactions and Advance Consideration
AIP 2014-2016	Annual Improvements to IFRS Standards

The standards and interpretations used for the first time as of January 1, 2018 had the following effects on the consolidated financial statements:

Adoption of IFRS 9-Financial Instruments

In the past financial year, PUMA adopted the new standard IFRS 9 Financial Instruments (as amended in July 2014) and the associated amendments to other IFRS standards. In accordance with the transition rules of IFRS 9, the previous year's figures were not adjusted. In relation to the accounting of hedge relationships, PUMA made use of the elective right to continue applying the rules of IAS 39 for hedge accounting.

The first-time adoption of IFRS 9 in the past financial year had no significant effect on the asset, financial and earnings position of the PUMA Group.

IFRS 9 contains regulations for the recognition, measurement and derecognition of financial instruments. Thus the accounting of financial instruments that was previously performed under IAS 39 (Financial instruments: recognition and measurement) was replaced in the current financial year by accounting under IFRS 9. This includes, among other things, a new impairment model based on expected credit defaults.

Under IFRS 9, the subsequent measurement of financial instruments is carried out according to the classification at "amortized cost" (AC), at "fair value through profit or loss" (FVPL) or at "fair value through other comprehensive income" (FVOCI). The classification is based on two criteria: the Group's business model for asset management and the question whether the contractual cash flows of the financial instruments represent "exclusively payments of principal and interest" toward the outstanding principal amount. The evaluation of the Group's business model was carried out at the date of first-time adoption, January 1, 2018. The judgment of whether the contractual cash flows from debt instruments consist solely of principal and interest was made based on the facts and circumstances at the date of initial recognition of the assets.

The first-time adoption of IFRS 9 had no effect on the opening balance as of January 1, 2018.

The following table shows an overview of the classification and measurement of financial assets under IAS 39 in comparison to IFRS 9. There were no changes with respect to the measurement.

T.7

Financial assets	**IAS 39**		**IFRS 9**	
	Category	Measurement	Business model	Measurement
Cash and Cash Equivalents	Loans and Receivables (LAR)	Amortized Cost	Hold	Amortized Cost
Trade Receivables	Loans and Receivables (LAR)	Amortized Cost	Hold	Amortized Cost
Other Financial Assets	Loans and Receivables (LAR)	Amortized Cost	Hold	Amortized Cost
Non-Current Investments	Available for Sale (AfS)	Fair Value Through Other Comprehensive Income (FVOCI)	Hold and Sell	Fair Value Through Other Comprehensive Income (FVOCI)

The categories "Held to Maturity" (HtM) and "Assets at fair value through profit or loss" (AFV) have not been used at PUMA so far. Accordingly, there are no financial instruments to be assigned in the past financial year to the business model "Sell" and measured under IFRS 9 at "fair value through profit or loss" (FVPL).

For non-current investments (equity instruments), IFRS 9 continues to allow measurement at fair value through other comprehensive income (FVOCI). But if these investments are sold or written down, the unrealized gains and losses from these investments as of this date are to be transferred in future to retained earnings under IFRS 9 and not posted to the income statement as previously specified in IAS 39.

The classification and measurement of financial liabilities under IFRS 9 is carried out largely with the same specifications as under IAS 39. The Group has so far not measured any "liabilities at fair value through profit or loss" (LFV). Accordingly, there were no changes in relation to the classification and measurement of the financial liabilities.

With respect to the new impairment model of IFRS 9 for the value adjustment of debt instruments, there was no major change in the amount of the value adjustments, since PUMA particularly holds current trade receivables. These trade receivables do not include interest components and, in most cases, credit insurance is in place to limit the amount of the anticipated loss. Accordingly, it was not necessary to adjust the amount of the value adjustments in the opening balance as of January 1, 2018.

The introduction of IFRS 9 led to changes in IFRS 7 and required additional disclosures in the Notes to the Consolidated Financial Statements.

Adoption of IFRS 15-Revenue from Contracts with Customers

In the past financial year, PUMA adopted for the first time the new standard IFRS 15 Revenue from Contracts with Customers (as amended in April 2016). In accordance with the transition rules of the modified retrospective approach in IFRS 15, the previous year's figures were not adjusted.

IFRS 15 prescribes when and in what amount revenues are to be recognized. The standard provides a single, principle-based, five-step model that applies to all contracts with customers. The date of revenue recognition will be determined by the transfer of control to the customer. In each case, a check must be carried out as to whether the power of disposition is transferred to the customer on a period or specific time basis.

In the course of the first-time adoption of IFRS 15, no significant changes were identified in relation to the date and amount of revenue recognition. For revenues from the sale of products, there were no conversion effects, since control is generally transferred to the customer when the products are delivered and revenues and income continue to be recognized at this point in time. There were likewise no changes from the accounting treatment of the granting of trademark rights, since the previous accounting approach matched the rules of IFRS 9. In addition, PUMA has not entered into any long-term contracts and multi-component agreements.

The changed recognition and measurement methods with respect to revenue recognition are described in chapter 2 of the Notes in the paragraph on "Recognition of Sales Revenues." Apart from additional disclosures in the Notes regarding the sales revenues, the adoption of IFRS 15 in the past financial year had no significant effect on the asset, financial and earnings position of the PUMA Group.

The effect of the first-time adoption of IFRS 15 in the past financial year on individual relevant items of the financial statements is explained below.
The change in the balance-sheet presentation of refund liabilities led to a transfer on the liabilities side of € 50.2 million from the Other Current Provisions to the Other Current Liabilities. Moreover, this led to a rise in inventories in the amount of € 27.2 million with no effect on income; these now also include customers' product refund claims. On the liabilities side, this likewise led to an increase in the Other Current Liabilities. As a result, there was an increase of € 27.2 million in total assets and liabilities with the first-time adoption as of January 1, 2018.

Another effect of the first-time adoption of IFRS 15 is related to the presentation of customer bonuses, which were previously recognized under Trade Liabilities and now are likewise assigned to the Other Current Liabilities as part of the refund liabilities. As a result, there was a transfer of € 46.8 million with the first-time adoption as of January 1, 2018.

The amounts of the refund claim and the refund obligation as of December 31, 2018 are indicated separately in the Notes.

There was no effect on equity in the opening balance as of January 1, 2018 due to the first-time adoption of IFRS 15.

The effects on the relevant items of the financial statements as of January 1, 2018 are comprised as follows:

T.8 (in € million)

Effects as of 1 / 1 / 2018	As previously reported	IFRS 15 Transfers	Adjusted
Assets			
Inventories	778.5	+27.2	805.7
Current liabilities			
Trade liabilities	646.1	-46.8	599.4
Other current provisions	86.2	-50.2	36.0
Other current liabilities	145.5	+124.3	269.8
Shareholders' equity	1,656.7	0.0	1,656.7

The first-time adoption of IFRS 15 in the past financial year led in specific cases to a different presentation of payments to customers in the income statement. Such payments to customers were henceforth recognized as a reduction in sales revenues rather than as an increase in operating expenses. In total, payments to customers amounting to € 25.3 million were thus recognized differently in the income statement. This did not have a significant effect on the PUMA Group's earnings position.

In addition, due to the first-time adoption of IFRS 15, more comprehensive disclosures in the notes to the financial statements were required in order to provide more informative and relevant information to users of the financial statements than previously. The required breakdown of revenues from contracts with customers can be found in chapter 20 of the Notes to the Consolidated Financial Statements.

The first-time adoption of the other standards and interpretations applicable as of January 1, 2018 did not have any effect on the consolidated financial statements.

The following standards and interpretations have been released, but will only take effect in later reporting periods and are not applied earlier by the Group:

T.9

Standard	Title	Date of first-time adoption*	Planned adoption
Endorsed			
IFRS 16	Leases	1 / 1 / 2019	1 / 1 / 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 / 1 / 2019	1 / 1 / 2019
Amendment IFRS 9	Prepayment Features with Negative Compensation	1 / 1 / 2019	1 / 1 / 2019
Endorsement pending			
Amendment IAS 19	Plan Amendment, Curtailment or Settlement	1 / 1 / 2019	1 / 1 / 2019
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures	1 / 1 / 2019	1 / 1 / 2019
AIP 2015-2017	Annual Improvements to IFRS Standards	1 / 1 / 2019	1 / 1 / 2019
Amendments to the Conceptual Framework	Revised Conceptual Framework	1 / 1 / 2020	1 / 1 / 2020
Amendments to IFRS 3	Definition of a Business	1 / 1 / 2020	1 / 1 / 2020
Amendments to IAS 1 and IAS 8	Definition of Materiality	1 / 1 / 2020	1 / 1 / 2020
IFRS 17	Insurance Contracts	1 / 1 / 2021	1 / 1 / 2021

* Adjusted by EU endorsement, if applicable

The new standard **IFRS 16** Leases will mean that, in the future, all leases will have to be capitalized in the balance sheet in form of a right of use asset and a corresponding leasing liability. In all cases, the presentation in the income statement is made as a financing transaction, i.e. the right of use is generally depreciated on a straight-line basis and the lease liability is carried forward using the effective interest method.

The new standard is to be applied for financial years beginning on or after January 1, 2019. With regard to the first-time adoption, PUMA has decided to apply the modified retrospective method. Thus, there was no adjustment of the previous year's figures. In addition, PUMA has decided to utilize the application facilitation for short-term leases with a term of less than 12 months and leased assets of low value.

PUMA mainly concludes leasing contracts as an operating lessee. The application of IFRS 16 results in the following effects on the presentation of the Group's asset, financial and earnings position: With regard to the minimum rental payments for operating lease agreements, which are shown under Other Financial Obligations, the adoption of IFRS 16 will lead to an increase in non-current assets due to the balance-sheet recognition of rights of use. Accordingly, financial liabilities will increase as a result of the recognition of the corresponding liabilities. This will therefore lead to a significant increase in balance sheet total and a corresponding reduction in the equity ratio of the PUMA Group. In addition, the nature of the expenses arising from these leases will change, as IFRS 16 replaces the operating lease expenses previously recognized on a straight-line basis with depreciation of rights of use and interest expenses for liabilities. This will therefore have a positive effect on operating result (EBIT) in the income statement. In addition, IFRS 16 requires the repayment share of lease payments that are not classified as short-term or low-value leases to be shown as part of the cash flow from financing activities, with the result that the cash flow from operating activities will improve.

The present operating lease volume is shown in the Notes under chapter 28 (Other Financial Obligations: Obligations from Operating Lease). It is expected that the conversion effect will mainly affect the properties leased by PUMA (retail, offices and warehouses). A provisional quantitative estimate shows that in this regard as of January 1, 2019 the Group will record a right of use on the balance sheet in the amount of € 618 million and a corresponding lease liability. The provisional effects on the income statement in the financial year 2019, taking into account further lease contracts that will be entered into in 2019, show a reduction in lease expenses by around € 153 million, an increase in amortizations by around € 137 million and an increase in interest expenses by around € 26 million.

Under IAS 17, all lease payments for operating leases were recognized under Cash Flow from Operating Activities. The adoption of IFRS 16 in the financial year 2019 will lead to an increase of around € 145 million in Cash Flow from Operating Activities and an equivalent reduction in Cash Flow from Financing Activities.

The company does not anticipate the remaining standards mentioned above to have a significant impact on the consolidated financial statements.

2. SIGNIFICANT CONSOLIDATION, ACCOUNTING AND VALUATION PRINCIPLES

Consolidation Principles

The consolidated financial statements were prepared as of December 31, 2018, the reporting date of the annual financial statements of the PUMA SE parent company, on the basis of uniform accounting and valuation principles according to IFRS, as applied in the EU.

Subsidiaries are companies in which the Group has existing rights that give it the current ability to direct the relevant activities. The main activities are those that have a significant influence on the profitability of the company. Control is therefore considered to exist if the Group is exposed to variable returns from its relationship with a company and has the power to govern those returns through its control of the relevant activities. As a rule, control is based on PUMA's direct or indirect majority of the voting rights. Consolidation begins at the point in time from which control is possible. It ends when this no longer exists.

The capital consolidation of the subsidiaries acquired after January 1, 2005 is based on the acquisition method. Upon initial consolidation, the assets, debts and contingent liabilities that can be identified as part of a business combination are stated at their fair value as of the acquisition date, regardless of the non-controlling interests. At the time of the acquisition, there is a separately exercisable right to vote on whether the interests of the non-controlling shareholders are valued at fair value or at proportional net asset value.

The surplus of the acquisition costs arising from the purchase that exceeds the Group's share in the net assets stated at fair value is reported as goodwill. If the acquisition costs are lower than the amount of the net assets stated at fair value, the difference is reported directly in the income statement.

Based on the structure of agreements with shareholders holding non-controlling interests in specific Group companies, PUMA is already the economic owner when it has a majority stake. The companies are fully included in the consolidated financial statements and, therefore, non-controlling interests are not disclosed. The present value of the capital shares attributable to the non-controlling shareholders and the present value of the residual purchase prices expected due to corporate performance are included in the capital consolidation as acquisition costs for the holdings. The costs directly attributable to the purchase and later differences of the present values of the expected residual purchase prices are recognized in the income statement in accordance with IFRS 3.

With respect to the remaining controlling interests, losses attributable to non-controlling interests are allocated to the latter even if this results in a negative balance in non-controlling interests.

Receivables within the Group are offset against internal liabilities. As a general rule, any set-off differences arising from exchange rate fluctuations are recognized in the income statement to the extent that they accrued during the reporting period. If receivables and liabilities are long-term and capital-replacing in nature, the currency difference is recognized directly in equity and under Other Comprehensive Income.

In the course of the expense and income consolidation, inter-company sales and intra-group income are offset against the expenses attributable to them. Interim profits not yet realized within the Group as well as intra-group investment income are eliminated by crediting them in the income statement.

Group of consolidated companies

In addition to PUMA SE, the consolidated financial statements include all subsidiaries in which PUMA SE directly or indirectly holds existing rights that give it the current ability to direct the relevant activities. At present, control of all Group companies is based on a direct or indirect majority of voting rights. Associated companies are accounted for in the Group using the equity method.

The changes in the number of Group companies (including the parent company PUMA SE) in the financial year 2018 were as follows:

T.10

As of 12 / 31 / 2017	**110**
Formation of companies	1
Disposal of companies	7
As of 12 / 31 / 2018	**104**

The addition to the group of consolidated companies relates to the formation of PUMA Teamwear Benelux B.V., Netherlands.

The disposals in the group of consolidated companies relate to the liquidation of the companies PUMA Sport Hrvatska d.o.o., Croatia, Liberty China Holding Ltd, British Virgin Islands, Kalola Pty. Ltd., Australia and World Cat Vietnam Co. Ltd, Vietnam. In addition, PUMA Vertrieb GmbH, Germany was merged and Admiral Teamsports Ltd., Great Britain, was sold.

In addition, the shares in Wilderness Holdings Ltd., Botswana, were sold.

The changes in the group of consolidated companies did not have a significant effect on the net assets, financial position and results of operations.

The Group companies are allocated to regions as follows:

T.11

No.	Companies / Legal Entities	Country	City	Shareholder	Share in Capital
	PARENT COMPANY				
1.	PUMA SE	Germany	Herzogenaurach		
	EMEA				
2.	Austria PUMA Dassler Ges. m.b.H.	Austria	Salzburg	direct	100%
3.	Dobotex Austria GmbH	Austria	Salzburg	indirect	100%
4.	PUMA Czech Republic s.r.o.	Czech Republic	Prague	indirect	100%
5.	PUMA Denmark A / S	Denmark	Skanderborg	indirect	100%
6.	PUMA Estonia OÜ	Estonia	Tallinn	indirect	100%
7.	PUMA Finland Oy	Finland	Espoo	indirect	100%
8.	PUMA FRANCE SAS	France	Illkirch-Graffenstaden	indirect	100%
9.	Dobotex France SAS	France	Paris	indirect	100%
10.	PUMA International Trading GmbH	Germany	Herzogenaurach	direct	100%
11.	PUMA Europe GmbH	Germany	Herzogenaurach	direct	100%
12.	PUMA Sprint GmbH	Germany	Herzogenaurach	direct	100%
13.	PUMA Mostro GmbH	Germany	Herzogenaurach	indirect	100%
14.	Dobotex Deutschland GmbH	Germany	Düsseldorf	indirect	100%
15.	PUMA United Kingdom Ltd.	Great Britain	London	indirect	100%
16.	PUMA Premier Ltd.	Great Britain	London	indirect	100%
17.	Dobotex UK Ltd.	Great Britain	Manchester	indirect	100%
18.	Branded Sports Merchandising UK Ltd.	Great Britain	London	indirect	100%
19.	Genesis Group International Ltd.	Great Britain	Manchester	direct	100%*
20.	Sport Equipment Hellas S. A. of Footwear, Apparel and Sportswear u.Li.	Greece	Athens	direct	100%*
21.	Sport Equipment TI Cyprus Ltd. u.Li.	Cyprus	Nikosia	direct	100%*
22.	PUMA Italia S.r.l.	Italy	Assago	indirect	100%
23.	Dobotex Italia S.r.l.	Italy	Assago	indirect	100%
24.	PUMA Sport Israel Ltd.	Israel	Hertzeliya	indirect	100%

* Subsidiaries which are assigned to be economically 100% PUMA Group

T.11

No.	Companies / Legal Entities	Country	City	Shareholder	Share in Capital
	EMEA				
25.	PUMA Malta Ltd.	Malta	St.Julians	indirect	100%
26.	PUMA Racing Ltd.	Malta	St.Julians	indirect	100%
27.	PUMA Benelux B.V.	Netherlands	Leusden	direct	100%
28.	PUMA Teamwear Benelux B.V.	Netherlands	Leusden	indirect	100%
29.	PUMA International Sports Marketing B.V.	Netherlands	Leusden	direct	100%
30.	Brand Plus Licensing B.V.	Netherlands	's-Hertogenbosch	direct	100%
31.	Dobotex International B.V.	Netherlands	's-Hertogenbosch	indirect	100%
32.	Branded Sports Merchandising B.V.	Netherlands	's-Hertogenbosch	indirect	100%
33.	Dobotex B.V.	Netherlands	's-Hertogenbosch	indirect	100%
34.	Dobo Logic B.V.	Netherlands	Tilburg	indirect	100%
35.	Dobotex Licensing Holding B.V.	Netherlands	's-Hertogenbosch	indirect	100%
36.	PUMA Norway AS	Norway	Oslo	indirect	100%
37.	PUMA Polska Sp. z o.o.	Poland	Warsaw	indirect	100%
38.	PUMA Sports Romania Srl	Romania	Bucharest	indirect	100%
39.	PUMA-RUS o.o.o.	Russia	Moscow	indirect	100%
40.	PUMA Slovakia s.r.o.	Slovakia	Bratislava	indirect	100%
41.	PUMA Sports Distributors (Pty) Ltd.	South Africa	Cape Town	indirect	100%
42.	PUMA Sports South Africa (Pty) Ltd.	South Africa	Cape Town	indirect	100%
43.	PUMA Iberia S.L.U	Spain	Madrid	direct	100%
44.	Dobotex Spain S.L.	Spain	Barcelona	indirect	100%
45.	Nrotert AB	Sweden	Helsingborg	direct	100%
46.	PUMA Nordic AB	Sweden	Helsingborg	indirect	100%
47.	Nrotert Sweden AB	Sweden	Helsingborg	indirect	100%
48.	Dobotex Nordic AB	Sweden	Helsingborg	indirect	100%

T.11

No.	Companies / Legal Entities	Country	City	Shareholder	Share in Capital
	EMEA				
49.	Mount PUMA AG (Schweiz)	Switzerland	Oensingen	direct	100%
50.	PUMA Retail AG	Switzerland	Oensingen	indirect	100%
51.	Dobotex Switzerland AG	Switzerland	Oensingen	indirect	100%
52.	PUMA Spor Giyim Sanayi ve Ticaret A.S.	Turkey	Istanbul	indirect	100%
53.	PUMA Ukraine TOV	Ukraine	Kiew	indirect	100%
54.	PUMA Middle East FZ LLC	United Arab Emirates	Dubai	indirect	100%
55.	PUMA UAE LLC	United Arab Emirates	Dubai	indirect	100%*

* Subsidiaries which are assigned to be economically 100% PUMA Group

T.11

No.	Companies / Legal Entities	Country	City	Shareholder	Share in Capital
	Americas				
56.	Unisol S.A.	Argentina	Buenos Aires	indirect	100%
57.	PUMA Sports Ltda.	Brazil	Sao Paulo	indirect	100%
58.	PUMA Canada, Inc.	Canada	Toronto	indirect	100%
59.	PUMA CHILE S.A.	Chile	Santiago	direct	100%
60.	PUMA SERVICIOS SPA	Chile	Santiago	indirect	100%
61.	PUMA México Sport, S.A. de C.V.	Mexico	Mexico City	direct	100%
62.	Servicios Profesionales RDS, S.A. de C.V.	Mexico	Mexico City	indirect	100%
63.	Importaciones RDS, S.A. de C.V.	Mexico	Mexico City	direct	100%
64.	Dobotex de México, S.A. de C.V.	Mexico	Mexico City	indirect	100%
65.	Importationes Brand Plus Licensing, S.A. de C.V.	Mexico	Mexico City	indirect	100%
66.	Distribuidora Deportiva PUMA S.A.C.	Peru	Lima	indirect	100%
67.	Distribuidora Deportiva PUMA Tacna S.A.C.	Peru	Tacna	indirect	100%
68.	PUMA Retail Peru S.A.C.	Peru	Lima	indirect	100%
69.	PUMA Sports LA S.A.	Uruguay	Montevideo	direct	100%
70.	PUMA Suede Holding, Inc.	USA	Westford	indirect	100%
71.	PUMA North America, Inc.	USA	Westford	indirect	100%
72.	Cobra Golf Incorporated	USA	Carlsbad	indirect	100%
73.	PUMA Accessories North America, LLC	USA	New York	indirect	85%
74.	PUMA North America Accessories Canada, LLC	USA	New York	indirect	85%
75.	Janed, LLC	USA	New York	indirect	51%
76.	Janed Canada, LLC	USA	New York	indirect	51%
77.	PUMA Kids Apparel North America, LLC	USA	New York	indirect	51%
78.	PUMA Kids Apparel Canada, LLC	USA	New York	indirect	51%

T.11

No.	Companies / Legal Entities	Country	City	Shareholder	Share in Capital
	Asia / Pacific				
79.	PUMA Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
80.	White Diamond Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
81.	White Diamond Properties Pty. Ltd.	Australia	Melbourne	indirect	100%
82.	PUMA China Ltd.	China	Shanghai	indirect	100%
83.	Dobotex China Ltd.	China	Shanghai	indirect	100%
84.	Guangzhou World Cat Information Consulting Services Company Ltd.	China	Guangzhou	indirect	100%
85.	World Cat Ltd.	Hongkong		direct	100%
86.	Development Services Ltd.	Hongkong		direct	100%
87.	PUMA International Trading Services Ltd.	Hongkong		indirect	100%
88.	PUMA Asia Pacific Ltd.	Hongkong		direct	100%
89.	PUMA Hong Kong Ltd.	Hongkong		indirect	100%
90.	Dobotex Ltd.	Hongkong		indirect	100%
91.	PUMA Sports India Private Ltd.	India	Bangalore	indirect	100%
92.	PUMA India Corporate Services Private Ltd.	India	Bangalore	indirect	100%
93.	World Cat Sourcing India Private Ltd.	India	Bangalore	indirect	100%
94.	PT PUMA Cat Indonesia Ltd.	Indonesia	Jakarta	indirect	100%
95.	PUMA JAPAN K.K.	Japan	Tokyo	indirect	100%
96.	PUMA Korea Ltd.	Korea	Seoul	direct	100%
97.	Dobotex Korea Ltd.	Korea	Seoul	indirect	100%
98.	PUMA Sports Goods Sdn. Bhd.	Malaysia	Kuala Lumpur	indirect	100%
99.	PUMA New Zealand Ltd.	New Zealand	Auckland	indirect	100%
100.	PUMANILA IT Services Inc.	Philippines	Manila	indirect	100%
101.	PUMA Sports SEA Trading Pte. Ltd.	Singapore		indirect	100%
102.	PUMA SEA Holding Pte. Ltd.	Singapore		indirect	100%
103.	PUMA Taiwan Sports Ltd.	Taiwan	Taipei	indirect	100%
104.	World Cat Vietnam Sourcing & Development Services Co. Ltd.	Vietnam	Ho Chi Minh City	indirect	100%

PUMA Mostro GmbH, PUMA Sprint GmbH, PUMA International Trading GmbH and PUMA Europe GmbH have made use of the exemption under Section 264 (3) of the HGB.

Currency Conversion

As a general rule, monetary items in foreign currencies are converted in the individual financial statements of the Group companies at the exchange rate valid on the balance sheet date. Any resulting currency gains and losses are immediately recognized in the income statement. Non-monetary items are converted at historical acquisition and manufacturing costs.

The assets and liabilities of foreign subsidiaries, the functional currency of which is not the Euro, have been converted to Euros at the average exchange rates valid on the balance sheet date. Expenses and income have been converted at the annual average exchange rates. Any differences resulting from the currency conversion of net assets relative to exchange rates that had changed in comparison with the previous year, were adjusted against equity.

The significant conversion rates per Euro are as follows:

T.12

	2018		2017	
CURRENCY	**Reporting date exchange rate**	**Average exchange rate**	Reporting date exchange rate	Average exchange rate
USD	1.1450	1.1810	1.1993	1.1297
CNY	7.8751	7.8081	7.8044	7.6290
JPY	125.8500	130.3959	135.0100	126.7112
GBP	0.8945	0.8847	0.8872	0.8767

The currency area Argentina has been in a hyperinflationary environment since 2018. The effects on the consolidated financial statements was analyzed in accordance with IAS 29 and IAS 21.42. The application of the aforementioned standards would have resulted in an increase of € 10.3 million in assets (mainly property, plant and equipment and intangible assets as well as inventories), a decrease of € 0.2 million in liabilities and an adjustment of € 10.5 million in shareholders' equity. Furthermore, the operating result (EBIT) would have decreased by € 2.2 million. The effects were deemed immaterial and did not lead to an adjustment in the Group accounting.

Derivative Financial Instruments / Hedge Accounting

Derivative financial instruments are recognized at fair value at the time a contract is entered into and thereafter. At the time a hedging instrument is concluded, PUMA classifies the derivatives either as hedges of a planned transaction (cash flow hedge) or as hedges of the fair value of a recognized asset or liability (fair value hedge).

At the time when the transaction is concluded, the hedging relationship between the hedging instrument and the underlying transaction as well as the purpose of risk management and the underlying strategy are documented. In addition, assessments as to whether the derivatives used in the hedge accounting compensate effectively for a change in the fair value or the cash flow of the underlying transaction are documented at the beginning of and continuously after the hedge accounting.

Changes in the market value of derivatives that are intended and suitable for cash flow hedges and that prove to be effective are adjusted against equity, taking into account deferred taxes. If there is no complete effectiveness, the ineffective part is recognized in the income statement. The amounts recognized in equity are recognized in the income statement during the same period in which the hedged planned transaction affects the income statement. If, however, a hedged future transaction results in the recognition of a non-financial asset or a liability, gains or losses previously recorded in equity are included in the initial valuation of the acquisition costs of the respective asset or liability.

Changes in the fair value of derivatives that qualify for and are designated as fair value hedges are recognized directly in the consolidated income statement, together with changes in the fair value of the underlying transaction attributable to the hedged risk. The changes in the fair value of the derivatives and the change in the underlying transaction attributable to the hedged risk are reported in the consolidated income statement under the item relating to the underlying transaction.

The fair values of the derivative instruments used to hedge planned transactions and to hedge the fair value of a recognized asset or liability are shown under other current financial assets or other current financial liabilities.

Leasing

Leases are to be classified either as finance leases or operating leases. Leases where the Company, in its capacity as the lessee, is responsible for all significant opportunities and risks that arise from the use of the lease object are treated as finance leases. All other leases are classified as operating leases. The lease payments from operating leases are recorded as an expense over the term of the contract.

Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances. To the extent that bank deposits are not immediately required to finance current assets, they are invested as risk-free fixed-term deposits, presently for a term of up to three months. The total amount of cash and cash equivalents is consistent with the cash and cash equivalents stated in the cash flow statement.

Cash and cash equivalents, which are valued at amortized cost, are subject to the value adjustment requirements under IFRS 9 "Financial Instruments." PUMA monitors the credit risk of these financial instruments, taking into consideration the economic situation, the external credit rating and / or the premiums for credit default swaps (CDS) of other financial institutions. The credit risk from cash and cash equivalents is classified as immaterial, due to the relatively short terms and the investment-grade credit rating.

Inventories

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

Trade Receivables

Trade Receivables are initially measured at the transaction price and subsequently at amortized cost with deduction of value adjustments. The transaction price according to IFRS 15 "Revenue from Contracts with Customers" is the amount of the consideration expected by the company for the delivery of goods or the provision of services to customers, not taking into account the amounts collected for outside third parties.

For determining the value adjustments to trade receivables, PUMA uniformly applies the simplified method in order to determine the lifetime expected credit losses in accordance with the specifications of IFRS 9 "Financial Instruments". Therefore, trade receivables are classified by geographic region into suitable groups with shared credit risk characteristics. The expected credit losses are calculated using a matrix that presents the age structure of the receivable claims and depicts a likelihood of loss for the individual maturity bands of the claims on the basis of historic credit loss events and future-based factors. The percentage rates for the loss likelihoods are checked regularly to ensure they are up to date.

If objective indications of a credit impairment are found regarding the trade receivables of a certain customer, a detailed analysis of the specific credit risk of this customer is conducted and an individual value adjustment is recognized for the trade receivables with respect to this customer. If a credit insurance is in place, it is taken into account in the amount of the value adjustment.

Other assets

Other assets are initially stated at fair value, taking into account transaction costs, and subsequently valued at amortized costs after deduction of value adjustments.

Other Financial Assets are classified based on the business model for control and the cash flows of the financial assets. In the Group, financial assets are held exclusively under a business model that provides for "holding" the asset until maturity, in order to collect the contractual cash flows. Therefore, the subsequent valuation of the Other Financial Assets is always carried out at amortized cost. The business model "trading" and the category "measured at fair value through profit or loss" (FVPL) are not used.

The non-current assets contain loans and other assets. Non-interest bearing non-current assets are discounted in principle at cash value if the resulting effect is significant.

Non-Current Investments

The investments recognized under Non-Current Financial Assets belong to the category "measured at fair value through other comprehensive income" (FVOCI), since these investments are held over the long term for strategic reasons.

All purchases and disposals of non-current investments are recorded on the trade date. Non-current investments are initially recognized at fair value plus transaction costs. They are also recognized at fair value in subsequent periods if this can be reliably determined. Unrealized gains and losses are recognized in Other Comprehensive Income, taking into account deferred taxes. The gain or loss on disposal of long-term investments is transferred to retained earnings.

The category "measured at fair value through profit or loss" (FVPL) is not used in the Group.

Property, Plant and Equipment

Property, plant and equipment are stated at acquisition costs, net of accumulated depreciation. The depreciation period depends on the expected useful life of the respective item. The straight-line method of depreciation is applied. The useful life depends on the type of the assets involved. Buildings are subject to a useful life of between ten and fifty years, and a useful life of between three to ten years is assumed for movable assets. The acquisition costs of property, plant and equipment also include interest on borrowings in accordance with IAS 23, insofar as these accrue and the effect is significant.

Repair and maintenance costs are recorded as an expense as of the date on which they were incurred. Substantial improvements and upgrades are capitalized to the extent that the criteria for capitalization of an asset item apply.

As a general rule, lease objects, the contractual basis of which is to be classified as a finance lease, are shown under property, plant and equipment; initially they are accounted for at fair value or the lower present value of the minimum lease payments and net of accumulated depreciation in subsequent accounting periods.

Goodwill
Goodwill resulting from a business acquisition is calculated based on the difference between the purchase price and the fair value of the acquired asset and liability items. Goodwill from acquisitions is largely attributable to the intangible infrastructure acquired and the associated opportunity to make a positive contribution to corporate value.

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

An impairment test of goodwill per cash-generating unit (usually the countries) is performed once a year as well as whenever there are indicators of impairment and can result in an impairment loss. There is no reversal of an impairment loss for goodwill. See chapter 10 for further information, in particular regarding the assumptions used for the calculation.

Other Intangible Assets
Acquired intangible assets largely consist of concessions, intellectual property rights and similar rights. These are measured at acquisition costs, net of accumulated depreciation. The useful life of intangible assets is between three and ten years. Depreciation is carried out on a straight-line basis.

If the capitalization requirements of IAS 38.57 "Intangible Assets" are met cumulatively, expenses in the development phase for internally generated intangible assets are capitalized at the time they arise. In subsequent periods, internally generated intangible assets and acquired intangible assets are measured at cost less accumulated amortization and impairment losses. In the Group, own work capitalized is generally depreciated on a straight-line basis over a useful life of 3 years.

The item also includes acquired trademark rights, which are assumed to have an indefinite useful life in light of the history of the brands and due to the fact that the brands are continued by PUMA.

Impairment of Assets
Intangible assets with an indefinite useful life are not written down according to schedule, but are subjected to an annual impairment test. Property, plant and equipment and other intangible assets with finite useful lives are tested for impairment if there is any indication of impairment in the value of the asset concerned. In order to determine whether there is a requirement to record the impairment of an asset, the recoverable amount of the respective asset (the higher amount of the fair value less costs to sell and value in use) is compared with the carrying amount of the asset. If the recoverable amount is lower than the carrying amount, the difference is recorded as an impairment loss. The test for impairment is performed, if possible, at the level of the respective individual asset, otherwise at the level of the cash-generating unit. Goodwill, on the other hand, is tested for impairment only at the cash-generating unit level. If it is determined within the scope of the impairment test that an asset needs to be written down, then the goodwill, if any, of the cash-generating unit is written down initially and, in a second step, the remaining amount is distributed proportionately over the remaining assets. If the reason for the recorded impairment no longer applies, a reversal of impairment loss is recorded to the maximum amount of the amortized cost. There is no reversal of an impairment loss for goodwill.

Impairment tests are performed using the discounted cash flow method. For determining the fair value less costs to sell and value in use, the expected cash flows are based on corporate planning data. Expected cash flows are discounted using an interest rate in line with market conditions.

The impairment test for trademarks with an indefinite useful life is subjected to an impairment test based on the relief-from-royalty method within the financial year or when the occasion arises. If indications of a value impairment of a self-used trademark should arise, the recoverability of the trademark is not only valued individually using the relief-from-royalty method, but the recoverable amount of the cash-generating unit to which the trademark is to be allocated is determined.

See chapter 10 for further information, in particular regarding the assumptions used for the calculation.

Holdings in associated companies
Associated companies represent shareholdings, over which PUMA has a significant influence, but which do not qualify as subsidiaries or joint ventures. Significant influence is generally assumed when PUMA holds, directly or indirectly, at least 20 percent, but less than 50 percent, of the voting rights.

Holdings in associated companies are accounted for using the equity method. Here, the shares are initially recognized at their acquisition cost and are subsequently adjusted for the pro rata changes in the Company's net assets that are attributable to PUMA. Any recognized goodwill is shown in the carrying amount of the associated company.

Within the scope of the impairment test, the carrying amount of a company valued at equity is compared with its recoverable amount provided that there is an indication that the asset has decreased in value. If the recoverable amount is lower than the carrying amount, the difference is recorded as an impairment loss. If the reasons for the previously recorded impairment no longer apply, a write-up is recognized in the income statement.

Financial Debt, Other Financial Liabilities and Other Liabilities

As a general rule, these items are recognized at their acquisition cost, taking into account transaction costs and subsequently measured at amortized cost. Non-interest or low-interest-bearing liabilities with a term of at least one year are recognized at present value, taking into account an interest rate in line with market conditions, and are compounded until their maturity at their repayment amount. Liabilities from finance lease agreements are recorded as of the beginning of the lease transaction at the amount of the present value of the minimum lease amount, or at the lower fair value, and are adjusted by the repayment amount of the lease installments.

The category "measured at fair value through profit or loss" (FVPL) is not used in the Group in relation to financial liabilities.

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

Provisions for Pensions and Similar Obligations

In addition to defined benefit plans, some companies apply defined contribution plans, which do not result in any additional pension commitment other than the current contributions. The pension provision under defined benefit plans is generally calculated using the projected unit credit method. This method takes into account not only known pension benefits and pension rights accrued as of the reporting date, but also expected future salary and pension increases. The defined benefit obligation (DBO) is calculated by discounting expected future cash outflows at the rate of return on senior, fixed-rate corporate bonds. The currencies and maturity periods of the underlying corporate bonds are consistent with the currencies and maturity periods of the obligations to be satisfied. In some of the plans, the obligation is accompanied by a plan asset. In that case, the pension provision shown is reduced by the plan asset.

Revaluations, consisting of actuarial profits and losses, changes resulting from use of the asset ceiling and return on plan assets (without interest on the net debt) are immediately recorded under Other Comprehensive Income. The revaluations recorded in Other Comprehensive Income are part of the retained earnings and are no longer reclassified into calculation of profit and loss. Past service costs are recorded as an expense if changes are made to the plan.

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Other Provisions

Provisions are recognized if the Group, as a result of a past event, has a current obligation and this obligation is likely to result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. The provisions are recognized at their settlement value as determined on the basis of the best possible assessment and are not offset by income. Provisions are discounted if the resulting effect is significant.

Provisions for the expected expenses from warranty obligations pursuant to the respective national sales contract laws are recognized at the time of sale of the relevant products, according to the best estimate in relation to the expenditure needed in order to fulfill the Group's obligation.

Provisions are also recognized to account for onerous contracts. An onerous contract is assumed to exist where the unavoidable costs for fulfilling the contract exceed the economic benefit arising from this contract.

Provisions for restructuring measures are also recorded if a detailed, formal restructuring plan has been prepared, which has created a justified expectation that the restructuring measures will be carried out by those concerned due to its implementation starting or its major components being announced.

Treasury shares

Treasury stock is deducted from equity at its market price as of the date of acquisition, plus incidental acquisition costs. Pursuant to the authorization of the Annual General Meeting, treasury stock can be repurchased for any authorized purpose, including the flexible management of the Company's capital requirements.

Management Incentive Programs

PUMA uses cash-settled share-based payments and key performance indicator-based long-term incentive programs.

For share-based remunerations with cash compensation, a liability is recorded for the services received, and measured with its fair value upon recognition. Until the debt is cleared, its fair value is recalculated on every balance sheet date and on the settlement date and all changes to the fair value are recognized in the income statement.

During the three-year term of the respective programs, the medium-term targets of the PUMA Group with regard to EBIT, cash flow and gross profit margin are determined for key figure-based compensation procedures and recognized in the income statement with their respective degree of target achievement.

Recognition of Sales Revenues

The Group recognizes sales revenues from the sale of sporting goods. The sales revenues are measured at fair value of the consideration to which the Group expects to be entitled from the contract with the customer, taking into account returns, discounts and rebates. Amounts collected on behalf of third parties are not included in the sales revenues. The Group records sales revenues at the time when PUMA fulfills its performance obligation to the customer and has transferred the promised product to the customer.

The Group sells footwear, apparel and accessories both to wholesalers and directly to customers through its own retail stores. Meanwhile, the sales-related warranty services cannot be purchased separately and do not lead to services that go beyond the assurance of the specifications at the time of the transfer of risk. Accordingly, the Group records warranties in the balance sheet in conformity with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In the case of sales of products to wholesalers, the revenue is recorded at the date on which the right of disposal for the products is transferred to the customer, in other words, when the products have been shipped to the specific location of the wholesaler (delivery). After delivery, the wholesaler bears the inventory risk and has full right of disposal over the manner and means of distribution and the selling price of the products. In the case of sales to end customers in the Group's own retail stores, the sales revenues are recorded at the date when the right of disposal of the products is transferred to the end customer, in other words, the date on which the end customer buys the products in the retail shop. The payment of the purchase price is due immediately with the purchase of the products by the customer.

Under certain conditions and according to the contractual stipulations, the customer has the ability to exchange products or return them for a credit. The amount of the expected returns is estimated on the basis of experience and is deducted from sales revenues by a provision for returns. The asset value of the right arising from the product return claim is recorded under Inventories, and leads to a corresponding reduction of Cost of Sales.

Royalty and Commission Income

The Group records Royalty and Commission Income from the licensing of trademark rights to third parties. Income from royalties is recognized in the income statement in accordance with the statements to be submitted by the license holders. In certain cases, values must be estimated in order to permit accounting on an accrual basis. Commission income is invoiced if the underlying purchase transaction is classified as realized.

Advertising and Promotional Expenses

Advertising expenses are recognized in the income statement as of the date of their accrual. As a general rule, promotional expenses stretching over several years are recognized as an expense over the contractual term on an accrual basis. Any expenditure surplus resulting from this allocation of expenses after the balance sheet date are recognized in the form of an impairment of assets or a provision for anticipated losses in the financial statements.

Product Development

PUMA continuously develops new products in order to meet market requirements and market changes. Research costs are expensed in full at the time they are incurred. Development costs are also recognized as an expense when they do not meet the recognition criteria of IAS 38 "Intangible Assets".

Financial Result

The financial result includes the results from associated companies as well as interest income from financial investments and interest expenses from loans and in connection with financial instruments. Financial results also include interest expenses from discounted non-current liabilities and from pension provisions that are associated with acquisitions of business enterprises or arise from the valuation of pension commitments.

Exchange rate effects that can be directly allocated to an underlying transaction are shown in the respective income statement item.

Income Taxes

Current income taxes are determined in accordance with the tax regulations of the respective countries in which the Company conducts its operations.

Deferred taxes

Deferred taxes resulting from temporary valuation differences between the IFRS and tax balance sheets of individual Group companies and from consolidation procedures are charged to each taxable entity and shown either as deferred tax assets or deferred tax liabilities. Deferred tax assets may also include claims for tax reductions that result from the expected utilization of existing losses carried forward to subsequent years and which is sufficiently certain to materialize. Deferred tax assets or liabilities may also result from accounting treatments that do not affect the income statement. Deferred taxes are calculated on the basis of the tax rates that apply to the reversal in the individual countries and that are in force or adopted as of the balance sheet date.

Deferred tax assets are shown only to the extent that the respective tax advantage is likely to materialize. Value adjustments are recognized on the basis of the past earnings situation and the business expectations for the foreseeable future, if this criterion is not fulfilled.

Assumptions and Estimates

The preparation of the consolidated financial statements requires some assumptions and estimates that have an impact on the amount and disclosure of the recognized assets and liabilities, income and expenses, as well as contingent liabilities. The assumptions and estimates are based on premises, which in turn are based on currently available information. In individual cases, the actual values may deviate from the assumptions and estimates made. Consequently, future periods involve a risk of adjustment to the carrying amount of the assets and liabilities concerned. If the actual development differs from the expectation, the premises and, if necessary, the carrying amounts of the relevant assets and debts are adjusted with an effect on profit or loss.

All assumptions and estimates are continuously reassessed. They are based on historical experiences and other factors, including expectations regarding future global and industry-related trends that appear reasonable under the current circumstances. Assumptions and estimates are made in particular with regard to evaluating the control of companies with non-controlling shares and in the measurement of goodwill and brands, pension obligations, derivative financial instruments and taxes. The most significant forward-looking assumptions and sources of estimation and uncertainty as of the reporting date concerning the above-mentioned items are discussed below.

Evaluation of control of companies with non-controlling interests

The Group holds 51% of the capital of Janed LLC, Janed Canada LLC, PUMA Kids Apparel North America LLC and PUMA Kids Apparel Canada LLC and 85% of the capital of PUMA Accessories North America LLC and PUMA North America Accessories Canada LLC. With regards to these companies, the profit participation deviates from the existing capital shares in favour of the identical non-controlling shareholder. PUMA, on the other hand, receives increased license fees.

The contractual agreements of these companies stipulate that PUMA has the majority of the voting rights in the general meeting and thus has the power over these companies. PUMA is exposed to fluctuating returns from sales-related license fees and controls the relevant activities of the companies. Accordingly, the companies are included in the consolidated financial statements as subsidiaries by way of full consolidation, with non-controlling interests reported.

Goodwill and Brands

A review of the impairment of goodwill is based on the calculation of the value in use. In order to calculate the value in use, the Group must estimate the future cash flows from those cash-generating units to which the goodwill is allocated. To this end, the data used were from the three-year plan, which is based on forecasts of the overall economic development and the resulting industry-specific consumer behavior. Another key assumption concerns the determination of an appropriate interest rate for discounting the cash flow to present value (discounted cash flow method). Trademarks are valued using the relief-from-royalty method taking into account an unchanged royalty rate of 8%. See chapter 10 for further information, in particular regarding the assumptions used for the calculation.

Pension Obligations

Pension obligations are determined using an actuarial calculation. This calculation is contingent on a large number of factors that are based on assumptions and estimates regarding the discount rate, the expected return on plan assets, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of the commitments made, the assumptions are subject to significant uncertainties. Any change in these assumptions has an impact on the carrying amount of the pension obligations. At the end of each year, the Group determines the discount rate applied to determine the present value of future payments. This discount rate is based on the interest rates of corporate bonds with the highest credit rating that are denominated in the currency in which the benefits are paid and the maturity of which corresponds to that of the pension obligations. See chapter 15 for further information, in particular regarding the parameters used for the calculation.

Taxes

Tax items are determined taking into account the various prevailing local tax laws and the relevant administrative opinions and, due to their complexity, may be subject to different interpretations by persons subject to tax on the one hand and the tax authorities on the other hand. Differing interpretations of tax laws may result in subsequent tax payments for past years; depending on the management's assessment, these differing opinions may be taken into account.

The recognition of deferred taxes, in particular with respect to tax losses carried forward, requires that estimates and assumptions be made concerning future tax planning strategies as well as the expected timing and amount of future taxable income. The taxable income from the relevant corporate planning is derived for this judgment. This takes into account the past financial position and the business development expected in the future. Deferred tax assets on losses carried forward are recorded in the event of companies incurring a loss only if it is highly probable that future positive income will be achieved that can be offset against these tax losses carried forward. Please see chapter 8 for further information and detailed assumptions.

Derivative Financial Instruments

The assumptions used for estimating derivative financial instruments are based on the prevailing market conditions as of the balance sheet date and thus reflect the fair value. See chapter 25 for further information.

3. CASH AND CASH EQUIVALENTS

As of December 31, 2018, the Group has € 463.7 million (previous year: € 415.0 million) in cash and cash equivalents. The average effective interest rate of financial investments was 0.8% (previous year: 0.5%). There are no restrictions on disposition.

4. INVENTORIES

Inventories are allocated to the following main groups:

T.13 (in € million)

	2018	2017
Raw materials, consumables and supplies	18.0	12.2
Finished goods and merchandise / inventory		
Footwear	313.2	296.6
Apparel	213.6	191.4
Accessories / Others	109.0	100.2
Goods in transit	228.0	178.0
Right to return goods*	33.5	-
TOTAL	**915.1**	**778.5**

* New line item (see chapter 1 Adoption of IFRS 15)

The table shows the carrying amounts of the inventories net of value adjustments. Of the value adjustments of € 64.4 million (previous year: € 51.5 million), approx. 68.1% (previous year approx. 69.6%) were recognized as expense under costs of sales in the 2018 financial year.

The amount of inventories recorded as an expense during the period is substantially equivalent to the cost of sales shown in the consolidated income statement.

The right to return goods represents the merchandise value of the products when the customer's right to return is exercised.

5. TRADE RECEIVABLES

This item consists of:

T.14 (in € million)

	2018	2017
Trade receivables, gross	591.3	541.5
Less value adjustments	-37.7	-37.8
Trade receivables, net	**553.7**	**503.7**

The value adjustments to Trade Receivables relate to receivables in connection with sales revenues from contracts with customers and developed as follows:

T.15 (in € million)

	2018	2017
Status of value adjustments as of 1 / 1	**37.8**	**39.0**
Change in Scope	0.0	0.0
Exchange rate differences	-0.2	-1.7
Additions	9.9	9.7
Utilization	-8.0	-7.1
Releases	-1.7	-2.1
Status of value adjustments as of 12 / 31	**37.7**	**37.8**

The age structure of the trade receivables is as follows:

T.16 (in € million)

2018	Total	Not due	0–30 days	31–90 days	91–180 days	Over 180 days
Gross carrying amount–Trade receivables	591.3	478.9	53.8	22.2	8.1	28.3
Value adjustment	37.7	5.7	0.7	3.6	3.3	24.5
Net carrying amount–Trade receivables	553.7	473.3	53.0	18.6	4.9	3.8
Expected loss rate		1.2%	1.4%	16.1%	40.1%	86.4%
2017	**Total**	**Not due**	**0 –3 0 days**	**31–90 days**	**91–180 days**	**Over 180 days**
Gross carrying amount–Trade receivables	541.5	426.0	51.1	23.0	8.0	33.4
Value adjustment	37.8	1.7	0.6	2.0	3.5	29.9
Net carrying amount–Trade receivables	503.7	424.3	50.5	21.0	4.5	3.5
Expected loss rate		0.4%	1.2%	8.9%	44.3%	89.5%

With respect to the net carrying amount of trade receivables, PUMA assumes that the debtors will satisfy their payment obligations.

6. OTHER CURRENT FINANCIAL ASSETS

This item consists of:

T.17 (in € million)

	2018	2017
Fair value of derivative financial instruments	72.6	23.5
Other financial assets	38.6	43.2
TOTAL	**111.2**	**66.7**

The amount shown is due within one year. The fair value corresponds to the carrying amount.

The increase of derivative financial instruments is mainly due to a higher US-Dollar exchange rate.

7. OTHER CURRENT ASSETS

This item consists of:

T.18 (in € million)

	2018	2017
Prepaid expense relating to the subsequent period	49.7	42.8
Other receivables	65.5	51.3
TOTAL	**115.2**	**94.1**

The amount shown is due within one year. The fair value corresponds to the carrying amount.

Other receivables mainly include VAT receivables amounting to € 41.9 million (previous year: € 35.9 million).

8. DEFERRED TAXES

Deferred taxes relate to the items shown below:

T.19 (in € million)

	2018	2017
Tax loss carryforwards	76.2	92.2
Non-current Assets	41.6	29.0
Current Assets	46.8	43.5
Provisions and other liabilities	63.5	60.2
Deferred tax assets (before netting)	**228.0**	**224.8**
Non-current Assets	53.5	42.1
Current Assets	8.6	5.6
Provisions and other liabilities	6.1	6.8
Deferred tax liabilities (before netting)	**68.2**	**54.5**
Deferred tax assets, net	**159.9**	**170.4**

Of the deferred tax assets, € 105.5 million (previous year: € 97.9 million) are current, and of the deferred tax liabilities € 11.8 million (previous year: € 10.7 million) are current.

As of December 31, 2018, tax losses carried forward amounted to a total of € 541.1 million (previous year: € 542.9 million). This results in a deferred tax asset of € 147.6 million (previous year: € 148.2 million). Deferred tax assets were recognized for these items in the amount at which the associated tax advantages are likely to be realized in the form of future profits for income tax purposes. Accordingly, deferred tax assets for tax loss carryforwards in the amount of € 71.4 million (previous year: €56.0 million) were not recognized; of these, € 71.1 million (previous year: € 54.4 million) cannot expire, but € 13.3 million (previous year: € 13.4 million) will never be usable due to the absence of future expectations. The remaining unrecognized deferred tax assets of € 0.3 million (previous year: € 1.6 million) will expire within the next seven years.

In addition, no deferred taxes were recognized for deductible temporary differences amounting to € 4.8 million (previous year: € 13.9 million).

Deferred tax liabilities for withholding taxes from possible dividends on retained earnings of subsidiaries that serve to cover the financing needs of the respective company were not accumulated, since it is most likely that such temporary differences will not be cleared in the near future.

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

T.20 (in € million)

	2018	2017
Deferred tax assets	207.6	207.9
Deferred tax liabilities	47.7	37.6
Deferred tax assets, net	**159.9**	**170.4**

The changes in deferred tax assets were as follows:

T.21 (in € million)

	2018	2017
Deferred tax assets, previous year	207.9	229.5
Recognition in the income statement	11.0	-11.5
Adjustment against Other Comprehensive Income	-11.4	-10.0
Deferred tax assets	**207.6**	**207.9**

The changes in deferred tax liabilities were as follows:

T.22 (in € million)

	2018	2017
Deferred tax liabilities, previous year	37.6	63.1
Recognition in the income statement	8.1	-19.0
Adjustment against Other Comprehensive Income	2.1	-6.5
Deferred tax liabilities	**47.7**	**37.6**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at their carrying amounts consist of:

T.23 (in € million)

	2018	2017
Land and buildings, including buildings on third-party land	121.4	89.7
Technical equipment and machines	20.8	10.1
Other equipment, factory and office equipment	137.3	122.0
Payments on account and assets under construction	15.2	38.3
TOTAL	**294.6**	**260.1**

The carrying amount of property, plant and equipment is derived from the acquisition costs. Accumulated depreciation of property, plant and equipment amounted to € 325.4 million (previous year: € 289.5 million).

The item Other equipment, factory and office equipment includes leased objects (finance leasing) in the amount of € 0.2 million (previous year: € 0.2 million), and under the item Technical equipment and machines, € 8.3 million (previous year: € 0.4 million) relates to finance leasing.

The changes in property, plant and equipment in the 2018 financial year are shown in "Changes in Fixed Assets" in Appendix 1 to the notes of the consolidated financial statements. Impairment expenses that exceed current depreciation during the reporting year are included in the amount of € 0.6 million (previous year: € 0.0 million).

10. INTANGIBLE ASSETS

Intangible assets mainly include goodwill, intangible assets with indefinite useful lives, assets associated with the Company's own retail activities, and software licenses.

Goodwill and intangible assets with indefinite useful lives are not amortized according to schedule. Impairment tests with regard to goodwill were performed in the past financial year using the discounted cash flow method. These were based on data from the respective three-year plan. The recoverable amount was determined on the basis of the value in use. This did not result in an impairment loss.

In connection with the Golf business unit (CPG–Cobra PUMA Golf), the Cobra brand exists as an intangible asset with an indefinite useful life of € 124.2 million (previous year: € 118.6 million). The carrying amount of the Cobra brand is significant in comparison to the overall carrying amount of the intangible assets with an indefinite useful life. The latter was assigned to the North America business segment, where the headquarters of Cobra PUMA Golf is located. The recoverable amount of the Cobra brand (level 3) was determined using the relief from royalty method. A discount rate of 6.1% p.a. (previous year: 7.3% p.a.), a royalty rate of 8% (previous year: 8%) and a 2% growth rate (previous year: 3%) were applied.
If indications of a value impairment of a self-used trademark should arise, the trademark is not only valued individually using the relief-from-royalty method, but the recoverable amount of the cash-generating units to which the trademark is to be attributed is determined. There were no indications of this in 2018.

In the financial year, development costs in connection with Cobra brand golf clubs amounting to € 1.7 million (previous year: € 1.8 million) were capitalized. Development costs are allocated to the item Other Intangible Assets in "Changes in Fixed Assets". Current amortization of development costs amounted to € 1.1 million in the financial year (previous year: € 0.6 million).

The changes in intangible assets in the financial year are shown in "Changes in Fixed Assets" of Appendix 1 to the notes of the consolidated financial statements. Other intangible assets include advance payments in the amount of € 21.3 million (previous year: € 8.7 million).

The current amortization of intangible assets in the amount of € 17.2 million (previous year: € 14.3 million) is included in the Other operating expenses. Of this, € 3.5 million pertains to sales and distribution expenses (previous year: € 2.1 million), € 1.2 million to expenses for product management / merchandising (previous year: € 0.1 million), € 0.0 million to development expenses (previous year: € 0.6 million) and € 12.5 million to administrative and general expenses (previous year: € 11.5 million). As in the previous year, there were no impairment expenses that exceed current depreciation.

Goodwill is allocated to the Group's identifiable cash-generating units (CGUs) according to the country where the activity is carried out. Summarized by regions, goodwill is allocated as follows:

T.24 (in € million)

	2018	2017
PUMA UK	1.6	1.6
Genesis	6.8	6.9
Subtotal Europe	8.4	8.5
PUMA South Africa	2.2	2.4
Subtotal EEMEA	2.2	2.4
PUMA Canada	9.1	9.5
Janed	1.9	1.8
Subtotal North America	11.1	11.3
PUMA Argentina	15.2	14.6
PUMA Chile	0.5	0.5
PUMA Mexico	10.1	9.6
Subtotal Latin America	25.9	24.7
PUMA China	2.5	2.5
PUMA Taiwan	12.8	12.6
Subtotal Greater China	15.3	15.1
PUMA Japan	43.5	40.6
Subtotal Asia / Pacific (without Greater China)	43.5	40.6
Dobotex	139.4	139.4
TOTAL	**245.7**	**241.9**

Assumptions used in conducting the impairment test in 2018:

T.25

	Tax rate (range)	WACC before tax (range)	WACC after tax (range)
Europe	17.0%–19.0%	7.6%–7.9%	6.7%
EEMEA*	28.0%	15.3%	11.4%
North America*	26.4%	8.2%	6.5%
Latin America	27.0%–30.0%	10.3%–39.5%	8.0%–52.6%
Greater China	17.0%–25.0%	7.0%–9.0%	6.1%–7.2%
Asia / Pacific (without Greater China)*	30.0%	8.3%	6.1%
Dobotex*	25.0%	7.8%	6.3%

* The information for EEMEA, North America, Asia / Pacific (without Greater China) and Dobotex relates in each case to only one cash-generating unit (CGU)

The tax rates used for the impairment test correspond to the actual tax rates in the respective countries. The cost of capital (WACC) was derived from observable market data.

In addition, a growth rate of 2% (previous year: 3%) is generally assumed. A growth rate of less than 2% (previous year: less than 3%) was only used in justified exceptional cases. The reduction of the growth rate in the perpetual annuity reflects a lower long-term inflation expectation.

The cash-generating unit 'Dobotex' includes goodwill of € 139.4 million (previous year: € 139.4 million), which is significant in comparison to the overall carrying amount of the goodwill. The recoverable amount was determined by a value-in-use calculation with a discount rate of 7.8% p.a. (previous year: 7.6% p.a.) and a growth rate of 2% (previous year: 2%).

Sensitivity analyses with regard to the impairment tests carried out at the balance sheet date show that neither an increase in discount rates of one percentage point each nor a reduction in growth rates of one percentage point each results in any indication of impairment. The sensitivity analysis with a one percentage point increase in the discount rate and the sensitivity analysis with a one percentage point reduction of the growth rate likewise do not show any indication of impairment.

The following table contains the assumptions for the performance of the impairment test in the previous year:

T.26

	Tax rate (range)	WACC before tax (range)	WACC after tax (range)
Europe	17.0%–19.3%	8.7%–8.8%	7.6%
EEMEA*	28.0%	17.4%	13.3%
North America*	26.4%	8.6%	7.0%
Latin America	25.5%–35.0%	11.0%–26.4%	8.9%–22.7%
Greater China	17.0%–25.0%	9.0%–10.7%	7.9%–8.7%
Asia / Pacific (without Greater China)*	30.0%	10.3%	7.6%
Dobotex*	25.0%	9.6%	7.6%

* The information for EEMEA, North America, Asia / Pacific (without Greater China) and Dobotex relates in each case to only one cash-generating unit (CGU)

A growth rate of 3% was generally assumed, and a growth rate of under 3% has only been used in exceptional cases where this is justified.

11. HOLDINGS IN ASSOCIATED COMPANIES

Due to the loss of significant influence in Wilderness Holdings Ltd. in May 2018, the valuation of the investment using the equity method was discontinued. The investment was then sold in July 2018. The income / expenses in connection with the end of at-equity valuation and the sale are recognized under Other operating income and expenses.

The following overview shows the aggregated benchmark data of the associated companies recognized at equity. The values represent the values based on the entire company and do not relate to the shares attributable to the PUMA Group. Due to the end of the equity method, data are no longer presented for 2018.

T.27 (in € million)

	2018	2017
Income relating to continuing operations	n / a	8.3
Other result	n / a	-0.1
Comprehensive income	n / a	**8.2**

Dividends received amount to € 0.6 million (previous year: € 0.8 million).

The balance sheet date of Wilderness Holdings Ltd. is February 28, 2018.

12. OTHER NON-CURRENT ASSETS

Other non-current financial and non-financial assets consist of:

T.28 (in € million)

	2018	2017
Non-current investments	36.6	28.0
Fair value of derivative financial instruments	3.1	1.6
Other financial assets	25.6	22.1
Total of other non-current financial assets	**65.4**	**51.7**
Other non-current non-financial assets	9.4	19.8
Other non-current assets, total	**74.7**	**71.5**

The non-current investments relate to the 5.0% shareholding in Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien (BVB) with registered office in Dortmund, Germany.

The other financial assets mainly include rental deposits of € 22.5 million (previous year: € 19.2 million). The other non-current non-financial assets mainly include deferrals in connection with promotional and advertising agreements.

In the 2018 financial year, there were no indicators of impairment of other non-current assets.

13. LIABILITIES

The residual terms of liabilities are as follows:

T.29 (in € million)

	2018				2017			
		Residual term of				Residual term of		
	Total	up to 1 year	1 to 5 years	over 5 years	**Total**	up to 1 year	1 to 5 years	over 5 years
Financial liabilities	**190.9**	20.5	170.4		**56.8**	29.0	27.9	
Trade payables	**705.3**	705.3			**646.1**	646.1		
Liabilities from acquisitions	**3.3**		3.3		**4.8**		4.8	
Other liabilities								
Liabilities from other taxes	**41.8**	41.8			**35.6**	35.6		
Liabilities relating to social security	**6.5**	6.5			**7.1**	7.1		
Payables to employees	**94.9**	94.9			**96.1**	96.1		
Refund liabilities *	**154.9**	154.9						
Liabilities from market valuation of forward exchange transactions	**22.8**	20.7	2.1		**75.2**	72.3	2.9	
Liabilities from finance leases	**8.3**	0.8	7.5		**0.4**	0.3	0.1	
Other liabilities	**45.5**	42.2	2.2	1.4	**32.0**	29.0	1.9	1.2
TOTAL	**1,274.2**	1,087.6	185.5	1.4	**954.3**	915.5	37.6	1.2

* New line item (see chapter 1 Adoption of IFRS 15)

PUMA has confirmed credit facilities amounting to a total of € 691.9 million (previous year: € 497.1 million). Under financial liabilities, € 1.5 million (previous year: € 0.0 million) was utilized from credit lines granted only until further notice. Unutilized credit lines totaled € 501.0 million as of December 31, 2018, compared to € 440.2 million the previous year.

The effective interest rate of the financial liabilities ranged between 0.1% and 8.4% (previous year: 1.0% to 14.7%).

The liabilities from refund obligations result from contracts with customers and include obligations from customer return rights as well as obligations connected with customer bonuses.

The table below shows the cash flows of the original financial liabilities and of the derivative financial instruments with a positive and negative fair value:

T.30 **CASH FLOWS FROM NON-DERIVATIVE AND DERIVATIVE FINANCIAL LIABILITIES** (in € million)

	Carrying amount 2018	CASHFLOW 2019		CASHFLOW 2020		CASHFLOW 2021 ET SEQ.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Non-derivative financial liabilities							
Financial liabilities	190.9	0.8	20.5	0.7	7.1	1.4	163.3
Trade payables	705.3		705.3				
Liabilities from finance leases	8.3		0.8		0.8		6.6
Liabilities from acquisitions	3.3				3.3		
Other liabilities	36.4		36.4				0.0
Derivative financial liabilities and assets							
Cash-Inflow from forward exchange transactions			2,461.2		366.5		
Cash-Outlow from forward exchange transactions			2,402.0		363.0		

The current financial liabilities can be repaid at any time.

The following values were determined in the previous year:

T.31 **CASH FLOWS FROM NON-DERIVATIVE AND DERIVATIVE FINANCIAL LIABILITIES** (in € million)

	Carrying amount 2017	CASHFLOW 2018		CASHFLOW 2019		CASHFLOW 2020 ET SEQ.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Non-derivative financial liabilities							
Financial liabilities	56.8	1.3	29.0	0.3	10.1	0.1	17.7
Trade payables	646.1		646.1				
Liabilities from finance leases	0.4		0.3		0.1		0.1
Liabilities from acquisitions	4.8						4.8
Other liabilities	22.4		22.3		0.0		
Derivative financial liabilities and assets							
Cash-Inflow from forward exchange transactions			2,152.9		383.0		
Cash-Outlow from forward exchange transactions			2,197.0		380.6		

14. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

T.32 (in € million)

ASSETS	Measurement categories under IFRS 9*	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
Cash and cash equivalents	1) AC	463.7	463.7	415.0	415.0
Trade receivables	AC	553.7	553.7	503.7	503.7
Other current financial assets	AC	38.6	38.6	43.2	43.2
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	75.7	75.7	25.0	25.0
Derivatives without hedging relationship (fair value)	2) FVPL	0.0	0.0	0.1	0.1
Other non-current financial assets	AC	25.6	25.6	22.1	22.1
Non-current investments	3) FVOCI	36.6	36.6	28.0	28.0
LIABILITIES					
Financial liabilities (current and non-current)	2) AC	190.9	190.9	56.8	56.8
Trade payables	AC	705.3	705.3	646.1	646.1
Liabilities from acquisitions	AC	3.3	3,3	4.8	4.8
Liabilities from finance leases	n.a.	8.3	8,3	0.4	0.4
Other financial liabilities	AC	36.4	36.4	22.4	22.4
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	22.5	22.5	75.2	75.2
Derivatives without hedging relationship (fair value)	2) FVPL	0.3	0.3	0.0	0.0
Total financial assets at amortized cost		**1,081.6**	**1,081.6**	**984.0**	**984.0**
Total financial liabilities at amortized cost		**935.9**	**935.9**	**730.1**	**730.1**
Total financial assets at FVOCI		**36.6**	**36.6**	**28.0**	**28.0**

1) AC = at Amortised Cost
2) FVPL = Fair value through Profit or Loss
3) FVOCI = Fair value through Other Comprehensive Income
* Financial instruments and their previous-year values were assigned to valuation categories according to the newly applicable IFRS 9. A transition of the previous-year values from the valuation categories under IAS 39 to IFRS 9 can be found in chapter 1 (General) of the Notes to the Consolidated Financial Statements.

Financial instruments that are measured at fair value in the balance sheet were determined using the following hierarchy:

Level 1: Use of prices quoted on active markets for identical assets or liabilities..

Level 2: Use of input factors that do not involve the quoted prices stated under Level 1, but can be observed for the asset or liability either directly (i.e., as price) or indirectly (i.e., derivation of prices).

Level 3: Use of factors for the valuation of the asset or liability that are based on non-observable market data.

The fair value of the financial assets of the category "fair value through OCI" (FVOCI) was determined on the basis of Level 1. The market values of derivative assets or liabilities were determined on the basis of Level 2.

Cash and cash equivalents, trade receivables and other assets have a short residual maturity. Accordingly, as of the reporting date, the carrying amount approximates fair value. Receivables are stated at nominal value, taking into account deductions for default risk.

The carrying amount of loans receivable approximates the fair value as of the reporting date.

The fair values of other financial assets correspond to their carrying amount, taking into account prevailing market interest rates. Other financial assets include € 30.4 million (previous year: € 25.7 million) that were pledged as rental deposits at usual market rates.

The current liabilities to banks can be repaid at any time. Accordingly, as of the reporting date, the carrying amount approximates fair value. The non-current bank liabilities consist of fixed-interest loans. The carrying amounts correspond to the repayment amounts.

Trade payables have a short residual maturity. The carrying amounts therefore approximate fair value.

Pursuant to the contracts entered into, purchase price liabilities associated with acquisitions of business enterprises lead to payments. The resulting nominal amounts were discounted at a reasonable market interest rate, depending on the expected date of payment. As of the end of the financial year, the market interest rate only affects one company and is 0.7% (previous year: 0.6%).

The fair values of other financial liabilities are determined based on the present values, taking into account the prevailing interest rate parameters.

The fair values of derivatives with a hedging relationship at the balance sheet date are determined on the basis of current market parameters, i.e. reference prices observable on the market, taking into account forward premiums and discounts. The discounted result of the comparison of the forward price on the reporting date with the forward price on the valuation date is included in the measurement. The fair values are also checked for the counterparty's non-performance risk. In doing this, PUMA calculates credit value adjustments (CVA) or debt value adjustments (DVA) on the basis of an up / down method, taking current market information into account. No material deviations were found, so that no adjustments were made to the fair value determined.

Net result by measurement categories:

T.33 (in € million)

	2018	2017
Financial Assets at amortised cost (AC)	-1.0	-3.2
Financial Liabilities at amortised cost (AC)	-22.0	-15.3
Derivatives without hedging relationship	-0.4	-0.3
Financial assets measured at fair value through other comprehensive income (FVOCI)	9.1	3.8
Total	**-14.3**	**-15.0**

The net result was determined by taking into account interests, currency exchange effects, impairment losses as well as gains and losses from sales.

General administrative expenses include the write-downs of receivables.

15. PENSION PROVISIONS

Pension provisions result from employees' claims for benefits, which are based on the statutory or contractual regulations applicable in the respective country, in the event of invalidity, death or when a certain retirement age has been reached. Pension commitments in the PUMA Group include both benefit- and contribution-based pension commitments and include both obligations from current pensions and rights to pensions payable in the future. The pension entitlements are financed by both provisions and funds.

The risks associated with the pension commitments mainly concern the usual risks of benefit-based pension plans in relation to possible changes in the discount rate and, to a minor degree, inflation trends and recipient longevity. In order to limit the risks of changed capital market conditions and demographic developments, plans with the maximum obligations were agreed or insured a few years ago in Germany and the UK for new hires. The specific risk of obligations based on salary is low within the PUMA Group. The introduction of an annual cap in 2016 for pensionable salary in the UK plan now covers this risk for the highest obligations. The UK plan is therefore classified as a non-salary obligation.

T.34 (in € million)

	Germany	UK	Other Companies	PUMA Group
Present Value of Pension Claims 12 / 31 / 2018				
Salary-based obligations				
Annuity	0.0	0.0	7.3	7.3
One-off payment	0.0	0.0	8.1	8.1
Non-salary-based obligations				
Annuity	25.7	37.6	0.0	63.3
One-off payment	7.1	0.0	0.0	7.1

The following values were determined in the previous year:

T.35 (in € million)

	Germany	UK	Other Companies	PUMA Group
Present Value of Pension Claims 12 / 31 / 2017				
Salary-based obligations				
Annuity	0.0	0.0	6.5	6.5
One-off payment	0.0	0.0	6.2	6.2
Non-salary-based obligations				
Annuity	20.3	41.5	0.0	61.8
One-off payment	6.8	0.0	0.0	6.8

The main pension arrangements are described below:

The general pension scheme of PUMA SE generally provides for pension payments to a maximum amount of € 127.82 per month and per eligible employee. It was closed for new members beginning in 1996. In addition, PUMA SE provides individual commitments (fixed sums in different amounts) as well as contribution-based individual commitments (in part from salary conversion). The contribution-based commitments are insured plans. There are no statutory minimum funding requirements. The scope of obligation for domestic pension claims amounts to € 32.7 million at the end of 2018 (previous year: € 27.1 million) and thus comprises 38.1% of the total obligation. The fair value of the plan assets relative to domestic obligations amounts to € 22.3 million. The corresponding pension provision amounts to € 10.3 million.

The defined benefit plan in the United Kingdom has not been available to new hires since 2006. This defined benefit plan includes salary and length of service-based commitments to provide old age, invalidity and surviving dependents' retirement benefits. In 2016, a growth cap of 1% p.a. was introduced on the pensionable salary. Partial capitalization of the old-age pension is permitted. There are statutory minimum funding requirements. The obligations regarding pension claims under the defined benefit plan in the UK amount to € 37.6 million at the end of 2018 (previous year: € 41.5 million) and thus accounts for 43.9% of the total obligation. The obligation is covered by assets amounting to € 30.5 million. The provision amounts to € 7.1 million.

The changes in the present value of pension claims are as follows:

T.36 (in € million)

	2018	2017
Present Value of Pension Claims 1 / 1	**81.3**	**80.3**
Cost of the pension claims earned in the reporting year	7.2	3.4
Past service costs	-0.1	0.0
(Profits) and losses from settlements	0.0	0.0
Interest expense on pension claims	1.8	1.7
Employee contributions	0.2	0.2
Benefits paid	-1.7	-2.3
Effects from transfers	-0.1	0.2
Actuarial gains (-) and losses	-2.4	-0.2
Currency exchange effects	-0.4	-2.0
Present Value of Pension Claims 12 / 31	**85.8**	**81.3**

The changes in the plan assets are as follows:

T.37 (in € million)

	2018	2017
Plan Assets 1 / 1	**51.6**	**48.8**
Interest income on plan assets	1.2	1.1
Actuarial gains and losses (-)	-1.8	1.1
Employer contributions	6.8	3.1
Employee contributions	0.2	0.2
Benefits paid	-0.9	-1.4
Effects from transfers	0.0	0.0
Currency exchange effects	-0.2	-1.4
Plan Assets 12 / 31	**56.9**	**51.6**

The pension provision for the Group is derived as follows::

T.38 (in € million)

	2018	2017
Present value of pension claims from benefit plans	85.8	81.3
Fair value of plan assets	-56.9	-51.6
Financing Status	**28.9**	**29.7**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Pension Provision 12 / 31	**28.9**	**29.7**

In 2018, benefits paid amounted to € 1.7 million (previous year: € 2.3 million). Contributions in 2019 are expected to amount to € 2.2 million. Of this, € 1.1 million is expected to be paid directly by the employer. Contributions to external plan assets amounted to € 6.8 million in 2018 (previous year: € 3.1 million). Contributions in 2019 are expected to amount to €2.0 million.

The changes in pension provisions are as follows:

T.39 (in € million)

	2018	2017
Pension Provision 1 / 1	**29.7**	**31,6**
Pension expense	7.7	4.0
Actuarial gains (-) and losses recorded in Other Comprehensive Income	-0.6	-1.3
Employer contributions	-6.8	-3.1
Direct pension payments made by the employer	-0.8	-0.9
Transfer values	-0.1	0.2
Currency exchange differences	-0.2	-0.7
Pension Provision 12 / 31	**28.9**	**29.7**
of which assets	0.0	0.0
of which liabilities	28.9	29.7

The expenses in the 2018 financial year are structured as follows:

T.40 (in € million)

	2018	2017
Cost of the pension claims earned in the reporting year	7.2	3.4
Past service costs	-0.1	0.0
Income (-) and expenses from plan settlements	0.0	0.0
Interest expense on pension claims	1.8	1.7
Interest income on plan assets	-1.2	-1.1
Administration costs	0.0	0.0
Expenses for Defined Benefit Plans	**7.7**	**4.0**
of which personnel costs	7.1	3.4
of which financial costs	0.6	0.6

In addition to the defined benefit pension plans, PUMA also makes contributions to defined contribution plans. Payments for the financial year 2018 amounted to € 12.5 million (previous year: € 11.7 million).

Actuarial gains and losses recorded in Other Comprehensive Income:

T.41 (in € million)

	2018	2017
Revaluation of Pension Commitments	**-2.4**	**0.0**
Actuarial gains (-) and losses resulting from changes in demographic assumptions	0.8	-0.6
Actuarial gains (-) and losses resulting from changes in financial assumptions	-2.5	-0.1
Actuarial gains (-) and losses due to adjustments based on experience	-0.7	0.5
Revaluation of Plan Assets	**1.8**	**-1.1**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Adjustment of administration costs	0.0	0.0
Total Revaluation Amounts recorded directly in Other Comprehensive Income	**-0.6**	**-1.3**

Plan assets investment classes:

T.42 (in € million)

	2018	2017
Cash and cash equivalents	1.4	0.3
Equity instruments	0.0	0.0
Bonds	0.0	1.3
Investment funds	17.3	18.5
Derivatives	5.6	7.1
Real estate	3.1	3.5
Insurance	24.6	16.4
Others	4.9	4.5
Total Plan Assets	**56.9**	**51.6**

Of which investment classes with a quoted market price:

T.43 (in € million)

	2018	2017
Cash and cash equivalents	1.4	0.3
Equity instruments	0.0	0.0
Bonds	0.0	1.3
Investment funds	17.3	18.3
Derivatives	5.6	7.1
Real estate	3.1	3.2
Insurance	0.0	0.0
Others	4.9	4.5
Plan Assets with a quoted Market Price	**32.3**	**34.7**

Plan assets still do not include the Group's own financial instruments or real estate used by Group companies.

The plan assets are used exclusively to fulfill defined pension commitments. Legal requirements exist in some countries for the type and amount of financial resources that can be chosen; in other countries (for example Germany) they can be chosen freely. In the UK, a board of trustees made up of Company representatives and employees is in charge of asset management. Its investment strategy is aimed at long-term profits and low volatility. It was revised in 2017 and 2018 and the risk profile was reduced.

The following assumptions were used to determine pension obligations and pension expenses:

T.44

	2018	2017
Discount rate	2.41%	2.30%
Future pension increases	2.31%	2.42%
Future salary increases	1.70%	1.55%

The indicated values are weighted average values. A standard interest rate of 1.75% was applied for the Euro zone (previous year: 1.75%).

The following overview shows how the present value of pension claims from benefit plans would have been affected by changes to significant actuarial assumptions.

T.45 (in € million)

	2018	2017
Effect on present value of pension claims if		
the discount rate were 50 basis points higher	-6.7	-7.4
the discount rate were 50 basis points lower	4.9	6.0

Salary and pension trends have only a negligible effect on the present value of pension claims due to the structure of the benefit plans.

The weighted average duration of pension commitments is 17 years.

16. OTHER PROVISIONS

T.46 (in € million)

	2017*	Currency adjustments, retransfers	Addition	Utilization	Reversal	2018
Provisions for:						
Warranties*	**2.3**	0.0	1.0	-1.2	-0.2	**1.9**
Purchasing risks	**7.2**	0.1	9.6	-7.1	-0.1	**9.8**
Others*	**61.2**	-0.3	23.9	-16.8	-13.7	**54.3**
TOTAL	**70.6**	-0.2	34.4	-25.1	-13.9	**65.9**

* Adjusted opening values related to customer return rights (see chapter 1 Adoption of IFRS 15)

The warranty provision is determined on the basis of the historical value of sales generated during the past six months. It is expected that the majority of these expenses will fall due within the first six months of the next financial year. Purchasing risks mainly relate to material risks and to moulds required for the manufacturing of footwear.

The provisions for warranties and purchasing risks contain no non-current provisions (previous year: € 0.0 million).

Other provisions comprise risks in connection with litigation in the amount of € 25.9 million (previous year: € 30.0 million), provisions for asset retirement obligations, and other risks in the amount of € 28.4 million (previous year: € 31.2 million). Other provisions include € 26.3 million (previous year: € 34.6 million) in non-current provisions.

Short-term provisions are expected to be paid out in the following year, while long-term provisions are not expected to be paid out until the end of the following year at the earliest.

17. LIABILITIES FROM THE ACQUISITION OF BUSINESS ENTITIES

Pursuant to the contracts entered into, purchase price liabilities associated with acquisitions of business enterprises lead to payments. The resulting nominal amounts were discounted at a reasonable market interest rate, depending on the expected date of payment.

The existing purchase price liability relates to the acquisition of Genesis Group International Ltd. and is made up as follows:

T.47 (in € million)

	2018	2017
Due within one year	0.0	0.0
Due in more than one year	3.3	4.8
TOTAL	**3.3**	**4.8**

18. EQUITY

Subscribed Capital

The subscribed capital corresponds to the subscribed capital of PUMA SE. As of the balance sheet date, the subscribed capital amounted to € 38.6 million and is divided into 15,082,464 bearer shares. Each no-par-value share corresponds to € 2.56 of the subscribed capital (share capital).

Changes in the circulating shares:

T.48

		2018	2017
Circulating shares as of 1 / 1	**share**	**14,946,356**	**14,939,913**
Issue of Treasury Stock	share	5,114	6,443
Circulating shares as of 12 / 31	**share**	**14,951,470**	**14,946,356**

Capital Reserve
The capital reserve includes the premium from issuing shares, as well as amounts from the grant, conversion and expiration of share options.

Retained Earnings and Net Profit
Retained earnings and net profit include the net income of the financial year as well as the income of the companies included in the consolidated financial statements achieved in the past to the extent that it was not distributed.

Reserve from the Difference Resulting from Currency Conversion
The equity item for currency conversion serves to record the differences from the conversion of the financial statements of subsidiaries with non-Euro accounting compared to the date of first consolidation of the subsidiaries.

Cash Flow Hedges
The "cash flow hedges" item includes the market valuation of derivative financial instruments. The item amounting to € 34.1 million (previous year: € -44.8 million) is offset by deferred taxes of € -1.4 million (previous year: € 3.7 million).

Treasury Stock
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. If purchased through the stock exchange, the purchase price per share may not exceed or fall below 10% of the closing price for the Company's shares with the same attributes in the XETRA trading system (or a comparable successor system) during the last three trading days prior to the date of purchase.

The Company did not make use of the authorization to purchase treasury stock during the reporting period.

As of the balance sheet date, the Company holds a total of 130,994 PUMA shares in its own portfolio, which corresponds to 0.86% of the subscribed capital.

Authorized Capital
As of December 31, 2018, the Company's Articles of Association provide for authorized capital totaling € 15,000,000:

Pursuant to Section 4.2. of the Articles of Association, the Management Board is authorized with the consent of the Supervisory Board to increase the Company's share capital by April 11, 2022 by up to € 15,000,000 (Authorized Capital 2017) by issuing new no-par value bearer shares against cash and / or non-cash contributions on one or more occasions. In case of capital increases against contributions in cash, the new shares may be acquired by one or several banks, designated by the Management 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 Management Board is authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights in whole or in part in the cases specified in Section 4.2. of the Articles of Association.

The Management Board of PUMA SE did not make use of the existing authorized capital in the current reporting period.

Conditional Capital
By resolution of the Annual General Meeting of April 12, 2018, the Management Board was authorized until April 11, 2023, with the consent of the Supervisory Board, through one or more issues, altogether or in parts and in various tranches at the same time, to issue bearer or registered options and / or convertible bonds, profit-sharing rights or participation bonds or a combination of these instruments with or without a term limitation in a total nominal amount of up to € 1,000,000,000.00 (Conditional Capital 2018).

In this connection, the share capital was increased conditionally by up to € 7,722,219.52 by the issue of up to 3,016,492 new units of registered stock. The conditional capital increase will be performed only insofar as use is made of options or conversion rights or a conversion or option obligation is fulfilled or insofar as deliveries are made and if other forms of fulfillment are not used for servicing.

No use has been made of the authorization to date.

Dividends
The amounts eligible for distribution relate to the retained earnings of PUMA SE, which is determined in accordance with German Commercial Law.

The Management Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of € 3.50 per circulating share, or a total of € 52.3 million (with respect to the circulating shares as of December 31, 2018), be distributed to the shareholders from the retained earnings of PUMA SE for the 2018 financial year.

Proposed appropriation of the retained earnings of PUMA SE:

T.49

	2018	2017
Retained earnings of PUMA SE as of December 31 (in € million)	144.5	268.0
Retained earnings available for distribution (in € million)	144.5	268.0
Dividend per share (in €)	3.50	12.50
Number of circulating shares (share)*	14,951,470	14,946,356
Total dividend (in € million)*	52.3	186.8
Carried forward to the new accounting period (in € million)*	92.2	81.2

* Previous year's values adjusted to the outcome of the Annual General Meeting

Non-controlling interests
The non-controlling interest remaining as of the balance sheet date relates to the company PUMA Accessories North America, LLC with € 1.3 million (previous year: € 4.9 million), Janed, LLC with € 14.6 million (previous year: € 21.3 million), PUMA Kids Apparel North America, LLC with € 0.0 million (previous year: € 1.3 million), and Janed Canada, LLC with € 3.0 million (previous year: € 2.4 million), PUMA North America Accessories Canada, LLC with € 0.1 million (previous year: € 0.5 million) and PUMA Kids Apparel Canada, LLC, with € -0.2 million (previous year: € 0.8 million); see also chapter 30.

Capital Managements
The Group's objective is to retain a strong equity base in order to maintain both investor and market confidence and to strengthen future business performance.

Capital management relates to the consolidated shareholders' equity of PUMA. This is shown in the consolidated balance sheet as well as in the reconciliation statement concerning "Changes in Equity."

19. MANAGEMENT INCENTIVE PROGRAM
In order to tie the management to the company with a long-term incentive, virtual shares with cash settlement and other long-term incentive programs are used at PUMA.

The current programs are described below:

Explanation of "virtual shares", termed "monetary units"
Monetary units were granted on an annual basis beginning in 2013 as part of a management incentive program. Monetary units are based on the PUMA and Kering share performance. Each of these monetary units entitles the holder to a cash payment at the end of the term. This is dependent on the year-end price determined for the PUMA share (component 1), which is weighted at 70%, and on the year-end price determined for the Kering share (component 2), which is weighted at 30%. Component 1 compares the success with the average virtual stock appreciation rights of the last 30 days of the previous year. Component 2, on the other hand, measures success by comparing the performance of the Kering share against the average performance of a reference portfolio in the luxury and sports sector over the same period. These monetary units are subject to a vesting period of three years. After that, there is an exercise period of two years (in the period in April and October) which can be freely used by participants for the purposes of execution. The fundamental exercise condition after the vesting period is the existence of an active employment relationship with PUMA until the end of the vesting period.

Component 2 was transferred into Component 1 in 2018 on account of the Kering spin-off. This relates to the programs with the issue dates of 2016 and 2017, since they are still in the vesting period. The conversion occurred as of 1 / 1 / 2018 with a Component 2 value of 581 EUR / monetary unit and a Component 1 value of 371 EUR / monetary unit. The monetary units of Component 2 were measured in EUR with the value 581 EUR / monetary unit and then transferred into converted Component 1 monetary units at the same time (371 EUR / monetary unit). After this conversion, the converted programs and subsequent programs will be subject only to the provisions of Component 1.

In the financial year 2018, an expense of € 5.8 million was established for this purpose on the basis of the employment contract commitments to the managing directors.

T.50 **VIRTUAL SHARES (MONETARY UNITS)**

Issue date	1 / 1 / 2013	1 / 1 / 2014	1 / 1 / 2015	1 / 1 / 2016	1 / 1 / 2017	1 / 1 / 2018	
Term	5	5	5	5	5	5	Years
Vesting period	3	3	3	3	3	3	Years
Base price component 1	224.00	232.00	174.00	200.00	240.00	371.00	EUR / share
Base price component 2	152.00	144.00	167.00	166.00	249.00	N / A	EUR / share
Reference value component 1 at the end of the financial year	N / A	N / A	N / A	444.00	296.00	148.00	EUR / share
Reference value component 2 at the end of the financial year	N / A	N / A	N / A	N / A	N / A	N / A	EUR / share
Reference value component 2 at the conversion date	N / A	N / A	N / A	581.00	581.00	N / A	EUR / share
Reference value component 1 at the conversion date	N / A	N / A	N / A	371.00	371.00	N / A	EUR / share
Participants in year of issue	4	3	3	3	3	3	Persons
Participants at the end of the financial year	2	3	3	3	3	3	Persons
Number of monetary units component 1 as of 1 / 1 / 2018	0	5,250	7,965	6,300	6,519	11,744	Shares
Number of monetary units component 1 exercised in the FY	0	-5,250	-7,965	0	0	0	Shares
Final number of monetary units component 1 as of 12 / 31 / 2018	0	0	0	6,300	6,519	11,744	Shares
Number of monetary units component 2 as of 1 / 1 / 2018	577	3,208	3,692	3,393	2,693	N / A	Shares
Conversion of monetary units component 2 to component 1 in 2018	N / A	N / A	N / A	5,093	4,217	N / A	Shares
Number of converted monetary units component 1 exercised in the FY	N / A	N / A	N / A	0	0	N / A	Shares
Final number of converted monetary units component 1 as of 12 / 31 / 2018	N / A	N / A	N / A	5,093	4,217	N / A	Shares
Number of monetary units component 2 exercised in the FY	-577	-3,208	-3,692	N / A	N / A	N / A	Shares
Final number of monetary units component 2 as of 12 / 31 / 2018	0	0	0	N / A	N / A	N / A	Shares
Total monetary units	**0**	**0**	**0**	**11,393**	**10,736**	**11,744**	**Shares**

This commitment consisting of share-based remuneration transactions with cash compensation is recorded as personnel provisions and revalued on every balance sheet date at fair value. Expenses are likewise recorded over the vesting period. Based on the market price on the balance sheet date, the provision for this program amounts to € 10.0 million at the end of the financial year (previous year: € 12.2 million).

Explanation of the "Game Changer 2018" program

In addition, another global long-term incentive program called "Game Changer 2018" was launched in 2015. Participants in this program consist mainly of top executives reporting to the managing directors and individual key positions in the PUMA Group. The aim of this program is to bind this group of employees to the company on a long-term basis and to allow them to share in the medium-term success of the Company.

The term of the program is 3 years and is based on the medium-term objectives of the PUMA Group in terms of EBIT (70%), cash flow (15%) and gross profit margin (15%). For this purpose, a corresponding provision is set up each year when the respective currency-adjusted targets are met. The resulting savings were paid out to the participants in March 2018. The payment was subject to the condition that the individual participant was in an unterminated employment relationship with a company of the PUMA Group as of 12 / 31 / 2017. No further expenses were incurred for this program in the year under review.

Explanation of the "Game Changer 2019" program

In 2016, the global "Game Changer 2019" program was launched, which is subject to the same parameters as the "Game Changer 2018" program (employment relationship until 12 / 31 / 2018 and payout March 2019). Provisions of € 0.8 million were set aside for this program in the year under review.

Explanation of the "Game Changer 2020" program

In 2017, the global "Game Changer 2019" program was launched, which is subject to the same parameters as the "Game Changer 2018" program (employment relationship until 12 / 31 / 2019 and payout March 2020). Provisions of € 1.2 million were set aside for this program in the year under review.

Explanation of the Momentum 2020 program

In addition, a global program called "Momentum" was launched in 2017, which is subject to the same parameters (employment until December 31, 2019 and payout in March 2020) as the Game Changer programs. The difference to the Game Changer programs lies in the different participants. While the participants in the Game Changer programs consist of top executives, the "Momentum" program includes employees who are not part of this group. Provisions of € 0.8 million were set aside for this program in the year under review.

Explanation of the "Game Changer 2.0-2021" program

In 2018, the long-term incentive program "Game Changer 2.0" was introduced. Participants in this program consist mainly of top executives reporting to the Management Board and individual key positions in the PUMA Group. The aim of this program is to tie these employees to the company on a long-term basis and to allow them to share in the medium-term success of the Company.

The LTIP "Game Changer 2.0" consists of two plan parts, a Performance Cash Plan and a Performance Share Plan, each with a 50% share. The Performance Cash Plan gives a reward for PUMA's financial performance, while the Performance Share Plan gives a reward for its performance in the capital market.

The performance period of the Performance Cash Plan is three years and is based on the medium-term objectives of the PUMA Group in terms of EBIT (70%), cash flow (15%) and net sales (15%). Payment is made in cash and is limited to a maximum of 200% of the granted proportionate target amount (cap).

The Performance Share Plan uses virtual shares to manage the incentive. The term is up to five years, divided into a three-year performance period and a subsequent, two-year exercise period, in which the virtual shares are paid out in cash. The share price at the exercise date determines the value of a virtual share. Payment is limited to a maximum of 200% of the granted proportionate target amount (cap).

The program is subject to the condition that the individual participant is in an unterminated employment relationship with a company of the PUMA Group as of 12 / 31 / 2020.

Provisions totaling € 1.3 million were set aside for this program in the year under review.

T.51 **GAME CHANGER 2.0 (PERFORMANCE SHARE PLAN)**

Program addendum	2021	
Issue date	1 / 1 / 2018	
Term	5	Years
Vesting period	3	Years
Base price at program start	371.00	EUR / share
Reference value at the end of the financial year	444.00	EUR / share
Participants in year of issue	48	People
Participants at the end of the financial year	48	People
Number of "virtual shares" as of 1 / 1 / 2018	4,666	Shares
Number of "virtual shares" exercised in the FY	0	Shares
Final number of "virtual shares" as of 12 / 31 / 2018	4,666	Shares

20. NET SALES

The net sales of the Group are broken down by product segments and distribution channels as follows:

T.52 **BREAKDOWN BY DISTRIBUTION CHANNELS** (in € million)

	2018	2017
Wholesale	3,520.8	3,175
Retail	1,127.5	961
TOTAL	**4,648.3**	**4,135.9**

T.53 **BREAKDOWN BY PRODUCT SEGMENTS** (in € million)

	2018	2017
Footwear	2,184.7	1,974.5
Apparel	1,687.5	1,441.4
Accessories	776.1	719.9
TOTAL	**4,648.3**	**4,135.9**

21. OTHER OPERATING INCOME AND EXPENSES

According to the respective functions, other operating income and expenses include personnel, advertising, sales and distribution expenses as well as rental and leasing expenditure, travel costs, legal and consulting expenses and other general expenses. Typical operating income that is associated with operating expenses was offset. Rental and lease expenses associated with the Group's own retail stores include sales-dependent rental components.

Other operating income and expenses are allocated based on functional areas as follows:

T.54 (in € million)

	2018	2017
Sales and distribution expenses	1,523.6	1,320.4
Product management / merchandising	43.8	45.1
Research and development	54.0	53.4
Administrative and general expenses	328.1	307.0
Other operating expenses	**1,949.5**	**1,725.9**
Other operating income	**21.1**	**0.3**
Total	**1,928.4**	**1,725.6**
Thereof scheduled depreciation	81.5	70.3
Thereof impairment expenses	0.6	0.0

Within the sales and distribution expenses, marketing / retail expenses account for a large proportion of the operating expenses. In addition to advertising and promotional expenses, they also include expenses associated with the Group's retail activities. Other sales and distribution expenses include logistic expenses and other variable sales and distribution expenses.

In the consolidated financial statements of PUMA SE, fees of € 0.9 million (previous year: € 0.9 million) are recorded as operating expenses for the auditor of the consolidated financial statements. The fees break down into costs for audit services amounting to € 0.8 million (previous year: € 0.7 million), other assurance services amounting to € 0.1 million (previous year: € 0.2 million), in particular for EMIR audits and the review of the combined non-financial report as well as for tax consultancy services of € 0.0 million (previous year: € 0.0 million).

Other operating income includes mainly income from the release of provisions in the amount of € 12.1 million (previous year: € 0.0 million) and other income in the amount of € 9.0 million (previous year: € 0.3 million).

Overall, other operating expenses include personnel costs, which consist of:

T.55 (in € million)

	2018	2017
Wages and salaries	437.0	428.3
Social security contributions	56.8	57.3
Expenses from share-based remuneration with cash compensation	5.8	8.4
Expenses for retirement pension and other personnel expenses	54.1	55.1
TOTAL	**553.8**	**549.1**

In addition, cost of sales includes personnel costs in the amount of € 8.2 million (previous year: € 12.8 million).

The average number of employees for the year was as follows:

T.56 **EMPLOYEES**

	2018	2017
Marketing / retail / sales and distribution	8,851	7,986
Research & development / product management	909	891
Administrative and general units	2,432	2,511
Total annual average	**12,192**	**11,389**

As of the end of the year, a total of 12,894 individuals were employed (previous year: 11,787).

22. FINANCIAL RESULT

This financial result consists of:

T.57 (in € million)

	2018	2017
Result from associated companies	**-1.5**	**1.6**
Interest income	4.0	4.1
Others	7.6	6.3
Financial income	**11.6**	**10.3**
Interest expense	-15.1	-14.3
Interest accrued on liabilities from acquisitions	0.0	0.0
Valuation of pension plans	-0.6	-0.6
Expenses from currency-conversion differences, net	-14.4	-6.9
Others	-3.9	-3.6
Financial expenses	**-34.1**	**-25.3**
Financial Result	**-24.0**	**-13.4**

The result from associated companies comprises the current result from the shareholding in Wilderness Holdings Ltd. until the end of the at-equity valuation (see also chapter 11).

The financial income includes interest income of € 4.0 million (previous year: € 4.1 million), interest components (SWAP points) of € 7.3 million (previous year: € 6.0 million) from financial instruments in connection with currency derivatives, and dividend income of € 0.3 million (previous year: € 0.3 million) from the investment in Borussia Dortmund GmbH & Co. KGaA (BVB).

The financial expenses include interest expenses from financial liabilities of € 15.1 million (previous year: € 14.3 million) and interest components (SWAP points) of € 3.9 million (previous year: € 3.6 million) from financial instruments in connection with currency derivatives.

In addition, expenses from currency-conversion differences of € 14.4 million (previous year: € 6.9 million) are included, which are to be assigned to the financing area.

23. INCOME TAXES

T.58 (in € million)

	2018	2017
Current income taxes		
Germany	16.8	9.3
Other countries	69.7	61.5
Total current income taxes	**86.5**	**70.7**
Deferred taxes	**-2.9**	**-7.5**
TOTAL	**83.6**	**63.3**

In general, PUMA SE and its German subsidiaries are subject to corporate income tax, plus a solidarity surcharge and trade tax. Thus, a weighted mixed tax rate of 27.22% continued to apply for the financial year.

Reconciliation of the theoretical tax expense with the effective tax expense:

T.59 (in € million)

	2018	2017
Earnings before income tax	**313.4**	**231.2**
Theoretical tax expense		
Tax rate of the SE = 27.22% (previous year: 27.22%)	85.3	62.9
Taxation difference with respect to other countries	-7.1	-7.1
Other tax effects:		
Income tax for previous years	0.5	4.1
Losses and temporary differences for which no tax claims were recognized	16.5	4.0
Changes in tax rate	0.6	8.7
Non-deductible expenses for tax purposes and non-taxable income and other effects	-12.3	-9.3
Effective tax expense	**83.6**	**63.3**
Effective tax rate	26.7%	27.4%

The tax effect resulting from items that are directly credited or debited to equity is shown directly in the statement of comprehensive income.

Other effects include withholding tax expenses in the amount of € 7.5 million (previous year: € 9.7 million).

24. EARNINGS PER SHARE

The earnings per share are determined in accordance with IAS 33 by dividing the consolidated annual surplus (consolidated net earnings) attributable to the shareholder of the parent company by the average number of circulating shares.

The calculation is shown in the table below:

T.60

	2018	2017
Net Earnings € million	187.4	135.8
Average number of circulating shares	14,947,323	14,943,161
Diluted number of shares	14,947,323	14,943,161
Earnings per share €	12.54	9.09
Earnings per share, diluted €	12.54	9.09

25. MANAGEMENT OF THE CURRENCY RISK

In the 2018 financial year, PUMA designated "forward purchase USD" currency derivatives as cash flow hedges in order to hedge the amount payable of purchases denominated in USD, which is converted to Euros.

The nominal amounts of open rate-hedging transactions, which relate mainly to cash flow hedges, refer to currency forward transactions in a total amount of € 2,401.8 million (previous year: € 2,287.4 million). These underlying transactions are expected to generate cash flows in 2019 and 2020. For further information, please refer to chapter 13.

The market values of open hedging transactions on the balance sheet date consist of:

T.61 (in € million)

	2018	2017
Currency forward contracts, assets (see chapter 6 and 12)	75.7	25.1
Currency forward contracts, liabilities (see chapter 13 and 14)	-22.8	-75.2
Net	52.9	-50.1

The changes in effective cash flow hedges are shown in the schedule of changes in shareholders' equity and the statement of comprehensive income.

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, 2018, the USD 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 € 126.2 million higher (lower) (December 31, 2017: € 120.4 million higher (lower)).

Currency risks and other risk and opportunity categories are discussed in greater detail in the Combined Management Report under the Risk and Opportunity Management section as well as in chapters 2 and 13 of the Notes to the consolidated financial statements.

26. SEGMENT REPORTING

Segment reporting is based on geographical regions in accordance with our internal reporting structure. The geographical region forms the business segment. Sales revenues, operating result (EBIT) and other segment information are allocated to the corresponding geographical regions according to the registered office of the respective Group company.

The internal management reporting includes the following reporting segments: Europe, EEMEA (Eastern Europe, Middle East and Africa), North America, Latin America, Greater China, Rest of Asia Pacific (excluding Greater China) and Dobotex. These are reported as reportable business segments in accordance with the criteria of IFRS 8.

The reconciliation includes information on assets, liabilities, expenses and income in connection with centralized functions that do not meet the definition of business segments in IFRS 8. Central expenses and income include in particular global sourcing, central treasury, central marketing and other global functions of the company headquarters.

The company's chief operating decision-maker is defined as the entire Management Board of PUMA SE.

With the exception of Dobotex's sales of products amounting to € 26.9 million (previous year: € 22.4 million), there are no significant internal sales between the business segments, which are therefore not included in the presentation.

The operating result (EBIT) of the business segments is defined as gross profit less the attributable other operating expenses plus royalty and commission income and other operating income, but not taking into account the costs of the central departments and the central marketing expenses.

The external sales, operating result (EBIT), inventories and trade receivables of the business segments are regularly reported to the chief operating decision-maker. Investments, depreciation and long-term assets at the level of the business segments are not regularly reported to the chief operating decision-maker. Intangible assets are allocated to the business segments in the manner described under chapter 10. Segment liabilities, the financial result and income taxes are not allocated to the business segments and are therefore not reported to the chief operating decision maker at the business segment level.

Long-term assets, investments and depreciation relate to additions and depreciation of property, plant and equipment and intangible assets during the past financial year. In addition, total impairment expenses in the amount of € 0.6 million (previous year: € 0.0 million) were recognized. These relate to the Europe segment for € 0.6 million (previous year: € 0.0 million).

Since PUMA is only active in one business field, the sporting goods industry, products are additionally allocated according to the footwear, apparel and accessories product segments in accordance with the internal reporting structure.

Further changes in segment reporting in the year under review resulted from the fact that the previous CPG (Cobra PUMA Golf) business segment, which had previously been allocated to central areas, no longer existed in the year under review. The CPG business activities are now allocated to the individual regions. The previous year's figures have been adjusted accordingly.

T.62 **REGIONS** (in € million)

	EXTERNAL SALES		EBIT		INVESTMENTS	
	1-12 / 2018	1-12 / 2017	**1-12 / 2018**	1-12 / 2017	**1-12 / 2018**	1-12 / 2017
Europe	1,171.2	1,080.0	164.1	172.5	15.0	20.8
EEMEA	523.2	481.7	81.5	69.3	12.2	15.0
North America	1,163.1	1,052.7	180.0	143.2	13.9	8.0
Latin America	431.7	425.9	61.1	45.4	11.1	8.2
Greater China	534.0	367.3	153.4	95.5	21.7	18.5
Asia / Pacific (without Greater China)	553.0	480.3	83.5	72.3	9.2	8.9
Dobotex	272.0	248.1	91.4	80.5	3.4	0.3
TOTAL BUSINESS SEGMENTS	**4,648.3**	**4,135.9**	**814.9**	**678.7**	**86.5**	**79.7**

	DEPRECIATION		INVENTORIES		TRADE RECEIVABLES (3RD)	
	1-12 / 2018	1-12 / 2017	**1-12 / 2018**	1-12 / 2017	**1-12 / 2018**	1-12 / 2017
Europe	7.6	7.4	262.5	250.4	131.3	108.7
EEMEA	7.7	7.0	130.7	102.8	67.9	78.4
North America	11.6	12.0	258.9	199.1	109.0	83.5
Latin America	6.9	6.4	93.5	86.2	96.2	102.0
Greater China	15.4	9.7	87.0	63.0	36.0	25.5
Asia / Pacific (without Greater China)	7.3	7.4	98.4	79.7	71.0	62.2
Dobotex	2.8	2.8	48.3	42.1	37.8	32.1
TOTAL BUSINESS SEGMENTS	**59.4**	**52.8**	**979.3**	**823.3**	**549.2**	**492.5**

Continuation T.62 **REGIONS** (in € million)

	LONG-TERM ASSETS	
	1-12 / 2018	1-12 / 2017
Europe	44.7	41.1
EEMEA	29.5	27.8
North America	187.9	179.3
Latin America	47.4	46.9
Greater China	32.1	25.9
Asia / Pacific (without Greater China)	73.0	68.0
Dobotex	143.9	141.1
TOTAL BUSINESS SEGMENTS	**558.5**	**530.1**

T.63 **PRODUCT** (in € million)

	EXTERNAL SALES		GROSS PROFIT MARGIN	
	1-12 / 2018	1-12 / 2017	**1-12 / 2018**	1-12 / 2017
Footwear	2,184.7	1,974.5	45.8%	45.5%
Apparel	1,687.5	1,441.4	50.9%	49.0%
Accessories	776.1	719.9	50.3%	48.5%
TOTAL BUSINESS SEGMENTS	**4,648.3**	**4,135.9**	**48.4%**	**47.3%**

T.64 **RECONCILIATIONS** (in € million)

	EBIT	
	1-12 / 2018	1-12 / 2017
Total business segments	**814.9**	**678.7**
Central areas	-199.4	-205.8
Central expenses Marketing	-278.2	-228.3
Consolidation	0.0	0.0
EBIT	**337.4**	**244.6**
Financial result	**-24.0**	**-13.4**
EBT	**313.4**	**231.2**

	INVESTMENTS		DEPRECIATION	
	1-12 / 2018	1-12 / 2017	**1-12 / 2018**	1-12 / 2017
Total business segments	**86.5**	**79.7**	**59.4**	**52.8**
Central areas	51.8	43.3	22.8	17.6
Consolidation	0.0	0.0	0.0	0.0
TOTAL	**138.2**	**122.9**	**82.1**	**70.3**

	INVENTORIES		TRADE RECEIVABLES (3RD)		LONG-TERM ASSETS	
	1-12 / 2018	1-12 / 2017	**1-12 / 2018**	1-12 / 2017	**1-12 / 2018**	1-12 / 2017
Total business segments	**979,3**	**823,3**	**549,2**	**492,5**	**558,5**	**530,1**
Not allocated to the business segments	-64,2	-44,8	4,5	11,3	173,6	142,8
TOTAL	**915,1**	**778,5**	**553,7**	**503,7**	**732,1**	**673,0**

27. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement was prepared in accordance with IAS 7 and is structured based on cash flows from operating, investment and financing activities. The indirect method is used to determine the cash outflow / inflow from operating activities. The gross cash flow, derived from earnings before income taxes and adjusted for non-cash effective income and expense items, is determined within the cash flow from operating activities. Cash outflow / inflow from operating activities, reduced by investments in property, plant and equipment as well as intangible assets is referred to as free cash flow.

Interest payments were reclassified from cash provided by operating activities to cash used in financing activities in the year under review due to their financing nature and in order to provide more relevant information. The previous year's figures were adjusted accordingly.

The cash and cash equivalents shown in the cash flow statement comprise all cash and cash equivalents shown in the balance sheet under "Cash and cash equivalents", i.e. cash on hand, cheques and short-term bank balances.

The following table shows the cash and non-cash changes in financial liabilities in accordance with IAS 7.44A:

T.65 TRANSFER OF FINANCIAL LIABILITIES TO THE CASH INFLOW / OUTFLOW FROM FINANCING ACTIVITIES 2018

			Non-cash changes		Cash changes	
	Notes	As of 1 / 1 / 2018 (in € million)	Currency changes	Others		As of 12 / 31 / 2018 (in € million)
Financial liabilities						
Liabilities from finance leases	13	0.4	0.2	9.4	-1.8	8.3
Current financial liabilities	13	29.0	8.1	0.0	-16.6	20.5
Non-current financial liabilities	13	27.9	-2.6	0.0	145.2	170.4
TOTAL		57.3	5.7	9.4	126.9	199.2

T.66 TRANSFER OF FINANCIAL LIABILITIES TO THE CASH INFLOW / OUTFLOW FROM FINANCING ACTIVITIES 2017

			Non-cash changes		Cash changes	
	Notes	As of 1 / 1 / 2018 (in € million)	Currency changes	Others		As of 12 / 31 / 2017 (in € million)
Financial liabilities						
Liabilities from finance leases	13	0.7	0.0	0.0	-0.2	0.4
Current financial liabilities	13	44.3	-3.2	0.0	-12.1	29.0
Non-current financial liabilities	13	14.8	-2.3	0.0	15.4	27.9
TOTAL		59.7	-5.6	0.0	3.1	57.3

Lease liabilities of € 8.3 million are divided into current lease liabilities (€ 0.8 million), contained in other current financial liabilities, and non-current lease liabilities (€ 7.5 million), which are part of other non-current financial liabilities. Non-current financial liabilities of € 170.4 million are part of other non-current financial liabilities.

28. CONTINGENCIES AND CONTINGENT LIABILITIES

Contingencies
As in the previous year, there were no reportable contingencies.

Contingent Liabilities
As in the previous year, there were no reportable contingent liabilities.

29. OTHER FINANCIAL OBLIGATIONS

Obligations from Operating Lease
The Group rents and leases offices, warehouses, facilities and fleets of vehicles and sales rooms for its own retail business. Rental agreements for the retail business are concluded for terms of between five and fifteen years. The remaining rental and lease agreements typically have residual terms of between one and five years. Some agreements include options to renew and price adjustment clauses.

Total expenses resulting from these agreements amounted in 2018 to € 174.1 million (previous year: € 163.2 million), of which € 27.7 million (previous year: € 19.9 million) were sales-related.

As of the balance sheet date, the obligations from future minimum rental payments for operating lease agreements are as follows:

T.67 (in € million)

	2018	2017
Under rental and lease agreements:		
2019 (2018)	142.8	128.1
2020–2023 (2019–2022)	355.7	286.6
from 2024 (from 2023)	376.7	86.8
TOTAL	**875.2**	**501.4**

The increase is related to the expansion of the retail store network and the distribution centers.

Further Other Financial Obligations
Furthermore, the Company has other financial obligations associated with license, promotional and advertising agreements, which give rise to the following financial obligations as of the balance sheet date:

T.68 (in € million)

	2018	2017
Under license, promotional and advertising agreements:		
2019 (2018)	227.4	181.8
2020–2023 (2019–2022)	867.8	542.6
from 2024 (from 2023)	5.0	367.6
TOTAL	**1,100.2**	**1,092.0**

As is customary in the industry, the promotional and advertising agreements provide for additional payments on reaching pre-defined goals (e.g. medals, championships). Although these are contractually agreed upon, they naturally cannot be exactly foreseen in terms of their timing and amount.

In addition, there are other financial obligations totaling € 238.8 million, of which € 143.3 million relate to the years from 2020. These include service agreements of € 124.3 million as well as other obligations of € 114.5 million.

30. INFORMATION ON NON-CONTROLLING INTERESTS

The summarized financial information about subsidiaries of the Group in which non-controlling interests exist is presented below. This financial information relates to all companies with non-controlling interests in which the identical non-controlling shareholder holds an interest. The financial information of Janed LLC, including its subsidiary Janed Canada LLC, is also disclosed as a separate note. The figures represent the amounts before intercompany eliminations.

T.69 **DISCLOSURES RELATED TO NON-CONTROLLING INTERESTS** (in € million)

	12 / 31 / 2018		12 / 31 / 2017	
	Total	**thereof Janed**	Total	thereof Janed
Current Assets	41.6	24.1	50.4	33.9
Non-current Assets	3.8	3.8	3.6	3.6
Current Liabilities	21.7	6.5	18.3	10.3
Non-current Liabilities	0.0	0.0	0.0	0.0
Equity attributable to equity holders of the parent	23.7	21.3	35.7	27.2
Non-controlling interests	18.9	17.6	31.2	23.7

	1-12 / 2018		1-12 / 2017	
Sales	265.8	146.6	215.6	117.2
Net income	42.8	33.9	32.5	25.1
Profit attributable to non-controlling interests	42.4	33.5	32.2	24.8
Other comprehensive income of non-controlling interests	1.1	0.9	-2.9	-2.3
Total comprehensive income of non-controlling interests	43.4	34.4	29.2	22.5
Dividends paid to non-controlling interests	55.7	40.5	13.4	11.5
Net cash provided by operating activities	48.3	36.4	19.6	14.3
Net cash used in investing activities	0.0	0.0	0.0	0.0
Cash inflow / outflow from financing activities	-56.1	-40.8	-13.7	-11.8
Change in cash and cash equivalents	-7.6	-4.4	5.2	2.0

31. MANAGEMENT BOARD (MANAGING DIRECTORS UNTIL JULY 9, 2018) AND SUPERVISORY BOARD (ADMINISTRATIVE BOARD UNTIL JULY 9, 2018)

Disclosures pursuant to § 314 (1) No. 6 HGB

In accordance with the Act on Disclosure of Management Board Compensation of August 3, 2005, the disclosure of the individual earnings of the members of the Management Board or Managing Directors may be dispensed with for a period of 5 years pursuant to Section 285 (9) (a) sentences 5-8; Section 314 (1) No. 6 (a) sentences 5-8 of the HGB, if the Annual General Meeting passes a resolution in this regard by a 75% majority.

Pursuant to the resolution of the Annual General Meeting of April 12, 2018, the Company was authorized to refrain from disclosures pursuant to Section 285 (9) (a) sentences 5-8 and Section 314 (1) No. 6 (a) sentences 5-8 of the HGB with respect to the financial year beginning on January 1, 2018 and all subsequent financial years ending December 31, 2022 at the latest.

The Management Board and the Supervisory Board are of the opinion that the shareholders' justified interest in information is sufficiently accounted for by the disclosure of the total compensation of the Management Board members. The Supervisory Board will ensure that individual compensation is appropriate in accordance with its statutory duties.

Management Board (Managing Directors until July 9, 2018)

Compensation for the Management Board (managing directors of the monistic PUMA SE until July 9, 2018), which is set by the Supervisory Board (administrative board of the monistic PUMA SE until July 9, 2018), 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 Management Board member, 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 Management Board members receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Management Board members in an equal manner and are included in the non-performance-based compensation. The fixed compensation for the three Management Board members amounted to € 2.3 million in the financial year (previous year: € 2.1 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 result (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 € 2.7 million (previous year: € 3.9 million).

Pro-rata provisions totaling € 5.8 million (previous year: € 8.4 million) were set up for the existing compensation program (virtual shares / monetary units) with long-term incentives (from the years 2016 to 2018) for Management Board members in financial year 2018 according to the vesting periods. The performance-based program is based on the medium-term performance of the PUMA SE share. The shares from the 2016 and 2017 programs that were based on the medium-term performance of the Kering SA share were valued as of the reporting date of 12 / 31 / 2017 and converted into virtual shares / monetary units of PUMA SE. Further information on this program can be found in chapter 19 of the Notes to the Consolidated Financial Statements.

For the financial year 2019, a new modern compensation program with a long-term incentive for Management Board members will be introduced, which is to be decided on by the Supervisory Board in early 2019.

Management Board members 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, PUMA allocated € 0.5 million for Management Board members (previous year: € 0.4 million). The present value of the pension benefits granted to active Management Board members in the amount of € 10.1 million as of December 31, 2018 (previous year: € 4.5 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

There were pension obligations to former members of the Management Board and their widows / widowers amounting to € 3.2 million (previous year: € 3.3 million) as well as contribution-based pension commitments in connection with deferred compensation of former members of the Management Board and Managing Directors amounting to € 10.6 million (previous year: € 10.3 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 Management Board and their widows /widowers amounted to € 0.2 million (previous year: € 0.2 million).

Supervisory Board (Administrative Board until July 9, 2018)

In accordance with the Articles of Association, the Supervisory Board (Administrative Board of the monistic PUMA SE until July 9, 2018) has at least three members; it currently consists of six members. The compensation of the Supervisory Board is comprised of a fixed and a performance-based component. The total fixed compensation amounted to € 0.2 million (previous year: € 0.3 million).

In conformity with § 15 of the Articles of Association, each Supervisory Board member receives a fixed annual compensation of € 25,000.00, which is payable at the end of the Annual General Meeting for the respective financial year.
The fixed compensation is increased by an additional fixed annual amount of € 25,000 for the Chairman of the Supervisory Board, € 12,500 for the Vice Chairman of the Supervisory Board, € 10,000 for the Chairman of a committee and € 5,000 for each member of a committee. The definitive committees here are the Personnel Committee, the Audit Committee and the Sustainability Committee.

In addition to the fixed compensation, each Supervisory Board member receives annual performance-based compensation equal to € 20.00 for each € 0.01 by which the earnings per share figure as disclosed in the consolidated financial statements exceeds a minimum amount of € 16.00 per share. The performance-based compensation amounts to a maximum of € 10,000.00 per year. The Chairman of the Supervisory Board receives € 40.00 for every € 0.01 in profit per share and a maximum of € 20,000.00 per year, and the Deputy Chairman receives € 30.00 for every € 0.01 in profit per share and a maximum of € 15,000.00 per year.

A member of the Supervisory Board who is only active for part of a financial year receives pro rata remuneration calculated on the basis of the period of activity determined for full months.

32. RELATED PARTY RELATIONSHIPS

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

Kering S.A., Paris, holds 15.7% of the share capital of PUMA SE as of the reporting date, according to information provided by Kering S.A. in the press release on May 16, 2018. Kering S.A. is controlled by Artémis S.A., Paris. Together, Artémis S.A. (a wholly-owned subsidiary of Financière Pinault S.C.A.) and Kering S.A. hold 44.22% of the share capital according to a voting rights announcement dated May 24, 2018. Consequently, all companies that are directly or indirectly controlled by Artémis S.A. and are not included in the consolidated financial statements of PUMA SE are considered related companies.

In addition, the disclosure obligation pursuant to IAS 24 extends to transactions with associated companies as well as transactions with other related companies and parties. These include non-controlling shareholders in particular.

Transactions with related companies and parties largely concern the sale of goods and services. These sales were concluded under normal market conditions that are also customary with third parties.

The following overview illustrates the scope of the business relationships:

T.70 (in € million)

	DELIVERIES AND SERVICES RENDERED		DELIVERIES AND SERVICES RECEIVED	
	2018	2017	**2018**	2017
Companies included in the Artémis Group	0.0	0.0	0.0	0.0
Companies included in the Kering Group	2.3	3.6	2.0	5.7
Other related parties and persons	0.7	0.3	19.6	16.6
TOTAL	**2.9**	**3.9**	**21.6**	**22.4**

T.71 (in € million)

	NET RECEIVABLES FROM		LIABILITIES TO	
	2018	2017	**2018**	2017
Companies included in the Artémis Group	0.0	0.0	0.0	0.0
Companies included in the Kering Group	0.8	1.3	0.0	2.3
Other related parties and persons	0.0	0.1	4.7	2.8
TOTAL	**0.8**	**1.4**	**4.8**	**5.1**

In addition, dividend payments of € 55.7 million were made to non-controlling shareholders in the financial year 2018 (previous year: € 13.4 million).

Apart from the dividend income of € 0.6 million (previous year: € 0.8 million), there were no other accounting transactions with associated companies.

Receivables from related companies and parties are, with one exception, not subject to value adjustments. Only with respect to the receivables from a non-controlling shareholder and its group of companies were gross receivables in the amount of € 52.2 million adjusted in value for a subsidiary of PUMA SE in Greece as of December 31, 2018 (previous year: € 52.2 million). As in the previous year, no expenses were recorded in this respect in the financial year 2018.

As of December 31, 2018, there were no liabilities to companies included in the Kering Group arising from financing activities (previous year: € 0.0 million).

The Management Board as well as the members of the Supervisory Board of the PUMA Group are related parties within the meaning of IAS 24. The services and compensation of this group of individuals is shown in chapter 31.

As part of consulting, service and employment contracts, members of the Supervisory Board received compensation from PUMA in the amount of € 0.2 million (previous year: € 0.1 million).

33. CORPORATE GOVERNANCE

In November 2018, the Management Board and the Supervisory Board submitted the required compliance declaration with respect to the recommendations issued by the Government Commission German Corporate Governance Code pursuant to Section 161 of the AktG (Aktiengesetz, German Stock Corporation Act) and published it on the Company's website (www.puma.com). Please also refer to the Corporate Governance Report in the Combined Management Report.

34. EVENTS AFTER THE BALANCE SHEET DATE

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 the PUMA Group.

Mr. Lars Radoor Sørensen has resigned as a member of the Management Board of PUMA SE with effect from January 31, 2019. With effect from February 1, 2019, the Supervisory Board of PUMA SE appointed Ms. Anne-Laure Descours to the Management Board as Chief Sourcing Officer.

35. DATE OF RELEASE

The Management Board of PUMA SE released the consolidated financial statements on January 30, 2019 for distribution to the Supervisory Board. The task of the Supervisory Board is to review the consolidated financial statements and state whether it approves them.

Herzogenaurach, January 30, 2019

The Management Board

Bjørn Gulden   Michael Lämmermann   Lars Radoor Sørensen

This is a translation of the German version.
In case of doubt, the German version shall apply.

APPENDIX 1 OF THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in Fixed Assets

T.72 **CHANGES IN FIXED ASSETS 2017**

	PURCHASE COSTS						ACCUMULATED DEPRECIATION						CARRYING AMOUNTS	
	Balance 1 / 1 / 2017 € million	Currency changes and other changes	Additions / retransfers	Changes in group of consolidated companies	Disposals	Balance 12 / 31 / 2017 € million	Balance 1 / 1 / 2017 € million	Currency changes and other changes	Additions / retransfers 1)	Changes in group of consolidated companies	Disposals	Balance 12 / 31 / 2017 € million	Balance 12 / 31 / 2017 € million	Balance 12 / 31 / 2016 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	167.1	-8.4	2.0		-29.0	131.8	-58.8	3.4	-5.3		18.5	-42.1	89.7	108.4
Technical equipment and machines	17.9	0.4	1.9	0.0	-0.9	19.2	-7.5	-0.1	-2.1		0.6	-9.1	10.1	10.4
Other equipment, factory and office equipment	357.4	-21.0	62.4		-38.5	360.2	-241.3	15.1	-48.7		36.6	-238.2	122.0	116.1
Payments on account and assets under construction	17.3	-4.5	25.6		-0.1	38.3	0.0	0.0			0.0		38.3	17.3
	559.7	**-33.6**	**92.0**	**0.0**	**-68.5**	**549.5**	**-307.5**	**18.5**	**-56.1**	**0.0**	**55.7**	**-289.5**	**260.1**	**252.1**
INTANGIBLE ASSETS														
Goodwill	297.1	-8.9				288.2	-46.7	0.4				-46.3	241.9	250.4
Intangible fixed assets with an unlimited or indefinite useful life	152.6	-16.3				136.3	-17.7	0.0				-17.7	118.5	134.9
Other intangible fixed assets	134.7	-3.6	31.0	0.0	-6.1	156.0	-96.9	2.9	-14.3		4.6	-103.7	52.4	37.8
	584.4	**-28.8**	**31.0**	**0.0**	**-6.1**	**580.5**	**-161.3**	**3.3**	**-14.3**	**0.0**	**4.6**	**-167.7**	**412.8**	**423.1**

1) There was no impairment for fixed assets and intangible assets in the financial year 2017, see chapters 9 and 10.

T.73 **CHANGES IN 2018**

	PURCHASE COSTS						ACCUMULATED DEPRECIATION						CARRYING AMOUNTS	
	Balance 1 / 1 / 2018 € million	Currency changes and other changes	Additions / retransfers	Changes in group of consolidated companies	Disposals	Balance 12 / 31 / 2018 € million.	Balance 1 / 1 / 2018 € million	Currency changes and other changes	Additions / retransfers[1]	Changes in group of consolidated companies	Disposals	Balance 12 / 31 / 2018 € million.	Balance 12 / 31 / 2018 € million.	Balance 12 / 31 / 2017 € million.
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	131.8	34.7	3.7		-1.2	169.0	-42.1	0.0	-6.4		0.9	-47.6	121.4	89.7
Technical equipment and machines	19.2	-1.4	14.4		-0.5	31.7	-9.1	0.7	-2.9		0.4	-10.9	20.8	10.1
Other equipment, factory and office equipment	360.2	4.7	67.6		-28.4	404.1	-238.2	-0.3	-55.6		27.3	-266.8	137.3	122.0
Payments on account and assets under construction	38.3	-42.5	20.3		-1.0	15.2							15.2	38.3
	549.5	**-4.5**	**106.0**	**0.0**	**-31.0**	**620.0**	**-289.5**	**0.4**	**-65.0**	**0.0**	**28.7**	**-325.4**	**294.6**	**260.1**
INTANGIBLE ASSETS														
Goodwill	288.2	3.9			-1.6	290.5	-46.3	-0.1			1.6	-44.8	245.7	241.9
Intangible fixed assets with an unlimited or indefinite useful life	136.3	5.6				141.9	-17.7					-17.7	124.2	118.5
Other intangible fixed assets	156.0	0.7	32.2		-5.3	183.7	-103.7	-0.3	-17.2		5.1	-116.1	67.6	52.4
	580.5	**10.3**	**32.2**	**0.0**	**-6.9**	**616.1**	**-167.7**	**-0.5**	**-17.2**	**0.0**	**6.7**	**-178.6**	**437.4**	**412.8**

1) There was an impairment for fixed assets in the amount of € 0,6 million in the financial year 2018, see chapter 9. No impairment loss was recognized for intangible assets (see chapter 10)

APPENDIX 2 OF THE CONSOLIDATED FINANCIAL STATEMENTS

BODIES
STATUS: 12 / 31 / 2018

MANAGEMENT BOARD

Bjørn Gulden
Chief Executive Officer (CEO)
Membership of other supervisory boards and controlling bodies:
- Tchibo GmbH, Hamburg
- Borussia Dortmund GmbH & Co. KGaA, Dortmund
- Salling Group A / S, Brabrand / Denmark (previously Dansk Supermarked A / S)
- Pandora A / S, Copenhagen / Denmark

Michael Lämmermann
Chief Financial Officer (CFO)

Lars Radoor Sørensen (until January 31, 2019)
Chief Operating Officer (COO)
Membership of other supervisory boards and controlling bodies:
- Scandinavian Brake Systems A / S, Svendborg / Denmark
- Hoyer Group A / S, Copenhagen/Denmark
- Skiold A / S, Sæby / Denmark

SUPERVISORY BOARD

Jean-François Palus
(Chairman)
London, United Kingdom
Group Managing Director and member of the Administrative Board of Kering S.A., Paris / France, responsible for Strategy, Operations and Organization

Membership of other supervisory boards and controlling bodies:
- Kering Americas, Inc., New York / USA
- Volcom, LLC., Costa Mesa / USA
- Kering Tokyo Investment Ltd., Tokyo / Japan
- Pomellato S.p.A, Milan / Italy
- Sowind Group S.A., La Chaux-de-Fonds / Switzerland
- Guccio Gucci SpA., Florence / Italy
- Gucci America, Inc., New York / USA
- Christopher Kane Ltd., London / United Kingdom
- Manufacture et fabrique de montres et chronomètres Ulysse Nardin Le Locle S.A., Le Locle / Switzerland
- Kering Eyewear S.p.A., Padua / Italy
- Yugen Kaisha Gucci LLC, Tokyo / Japan
- Birdswan Solutions Ltd., Haywards Heath / West Sussex / United Kingdom
- Paintgate Ltd., Haywards Heath / West Sussex / United Kingdom
- Stella McCartney Ltd., Haywards Heath / West Sussex / United Kingdom
- Kering Asia Pacific Ltd., Hong-Kong / China
- Kering South East Asia PTE Ltd., Singapore
- Altuzarra LLC, New York / USA
- Tomas Maier Holding LLC, New York / USA
- Tomas Maier Distribution LLC, New York / USA
- Tomas Maier LLC, New York / USA

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

Membership of other supervisory boards and controlling bodies:
- Docktricks AB, Uppsala / Sweden
- Elite Hotels AB, Stockholm / Sweden
- Tomas Frick AB, Vellinge / Sweden
- Tjugonde AB, Malmö / Sweden
- Dahlqvists Fastighetsförvaltning AB, Kristianstad / Sweden
- Dofab AB, Malmö / Sweden
- Orrefors Kosta Boda AB, Kosta / Sweden

Jean-Marc Duplaix
Paris, France
Chief Financial Officer (CFO) of Kering S.A., Paris / France

Membership of other supervisory boards and controlling bodies:
- Redcats S.A., Paris / France
- E_lite S.p.A., Milan / Italy
- Pomellato S.p.A., Milan / Italy
- Kering Japan Ltd., Tokyo / Japan
- Kering Tokyo Investment Ltd., Tokyo / Japan
- Kering Luxembourg S.A., Luxembourg / Luxembourg
- Qeelin Holding Luxembourg S.A., Luxembourg / Luxembourg
- E-Kering Lux S.A., Luxembourg / Luxembourg
- Luxury Fashion Luxembourg S.A., Luxembourg / Luxembourg
- Kering Spain S.L. (previously named Noga Luxe S.L.), Barcelona / Spain
- Kering Eyewear S.p.A., Padua / Italy
- GPo Holding S.A.S., Paris / France
- Design Management Srl, Florence / Italy
- Design Management 2 Srl, Florence / Italy

- Kering Studio S.A.S., Paris / France
- Balenciaga Asia Pacific Ltd., Hong Kong / China
- Kering Eyewear Japan Ltd., Tokyo / Japan
- Redcats Management Services S.A.S., Paris / France
- Balenciaga S.A., Paris / France
- Kering Investments Europe B.V., Amsterdam / Netherlands
- Altuzarra LLC, New York / USA
- Pomellato Japan Co. Ltd., Tokyo / Japan
- Bottega Veneta Japan Ltd., Tokyo / Japan
- Richard Ginori Asia Pacific Co. Ltd., Tokyo / Japan
- Kering Korea Ltd., Seoul / Republic of Korea

Béatrice Lazat
Paris, France
Human Resources Director, Kering S.A., Paris / France

Membership of other supervisory boards and controlling bodies:
- Castera S.A.R.L., Luxembourg / Luxembourg
- Luxury Goods Services S.A., Cadempino / Switzerland
- Augustin S.A.R.L., Paris / France
- Prodistri S.A., Paris / France
- Conseil et Assistance S.N.C., Paris / France

Martin Koeppel
(Employees' Representative)
Weisendorf, Germany
Chairman of the Works Counsel of PUMA SE

Gernot Heinzel
(Employees' Representative)
Hausen, Germany
Key Account Manager Shoe Chains Germany South
Member until 9 July 2018

Bernd Illig
(Employees' Representative)
Bechhofen, Germany
Administrator IT Systems of PUMA SE
Member since 9 July 2018

SUPERVISORY BOARD COMMITTEES

Personnel Committee

- **Jean-François Palus (Chairman)**
- Béatrice Lazat
- Martin Koeppel

Audit Committee

- **Thore Ohlsson (Chairman)**
- Jean-Marc Duplaix
- Gernot Heinzel (until 9 July 2018)
- Bernd Illig (since 9 July 2018)

Sustainability Committee (until 9 July 2018)

- **Jean-François Palus (Chairman)**
- Béatrice Lazat
- Martin Koeppel

Nominating Committee

- **Jean-François Palus (Chairman)**
- Jean-Marc Duplaix
- Béatrice Lazat

DECLARATION BY THE LEGAL REPRESENTATIVES

We state to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the applicable accounting principles, and that the Group management report, which is combined with the Management report of PUMA SE for the financial year 2018, provides a true and fair view of the course of the development and performance of the business and the position of the Group, together with a description of the principal risks and opportunities associated with the expected performance of the Group.

Herzogenaurach, January 30, 2019

The Management Board

Bjørn Gulden   Michael Lämmermann   Lars Radoor Sørensen

INDEPENDENT AUDITOR'S REPORT

TO PUMA SE, HERZOGENAURACH

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of PUMA SE, Herzogenaurach, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of PUMA SE for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the statement on corporate governance and the corporate governance report specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report. With the German legal requirements, we have not audited the content of those parts of the notes to the consolidated financial statements and of the combined management report as specified in the Chapter "Other information" of our independent auditor´s report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statement on corporate governance and the corporate governance report specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537 / 2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill

2. Recoverability of the Cobra brand

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)

b) Auditor's response

1. Recoverability of goodwill

a) The consolidated financial statements of PUMA SE show goodwill in the amount of mEUR 245.7 corresponding to approximately 7.7% of the consolidated balance sheet total or 14.3% of the group equity.

Each financial year or in case of respective signs of impairment, goodwill is subject to impairment tests. The impairment tests are performed by PUMA SE by applying the "discounted cash flow method". The valuation is based on the present values of the future cash flows. The company's valuation model is based on future cash flows, which are in turn based on the effective three-year plan and valid at the date the impairment test. This detailed planning phase is extended with the assumption of long-term growth rates. The discounting is performed using the weighted average cost of capital (WACC). Here, the realizable amount is determined on the basis of the value in use and a possible need for impairment is determined by comparing the value in use with the carrying amount.

The outcome of this valuation highly depends on the legal representatives' assessment of future cash flows, the WACC rate applied and the long-term growth rate and therefore involves uncertainties and discretion. Thus, the assessment of the recoverability of the goodwill was classified as a key audit matter within the scope of our audit.

Information on the goodwill, provided by the legal representatives, is disclosed in Chapter 2 "Significant Consolidation, Accounting and Valuation Principles" and in Chapter 10 "Intangible Assets" of the notes to the consolidated financial statements.

b) Within the scope of our risk-oriented audit, we gained an understanding of the systematic approach applied when performing the impairment test. We satisfied ourselves, that the valuation model used adequately presents the requirements of the relevant standards, whether the necessary input data are completely and accurately determined and whether the calculations within the model are performed correctly. We satisfied ourselves of the appropriateness of the future cash flows used for the computation by reconciling these cash flows particularly with the effective three-year plan as well as by interviewing the legal representatives or persons appointed by them with regard to the material assumptions underlying this plan. In addition, we performed a critical assessment of the plan under consideration of general and industry-specific market expectations.

Since a material portion of the value in use results from the forecasted cash flows for the period after the three-year plan (phase of perpetuity), we in particular critically assessed the sustainable growth rate used within the perpetuity phase by means of general and industry-specific market expectations. Since relatively low changes of the discounting rate may materially affect the amount of the realizable value, we have also checked the parameters used when determining the WACC rate involving internal valuation experts from the financial advisory sector and reproduced the computation scheme.

Due to the material significance and taking into account the fact that the assessment of the goodwill also depends on the economic framework conditions that cannot be influenced by the Group, we performed in addition a critical assessment of the sensitivity analyses performed by PUMA SE for the cash-generating units (so-called CGUs) with low headroom (present values compared to the carrying amount) in order to be able to assess a possible impairment risk in case of change of a material valuation assumption.

2. Recoverability of the Cobra brand

a) The consolidated financial statements of PUMA SE disclose for the Cobra brand a brand value of mEUR 124.2 corresponding to approximately 3.9% of the consolidated balance sheet total or 7.2% of the group equity.

The Cobra brand is subject to an impairment test conducted annually or in case of a triggering event. The impairment test is conducted by PUMA SE based on the relief from royalty method. According to this approach, the value of the brand results from future royalty that a company would have to pay for the use of the brand if they had to license it. The approach uses forecasted revenue generated with the Cobra brand based on the effective three-year plan, valid at the time the impairment test is conducted. Subsequently, the projection period is extended assuming long-term growth rates. The discounting is performed by means of the weighted average cost of capital (WACC). The recoverable amount and the need for impairment is determined by comparing the value in use with the carrying amount. If there are indications of impairment of the brand used by the Group, the recoverability of the brand is assessed by reference to the recoverable amount of the cash-generating unit to which the brand is allocated.

The outcome of this valuation highly depends on the legal representatives' assumption of future revenue to be generated with the Cobra brand, the royalty rate and the long-term growth rate as well as the WACC rate applied and therefore involves uncertainties and discretion. Thus, the assessment of the recoverability of the Cobra Brand was classified as key audit matter within the scope of our audit.

Information on the Cobra brand, provided by the legal representatives, is disclosed in Chapter 2 "Significant Consolidation, Accounting and Valuation Principles" and in Chapter 10 "Intangible Assets" of the notes to the consolidated financial statements.

b) As part of our risk-oriented audit, we first examined on the basis of the information available to us and in discussions with the legal representatives or persons appointed by them, that there are no indications of impairment of the brand and that the recoverability of the brand can be assessed by use of the relief-from-royalty method as part of the impairment test. We have followed the methodological procedure for performing the impairment test using the relief-from-royalty method. In this regard we examined, whether the valuation model adequately reflects the conceptual requirements of the relevant standards, whether the necessary input data are completely and accurately determined and whether the calculations applied to the model are made correctly. We satisfied ourselves of the appropriateness of the assumed future revenue underlying the computation (Cobra branded sales) by reconciling these sales particularly with the effective three-year plan as well as by interviewing the legal representatives or persons appointed by them with regard to the material assumptions underlying this plan. In addition, we performed a critical assessment of the plan taking into account general and industry-specific market expectations.

Since a material portion of the value in use results from the forecasted revenue for the period following the three-year plan (phase of perpetuity), we particularly reviewed the sustainable growth rate applied to the perpetuity phase by means of general and industry-specific market expectations. As even relatively small changes of the expected royalty rate and the used discount rate may have a material effect on the value in use, we also assessed the parameters involved in the assumed royalty rate and determination of the discount rate involving internal valuation experts from the financial advisory sector and recalculated the computation scheme. Additionally, we reviewed the applied royalty rate based on industry-specific average rates.

Due to the material significance and as the measurement of the brand also depends on general economic conditions that are beyond the Group's control, we additionally reviewed the sensitivity analyses concerning the Cobra brand originally conducted by PUMA SE in order to be able to determine a potential impairment risk in case a material assumption underlying the measurement changes.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the statement on corporate governance pursuant to Section 289f German Commercial Code (HGB) specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report,

- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report,

- the legal representatives' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively,

- the combined non-financial report which will be published after the issuance of this auditor´s report and

- the remaining parts of the Annual Report which will be published after the issuance of this auditor´s report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the Legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.

- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code HGB).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 12 April 2018. We were engaged by the Supervisory Board on 24 October 2018. We have been the group auditor of PUMA SE, Herzogenaurach, without interruption since the financial year 2012.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefan Otto.

Munich, 30 January 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Christof Stadter
Wirtschaftsprüfer
[German Public Auditor]

Stefan Otto
Wirtschaftsprüfer
[German Public Auditor]

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GRI CONTENT INDEX

Since 2003 PUMA's sustainability reports are based on the guidelines of the Global Reporting Initiative (GRI), which developed detailed and widely recognised standards on sustainability reporting. This report has been prepared in accordance with the GRI Standards: Core option. This option enables us to report on the impacts related to our economic, environmental, social, and governance performance. It includes topics that are material to PUMA's business and our key stakeholders and that constitute our sustainability targets. These targets have been systematically developed in accordance with the feedback from PUMA's stakeholders.

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THE PUMA SHARE

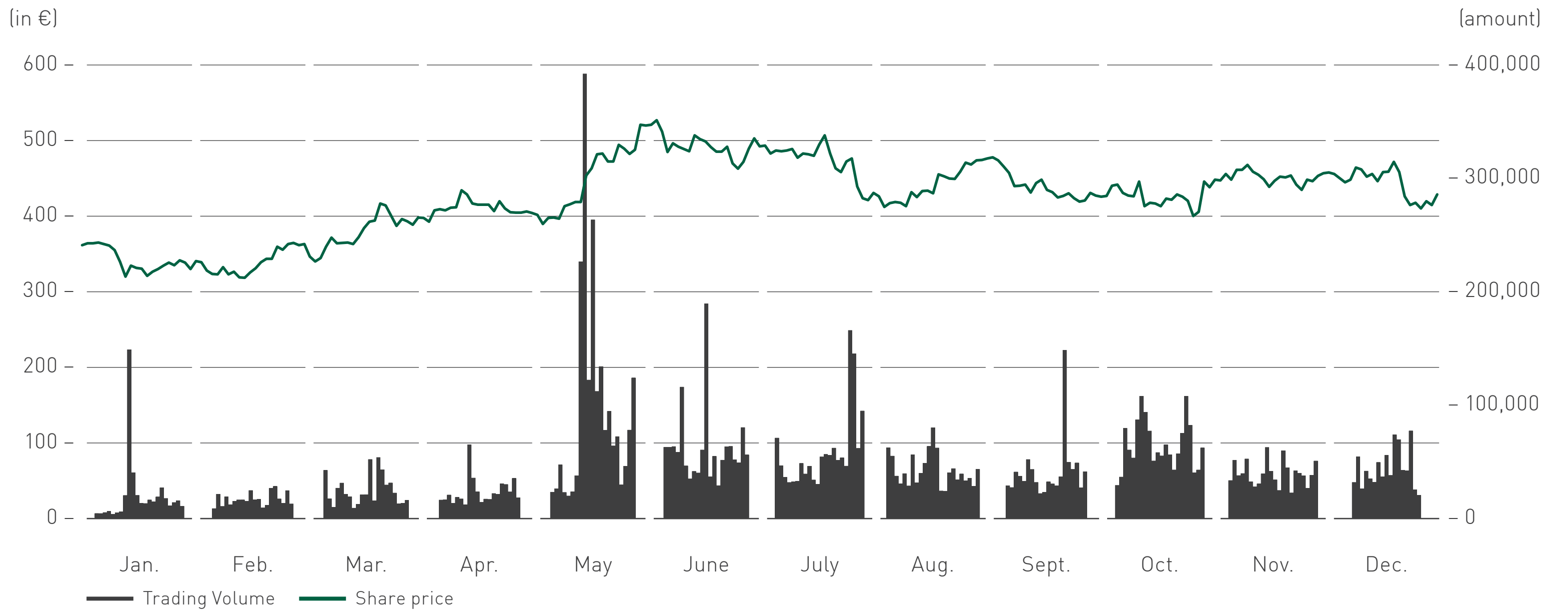
The PUMA share also had a very positive performance in 2018. The share started into the year at a price of € 363.00 and moved in the following twelve months in a range between € 317.00 (February 13, 2018 / -12.7%) and € 525.00 (June 5, 2018 / +44.6%). At the end of the year (December 28, 2018), the PUMA share was trading at € 427.00, 17.6% above the closing price of the previous year. Market capitalization rose accordingly from € 5.4 billion to € 6.4 billion at the end of 2018.
The PUMA share was included in the MDAX in June 2018, after the free float increased from just under 13% to 55% due to the reduction in Kering's shareholding and, as a result, the trading volume of the PUMA share also increased significantly. The average daily trading volume increased from 6,689 shares in the previous year to an average of 44,386 shares in 2018.
Compared to the MDAX, which fell by 17.6% in 2018, the PUMA share developed significantly better, gaining 17.6%.

T.1 **KEY DATA PER SHARE**

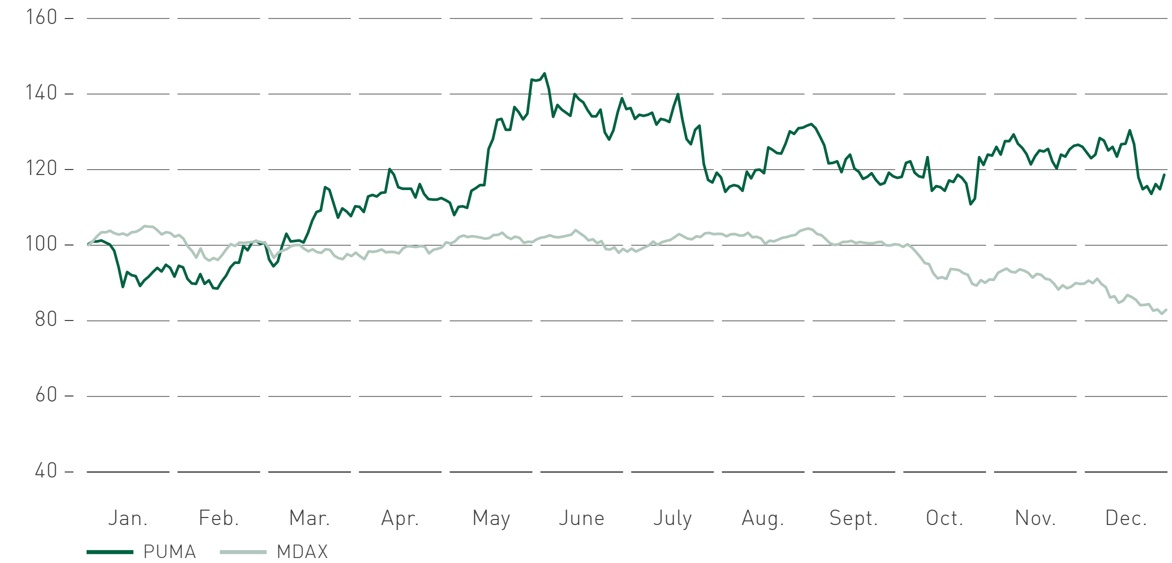
		2018	2017	2016	2015	2014	2013	2012
End of year price	**€**	**427.00**	363.00	249.65	198.65	172.55	235.00	224.85
Highest price listed	**€**	**525.00**	391.40	249.65	212.85	235.00	249.40	274.00
Lowest price listed	**€**	**317.00**	243.50	168.20	141.85	157.10	205.35	210.10
Daily trading volume (Ø)	**amount**	**44,386**	6,689	3,392	9,416	7,209	11,086	24,739
Earnings per share	**€**	**12.54**	9.09	4.17	2.48	4.29	0.36	4.69
Gross cashflow per share	**€**	**26.63**	22.15	12.24	9.00	11.52	15.44	21.89
Free cashflow (before acquisitions) per share*	**€**	**9.99**	8.60	3.78	-6.58	4.23	3.33	5.58
Shareholders' equity per share	**€**	**115.22**	110.87	115.28	108.39	108.32	100.22	106.73
Dividend per share	**€**	**3.50**	12.50	0.75	0.50	0.50	0.50	0.50

* adjusted prior-year figures, see chapter 27 in the notes to the consolidated financial statements as of December 31, 2018

F.1 **PUMA SHARE PERFORMANCE / TRADING VOLUME**



F.2 **SHARE DEVELOPMENT - REBASED**



The PUMA share has been registered for the regulated market on German stock exchanges since 1986. It is listed in the Prime Standard Segment and the Mid-Cap Index MDAX of the German Stock Exchange [Deutsche Börse]. Moreover, membership in the FTSE4Good index was once again confirmed.

PUMA YEAR-ON-YEAR COMPARISON

T.2 **PUMA YEAR-ON-YEAR COMPARISON** (in € million)

	2018	2017	Deviation
Sales			
Consolidated sales	**4,648.3**	4,135.9	12.4%
- Footwear	**2,184.7**	1,974.5	10.6%
- Apparel	**1,687.5**	1,441.4	17.1%
- Accessories	**776.1**	719.9	7.8%
Result of operations			
Gross profit	**2,249.4**	1,954.3	15.1%
EBIT	**337.4**	244.6	37.9%
EBT	**313.4**	231.2	35.5%
Net earnings	**187.4**	135.8	38.0%
Profitability			
Gross profit margin	**48.4%**	47.3%	1.1% pt
EBT margin	**6.7%**	5.6%	1.2% pt
Net earnings margin	**4.0%**	3.3%	0.7% pt
Return on capital employed (ROCE)	**25.8%**	20.7%	5.1% pt
Return on equity (ROE)	**10.9%**	8.2%	2.7% pt
Balance sheet information			
Shareholders' equity	**1,722.2**	1,656.7	4.0%
- Equity ratio	**53.7%**	58.1%	-4.4% pt
Working capital	**503.9**	493.9	2.0%
- in % of consolidated sales	**10.8%**	11.9%	-1.1% pt
Cashflow and investments			
Gross cashflow	**398.0**	330.9	20.3%
Free cashflow*	**172.9**	128.5	34.5%
Investments (before acquisition)	**130.2**	122.9	5.9%
Acquisition investments	**0.0**	0.0	-
Employees			
Number of employees (annual average)	**12,192**	11,389	7.1%
Sales per employee (k€)	**381.3**	363.1	5.0%
PUMA share			
Share price (in €)	**427.00**	363.00	17.6%
Average outstanding shares (in million)	**14,947**	14,943	0.0%
Number of shares outstanding (in million)	**14,947**	14,943	0.0%
Earnings per share (in €)	**12.54**	9.09	38.0%
Market capitalization	**6,384**	5,426	17.7%
Average trading volume (amount / day)	**44,386**	6,689	563.6%

* adjusted prior-year figures, see chapter 27 in the notes to the consolidated financial statements as of December 31, 2018

PUMA GROUP DEVELOPMENT

T.3 **PUMA GROUP DEVELOPMENT** (in € million)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Sales										
Consolidated sales	**4,648.3**	4,135.9	3,626.7	3,387.4	2,972.0	2,985.3	3,270.7	3,009.0	2,706.4	2,447.3
- Change in %	**12.4%**	14.0%	7.1%	14.0%	-0.4%	-8.7%	8.7%	11.2%	10.6%	-3.0%
- Footwear	**2,184.7**	1,974.5	1,627.0	1,506.1	1,282.7	1,372.1	1,595.2	1,539.5	1,424.8	1,321.7
- Apparel	**1,687.5**	1,441.4	1,333.2	1,244.8	1,103.1	1,063.8	1,151.9	1,035.6	941.3	846.2
- Accessories	**776.1**	719.9	666.5	636.4	586.3	549.4	523.6	433.9	340.3	279.4
Result of operations										
Gross profit	**2,249.4**	1,954.3	1,656.4	1,540.2	1,385.4	1,387.5	1,579.0	1,493.4	1,344.8	1,243.1
- Gross profit margin	**48.4%**	47.3%	45.7%	45.5%	46.6%	46.5%	48.3%	49.6%	49.7%	50.8%
Royalty and commission income	**16.3**	15.8	15.7	16.5	19.4	20.8	19.2	17.6	19.1	20.6
EBIT[1]	**337.4**	244.6	127.6	96.3	128.0	191.4	290.7	333.2	337.8	299.7
- EBIT margin	**7.3%**	5.9%	3.5%	2.8%	4.3%	6.4%	8.9%	11.1%	12.5%	12.2%
EBT	**313.4**	231.2	118.9	85.0	121.8	53.7	112.3	320.4	301.5	138.4
- EBT margin	**6.7%**	5.6%	3.3%	2.5%	4.1%	1.8%	3.4%	10.6%	11.1%	5.7%
Net earnings	**187.4**	135.8	62.4	37.1	64.1	5.3	70.2	230.1	202.2	79.6
- Net margin	**4.0%**	3.3%	1.7%	1.1%	2.2%	0.2%	2.1%	7.6%	7.5%	3.3%
Expenses										
Marketing / retail	**931.2**	822.9	732.3	697.6	599.7	544.1	609.3	550.7	501.3	501.2
Personnel	**553.8**	549.1	493.1	483.8	425.3	415.7	438.8	393.8	354.1	320.2
Balance sheet										
Total assets	**3,207.2**	2,853.8	2,765.1	2,620.3	2,549.9	2,308.5	2,530.3	2,581.8	2,366.6	1,925.0
Shareholders' equity	**1,722.2**	1,656.7	1,722.2	1,619.3	1,618.3	1,497.3	1,597.4	1,605.2	1,386.4	1,133.3
- Equity ratio	**53.7%**	58.1%	62.3%	61.8%	63.5%	64.9%	63.1%	62.2%	58.6%	58.9%
Working capital	**503.9**	493.9	536.6	532.9	455.7	528.4	623.7	534.0	404.5	323.2
- thereof: inventories	**915.1**	778.5	718.9	657.0	571.5	521.3	552.5	536.8	439.7	344.4

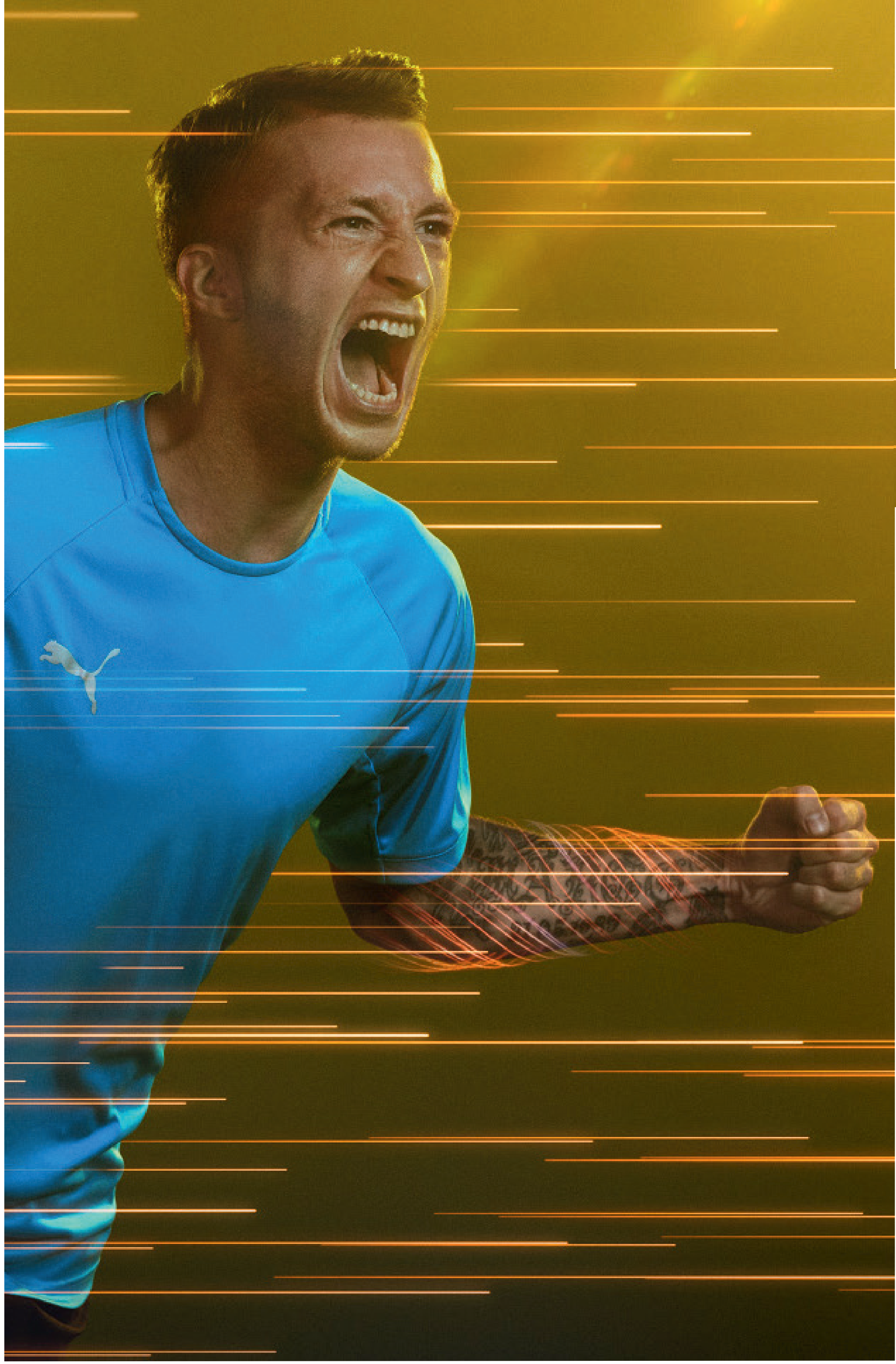
1) EBIT before special items
* adjusted comparable figures according to IAS 8, see chapter 3 in the notes to the consolidated financial statements as of December 31, 2010

T.3 **PUMA GROUP DEVELOPMENT** (in € million)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009*
Cashflow										
Free cashflow**	**172.9**	128.5	49.7	-98.9	39.3	29.2	-8.2	16.8	17.1	167.3
Investments (incl. acquisitions)	**130.2**	122.9	91.1	79.5	96.4	76.3	172.9	115.3	163.6	136.3
Profitability										
Return on equity (ROE)	**10.9%**	8.2%	3.6%	2.3%	4.0%	0.4%	4.4%	14.3%	14.6%	7.0%
Return on capital employed (ROCE)	**25.8%**	20.7%	10.3%	7.9%	11.5%	5.6%	8.6%	28.7%	31.7%	20.3%
Additional information										
Number of employees (year-end)	**12,894**	11,787	11,495	11,351	11,267	10,982	11,290	10,836	9,697	9,646
Number of employees (annual average)	**12,192**	11,389	11,128	10,988	10,830	10,750	10,935	10,043	9,313	9,747
PUMA share										
Share price (in €)	**427.00**	363.00	249.65	198.65	172.55	235.00	224.85	225.00	248.00	231.84
Earnings per share (in €)	**12.54**	9.09	4.17	2.48	4.29	0.36	4.69	15.36	13.45	5.28
Average outstanding shares (in million)	**14.947**	14.943	14.940	14.940	14.940	14.940	14.967	14.981	15.031	15.082
Number of shares outstanding (in million)	**14.947**	14.943	14.940	14.940	14.940	14.940	14.939	14.935	14.981	15.082
Market capitalization	**6,384**	5,426	3,730	2,968	2,578	3,511	3,359	3,360	3,715	3,497

* adjusted comparable figures according to IAS 8, see chapter 3 in the notes to the consolidated financial statements as of December 31, 2010

** adjusted prior-year figures, see chapter 27 in the notes to the consolidated financial statements as of December 31, 2018



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