



**TO OUR  
SHAREHOLDERS**



Björn 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