PURE PERFORMANCE

Combined Management Report*

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

Michael Lämmermann, Chief Financial Officer (CFO)

OVERVIEW 2019

↗ **MICHAEL LÄMMERMANN**

CHIEF FINANCIAL OFFICER (CFO)

In 2019, the PUMA Group (hereinafter PUMA) continued on its path to become the fastest sports brand in the world, by further strengthening its sports performance positioning. PUMA entered into many new partnerships with internationally renowned football clubs and the brand increased its visibility at key sports events globally through the numerous victories of our sponsored athletes and teams.

Our brand ambassadors Selena Gomez and Cara Delevingne created new Sportstyle collections that made waves on the catwalks and in the streets. We also opened our flagship store in New York City and even entered the virtual world of esports. All of this strengthened the PUMA brand and helped us live up to our vision of being "Forever Faster".

In our sports performance business, the year started with a bang, as we announced our partnership with Manchester City in February. This deal is PUMA's largest ever, both in terms of scope and ambition. We were also excited to welcome Pep Guardiola, one of the most celebrated football managers in the world, as a brand ambassador.

In Spain, we signed a contract with Valencia CF, one of the most respected clubs in Spanish football. We also became the official match ball partner of Spanish football league LaLiga Santander and LaLiga 1|2|3. This means that all goals in one of Europe's strongest professional football leagues are now scored with the PUMA LaLiga 1 football.

The Women's World Cup in France was one of the highlights of the football year and firmly put women's football in the spotlight. During this tournament, PUMA sponsored quarter finalist Italy and a total of 78 players. To highlight our commitment to the sport, PUMA launched the latest evolution of the PUMA ONE football boot as the „PUMA ONE Trailblazer", exclusively worn by our leading female players. PUMA is now in the position to have a title-contending presence in all major football leagues and with the national teams of Egypt and Morocco joining the PUMA family in 2019, we now sponsor 12 federations.

Our PUMA teams were also successful in other team sports: Denmark took the title at the Handball World Championships in Denmark and Germany. New Zealand won the Women's Netball World Championships and the Richmond Tigers were victorious in the AFL Grand Final in Australia. PUMA also played an important role in the Rugby World Cup, with Duane Vermeulen being voted Player of the Match in the final.

The World Athletics Championships in Doha were an important event for our track and field athletes. PUMA enjoyed a high level of visibility during the tournament by supporting a total of 115 athletes and 12 national federations. Norwegian hurdler Karsten Warholm successfully defended his title over 400m hurdles and was later voted European Male Athlete of the Year. During the tournament 22 medals were won by athletes wearing PUMA.

PUMA also welcomed new partners in Motorsport, where we signed a long-term contract with Porsche to become the exclusive technical partner for racing apparel and footwear. We launched a separate collaboration with Porsche Design to create premium lifestyle products inspired by motorsports, which aim at the higher end of the market.

Our Formula 1 teams Mercedes AMG Petronas, Scuderia Ferrari and Aston Martin Red Bull Racing once again dominated the Formula 1 season, where PUMA further expanded its leading presence by becoming the official trackside retail partner during F1 race weekends. Our brand ambassador Lewis Hamilton was crowned Formula 1 Champion for the sixth time.

Making sure we also support the female champions of tomorrow, PUMA partnered with W Series, the first racing competition for upcoming female talent in motorsport.

In our Golf category, we celebrated the 10-year anniversary with golf ambassador Rickie Fowler, one of the most vibrant ambassadors of the brand. Our latest addition to our roster of golf players, Gary Woodland, won the US Open in June.

Also in North America, PUMA's first full NBA Basketball season - after our return to the sport in 2018 - saw Toronto Raptors shooting guard Danny Green become the first PUMA athlete to win the NBA Finals since Isiah Thomas in 1990. We launched our first basketball shoe, the CLYDE COURT, in several new colors as well as two additional performance basketball shoes, the UPROAR and the CLYDE HARDWOOD. Both products were highly visible on court throughout the NBA Season, the All-Star Game, the Playoffs and the NBA Finals.

Deriving straight from the basketball court, the lifestyle shoe RALPH SAMPSON was one of our most important footwear styles in 2019. In the “chunky”-shoe category, several new colorways and collaborations within the RS-X-franchise continued to resonate well with our customers. Sneakers with a bulkier appearance, often referred to as “chunky” or “dad” shoes, have been an important trend over the past two years. The CALI franchise, presented by PUMA's ambassador Selena Gomez, was successful within the women's lifestyle category.

Selena also launched her second collection with PUMA, but she was not the only women's brand ambassador to get creative with personal collections in 2019: Cara Delevingne teamed up with PUMA and French luxury fashion house Balmain, while Adriana Lima presented a line of products reflecting her experience in fitness and boxing.

As esports is becoming increasingly relevant for our consumers, PUMA announced its first-ever partnership in virtual sports with esports team cloud9. We also created our first products to meet the needs of esports athletes and gamers, such as an active gaming seat and active gaming socks. Through these partnerships, we are positioning ourselves to benefit from the fast-growing gaming and esports markets. Keeping it high-tech, our first-ever smartwatch helps athletes train, stay motivated, track goals and connect with others while on the go.

On the operational side, we continued to invest in our distribution and logistical network as well as in organizational processes. We celebrated the topping out ceremony for our new multichannel distribution center in Geiselwind, Germany, which is expected to be operational in early 2021. In addition, PUMA North America announced the opening of a new distribution hub just outside of Indianapolis for 2020. In August, we opened our New York flagship store on Fifth Avenue, which provides a deeply immersive brand experience and marks another milestone for our company.

PUMA's net sales increased in the financial year 2019 by 16.7% currency-adjusted. In the reporting currency, the Euro, this corresponds to an increase in sales of 18.4% from € 4,648 million in the previous year to € 5,502 million in 2019. The increase of our brand heat and the continued focus on the improvement of our product range significantly contributed to the sales growth. This was particularly a result of the consistent implementation of our "Forever Faster" corporate strategy. Furthermore, we once again demonstrated our ability to react quickly and flexibly to changes and trends in our market environment. Despite the increase in uncertainty in the economic environment, as a result of the trade conflict between the United States of America and China, and in connection with Brexit, PUMA was able to achieve strong sales growth in the financial year 2019. Therefore, the currency-adjusted sales growth of around 10% prospected in the previous Combined Management Report for 2019 and the forecast of a currency-adjusted sales growth of around 15%, that was adjusted upwards during the year, were exceeded. As a consequence, PUMA was able to exceed the € 5 billion sales mark for the first time in the history of the company.

In addition to the strong sales growth, the increased gross profit margin contributed significantly to the increase in profitability in the financial year 2019. PUMA's gross profit margin improved by 40 basis points from 48.4% in the previous year to 48.8% in 2019. The main drivers for the development of the gross profit margin were the product mix and the regional mix and a higher proportion of our own retail sales. A slightly positive currency effect also contributed to the improved gross profit margin.

Other operating income and expenses in total increased in 2019 by 17.8%. The increase was mainly driven by higher sales-related costs, including costs for logistics, and higher expenses for marketing and investments in our own retail stores. The slightly lower increase compared to sales reflects the achieved operating leverage and results in a decrease of our cost ratio from 41.5% in the previous year to 41.3% in 2019. The continued focus on strict control of other operating income and expenses also significantly contributed to our improved profitability in 2019.

The operating result (EBIT) increased in the past financial year by 30.5% from € 337.4 million to € 440.2 million and was therefore above the guidance from the beginning of 2019, which had originally forecast an operating result within a range of between € 395 million and € 415 million. We were also able to slightly exceed the guidance, as adjusted during the year, for an operating result within a range of between € 420 million and € 430 million. The improvement in profitability is overall the result of the strong sales growth in combination with an improved gross profit margin and a slight operating leverage. This is also reflected in the development of consolidated net earnings and earnings per share, which increased by 40.0% compared to the previous year. Consolidated net earnings increased from € 187.4 million in the previous year to € 262.4 million, and earnings per share increased accordingly from € 1.25 in the previous year to € 1.76. As a result, PUMA was able to fully achieve or even slightly exceed the financial targets of the previous financial year.

The strong business development enables the Management Board and the Supervisory Board to propose to the Annual General Meeting on May 7, 2020, a dividend payout of € 0.50 per share for the financial year 2019. This corresponds to a payout ratio of 28.5% of net earnings and means a dividend increase of 42.8% compared to the previous year. The dividend proposal is in accordance with PUMA's dividend policy, which foresees a payout ratio of 25% to 35% of consolidated net earnings. In the previous year, a dividend of € 0.35 per share was distributed (payout ratio previous year: 27.9%).

To make PUMA more attractive for retail investors and in order to further diversify its shareholder base, the Management Board decided in 2019 to exercise a stock split with a 1:10 ratio. The stock split was subsequently approved by the Annual General Meeting on April 18, 2019. The stock split was carried out on June 10, 2019. The shareholders received nine additional shares for every share held on this date. The market price per share was accordingly adjusted at a ratio of 1:10. The PUMA share price developed very well in 2019. At the end of the year, the share price was at € 68.35. Taking the stock split into account, this represents an increase of 60.1% compared to the previous year's € 42.70. The market capitalization of the PUMA Group increased accordingly to around € 10.2 billion at year-end 2019 (previous year: € 6.4 billion).

PUMA GROUP ESSENTIAL INFORMATION

COMMERCIAL ACTIVITIES AND ORGANIZATIONAL STRUCTURE

PUMA SE operates as a European stock corporation with Group headquarters in Herzogenaurach, Germany. In the internal reporting, our business activities are mapped according to three regions (EMEA, the Americas and Asia/Pacific) and three product divisions (footwear, apparel and accessories). A detailed description can be found in the segment reporting 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 directly to consumers in our own retail stores 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, 2019, 101 subsidiaries were controlled directly or indirectly by PUMA SE. Our subsidiaries carry out various tasks at the local level, such as distribution, 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 has continued to focus on six strategic priorities to guide it on its way to become the fastest sports brand in the world. We focus on brand heat, a competitive product range, a leading offer for women, improving our distribution quality and organizational speed as well as leveraging our re-entry into basketball to strengthen our position on the North American market.

For more than 70 years, PUMA has created **brand heat** by partnering with the greatest athletes: Usain Bolt, Lewis Hamilton, Pelé, Maradona, Tommie Smith, Boris Becker, Linford Christie, Serena Williams, Heike Drechsler and Martina Navratilova, just to name a few. Today, PUMA continues to strengthen its position as a sports brand through partnerships with some of the most elite ambassadors: the Italian national football team, star strikers Antoine Griezmann, Romelu Lukaku, Sergio Agüero and Luis Suarez, top football manager Pep Guardiola, international top clubs Manchester City, Borussia Dortmund, Valencia CF and AC Milan, golf stars Lexi Thompson and Rickie Fowler, the six-time Formula 1 world champion Lewis Hamilton, Norwegian hurdler and world champion Karsten Warholm, Canadian sprinter André De Grasse and the Jamaican and Cuban Olympic Federations. Teaming up with the best athletes, teams and federations is key in keeping PUMA's brand credibility at high levels.
To connect with young, trend-setting consumers, PUMA also drives brand heat by working with icons of culture and fashion such as Selena Gomez, Cara Delevingne and Adriana Lima. This has made PUMA one of the hottest sports and fashion brands for young consumers.

PUMA aims to design "cool stuff that works" and in 2019, we significantly improved our **product offering.** Our most important performance footwear styles included the PUMA FUTURE football boot and our running & training shoes based on our LQD CELL and HYBRID technology platforms. In Sportstyle, our bestselling models were the RS-X, CALI and the RALPH SAMPSON. At the end of the year, we launched the RS-X3, CALI SPORT and the RIDER, which is inspired by one of the first jogging shoes launched in the 1980s. With these models, we see ourselves in a good starting position for 2020. In apparel, we saw strong growth across the portfolio, especially from "Big Cat" logo applications and motorsport apparel.

Creating a leading product offer for **women** remains a priority for PUMA, to capitalize on this growing segment in the global sportswear market. More and more women take up sports worldwide and athletic wear has long made its way into everyday outfits. "Where the gym meets the runway" continues to be the theme for our initiatives in the women´s segment. In 2019, our best-selling sneakers for women were the CALI, DEFY and MUSE.

Returning to **basketball**, with an approach that resonated well beyond the court, was an important step towards increasing our credibility as a sports brand in North America. With the support of JAY-Z, our Creative Director for basketball, we added the UPROAR and the CLYDE HARDWOOD as new performance shoes to this category in 2019. We added young and highly talented NBA players to our roster such as RJ Barrett (New York Knicks), Kyle Kuzma (Los Angeles Lakers) and Marcus Smart (Boston Celtics). While revenues from basketball performance products are still small, as expected, we are already seeing the benefits of being back on court, as sales of Sportstyle products and other performance categories in the US have picked up. Bringing back the court-style sneaker RALPH SAMPSON from our basketball archive, now one of our best-selling shoes in 2019, would not have been possible without re-entering basketball.

PUMA improved the quality of its **distribution** and expanded its presence in key sports performance and Sportstyle accounts around the world. We continued to strengthen our relationships with key retailers by being a flexible and service-oriented business partner. By improving sell-through, we further expanded the shelf space given to us in our partners' retail stores. As sell-through in wholesale improved, we expanded our retail store network and achieved like-for-like sales growth, while registering continued strong growth of our eCommerce business. Furthermore, PUMA upgraded its owned-and-operated retail store network with further refurbishments. On a regional basis, the Asia/Pacific, driven by China, and Americas regions contributed with double-digit increases, while EMEA continued to grow, despite a difficult market environment.

Operationally, we continued to improve **infrastructure**, processes and systems that are required to support our overall growth ambition. In 2019, a strong focus was put on expanding our logistical network with the project launch of two new multi-channel distribution center initiatives, one in Geiselwind, Germany and one outside of Indianapolis, USA – both are expected to be operational in 2020 and early 2021. Beyond distribution center expansion, PUMA continued to focus on standardization of ERP systems and enhancements of product development tools. This, combined with improvements of the overall IT infrastructure, enables us a faster and better communication and information exchange. PUMA's global trading entity (PUMA International Trading GmbH - PIT), which manages global order and invoice flows centrally, has extended its scope in order to support streamlining transactional processes and ensuring faster lead times for growing markets and allowing us to come one step closer to our mantra of being "Forever Faster". In sourcing, the long-term collaboration with suppliers remains the key component of our sourcing strategy to ensure a stable sourcing base, consistent quality of our products and being well prepared for changes in the trade environment.

In addition to our business priorities, social, economic and environmental **sustainability** remains a core value for PUMA. In 2019, we delivered our 10FOR20 sustainability targets and developed our next set of sustainability targets for 2025, with a renewed focus on increasing the amount of sustainable products. In addition, we continued our leading role at the Fashion Charter for Climate Action under the umbrella of UN Climate and signed the Fashion Pact. The Fashion Pact is a global coalition of companies in the fashion and textile industry, along with suppliers and distributors, all committed to a common core of environmental goals in three areas: stopping global warming, restoring biodiversity and protecting the oceans. The Pact was launched at the 2019 G7 summit in France. Our long-standing social compliance program has been supplemented by the aspect of a more responsible procurement policy and has been recognized by the renewed accreditation by the Fair Labor Association.

PRODUCT DEVELOPMENT AND DESIGN

Building on more than 70 years of sports innovation and leading design, PUMA is in the very fortunate situation of having an inspiring archive of products. PUMA's designers can take inspiration from iconic historic styles to mix the past and the present. In 2019, many of our most successful models derived from our history.

As the heir of RS Running System series, which was first introduced some 40 years ago, the RS-X continued to do well in the "Chunky Shoe" segment. In 2019, the RS-X made a bold entry into the market as the RS-X Trophy in black and gold and dropped in several other versions during the year.

In 2019, PUMA also built on its CELL technology platform, which uses hexagonal cells in the heel for superior cushioning and stability. We used CELL in the retro CELL Alien and CELL Endura models, which stayed true to their ancestors from the 80s. We also went one step further by creating new CELL shapes, using the updated LQD CELL technology. LQD CELL is versatile enough to work across a variety of shoe designs and offers stable cushioning as a constant benefit. The first product to use this new technology was the LQD CELL Origin AR sneaker, which came to life with an augmented reality app on mobile phones. LQD CELL technology was deployed throughout the year in several training products.

After returning to basketball last year, PUMA relaunched the "Ralph Sampson" sneaker, named after the legendary basketball star, which was first introduced in the 1980s. This shoe is a new successful addition to our offering and was presented in different colors and styles throughout 2019.

Towards the end of 2019, PUMA revived the RIDER, one of the first jogging shoes. Launched in October as the FAST RIDER OG, our designers reinterpreted the "Federbein" sole, which imitates the shock-absorbing qualities of a car suspension for additional comfort and high rebound. PUMA will continue to add new products to the RIDER franchise in 2020.

The CALI and the NOVA, presented by our brand ambassadors Selena Gomez and Cara Delevingne respectively, continued to be our most successful Sportstyle franchises for women. Both ambassadors were deeply involved in the design process and created their own collections. Cara Delevingne teamed up with PUMA and French luxury brand Balmain for a boxing-inspired line of products. Supermodel and women's training ambassador Adriana Lima also presented a collection aimed at women who want to look their best, even during the toughest workouts. PUMA also teamed up with a selected number of brands and designers, such as Ader Error, Helly Hansen and Les Benjamins to create cool and stylish collections.

Throughout its history, PUMA has catered to the needs of professional athletes. We launched new versions of our PUMA FUTURE football boot in 2019. Made for agile players, the FUTURE allows for sharp turns and complex movements on the football pitch.

Together with Swiss apparel technology group X-Bionic, PUMA launched a collection of thermoregulating running gear, which keeps athletes at an optimal temperature at all times.

We also started a line of products for professional gamers and esports athletes. Together with Dutch gaming accessories maker PLAYSEAT, PUMA launched a gaming seat, which takes gamers away from slouching on the sofa and towards a more active sitting position. The seat was accompanied by the launch of gaming socks, a further example of how our Innovation department is looking for new ways to provide products for this fast-growing market.

Keeping it high-tech, PUMA also launched its first smartwatch in 2019, which should help athletes get the best out of their workouts with a built-in heart rate tracking, GPS and many of their favorite apps.

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, 2019, a total of 999 people were employed in research and development/ product management (previous year: 946). In 2019, research and development/ product management expenses totaled € 114.3 million (previous year: € 97.8 million), of which € 61.7 million (previous year: € 54.0 million) related to research and development.

SOURCING

THE SOURCING ORGANIZATION

PUMA Group's sourcing functions, referred to as PUMA Group sourcing (PGS), manages all sourcing related activities for PUMA and Cobra, including vendor selection, product development, price negotiation and production control. These activities are centrally managed by PUMA International Trading GmbH (PIT), the group's global trading entity, with its head office in the Corporate headquarters in Herzogenaurach (Germany). In addition, PIT is responsible for procurement and supply into the PUMA distribution channels worldwide. PIT receives volume forecasts from PUMA subsidiaries and licensees worldwide, translates these forecasts into production plans which are subsequently distributed to the referenced vendors. The PUMA subsidiaries confirm their forecasts into purchase orders to PIT, which in turn consolidates these requirements and purchases from the vendors. There is a clear buy/sell relationship between the sales-subsidiaries and PIT and between PIT and the vendors, for added transparency.

The centralization of both the sourcing and procurement functions, along with the rollout of a cloud-based purchase order collaboration and payment platform, linking the sales-subsidiaries, PIT and the vendors, has enabled the digitalization of the supply chain creating transparency, operational efficiency and reducing complexity. For example, container fill rates are optimized, foreign currency risks are managed by PIT directly via a centralized currency hedging policy, and all payments to vendors are automated and paper free.

In order to meet our customers' requirements concerning service, quality, social and environmental compliance we focus on six core strategic pillars of collaboration, product, quality, growth management, margins and landed cost, and sustainability. The centralization of sourcing and procurement allows for continuous improvements in all of these areas. Furthermore, the integration of the PUMA sustainability function (social, environment, chemical and occupational health and safety) into operations, since 2016, has ensured these areas are part of our day to day business.

In 2019 further operating improvements were realized in sourcing, in particular with regards to the centralization and standardization of processes and systems, capacity management and data analysis. To avoid production peaks and subsequent delays on product availability, sourcing has proactively coordinated ordering windows for earlier production visibility and additionally, reduced production lead time by prepositioning supply of materials. Short-lead time programs have been further increased to react on latest developments and trends in the markets. In this regard sourcing has extended its local supply chain for the China sales-subsidiary to provide the right organizational setup with a focus on design, costing and lead time. To mitigate the negative impact of the international trade environment, alternative sourcing locations have been allocated for the US market in the fourth quarter of 2019.

2019 saw the continued growth and expansion of the PUMA Vendor Finance Program for our suppliers. This innovative program launched in 2016 allows vendors to be paid earlier and the rate of interest charged is dependent on their sustainability performance. PUMA developed this program initially with the International Finance Corporation (IFC), the trade finance arm of the World Bank. The program has been expanded for the first time to include private international banks. Since the program is based on PUMA's credit rating our vendors are able to benefit from the best possible interest rates and maintain their own lines of credit.

THE SOURCING MARKETS

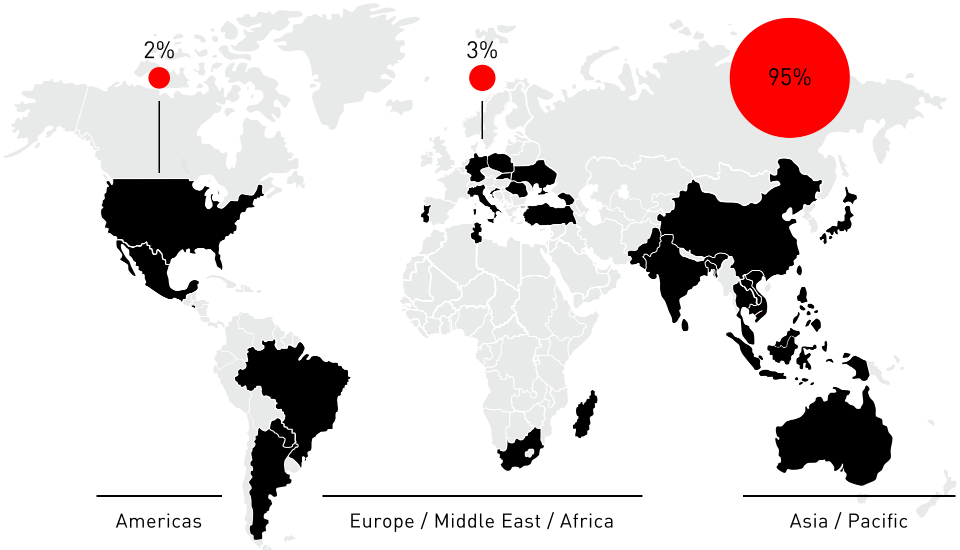
During the financial year 2019, PIT purchased from 131 independent suppliers (previous year: 152) in 32 countries worldwide. The strategic cooperation with long-term partners remained to be one of the key competitive advantages in 2019 to ensure stable sourcing of a significantly increased sourcing volume, in particular in the apparel division.

Asia remains the strongest sourcing region overall with 95% of the total volume, followed by EMEA with 3% (thereof Europe with 1.5% and Africa with 1.5%) and the Americas with 2%.

As a result, the six most important sourcing countries (93% of the total volume) are all located on the Asian continent. Once more, Vietnam was the strongest production country with a total of 33%. China followed at 25%. Bangladesh, which focuses on apparel, is in third place at 15%. Bangladesh thus continued to increase its share of the sourcing volume by two percentage points compared to 2019. Cambodia was in fourth place at 13%. 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 due to tariffs, have continued to influence sourcing markets in 2019. Such impacts need to be taken into account in allocating the production. This is a significant component of our sourcing strategy to ensure secure and competitive sourcing of products and, furthermore, to successfully manage the increasing sourcing volumes due to the positive business development.

↗ **G.01 SOURCING REGIONS OF PUMA** (in %)



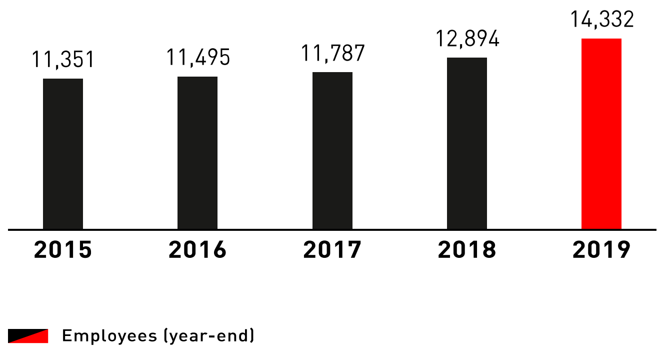
EMPLOYEES

NUMBER OF EMPLOYEES

The global number of employees on a **yearly average** was 13,348 employees in 2019 compared to 12,192 in the previous year. This increase resulted mainly from the retail area due to the increased number of own retail stores.

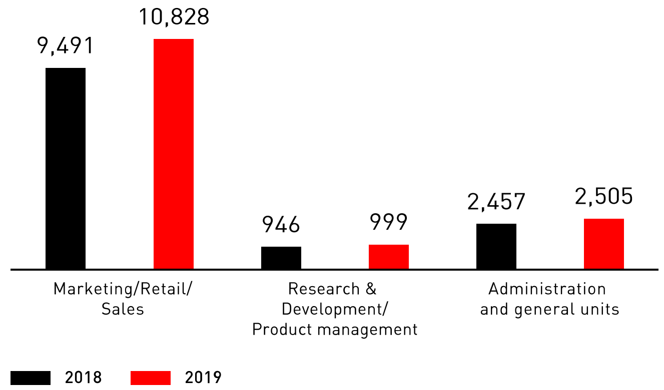
Personnel expenses in 2019 increased overall by 14.6% from € 553.8 million to € 634.5 million. On average, personnel expenses per employee were € 47.5 thousand compared to € 45.4 thousand in the previous year.

↗ G.02 DEVELOPMENT EMPLOYEES



As of **December 31, 2019,** the number of employees was 14,332, compared to 12,894 in the previous year. This represents a 11.2% increase in the number of employees compared to the previous year. The development in the number of employees per area is as follows:

↗ G.03 EMPLOYEES (Year-end)



TALENT RECRUITMENT AND DEVELOPMENT

In a business environment undergoing rapid change, PUMA must be able to adapt quickly to new market situations to ensure success over the long term. We have therefore created a modern working environment that fosters agile thinking, creativity and interaction. We provide our employees with general working conditions and flexible working opportunities that offer them a good work-life balance. We ensure that our employees are familiar with agile working methods and encourage them to be versatile and adaptable. During this change process and the associated impact on the organization, the employee is always the focus of our actions. In order to take this into account both internally and externally, we have renamed the Human Resources department "People & Organization".

To support our company strategy and to ensure our business success, our main focus is on acquiring and developing talent. Having and retaining highly qualified and motivated personnel in the long term is the main part of our strategy to ensure future competitiveness and growth. This becomes particularly important in an ever-changing, increasingly complex environment. We use digital platforms and social media for our target group-specific, individual recruiting measures, as well as our career website, to attract external candidates. A range of initiatives at universities gives us the opportunity to approach potential employees and identify suitable candidates. Extensive networks of qualified applicants and current candidate pools help us to quickly fill vacancies. In the competitive labor market, being an attractive employer, and being perceived as such by current and potential employees are of critical importance. Top employer rankings and multiple awards evidence PUMA's attractiveness.

The digitalization, the related simplification and acceleration of business processes made further progress. "Workday", one of the leading human capital management systems, which we introduced globally in 2017, contains the modules "recruiting", "talent and performance", "time recording and absence management" and "learning". As a result, only one software solution is used for major parts of important personnel processes. In 2019, we continued to link Workday with other systems and have steadily increased the number of employees and applicants who regularly and actively use the system. The evaluation of our centrally available global data enables us to conduct large-scale analyses. The resulting conclusions offer a solid basis for continuous process improvement and decisions.

Our aim is to help each of our employees to develop in an international environment and at the same time successfully and sustainably retain them in our company. 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. We identify the talent available within the group as part of annual performance reviews and foster talent development based on individual development plans. This type of talent management means that we can offer our employees attractive career and development opportunities.

The ongoing professional and personal development of our employees also ensures that our workforce has the necessary expertise to guarantee continuous growth and market competence particularly in times of digital change. The range of training we provide therefore includes a number of online and offline training courses and workshops that are standardized or tailored to individual needs. The constant development of our PUMA training programs ensures that our employees have innovative and diverse opportunities to expand their qualifications and develop their existing skills or acquire new skills at any time. This approach helps employees to achieve their personal goals and PUMA to reach its corporate goals.

In 2019, we have started to train employees to become "agile coaches" in order to prepare and motivate our workforce for the digital change. These coaches apply agile working methods, can pass on their knowledge to other colleagues on site and are also available as experts on the subject. In addition to the management content already available on the ILP (International Leadership Program), we send our staff on external and internal training courses to qualify in agile methods such as Scrum, Design Thinking and KanBan. The high level of interest and steadily increasing numbers of staff attending these courses show that we are on the right path.

To provide adequate entry-level and development opportunities to talented individuals at all levels, including the range of different apprenticeships and dual-study programs, we also promote the systematic training of our professionals and managers.
To ensure a common understanding of leadership throughout the company, all managers complete our international leadership training program comprising the seminar series ILP and ILP^2. The program helps to develop participants over a longer period, provides them with the opportunities to apply the newly acquired knowledge in practice between the individual modules and to share knowledge with other seminar participants to learn from each other. Our goal is to provide our staff with the required skills and expertise to successfully lead their teams. They receive intensive training and coaching, including interactive learning, role-play simulations and best practice learning, as well as joint projects. The digitalization and the changing work environment lead to new challenges for managers in particular. The key topics are therefore coaching, mindful leadership and agile working methods. The training course "from employee to manager" prepares staff that are about to take on a management role for the first time. In addition to the training module, the program also offers individual coaching.

Using Speed Up and Speed Up², we conduct development programs for employees on different 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 job rotations. Increased visibility to upper management, the creation of cross-functional cooperation and establishing a strong network are also important components of this program.

In the past year, we conducted a global employee survey with the help of the external provider Wills Towers Watson in order to get feedback from our employees and involve them in the design of their work environment. More than 9,750 employees participated and used the opportunity to share their opinion on their workplace and work life. We are proud of 91% employee engagement and appreciate the high level of commitment of our employees and their loyalty to the brand. The category "change" received the lowest positive responses with 63% and was identified as an important future area of action. The results were communicated on a global, local and departmental level and necessary improvement measures were defined.

WORKS COUNCIL

The trust-based collaboration with the Works' Councils is an important part of our corporate culture. In 2019, the European Works Council of PUMA SE represented employees from 15 European countries and had 18 members. The German Works Council of PUMA SE has 15 members and represents the employees of the PUMA Group in Germany. A designated member of the Works Councils represents the interests of employees with disabilities.

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. The bonus system is transparent and globally standardized. Incentives are exclusively linked to company 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 key targets** within finance-related areas. Our focus therefore is on improving sales, 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 in the event such deviations have a negative impact.

Changes in net 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 investments in companies.

We use the indicator **working capital** in order to assess the financial position. Working capital is essentially the difference between current assets - including in particular inventories and trade receivables - and current liabilities. Cash and cash equivalents, the positive and negative market values of derivative financial instruments and current finance and lease liabilities are not included in working capital.

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

The calculation of key financial control parameters that PUMA uses are defined as follows:

The recognition of net sales is based on the provisions of IFRS 15 Revenue from contracts with customers.

PUMA's gross profit margin is calculated as cost of sales divided by net sales. Cost of sales mainly comprise the carrying amounts of inventory that were recognized as expenses during the reporting period.

PUMA's operating result (EBIT) is the sum of net sales and royalty and commission income, minus cost of sales and other operating income and expenses (OPEX). EBIT is defined as operating result, less depreciation and amortization, provisions and impairment loss, before interest (= financial result) and before taxes. The financial result contains interest income and interest expenses and currency conversion differences and the income from associated companies in the previous year. The EBIT margin is calculated as EBIT divided by net sales.

PUMA's working capital is calculated based on the sum of current assets less the sum of current liabilities. In addition, cash and cash equivalents and positive and negative market values of derivative financial instruments are deducted. The market values of derivative financial instruments are recognized in the balance sheet in the items Other Current Assets and Other Current Liabilities not attributable to working capital. Current finance and lease liabilities are also not part of working capital.

In order to present the impact of the first-time application of IFRS 16 Leases on the results of operations of the PUMA Group as transparently as possible, we also present the impact of the new accounting standard on the operating result before interest (= financial result), taxes and depreciation and amortization (EBITDA). EBITDA is calculated based on the operating result (EBIT) adding depreciation and amortization, which may also contain any incurred impairment expenses relating to property, plant and equipment and financial assets. The EBITDA margin is calculated as EBITDA divided by net sales.

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 Combined Management Report or present a non-financial report external to the Combined 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 Non-financial Report for the financial year 2019 will be available by April 30, 2020, at the latest on the following page of our website: https://about.puma.com/en/investor-relations/financial-reports

Furthermore, important sustainability information can be found on PUMA's website in the section Sustainability at any time: http://about.puma.com/en/sustainability

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

GLOBAL ECONOMY

According to the winter forecast of the Kiel Institute for the World Economy (ifw Kiel) dated December 11, 2019, the momentum of the global economy has slowed down in 2019. The experts at ifw Kiel expect global gross domestic product (GDP) to rise by 3.0% in 2019. This represents a slight decline of 0.2% compared to the summer forecast. The forecast for 2019 is also 0.7% below the growth in global GDP in 2018 (3.7%).

In 2019, the global economy was burdened by an intensification of the trade conflict between the United States of America and China. The increase in customs duties and the extension of tariffs to additional product groups has greatly reduced trade between the two countries, leading to greater economic uncertainty in world trade and weaker industrial production. In the advanced economies, the overall economic situation continued to deteriorate. In the United States of America, the strong fiscal stimuli, particularly in the form of the tax reform from 2018, have expired. In contrast, the pace of expansion in the euro zone has not slowed further, primarily due to brisk private consumer demand. In Japan and the United Kingdom, industrial production even picked up. Overall, the economic gap between the advanced economies, which had been observed in the previous year, narrowed in the course of 2019.

In the emerging markets, on the other hand, economic momentum has stabilized in 2019, as the financial environment in particular has improved. A more expansive monetary policy and lower interest rates in the United States of America have led to less devaluation pressure on the currencies in the emerging markets and enabled a noticeable reduction in key interest rates. However, the economic development in the individual emerging markets varies. While GDP growth rates declined in China and India, Brazil, Russia and the other Asian emerging markets recorded an increase in the pace of expansion.

SPORTING GOODS INDUSTRY

Despite geopolitical tensions and trade conflicts, the sporting goods industry continued to grow strongly worldwide in 2019. More exercise and physical activity, as well as an increasingly healthy and sustainable lifestyle, continued to gain in importance for an ever-increasing proportion of the world's population. In addition, the popularity of athletic footwear and apparel as an integral part of everyday fashion ("athleisure") increased. In addition, higher household incomes due to a stable labor market led to an increase in consumer spending on sporting goods.

SALES

ILLUSTRATION OF SALES DEVELOPMENT IN 2019 COMPARED TO THE OUTLOOK

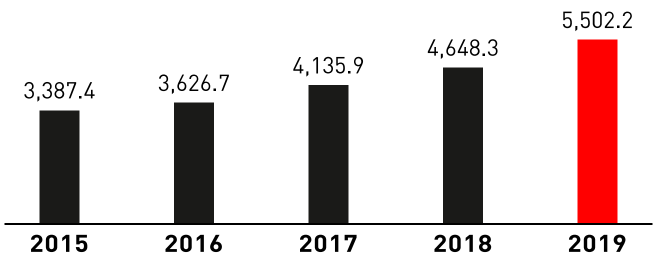
PUMA's 2018 Management Report had predicted a currency-adjusted growth in net sales of around 10% for the financial year 2019. This forecast was increased several times throughout the year and PUMA ultimately expected a currency-adjusted sales growth of around 15% for the financial year 2019. PUMA was able to surpass the revised forecast for the financial year 2019, exceeding the originally planned sales target.

More details on sales development are provided below.

NET SALES

In the financial year 2019, PUMA's net sales grew in the reporting currency, the Euro, by 18.4% to € 5,502.2 million and, as a result, sales exceeded the € 5 billion mark for the first time. The currency-adjusted sales growth was 16.7%. All regions and all product divisions contributed to this development with double-digit growth.

↗ **G.07 SALES** (€ million)

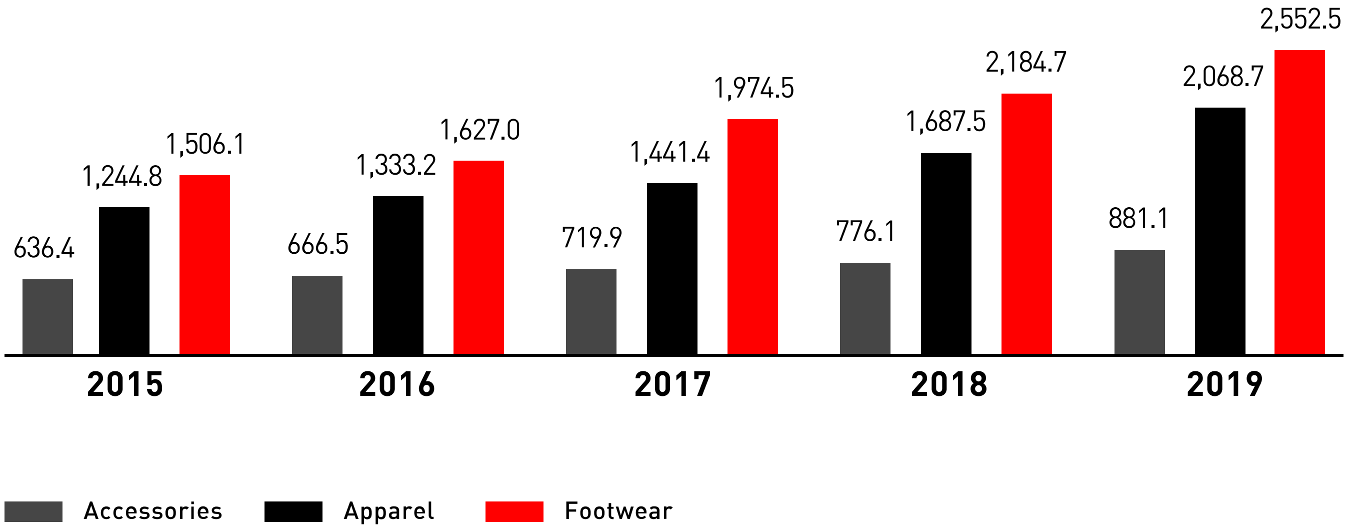


In the **Footwear** division, sales increased in the reporting currency, the Euro, by 16.8% to € 2,552.5 million. Currency-adjusted sales increased by 15.6%. The strongest growth was therefore achieved in the Sportstyle, Running and Training, and Motorsport categories. The share of this division in total net sales fell slightly from 47.0% in the previous year to 46.4% in 2019.

In the **Apparel** division, sales increased in the reporting currency, the Euro, by 22.6% to € 2,068.7 million. Currency-adjusted sales increased by 20.5%. As a result, sales in the Apparel division exceeded the € 2 billion mark for the first time. The Sportstyle category was the main driver of sales growth. The Running and Training, and Motorsport categories also contributed to this growth. The share of the Apparel division increased to 37.6% of Group sales (previous year: 36.3%).

The **Accessories** division reported an increase in sales in the reporting currency, the Euro, by 13.5% to € 881.1 million. This corresponds to a currency-adjusted sales growth of 11.1%. Higher sales, particularly with socks and bodywear, as well as Cobra golf clubs contributed to this increase in sales. The division's share in Group sales decreased slightly from 16.7% in the previous year to 16.0% in 2019.

↗ G.08 SALES BY PRODUCT DIVISIONS (€ million)



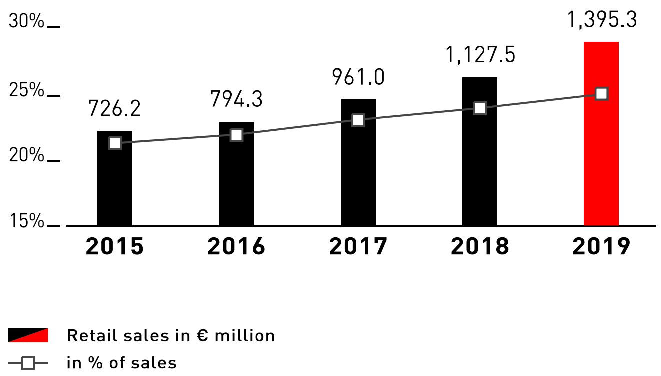
RETAIL BUSINESSES

PUMA's retail activities include direct sales to our consumers ("Direct to Consumer business"). This includes selling to our customers in PUMA's own retail stores, the so-called "Full Price Stores", "Factory Outlets", and the e-commerce business on our own online platforms. Our own retail businesses 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 by 22.0% currency-adjusted to € 1,395.3 million in the financial year 2019. This corresponds to a share of 25.4% in total sales (previous year: 24.3%). The increase in sales resulted from both the increase in like-for-like sales 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, such as on Fifth Avenue in New York, we continued optimizing our portfolio of own retail stores in the past financial year, which also included modernizing existing retail stores in line with the "Forever Faster" store concept. This makes it possible to improve the shopping experience for our customers even further and to present PUMA products and related technologies in an even more attractive environment. This strengthens PUMA's position as a sports brand.

Our e-commerce business continued to record far above-average growth in 2019. 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, the world's biggest online shopping day, the so-called "Black Friday" and "Cyber Monday", turned out to be particularly successful.

↗ G.09 RETAIL SALES



LICENSING BUSINESS

For various products (such as watches, eyewear, and fragrances), PUMA issues licenses authorizing independent partners to design, develop, manufacture, and sell these products. Sales revenue from license agreements also includes some distribution licenses for different markets. PUMA's licensing and commission income increased in the financial year 2019 by 53.9% to € 25.1 million. The increase was the result of new collaborations.

REGIONAL DEVELOPMENT

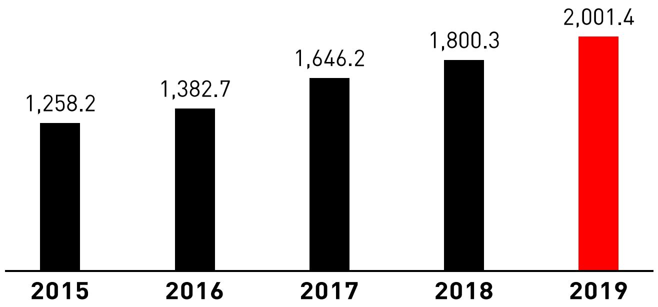
In the following explanation of the regional distribution of sales, the sales are allocated to the customer's actual region ("customer site"). It is divided into three geographic regions (EMEA, America and Asia/Pacific). A more detailed regional presentation of the sales according to the registered office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

PUMA's net sales increased in the reporting currency, the Euro, by 18.4% in the financial year 2019. This corresponds to a currency-adjusted sales growth of 16.7% compared to the previous year. All regions contributed to this development with double-digit growth.

In the **EMEA** region, sales rose in the reporting currency, the Euro, by 11.2% to € 2,001.4 million (currency-adjusted +11.2%). As a result, the EMEA region exceeded the 2 billion Euro sales mark for the first time. Particularly strong growth came from Germany, Italy and Spain, which recorded sales growth in the double digits. Russia, Ukraine and Turkey also developed very well with double-digit growth rates. The EMEA region accounted for 38.7% of Group sales compared to 36.4% in the previous year.

With regards to product divisions, sales revenue from footwear recorded currency-adjusted growth of 8.6%. Sales from apparel increased by 14.8% currency-adjusted and sales from accessories grew by 10.6% currency-adjusted.

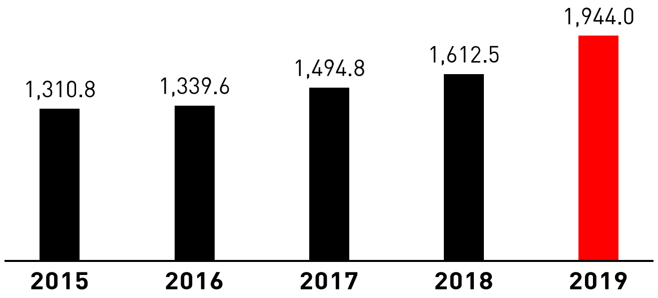
↗ **G.10 EMEA SALES** (€ million)



In the **Americas** region, sales increased in the reporting currency, the Euro, by 20.6% to € 1,944.0 million. Currency-adjusted sales increased by 17.9%. Both North America and Latin America contributed with double-digit growth rates to the increase in sales. While North America recorded positive currency exchange effects, the weakness of the Argentine Peso compared to the Euro, however, resulted in a noticeably negative currency exchange effect on the sales in the reporting currency (Euro). The share of the Americas region in Group sales increased slightly from 34.7% in the previous year to 35.3% in 2019.

With regards to product divisions, both footwear (currency-adjusted +19.2%) and apparel (currency-adjusted +21.5%) recorded excellent sales growth compared to the previous year. Accessories sales were up by 8.8% currency-adjusted.

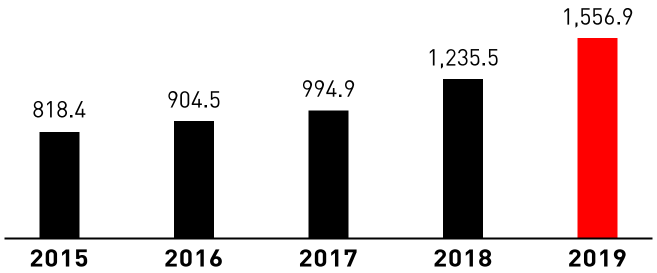
↗ G.11 **AMERICAS SALES** (€ million)



In the **Asia/Pacific** region, sales growth was particularly strong. Here, sales increased in the reporting currency, the Euro, by 26.0% to € 1,556.9 million. This corresponds to a currency-adjusted increase in sales of 22.8%. The main drivers of growth in the region were Greater China and India in particular, with both countries recording above-average double-digit growth rates. The share of the Asia/Pacific region in Group sales increased from 26.6% in the previous year to 28.3% in 2019.

In terms of product divisions footwear (currency-adjusted +20.1%) and apparel (currency-adjusted +26.0%) as well as accessories (currency-adjusted +21.8%) developed very well with double-digit growth rates.

↗ G.12 **ASIA/PACIFIC SALES** (€ million)



RESULT OF OPERATIONS

↗ T.01 INCOME STATEMENT

	2019		2018		
	€ million	%	€ million	%	+/- %
Net sales	**5,502.2**	100.0%	**4,648.3**	100.0%	18.4%
Cost of sales	-2,815.8	-51.2%	-2,399.0	-51.6%	17.4%
Gross profit	**2,686.4**	48.8%	**2,249.4**	48.4%	19.4%
Royalty and commission income	25.1	0.5%	16.3	0.4%	53.9%
Other operating income and expenses	-2,271.3	-41.3%	-1,928.4	-41.5%	17.8%
Operating result (EBIT)	**440.2**	8.0%	**337.4**	7.3%	30.5%
Financial result / income from associated companies	-22.6	-0.4%	-24.0	-0.5%	-5.8%
Earnings before tax (EBT)	**417.6**	7.6%	**313.4**	6.7%	33.3%
Taxes on income	-108.6	-2.0%	-83.6	-1.8%	30.0%
Tax rate	-26.0%		-26.7%		
Net earnings attributable to non-controlling interests	-46.6	-0.8%	-42.4	-0.9%	10.0%
Net earnings	**262.4**	4.8%	**187.4**	4.0%	40.0%
Weighted average shares outstanding (million)*	149.52		149.47		0.0%
Weighted average shares outstanding, diluted (million)*	149.52		149.47		0.0%
Earnings per share in €*	1.76		1.25		40.0%
Earnings per share, diluted in €*	1.76		1.25		40.0%

* The earnings per share and the number of outstanding shares in the prior-year period were retrospectively adjusted to the stock split, carried out in Q2 2019, at a ratio of 1:10

IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 16 LEASES

The following explanations refer to the impact of the first-time application of the new accounting standard IFRS 16 Leases as of 1 January 2019. As part of the transition to the new accounting for leases, PUMA elected to use the partial exemption provision and has not performed a retrospective adjustment of previous years' numbers. The comparative numbers presented in the IFRS Income Statement above for the financial year 2018 remained unchanged and have been calculated based on the previous accounting standard for leases in accordance with IAS 17.
We will therefore present below the impact of the first-time application of IFRS 16 on the results of operations of the PUMA Group in the financial year 2019 to ensure in this way a full comparability with the reported numbers in the previous year.
The first-time application of IFRS 16 in the financial year 2019 had a positive effect on the operating result (EBIT) in the amount of € +19.2 million. This was caused by a decrease in rental expenses by € 167.3 million and an increase in depreciation relating to the rights of use recognized in the balance sheet of € 148.1 million. Taking the interest effects (€ -29.7 million) and deferred tax effects (€ +2.8 million) into account, there was overall a slightly negative effect on the consolidated net earnings in the amount of € -7.7 million in the financial year 2019. In relation to the earnings per share and the diluted earnings per share, this corresponds to a decrease of € -0.05.
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.

ILLUSTRATION OF EARNINGS DEVELOPMENT IN 2019 COMPARED TO THE OUTLOOK

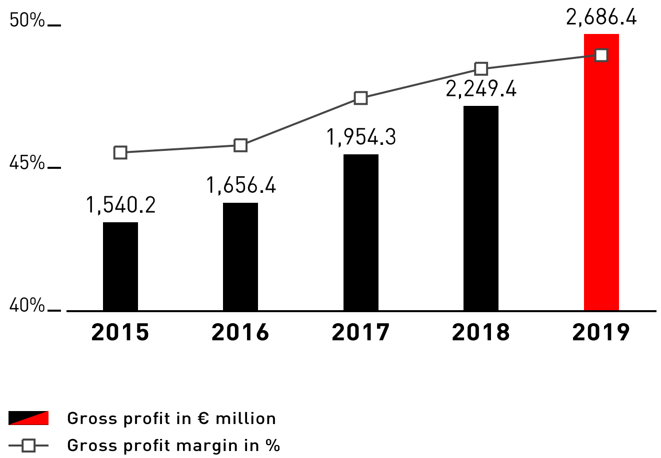
In the outlook of the 2018 Annual Report, PUMA forecasted a slight improvement in the gross profit margin for the financial year 2019. PUMA expected a slightly weaker increase of other operating income and expenses (OPEX) compared to net sales. The forecast for the operating result (EBIT) was within a range of between € 395 million and € 415 million. This forecast already included the impact of the application of the new accounting rules for leases in accordance with IFRS 16. In addition, a significant improvement in net earnings was expected for the financial year 2019.
The forecasts for the operating result were adjusted upward several times throughout the year, and PUMA now expected an operating result (EBIT) within a range of between € 420 million and € 430 million. In accordance with previous forecasts, the Management Board continued to expect a significant improvement in net earnings for the financial year 2019.

PUMA was able to fully achieve the increased forecasts in 2019, and even slightly exceed them with regard to the operating result. This means that PUMA slightly exceeded the originally targeted improvement in operating result for 2019. More details on earnings development are provided below.

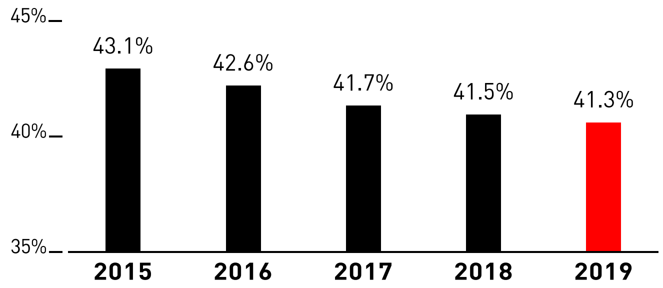
GROSS PROFIT MARGIN

PUMA's gross profit in the financial year 2019 increased by 19.4% from € 2,249.4 million to € 2,686.4 million. The gross profit margin improved by 40 basis points from 48.4% to 48.8%. The main drivers for the development of the gross profit margin were the product mix and the regional mix and a higher proportion of our own retail sales. A slightly positive currency effect also contributed to the improved gross profit margin.
The gross profit margin in the Footwear division increased from 45.8% in the previous year to 46.4% in 2019. The Apparel gross profit margin improved from 50.9% to 51.1% and in Accessories, it also increased from 50.3% to 50.5%.

↗ G.13 GROSS PROFIT/GROSS PROFIT MARGIN



↗ G.14 OPERATING EXPENSES (% of sales)



OTHER OPERATING INCOME AND EXPENSES

In the financial year 2019, further targeted expenditures were made for marketing and investments in our own retail to position PUMA as the fastest sports brand in the world and to increase PUMA's brand heat. Investments in retail were also made to have an even more attractive presentation of PUMA products and related innovations and technologies. In addition to investments in the modernization of our own retail stores, many additional retail stores were also opened at select locations across the globe in 2019, such as on Fifth Avenue in New York. Moreover, further progress was made in modernizing our IT infrastructure. The strong increase in sales has also caused an increase in sales-related costs, particularly in the logistics area. This led to an increase in operating income and expenses in the financial year 2019 of 17.8% from € 1,928.4 million to € 2,271.3 million. As a percentage of sales, the cost ratio improved from 41.5% to 41.3% due to the slightly lower increase of those expenses. The consistent focus on the strict cost control continued to be a top priority for PUMA, and the achieved operating leverage, reflected in the decrease of the cost ratio by 0.2%, significantly contributed to the improved profitability and achievement of the financial goals in 2019.

Within sales expenses, the expenses for marketing/retail grew by 19.4% from € 931.2 million to € 1,112.1 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 20.2% of sales, the cost ratio remained almost unchanged compared to the previous year. Other sales expenses, which mainly include sales-related costs and transport costs, increased by 19.7% to € 709.2 million. This increase is primarily due to a higher number of own retail stores and higher sales-related expenses in the e-commerce area. The cost ratio of the other sales expenses was 12.9% of sales in 2019.

Research and development/ product management expenses increased by 16.9% to € 114.3 million compared to the previous year and the cost ratio remained stable at 2.1%. Other operating income in the past financial year amounted to € 4.2 million and consisted primarily of income arising from the release of provisions for purchase price liabilities and income from the sale of non-current assets. Administrative and general expenses increased in 2019 by 3.6% from € 328.1 million to € 340.0 million. The cost ratio of administrative and general expenses decreased accordingly from 7.1% to 6.2%. Depreciation and amortization is included in the relevant costs and total € 246.4 million (previous year: € 81.5 million). The increase year-on-year is mainly the result from the depreciation of rights of use assets in relation with the first-time application of IFRS 16 Leases.

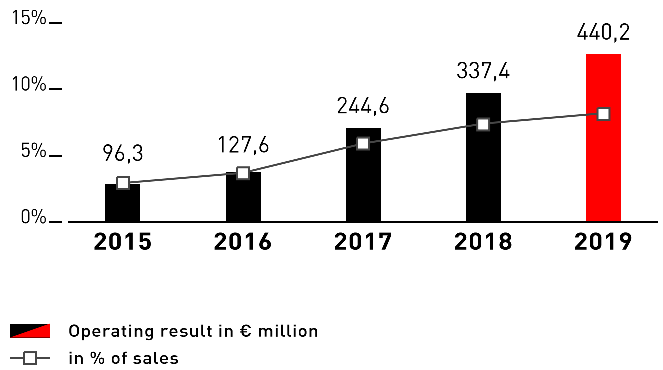
RESULT BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

The result before interest (= financial result), taxes, depreciation and amortization increased by 63.7% in the financial year 2019 from € 419.5 million to € 686.6 million. The increase was positively impacted in the amount of € 167.2 million by the first-time application of the new accounting standard for leases (IFRS 16). Without this effect from the first-time application of IFRS 16, PUMA's EBITDA would have improved by around € 100 million or 23.8% to € 519.4 million year-on-year.

OPERATING RESULT (EBIT)

In the financial year 2019, the operating result increased by 30.5% from € 337.4 million in the previous year to € 440.2 million. This result is slightly above the adjusted EBIT forecast within a range of between € 420 million and € 430 million. The significant improvement in profitability in 2019 resulted from the strong sales growth combined with the slight improvement in gross profit margin and the slightly lower increase in other operating income and expenses compared to sales. The EBIT margin rose accordingly from 7.3% in the previous year to 8.0%.

↗ G.15 **OPERATING RESULT - EBIT**



FINANCIAL RESULT

The financial result improved from overall € -24.0 million in the previous year to € -22.6 million in 2019, despite the additional interest expense of € 29.7 million from the compounding of lease liabilities in connection with the new accounting standard for leases (IFRS 16). This positive development is primarily the result of gains from currency conversion differences of € 10.2 million in 2019, compared to a loss from the currency conversion of € -14.4 million in the previous year. In addition, interest income of € 4.0 million in the previous year increased to € 7.2 million in 2019, and interest expenses fell from € 14.6 million in the previous year to € 13.9 million this year.

EARNINGS BEFORE TAX (EBT)

In the financial year 2019, PUMA generated earnings before taxes of € 417.6 million. This corresponds to an increase of 33.3% year-on-year (€ 313.4 million). Tax expenses were € 108.6 million compared to € 83.6 million in the previous year, and the tax ratio decreased slightly from 26.7% to 26.0% in 2019.

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 by 10.0% to € 46.6 million in the financial year 2019 (previous year: € 42.4 million). These companies concern PUMA North America and PUMA United Canada, which were created in the past financial year from a merger and renaming of the companies, Janed, PUMA Accessories and PUMA Kids Apparel. The business purpose of these companies is the sale of socks, bodywear and children's apparel on the North American market.

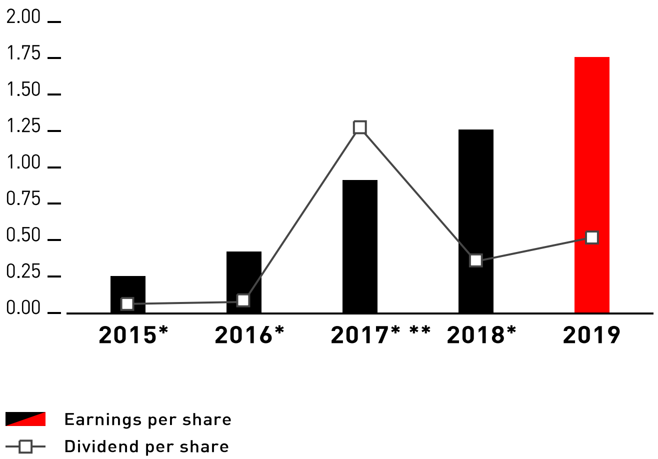
NET EARNINGS

Consolidated net earnings increased in the financial year 2019 by 40.0% from € 187.4 million to € 262.4 million. The significant improvement in net earnings mainly resulted from the strong sales growth combined with the improvement in the gross profit margin and operating leverage. The improved financial result and a slightly lower tax rate also had a positive effect on the net earnings in 2019. Taking the stock split at a ratio of 1:10 into account, the earnings per share and diluted earnings per share increased accordingly by 40.0% from € 1.25 in the previous year to € 1.76 in 2019.

DIVIDENDS

The Management Board and the Supervisory Board will propose to the Annual General Meeting on May 7, 2020, to distribute a dividend of € 0.50 per share for the financial year 2019 from PUMA SE's net profit. This corresponds to an overall increase in the dividend or dividend payout of 42.8% in 2019 compared to the previous year. The payout ratio for financial year 2019 is 28.5% of consolidated net earnings. This is in accordance with PUMA SE's dividend policy, which foresees a payout ratio of 25% to 35% of consolidated net earnings. The payment of the dividend is to take place in the days after the Annual General Meeting that decides on the distribution. A dividend of € 0.35 per share was distributed for the previous year, taking into account the 1:10 stock split.

↗ G.16 EARNINGS / DIVIDEND PER SHARE (in €)



* Earnings per share and the number of outstanding shares for the prior periods were adjusted retroactively to the 1:10 stock split carried out in the second quarter of 2019
** one/time special dividend

NET ASSETS AND FINANCIAL POSITION

↗ T.02 BALANCE SHEET

	12/31/2019		12/31/2018		
	€ million	%	€ million	%	+/- %
Cash and cash equivalents	518.1	11.8%	463.7	14.5%	11.7%
Inventories	1,110.2	25.4%	915.1	28.5%	21.3%
Trade receivables	611.7	14.0%	553.7	17.3%	10.5%
Other current assets (working capital)	196.0	4.5%	187.7	5.9%	4.4%
Other current assets	45.2	1.0%	72.6	2.3%	-37.8%
Current assets	**2,481.2**	56.7%	**2,192.8**	68.4%	13.2%
Deferred taxes	237.7	5.4%	207.6	6.5%	14.5%
Right-of-use assets*	719.0	16.4%	0.0	0.0%	–
Other non-current assets	940.3	21.5%	806.8	25.2%	16.5%
Non-current assets	**1,897.0**	43.3%	**1,014.4**	31.6%	87.0%
Total assets	**4,378.2**	100.0%	**3,207.2**	100.0%	36.5%
Current financial liabilities	10.2	0.2%	20.5	0.6%	-50.3%
Trade payables	843.7	19.3%	705.3	22.0%	19.6%
Other current liabilities (working capital)	524.9	12.0%	447.3	13.9%	17.3%
Current lease liabilities*	144.8	3.3%	0.8	0.0%	–
Other current liabilities	35.3	0.8%	21.3	0.7%	65.7%
Current liabilities	**1,558.9**	35.6%	**1,195.2**	37.3%	30.4%
Deferred taxes	53.0	1.2%	47.7	1.5%	11.0%
Pension provisions	34.1	0.8%	28.9	0.9%	18.1%
Non-current lease liabilities*	600.5	13.7%	7.5	0.2%	–
Other non-current liabilities	211.4	4.8%	205.7	6.4%	2.8%
Non-current liabilities	**899.0**	20.5%	**289.7**	9.0%	210.3%
Shareholders' equity	**1,920.3**	43.9%	**1,722.2**	53.7%	11.5%
Total liabilities and shareholders' equity	**4,378.2**	100.0%	**3,207.2**	100%	36.5%
Working capital	**549.4**		**503.9**		9.0%
- in % of sales	10.0%		10.8%		

* Right-of-use assets / lease liabilities due to the first-time application of IFRS 16 Leases as of January 1, 2019

IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 16 LEASES

The following explanations refer to the impact of the first-time application of the new accounting standard IFRS 16 Leases as of January 1, 2019. As a result of the new standard all leases must be accounted for in the form of a right-of-use asset on the asset side of the balance sheet and a related current or non-current lease liability on the liabilities side of the balance sheet. As part of the transition to the new accounting for leases, PUMA elected to use the partial exemption provision and has not performed a retrospective adjustment of the previous year's figures. In the balance sheet above, the rights-of-use relating to assets and the lease liabilities were added as additional balance sheet items. The previous year's figures remained unchanged. In order to ensure full comparability with the reported previous year's figures, the impacts of the first-time application of IFRS 16 on PUMA Group's net assets in the financial year 2019 will be presented and explained below.

The recognition in the balance sheet of the right-of-use assets in the amount of € 719.0 million and the related current lease liabilities (€ 144.8 million) and non-current lease liabilities (€ 600.5 million) resulted in a significant increase of the balance sheet total as of the balance sheet date on December 31, 2019. The right-of-use assets refer to own retail stores totaling € 419.6 million, warehouses and distribution centers totaling € 175.7 million and other lease items, mainly technical equipment and machines and motor vehicles totaling € 123.7 million as of December 31, 2019.

The significantly increased balance sheet total specifically resulted in a decrease of the equity ratio. The equity ratio, calculated as a quotient of equity and balance sheet total, decreased from 53.7% in the previous year to 43.9% as of December 31, 2019. In absolute numbers, the equity of the PUMA Group, however, increased by 11.5% from € 1,722.2 million to € 1,920.3 million. If the lease liabilities recognized in the balanced sheet were disregarded for comparison purposes, the equity ratio as of December 31, 2019 would be almost unchanged at 52.9%.

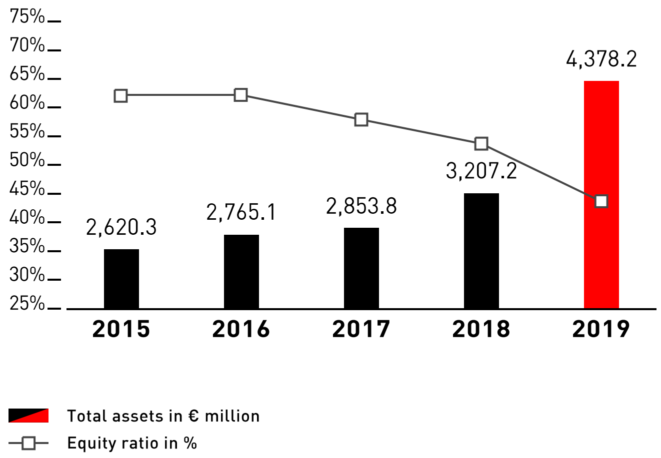
The new leasing standard analogously caused a significant increase of the debt ratio, calculated as the quotient of debt capital to equity. The ratio of debt to equity was at 86% at the end of 2018. Due to the recognition of the lease liabilities on the balance sheet, the debt ratio has now increased to 128% as of December 31, 2019. If, for comparison purposes, the lease liabilities recognized on the balance sheet were disregarded, this would result in an almost unchanged debt ratio of 89.2% as of December 31, 2019.

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.

EQUITY RATIO

PUMA continues to have an extremely solid capital base. As of the balance sheet date, the shareholders' equity of the PUMA Group increased by 11.5% from € 1,722.2 million in the previous year to € 1,920.3 million as of December 31, 2019. Due to the previously explained impact of the first-time application of IFRS 16 Leases, the balance sheet total rose by 36.5% from € 3,207.2 million in the previous year to € 4,378.2 million. This resulted in a calculated decrease of the equity ratio from 53.7% in the previous year to 43.9% as of December 31, 2019.

↗ G.17 TOTAL ASSETS / EQUITY RATIO



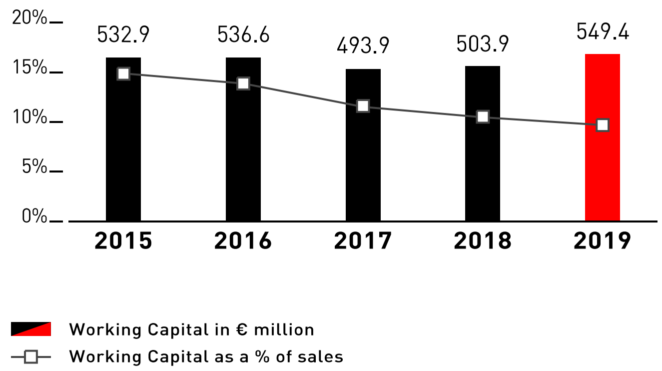
WORKING CAPITAL

Despite the significant increase in net sales and the increased number of our own retail stores, working capital rose only by 9.0% in the past financial year from € 503.9 million to € 549.4 million. As a percentage of total sales of the respective financial year, this corresponds to a decrease of the working capital ratio from 10.8% in the previous year to 10.0% as of year-end 2019.

Inventories increased by 21.3% from € 915.1 million to € 1,110.2 million as of the balance sheet date. This increase is related to early purchase of products to balance supplier capacities and to secure product availability for our customers. In addition, a higher number of own retail stores and the expected increase in sales resulted in higher inventory. Trade receivables increased by 10.5% from € 553.7 million to € 611.7 million due to the active receivables management. Other current assets included in working capital increased slightly by 4.4% from € 187.7 million to € 196.0 million.

On the liabilities side, trade payables increased by 19.6% from € 705.3 million to € 843.7 million. Other current liabilities included in working capital increased by 17.3% from € 447.3 million to € 524.9 million. The increase in other current liabilities was primarily the result of higher customer bonus and warranty provisions due to the strong sales growth.

↗ G.18 WORKING CAPITAL



OTHER ASSETS AND OTHER LIABILITIES

Other current assets, which only include the positive market value of derivative financial instruments, decreased compared to the previous year from € 72.6 million to € 45.2 million.

Right-of-use assets of € 719.0 million and related current and non-current lease liabilities resulted from the first-time application of IFRS 16 Leases. The right-of-use assets referred to own retail stores totaling € 419.6 million, warehouses and distribution centers totaling € 175.7 million, and other leased items, mainly technical equipment, machines and motor vehicles totaling € 123.7 million as of December 31, 2019.

Other non-current assets, which mainly comprise intangible assets and property, plant and equipment, rose as a consequence of the investment in non-current assets by 16.5% from € 806.8 million to € 940.3 million.

Other current liabilities, which include the negative market value of derivative financial instruments, increased compared to the previous year from € 21.3 million to € 35.3 million.

Pension provisions increased from € 28.9 million in the previous year to € 34.1 million.

Other non-current liabilities, which mainly include the promissory note loans totaling € 160.0 million, were € 211.4 million on the balance sheet date (previous year: € 205.7 million).

CASH FLOW

↗ T.03 CASH FLOW STATEMENT

	2019 € million	2018 € million	+/- %
Earnings before tax (EBT)	**417.6**	**313.4**	33.3%
Financial result and non-cash affected expenses and income	287.2	84.7	–
Gross cash flow	**704.8**	**398.0**	77.1%
Change in current assets, net	-44.5	-38.0	17.3%
Tax payments and dividends received	-111.5	-81.9	36.1%
Net cash from operating activities	**548.8**	**278.1**	97.3%
Payments for acquisitions/ proceeds from the sale of shareholdings	-1.2	23.5	–
Payments for investing in fixed assets	-218.4	-130.2	67.7%
Other investing activities	0.8	1.4	-43.6%
Net cash used in investing activities	**-218.7**	**-105.3**	107.8%
Free cash flow	**330.0**	**172.9**	90.9%
Free cash flow (before acquisitions)	**331.2**	**149.4**	121.7%
- in % of sales	6.0%	3.2%	
Dividend payments to equity holders of the parent company	-52.3	-186.8	-72.0%
Dividend payments to non-controlling interests	-18.6	-55.7	-66.6%
Proceeds from borrowings	0.0	145.2	-100.0%
Repayments of borrowings	-17.6	-16.6	5.8%
Repayments of lease liabilities	-140.8	-1.8	–
Other proceeds/ payments	-43.6	-12.6	–
Net cash used in financing activities	**-272.9**	**-128.3**	112.7%
Exchange rate-related changes in cash and cash equivalents	-2.8	4.2	–
Changes in cash and cash equivalents	**54.3**	**48.7**	11.5%
Cash and cash equivalents at the beginning of the financial year	463.7	415.0	11.7%
Cash and cash equivalents at the end of the financial year	**518.1**	**463.7**	11.7%

IMPACT OF THE FIRST-TIME APPLICATION OF IFRS 16 LEASES

The first-time application of the new accounting standard IFRS 16 Leases as of January 1, 2019 resulted in a significant change in the presentation of lease payments in the cash flow statement. Previously, all lease payments from operating leases were allocated to net cash from operating activities in accordance with IAS 17. Starting in financial year 2019, lease payments were recognized as part of net cash used in financing activities since these payments are now considered to be repayments of lease liabilities. This consequently also affected free cash flow which is calculated as the sum of net cash from operating activities and investing activities. In order to ensure full comparability with the unadjusted previous year's figures, the impacts of the first-time application of IFRS 16 on the PUMA Group's cash flow statement in the financial year 2019 will be presented and explained below.

In relation to the depreciation of right-of-use assets recognized in the balance sheet and the interest expenses linked to lease liabilities, the first-time application of IFRS 16 in the financial year 2019 led to an increase in gross cash flow and net cash from operating activities of € 170.5 million. This is because the depreciation and interest are non-cash expenses. This also resulted in an increase of free cash flow and free cash flow before acquisitions of € 170.5 million. Lease payments in the financial year 2019 were allocated to net cash used in financing activities. This cash outflow was accordingly charged an additional € 170.5 million compared to the previous year.

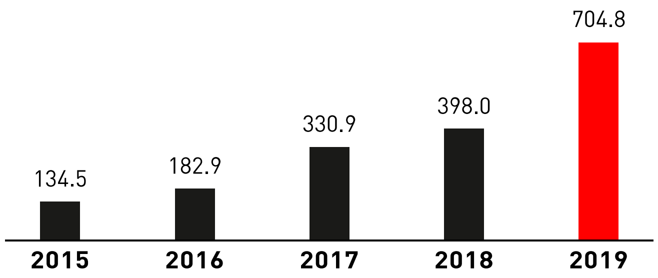
The first-time application of IFRS 16 had no impact on cash and cash equivalents.

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.

NET CASH FROM OPERATING ACTIVITIES

The increased earnings before taxes (EBT +33.3%) and the significantly increased non-cash expenses, particularly with the depreciation of the right-of-use assets recognized on the balance sheet in the financial year 2019, resulted in an increase in gross cash flow of 77.1% from € 398.0 million to € 704.8 million.

↗ G.19 **GROSS CASH FLOW** (€ million)



The continuing strong focus on working capital management significantly contributed to the fact that the cash outflow from the change in net current assets* only increased from € -38.0 million in the previous year to € -44.5 million in the financial year 2019. Cash outflow from tax payments and dividends received increased from € -81.9 million in the previous year to € -111.5 million in the financial year 2019. Overall, this resulted in an improvement of net cash from operating activities by € 270.7 million from € 278.1 million to € 548.8 million. Even without the aforementioned one-off effect of € 170.5 million relating to the first-time application of IFRS 16 Leases, net cash from operating activities would have improved by slightly more than € 100 million in 2019 compared to the previous year.

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

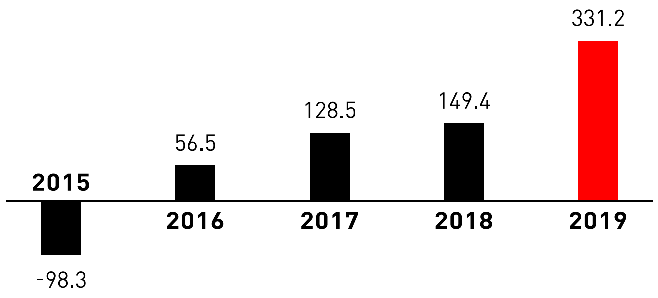
NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities rose from € 105.3 million to € 218.7 million in the financial year 2019. The investments in fixed assets increased in accordance with our investment plan from € 130.2 million in the previous year to € 218.4 million in 2019. The increase referred primarily to investments in own retail stores and into the new multi-channel distribution center in Germany. In addition, investments into the improvement of the IT infrastructure continued.
Payments for acquisitions in 2019 were related to the acquisition of the remaining shares of the Genesis Group International Ltd.

FREE CASH FLOW BEFORE ACQUISITIONS

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 incoming and outgoing payments that relate to shareholdings.
Free cash flow before acquisitions increased from € 149.4 million in the previous year to € 331.2 million in the financial year 2019. Free cash flow before acquisitions was 6.0% of sales compared to 3.2% in the previous year.
Without the one-off positive effect of € 170.5 million as a result of the first-time application of IFRS 16 Leases, the free cash flow before acquisitions would have improved by 7.6% or € 11.3 million in 2019 compared to the previous year.

↗ G.20 FREE CASH FLOW (BEFORE ACQUISITIONS) (€ million)



NET CASH USED IN FINANCING ACTIVITIES

Net cash used in financing activities mainly includes € 52.3 million in dividend payments to shareholders of PUMA SE in the financial year 2019 (previous year: € 186.8 million) and dividend payments to non-controlling interests of € 18.6 million (previous year: € 55.7 million). Furthermore, the net cash used in financing activities for the first time contains the repayment of lease liabilities and related interest expenses totaling € 170.5 million. Overall, the net cash used in financing activities was € 272.9 million in 2019 (previous year: cash outflows of € 128.3 million).
Without the one-off negative effect of € 170.5 million as a result of the first-time application of IFRS 16 Leases, net cash used in financing activities would have decreased by € 25.9 million in 2019 compared to the previous year.

As of December 31, 2019, PUMA had cash and cash equivalents of € 518.1 million, an increase of 11.7% compared to the previous year (€ 463.7 million). The PUMA Group also had credit lines totaling € 687.6 million as of December 31, 2019 (previous year: € 691.9 million). Unutilized credit lines totaled € 514.1 million on the reporting date, compared to € 501.0 million in the previous year.

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

Overall, we are very satisfied with the business and economic development of the PUMA Group in the past financial year. In 2019, PUMA was able to fully achieve or even slightly exceed its financial targets, which had already been raised during the year. We owe this in particular to the further consistent implementation of our "Forever Faster" corporate strategy. We have therefore continued to make targeted investments in marketing and concluded contracts with internationally renowned football clubs, such as Manchester City and Valencia CF, to strengthen our position as a sports brand and further increase our brand heat. Moreover, the strategic focus on the further improvement of our product range for women and the return to basketball have significantly contributed to the successful business performance in 2019. The opening of our new flagship store on Fifth Avenue in New York and the project launch of our new multi-channel distribution centers in Germany and the U.S. represented additional milestones in PUMA's organizational development in the past financial year.

PUMA was again able to record a strong growth in sales with a currency-adjusted sales growth of 16.7% in 2019. All regions and all product divisions contributed to this development with double-digit growth. In 2019, we were also once again able to make significant improvements in terms of profitability. In 2019, the operating result (EBIT), net earnings and earnings per share increased by more than 30% 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 the cost ratio of other operating expenses. In the past financial year, the operating result of € 440.2 million was even slightly above our forecast of € 420 million to € 430 million, which had been raised during the year. Earnings per share rose by 40% from € 1.25 to € 1.76 compared to the previous year. This means we fully achieved and even slightly exceeded our profitability targets in the past financial year.

With regards to the balance sheet, we believe that PUMA has continued to have an extremely solid capital base. On the balance sheet date, the equity of the PUMA Group was more than € 1.9 billion (previous year: € 1.7 billion) and the equity ratio was just under 44%. Furthermore, the consistent focus on working capital management contributed to the fact that working capital increased by only 9% compared to the previous year despite the significant increase in sales. The increase in earnings before taxes (EBT) and the working capital management in the past financial year also contributed to a significant improvement in cash flow. Free cash flow before acquisitions improved in 2019 by 7.6% or € 11.3 million to € 331.2 million, even if the one-off positive effect of € 170.5 million from the first-time application of IFRS 16 is disregarded. Cash and cash equivalents amounted to € 518.1 million on the balance sheet date (previous year: € 463.7 million).

As a result, the asset, financial and income situation of the PUMA Group is overall solid at the time the Combined Management Report was prepared. This enables the Management Board and the Supervisory Board to propose to the Annual General Meeting on May 7, 2020, a dividend of € 0.50 per share for the financial year 2019. This corresponds to a payout ratio of 28.5% in relation to the consolidated net earnings and is in line with our dividend policy.

COMMENTS ON THE FINANCIAL STATEMENTS OF PUMA SE IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

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

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

PUMA SE is responsible for wholesale business in the DACH region, consisting of the home market of Germany, Austria, and Switzerland. Furthermore, PUMA SE is also responsible for 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, merchandising, international marketing, the global areas of finance, operations and PUMA's strategic direction.

RESULTS OF OPERATIONS

↗ T.04 PROFIT AND LOSS STATEMENT (GERMAN GAAP, HGB)

	2019		2018		
	€ million	%	€ million	%	+/- %
Net sales	**722.3**	100.0%	**675.3**	100.0%	**7.0%**
Other operating income	**62.1**	8.6%	**50.8**	7.5%	**22.4%**
Material Expenses	-233.8	-32.4%	-224.9	-33.3%	3.9%
Personnel Expenses	-107.2	-14.8%	-101.7	-15.1%	5.5%
Depreciation	-24.8	-3.4%	-20.1	-3.0%	23.5%
Other operating expenses	-560.8	-77.6%	-492.1	-72.9%	13.9%
Total expenses	**-926.6**	-128.3%	**-838.8**	-124.2%	**10.5%**
Financial Result	**223.5**	30.9%	**212.9**	31.5%	**5.0%**
Income before taxes	**81.3**	11.3%	**100.1**	14.8%	**-18.7%**
Income Tax	-12.8	-1.8%	-16.8	-2.5%	-23.5%
Net income	**68.5**	9.5%	**83.3**	12.3%	**-17.8%**

Net sales rose in the financial year 2019 overall by 7.0% to € 722.3 million. The increase resulted from both increased product sales and commission income from license management. Revenue from PUMA SE product sales increased by 7.6% to € 354.6 million. The royalty and commission income included in net sales increased by 10.7% to € 335.6 million. The other revenue, which mainly consisted of recharges of costs to affiliated companies was € 32.1 million in 2019 (previous year: € 42.4 million).

Other operating income amounted to € 62.1 million in 2019 (previous year: € 50.8 million) and includes in particular realized and unrealized gains from currency conversion related to the measurement of receivables and payables in foreign currencies on the balance sheet date.

The total **expenditure** from material expenses, personnel expenses, depreciation and other operating expenses increased by 10.5% to € 926.6 million compared to the previous year (previous year: total € 838.8 million). The increase in material expenses was associated with the increase in sales. Depreciation increased primarily due to investments in IT and the expansion of the administration building in Herzogenaurach in the previous year. Other operating expenses increased compared to the previous year due to higher marketing expenditures as a result of new sponsoring agreements with clubs and athletes. Furthermore, higher warehousing and freight costs, in relation to the increase in sales and higher inventory, contributed to the increase in other operating expenses.

The **financial result** improved compared to the previous year by 5.0% to € 223.5 million. The improvement was due to higher dividends from affiliated companies, while the income from the transfer of profits from affiliated companies decreased and expenses from loss transfers increased.

Income before taxes fell in 2019 by 18.7% from € 100.1 million to € 81.3 million. **Taxes on income** amounted to € 12.8 million (previous year: € 16.8 million). These include current income taxes for 2019 totaling € 2.1 million, taxes on income from previous years of € 0.1 million, and expenditures for foreign withholding taxes on license and dividend payments in 2019 of € 15.8 million. In addition, income tax reimbursements of € 5.2 million for previous years, after a mutual agreement procedure has been settled, are included. **Net income** in the financial year 2019 was € 68.5 million compared to € 83.3 million in the previous year.

NET ASSETS

↗ T.05 BALANCE SHEET (GERMAN GAAP, HGB)

	12/31/2019		12/31/2018		
	€ million	%	€ million	%	+/- %
Total non-current assets	1,053.7	63.0%	657.9	48.4%	60.2%
Inventories	59.8	3.6%	52.9	3.9%	13.2%
Receivables and other current assets	504.8	30.2%	576.4	42.4%	-12.4%
Cash and cash equivalents	47.2	2.8%	59.5	4.4%	-20.6%
Total current assets	611.8	36.6%	688.8	50.6%	-11.2%
Other	8.0	0.5%	13.9	1.0%	-42.5%
Total assets	**1,673.5**	100.0%	**1,360.6**	100.0%	**23.0%**
Shareholders' equity	582.8	34.8%	564.3	41.5%	3.3%
Accruals / provisions	112.1	6.7%	101.5	7.5%	10.5%
Liabilities	978.6	58.5%	694.5	51.0%	40.9%
Other	0.0	0.0%	0.3	0.0%	-100.0%
Total liabilities and shareholders' equity	**1,673.5**	100.0%	**1,360.6**	100.0%	**23.0%**

Non-current assets increased in 2019 by 60.2% to € 1,053.7 million. The increase was mainly due to capital increases at the subsidiaries of PUMA SE, leading to an increase in these investments in affiliated companies. The investments in a new building with showrooms at the Herzogenaurach location and in IT also contributed to the increase.

Within **current assets**, inventories increased by 13.2% to € 59.8 million. By contrast, trade receivables and other assets fell by 12.4% to € 504.8 million compared to the previous year. This development is primarily due to the decrease in receivables from affiliated companies. Cash and cash equivalents decreased by 20.6% to € 47.2 million compared to the previous year.

On the **liabilities** side, equity increased by 3.3% to € 582.8 million due to the net income for 2019, taking into account the dividend paid out in 2019. Provisions increased by 10.5% to € 112.1 million compared to the previous year due to higher provisions for personnel and outstanding invoices. The increase in liabilities by 40.9% to € 978.6 million was mainly the result of an increase in liabilities to affiliated companies. Due to this development, the equity ratio fell from 41.5% to 34.8% on the balance sheet date.

FINANCIAL POSITION

↗ T.06 CASH FLOW STATEMENT (GERMAN GAAP, HGB)

	2019	2018	
	€ million	€ million	+/- %
Net cash from operating activities	**27.6**	**-12.9**	**> -100%**
Net cash used in investing activities	**-114.0**	**-72.7**	**56.8%**
Free cash flow	**-86.4**	**-85.6**	**1.0%**
Net cash from financing activities	**74.2**	**25.7**	**>100%**
Change in cash and cash equivalents	**-12.2**	**-59.9**	**-79.6%**
Cash and cash equivalents at beginning of the financial year	59.5	119.4	-50.2%
Cash and cash equivalents at the end of the financial year	**47.2**	**59.5**	**-20.6%**

Net cash from operating activities improved to € 27.6 million. This is primarily the result of a reduction in working capital as of the balance sheet date due to higher liabilities to affiliated companies. **Net cash used in investing activities** increased from € -72.7 million to € -114.0 million due to investments in non-current assets and equity interests in affiliated companies. Free cash flow remained nearly unchanged at € -86.4 million compared to the previous year (€ -85.6 million).

Net cash from financing activities showed a cash inflow of € 74.2 million in 2019 (previous year: € 25.7 million). The cash inflow was mainly due to an increase in liabilities to affiliated companies. This led to an overall reduction in cash and cash equivalents from € 59.5 million to € 47.2 million. In addition, PUMA SE has access to a syndicated credit line of € 350.0 million, which at the balance sheet date had not been utilized. The credit line is to be used for general corporate financing purposes, such as the financing of short-term, seasonal financing needs from goods purchases. In addition, medium- and long-term funding needs are covered by a promissory note loan of € 160.0 million (previous year: € 160.0 million).

OUTLOOK

For the financial year 2020 we expect an increase of sales at a mid-single-digit rate and a moderate increase of income before taxes.

FURTHER INFORMATION

INFORMATION CONCERNING TAKEOVERS

The following information, valid December 31, 2019, 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 € 150,824,640.00 and was divided into 150.824.640 no-par-value shares with a proportional amount in the statutory capital of EUR 1.00 per share. As of the balance sheet date, the Company held 1,276,839 treasury shares.

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

As of December 31, 2019, 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.S. 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.S. 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 preemption 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 Authorised 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 Authorised 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 2017 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 30,164,920.00 by issue of up to 30,164,920 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

COMPENSATION PHILOSOPHY

The Management Board compensation system is designed to create incentives for a sustainable and profit-oriented company performance. The objective of the compensation system is to stimulate the implementation of long-term Group strategy by ensuring that the relevant success parameters that govern the performance-based compensation are aligned with the PUMA SE management system. Furthermore, the long-term interests of our shareholders are taken into account by making the variable compensation strongly dependent on the performance of the PUMA SE share.

With a greater share of performance-based and therefore variable compensation, the intention is to reward the contribution of our Management Board members towards a sustainable development of our Company, while negative deviations from the set targets will result in a significant reduction of variable compensation.

GOVERNANCE IN COMPENSATION MATTERS

It is the responsibility of the PUMA SE Supervisory Board to determine the compensation of the Management Board. The entire Supervisory Board decides on matters relating to the compensation of the Management Board members based on the respective recommendations of the Personnel Committee which is comprised of members of the Supervisory Board. Criteria for calculating the total compensation are the responsibilities and performance of the individual Management Board member, the economic situation, long-term strategic planning and related goals, the sustainability of targeted results and the company's long-term prospects.

OVERVIEW OF COMPENSATION ELEMENTS

The compensation of the Management Board consists of non-performance-based and performance-based components. The non-performance-based components comprise the basic compensation, company pension contributions and other fringe benefits, while the performance-based components are divided into two parts, a bonus and a component with long-term incentive effect:

↗ G.21 TARGET COMPENSATION STRUCTURE

Long-term performance-related remuneration	CEO: 54%* OBM: 36%*	**PUMA Monetary Units Plan 2019** · Virtual share participation with payout in cash · Blocking period: 3 years followed by a 2-year exercise period with the possibility of quarterly payout · Performance target: PUMA SE share price development · Cap: 300% of grant value
Short-term performance-related remuneration	CEO: 23%* OBM: 32%*	**Bonus** · Performance targets: 60% operating profit (EBIT); 20% free cash flow; 15% individual targets set annually by the Supervisory Board; 5% sustainability-targets · Cap: 150% of the target bonus
Non-performance-related remuneration	CEO: 23%* OBM: 32%*	**Base Salary**
Company pension scheme and other non-performance-related fringe benefits		

* Figures in % of target compensation (total 100 %)
CEO: Chief Executive Officer / OBM: Ordinary Board Member

NON-PERFORMANCE-BASED COMPENSATION AND FRINGE BENEFITS

BASIC COMPENSATION

The members of the Management Board receive a fixed basic salary which is paid monthly. This salary is based on the duties and responsibilities of the member of the Management Board. For employment periods of less than twelve months in a calendar year, all compensation payments are paid on a prorated basis.

FRINGE BENEFITS

In addition, the Management Board members receive in-kind compensation, such as use of company cars, accident insurance and D&O insurance. These are part of the non-performance-based compensation.

COMPANY PENSION

Pension benefits are available for the members of the Management Board in the form of deferred compensation paid out of the performance-based and/or the non-performance-based compensation, and for which the Company has taken out pension liability insurance. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested.

PERFORMANCE-BASED COMPENSATION

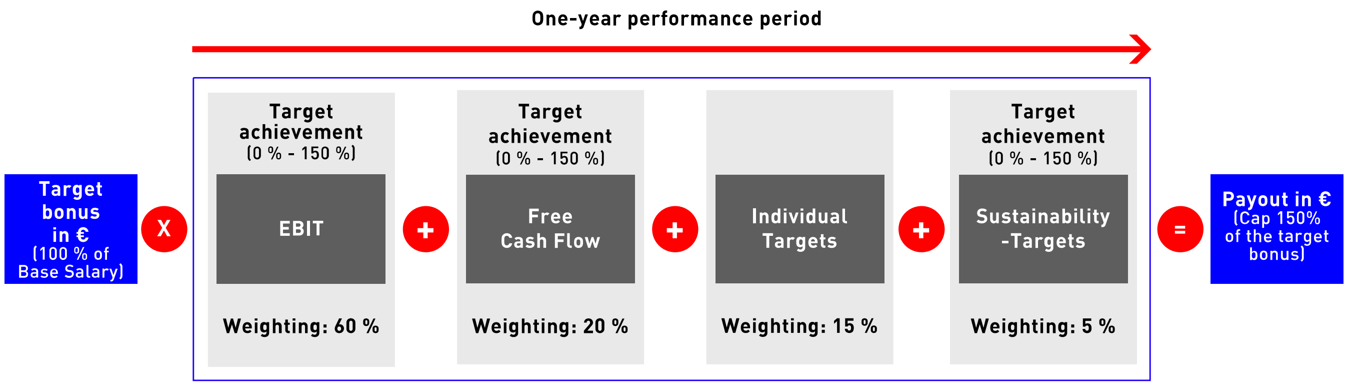
In addition to the non-performance-based compensation, the members of the Management Board receive performance-based and therefore variable compensation. The amount of this compensation is based on the attainment of previously defined financial and non-financial targets. It consists of a bonus and a component with a long-term incentive effect. In the event of any outstanding performance, the Supervisory Board may, at its discretion, grant the members of the Management Board a voluntary one-off payment.

SHORT-TERM VARIABLE COMPENSATION – BONUS

As part of the performance-based compensation, the bonus is primarily based on the financial goals of the operating result (EBIT) and free cash flow (FCF) of the PUMA Group and the individual performance of the respective Management Board member as well as the attainment of Group-wide sustainability targets. The Supervisory Board assesses the individual performance of the Management Board member based on previously defined criteria, such as sustainable leadership, strategic vision and good corporate governance. The sustainability targets include goals to reduce CO_2 emissions, compliance targets and occupational health and safety objectives, are applied throughout the PUMA Group and measured quantitively on a standardized basis. The two financial success targets are weighted with 60% for EBIT and 20%, respectively, for FCF. The individual performance is included in the calculation with a weighting of 15%. The degree to which the sustainability targets have been achieved is taken into account in the calculation with a weighting of 5%. If 100% of the target is achieved ("target bonus"), the amount of the bonus, is 100% of the annual basic compensation for the Chair of the Management Board and the Management Board members.

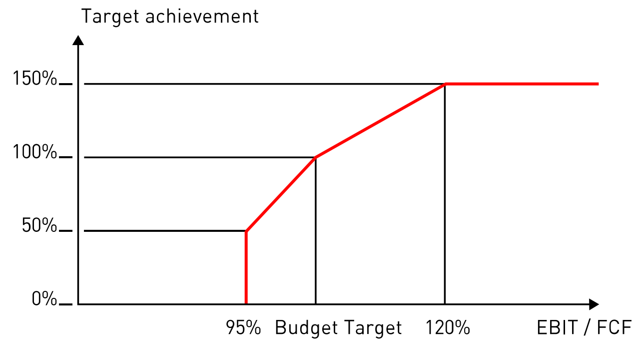
The aforementioned performance targets are combined. For EBIT, FCF and the sustainability targets, the bandwidth of possible target attainments ranges from 0% to 150%. It is therefore possible that no short-term variable compensation at all is paid out if minimum targets are not attained.

↗ G.22 STI-PLAN



An identical target attainment curve has been created, respectively, for the two financial goals. If the budget target for EBIT or FCF is reached, the target attainment is 100% (target value). If EBIT/FCF are less than 95% of the target value, this results in a target attainment of 0%. If EBIT/FCF reach 95% of the target value, the target attainment is 50%. If EBIT/FCF reach 120% or more above target value, the target attainment is limited to 150% (maximum value). Target attainments between the determined target attainment points are interpolated on a linear basis. This results in the following target attainment curve for the EBIT and FCF performance targets:

↗ G.23 TARGET ATTAINMENT CURVE EBIT/FCF



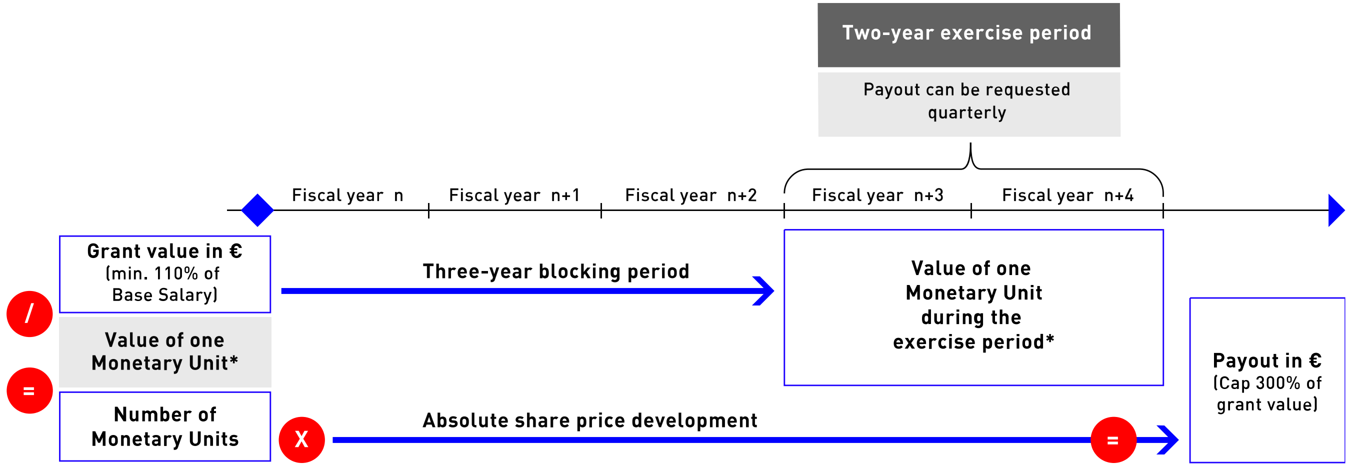
TARGET ATTAINMENT SUSTAINABILITY TARGETS

The Supervisory Board determines four target criteria for calculating the sustainability targets every year. At the end of the performance period, the Supervisory Board evaluates the degree of attainment of the target criteria. For every target criterion that has been met or exceeded, a target attainment percentage of 1.25% is credited.

LONG-TERM VARIABLE SHARE-BASED COMPENSATION – PUMA MONETARY UNITS PLAN 2019 (LTI)

The long-term variable compensation program of PUMA SE (PUMA Monetary Units Plan) is designed as a future-oriented, virtual shareholding with cash payments. As part of this program, virtual shares of PUMA SE, the "Monetary Units", are allocated at the start of a three-year vesting period, at the end of which the holder is eligible to receive a cash payment. The amount of the allocation value is 240% of the annual basic salary for the Chair of the Management Board and 110% of the basic salary for the other Management Board members. The number of the allocated Monetary Units is determined by dividing the allocation value by the value of one PUMA Monetary Unit. The relevant value of a Monetary Unit for the tranche of the following year is calculated once per year at the end of December as the average value of the PUMA SE share over the past 30 trading days. The amount of the cash payment is therefore a result of the absolute development of the PUMA SE share. At the end of the three-year vesting period, the Management Board members are able to exercise their Monetary Units within a period of two years. The payment of the amount can be requested on a quarterly basis. The value of the Monetary Units is the average value of the PUMA SE share over the last 30 trading days before the next quarterly report. The fundamental exercise condition after the vesting period is the existence of an active employment relationship with PUMA SE until the end of the vesting period.

↗ G.24 LTI-PLAN



* The value of one Monetary Unit is equal to the Ø share price over the last 30 trading days before the beginning of the blocking period respectively 30 trading days before the next quarterly report.

RULES FOR TERMINATING MANAGEMENT BOARD ACTIVITY AND OTHER CONTRACTUAL PROVISIONS

In the event of a temporary disablement due to illness, the Management Board member retains his or her entitlement to full contractual compensation up to a total duration of six months but for no longer than the end of the employment contract. The Management Board member must offset payments received from health insurance companies or pension insurances in the form of sick pay or pension benefits against the compensation payments, insofar as these benefits are not fully based on contributions by the Management Board member.

In the case of an early termination of the employment contract without good cause within the meaning of section 626 (1) of the German Civil Code (BGB), any payments to be agreed to the Management Board member, including fringe benefits, shall not exceed the amount of two annual compensations (severance cap) and must not exceed the value of the compensation for the remaining duration of the Management Board employment contract. The calculation of the severance cap is based on the total compensation of the past financial year and also on any expected total compensation for the current financial year. In the event of an early termination of the employment contract before the end of the relevant performance period for the bonus and/or the three-year vesting period of the long-term variable compensation, the contract makes no provision for an early payout of the variable compensation components. If the member of the Management Board becomes permanently disabled during the term of the employment contract, the contract is terminated on the day on which the permanent disability is determined. A permanent disability exists within the meaning of this provision, if the member of the Management Board is no longer able, due to illness or accident, to fulfill the responsibilities assigned to him or her. In this respect, the specific duties and particular responsibility of the member of the Management Board must be taken into account.

If the member of the Management Board dies during the term of the employment contract, his or her widow or widower and children, provided they have not yet reached the age of 27, are entitled as joint creditors to receive the unreduced continued payment of the fixed compensation for the month in which the death occurred and for the six following months, but for no longer than up to the end of the regular term of the contract.

MANAGEMENT BOARD COMPENSATION

The following tables show the compensation paid during the financial year and inflows during or for the reporting year and the total related pension expenses for all Management Board members.*

↗ T.07 COMPENSATION PAID (€ million)

	2018	2019	2019 (min)	2019 (max)
Fixed compensation	2.3	2.0	2.0	2.0
Fringe Benefits	0.1	0.1	0.1	0.1
Total	**2.4**	**2.1**	**2.1**	**2.1**
Short-term variable compensation	2.8	2.7	0.0	3.0
Long-term variable share-based compensation				
LTI 2019 (2019 to 2021)		3.9	0.0	11.8
LTI 2018 (2018 to 2020)	4.3			
Total variable compensation	**7.0**	**6.6**	**0.0**	**14.8**
Pension expenses	0.5	0.4	0.4	0.4
Total compensation	**9.9**	**9.1**	**2.4**	**17.3**

* The grants and inflows shown below include the portion of the compensation of Ms. Anne-Laure Descours granted to Ms. Descours for her services as a member of the Management Board of PUMA SE. In addition, Ms. Descours receives compensation for her function as General Manager PUMA Group Sourcing of World Cat Ltd, Hong Kong, a subsidiary of PUMA SE.

↗ T.08 INFLOW (€ million)

	2018	2019
Fixed compensation	2.3	2.0
Fringe Benefits	0.1	0.1
Total	**2.4**	**2.1**
Short-term variable compensation	2.8	2.7
Long-term variable share-based compensation		
LTI 2016 (2016 to 2018)		1.7
LTI 2015 (2015 to 2017)	8.8	
Total variable compensation	**11.6**	**4.3**
Pension expenses	0.5	0.4
Total compensation	**14.4**	**6.8**

Pension benefits are available for the members of the Management Board in the form of deferred compensation paid out of the performance-based and/or the non-performance-based compensation, for which the Company has taken out pension liability insurance. 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 € 0.4 million for members of the Management Board (previous year: € 0.5 million). The present value of the pension benefits granted to active Management Board members of € 10.8 million as of December 31, 2019 (previous year: € 10.1 million) was netted against the pledged asset value of the pension liability insurance on the balance sheet.

COMPENSATION FOR FORMER MANAGEMENT BOARD MEMBERS

The appointment of Lars Radoor Sørensen as member of the Management Board was terminated by mutual agreement with effect from the end of January 31, 2019. At this point, Mr. Sørensen's Management Board employment contract had a remaining term through December 31, 2020. Mr. Sørensen's Management Board employment contract was terminated by mutual agreement with effect from the end of January 31, 2020. For the period from January 31, 2019 until January 31, 2020, the basic salary and short-term variable compensation was paid out assuming a target attainment of 100%. The tranche of the long-term variable compensation was prorated for 2018-2020 and reduced by 11/36. No tranche was granted for 2019-2021. The compensation components for Mr. Sørensen based on his work as a Management Board member are included in section "Management Board Compensation".

There were pension obligations to former members of the Management Board and their widows/widowers amounting to € 3.3 million (previous year: € 3.2 million) as well as contribution-based pension commitments in connection with the deferred compensation of former members of the Management Board and Managing Directors amounting to € 11.6 million (previous year: € 10.6 million). Both items were recognized as liabilities within pension provisions to the extent they were not offset against asset values of an equal amount. Pension obligations to former members of the Management Board and their widows/widowers were incurred amounting to € 0.2 million (previous year: € 0.2 million).

SUPERVISORY BOARD COMPENSATION SYSTEM

The Supervisory Board compensation system consists of two components. As for the Management Board, the relevant criteria for calculating the compensation are the responsibilities and performance of the individual Supervisory Board member, the long-term strategic planning and related goals, the sustainability of achieved results and the Company's long-term prospects. For this reason, the first component of the Supervisory Board compensation is a fixed, non-performance-based amount, while the second component is a performance-based compensation.

The non-performance-based component conforms to § 15 of the Articles of Association, according to which each Supervisory Board member receives a fixed annual compensation of € 25,000.00. This amount is payable after the Annual General Meeting for the respective financial year. In addition to the fixed, annual compensation, the members of the Supervisory Board are entitled to an increase of their fixed compensation based on their position on the board and their participation in committees. The Chair of the Supervisory Board and the Vice Chair receive an additional fixed annual amount of € 25,000.00 respectively € 12,500.00. The chair of a committee additionally receives € 10,000.00, and the members of a committee € 5,000.00, respectively. The respective committees 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. If earnings per share in the financial year are below the minimum amount, no performance-related compensation is payable. The Chair of the Supervisory Board receives € 40.00 for every € 0.01 exceeding the minimum amount per share and a maximum of € 20,000.00 per year. The Vice Chair receives € 30.00 for every € 0.01 exceeding the minimum amount 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 prorated remuneration calculated on the basis of the period of activity determined for full months.

SUPERVISORY BOARD COMPENSATION

The compensation for the Supervisory Board for financial years 2018 and 2019 are shown in the table below.

↗ T.09 SUPERVISORY BOARD COMPENSATION (€ million)

	Fixed compensation		Variable compensation		Committee compensation		**Total**	
	2018	**2019**	2018	**2019**	2018	**2019**	**2018**	**2019**
Total	0.2	**0.2**	–	**–**	0.0	**0.0**	**0.2**	**0.2**

CORPORATE GOVERNANCE REPORT INCLUDING THE STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 289F AND SECTION 315D HGB

Effective implementation of the principles of corporate governance is an important aspect of PUMA's corporate policy. Transparent and responsible corporate governance is a key prerequisite for achieving corporate targets and for increasing the Company's value in a sustainable manner. The Management 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. Pursuant to Section 317 (2) Sentence 6 of the German Commercial Code (HGB), the purpose of the audit of the statements pursuant to Section 289f (2) and (5) and Section 315d of the HGB is limited to determining whether such statements have actually been provided.

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).

PUMA SE has a dual management system featuring strict personal and functional separation between the Management Board and the Supervisory Board (two-tier board). Accordingly, the Management Board manages the company while the Supervisory Board monitors and advises the Management Board.

STATEMENT OF COMPLIANCE PURSUANT TO SECTION 161 AKTG FOR 2019:

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, 2019, 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, 2018, 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.

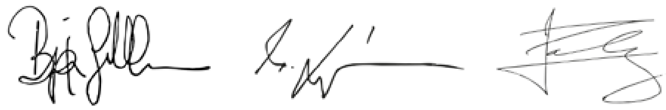
- According to No. 4.2.3 p. 3 of the Code the target level of pension benefits for every pension commitment shall be established by the Supervisory Board. Due to the defined contribution plans, PUMA does not comply with this recommendation.

- In 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, 2019
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

PUMA's management acts in compliance with laws and self-imposed standards of conduct. PUMA has set up a Compliance Management System (CMS) to systematically prevent, detect and sanction violations in the areas of corruption, money laundering, conflicts of interest, antitrust law, fraud and embezzlement. Violations of the law or internal guidelines will not be tolerated.

The PUMA Code of Ethics is an important building block of the CMS and is binding for employees of all subsidiaries worldwide. It defines the guidelines and values that shape PUMA's identity. PUMA expects all employees to be aware of these values and to act accordingly. The Code of Ethics contains rules, among other things, on dealing with conflicts of interest and personal data and prohibits insider trading, anti-competitive behavior and corruption in any form. In order to familiarize employees with the rules of the Code of Ethics and to establish uniform behavioral guidelines, the Code of Ethics is flanked by specific Group-wide guidelines.

All employees are familiarized with the regulatory areas of the Code of Ethics through ongoing mandatory e-learning. In addition, employees selected on the basis of risk-based principles are given in-depth knowledge in classroom training. In the past fiscal year, comprehensive face-to-face training courses were held in particular in the areas of anti-corruption and antitrust law. In 2019, all PUMA employees were encouraged by the CEO of PUMA SE to complete the e-learning on the Code of Ethics on the topics of anti-corruption, data protection and inappropriate behavior in the workplace. The clear Tone from the Top resulted in 99% of PUMA employees successfully completing the e-learning on the Code of Ethics.

The Management Board is responsible for the proper functioning of the CMS. It is supported by a compliance organization consisting of the Chief Compliance Officer and compliance officers in the main operating Group companies. The Chief Compliance Officer of PUMA SE reports directly to the CEO of PUMA SE. The local Compliance Officers also serve as direct contact persons for employees and support them by appropriate communication measures as well as in dealing with and processing compliance incidents. The Audit Committee of the Supervisory Board of PUMA SE is regularly informed about the current status of the implementation of 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" take place. At the meetings of this committee, compliance risks are analyzed and evaluated and appropriate measures (guidelines, training, etc.) are defined and approved. The review of the implementation of the requirements in the compliance guidelines is regularly part of the audit plan of the internal audit department.

PUMA has a Group-wide electronic whistleblower platform, which is operated by an external provider and to which employees and third parties can report protected illegal or unethical conduct. Violations from all risk areas can be reported. Insofar as they do not fall within the competence of the compliance organization, the responsible specialist departments are responsible for identifying and taking measures. The introduction of the platform was communicated throughout the Group by the CEO and the communication was flanked by appropriate information material. Every year, the local compliance officers expressly draw attention to the whistleblower system through appropriate communication measures or in face-to-face training sessions. Whistleblowers who report misconduct in good faith are protected from retaliation. All reports are followed up immediately and, if confirmed, appropriate measures are taken. In 2019, the Compliance Department at headquarters received 33 reports of alleged violations. In three of these cases, allegations of corruption were made. In two of these cases, the investigation is still ongoing; in the third case, the investigation has been completed and could not confirm the allegation. In addition to the whistleblower platform, there is a global hotline for 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 Codetermination 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 11 July 2011 and its amendment dated 7 February 2018. The Supervisory Board of PUMA SE consists of six members, four of whom are shareholder representatives and two of whom are employee representatives. CVs of the individual Supervisory Board members are available on the Internet and are updated regularly. 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 appoints the members of the Management Board and may dismiss them at any time for good cause. Initial appointments are generally for three years. The Supervisory Board determines the remuneration system for the Management Board and reviews it regularly (most recently in 2018). It determines the individual total compensation of each member of the Board of Management, taking into account the ratio of the Management Board compensation to compensation in the MDAX (horizontal comparison) and to the average compensation of the first management level below the Management Board (n-1) as well as to the average compensation of all employees (vertical comparison). The relevant workforce is the workforce of PUMA SE. Variable compensation components have a multi-year, mainly future-related assessment basis. Variable remuneration components that last several years are not paid out prematurely. Starting in the 2019 fiscal year, the Supervisory Board has set maximum limits for the individual compensation of the Management Board both in total and with regard to its variable components.

The Supervisory Board monitors and advises the Management Board on the implementation of the strategy. The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of relevance to the Company relating to strategy, planning, business development, the risk situation, risk management and compliance management system. 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 to which it has rights of approval. The Supervisory Board receives regular reports on succession planning and the criteria applied by the Management Board in this regard.

Prior to Supervisory Board meetings, the Management Board regularly speaks separately to the employee representatives and the shareholder representatives. At the end of the regular meetings, the Supervisory Board always has the opportunity to discuss issues even in the absence of the Management Board. It also makes regular use of this opportunity. The members of the Supervisory Board also participate in the meetings by telephone or video conference.

The Supervisory Board regularly reviews the efficiency of its activities. The last time this review took place was at the beginning of 2019.

The members of the Supervisory Board attend on their own responsibility courses of training and further training that might be necessary for the performance of their tasks, and are supported by the Company in doing so. In an onboarding program, new members of the Supervisory Board not only receive training from the legal department on their rights and duties, but also have the opportunity in particular to meet the members of the Management Board and other executives for a bilateral exchange on current management issues and thus gain an overview of relevant topics of the Company.

SHAREHOLDERS AND 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.

As part of our comprehensive investor relations and public relations work, we are in close contact with our shareholders. We inform shareholders, financial analysts, shareholders' associations, the media and the interested public comprehensively and regularly about the situation of the Company and inform them immediately about significant business changes. The Chairman of the Supervisory Board is also prepared to discuss Supervisory Board-specific issues with investors within an appropriate framework.

In addition to other communication channels, we make intensive use of the Company's website for our investor relations work. At about.puma.com/en/investor-relations, all material information published in the 2019 financial year, including annual, quarterly and half-yearly financial reports, press releases, voting rights announcements by major shareholders, presentations and the financial calendar, can be accessed.

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 the Management Board. In addition, when the internal audit projects are completed, the Audit Committee shall receive the audit reports, which must also include any actions taken.

The 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. Details of this are presented under lit. b) of this chapter.
- A sufficient number of members have strong international backgrounds. This target has been clearly surpassed simply because of the international origins of Jean-François Palus, Héloïse Temple-Boyer, Thore Ohlsson and Fiona May.
- Including the employees' representative on the Supervisory Board, the Supervisory Board has an appropriate number of independent members. In the opinion of the Supervisory Board, there are currently no concrete indications of relevant circumstances that speak against independence with regard to any of the shareholder representatives on the Supervisory Board. No member of the Supervisory Board exercises directorships or advisory functions for major competitors. With regard to Supervisory Board members Jean-François Palus and Héloïse Temple-Boyer, the Supervisory Board is of the opinion that their functions as Directeur Général Délégué of Artémis S.A.S. do not impair their independence within the meaning of the German Corporate Governance Code. The Code does not contain an exhaustive definition of independence, but only mentions examples of circumstances that speak against it. According to the Code, a member of the Supervisory Board is not considered independent if he or she has a personal or business relationship with the company, its executive bodies, a controlling shareholder or a company affiliated with the latter, and this relationship may give rise to a material and not merely temporary conflict of interest. It is the task of the Supervisory Board to assess the independence of the individual Supervisory Board members on the basis of these indications. Artémis S.A.S. is not a controlling shareholder, as Artémis S.A.S. is neither a majority shareholder nor does it have a de facto majority at the Annual General Meeting.
- The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control procedures and is independent. Thore Ohlsson has this knowledge and is independent. Jean-François Palus and Héloïse Temple-Boyer also bring this knowledge with them.

- The members have sufficient time to perform his/her mandate in the Supervisory Board. Prior to each election proposal, the Supervisory Board examines whether the candidates concerned are able to complete the time required for the office.
- 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. There were no indications of actual conflicts of interest in the 2019 financial year.
- 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. In setting this age limit, the Supervisory Board deliberately decided against a rigid maximum age limit and in favor of a flexible rule limit that provides the necessary leeway for an appropriate assessment of the circumstances of the individual case, sufficiently broadly defines the circle of potential candidates and also allows re-election. Mr Thore Ohlsson has reached the statutory age limit. After careful consideration, he was nevertheless proposed by the Supervisory Board for re-election in 2018 in order to ensure the necessary continuity after the spin-off from Kering S.A. in the best interests of the company. All other Supervisory Board members did not reach the standard age limit at the time of their election.

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 (Jean-François Palus, Héloïse Temple-Boyer, Thore Ohlsson)
- Leadership experience in the sporting or luxury goods industry (Jean-François Palus, Héloïse Temple Boyer, Thore Ohlsson, Fiona May)
- International corporate background (Jean-François Palus, Héloïse Temple-Boyer, Thore Ohlsson, Fiona May)
- Leadership experience with various disribution channels, including e-commerce (Jean-François Palus, Thore Ohlsson)
- Expertise in building strong international brands (Jean-François Palus, Héloïse Temple-Boyer, Thore Ohlsson, Fiona May)
- Marketing, sales and digital know how (Jean-François Palus, Héloïse Temple-Boyer, Thore Ohlsson)
- Financial expertise (accounting, treasury, risk management, corporate governance) (Jean-François Palus, Thore Ohlsson, Héloïse Temple-Boyer)
- Expertise in serving on the Administrative or Supervisory boards of publicly listed companies (Jean-François Palus, Heloise Temple-Boyer)
- Experience with mergers & acquisitions (Jean-François Palus, Thore Ohlsson)
- Understanding of the industrial constitution law and advocating the interests of the employees (Martin Koeppel, Bernd Illig)
- HR expertise (Jean-François Palus)
- IT expertise (Bernd Illig).

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), SECTION 111(5) AKTG

The Supervisory Board shall define a target figure for the proportion of women on the Supervisory Board and the Management Board. The Management Board, for its part, shall set target figures for the proportion of women in the two management levels below the Management Board.

For the Supervisory Board of PUMA SE, a target figure of 30% has been set for the targeted proportion of women. As of December 31, 2019, the six-member Supervisory Board included two women, Fiona May and Héloïse Temple-Boyer, resulting in a female representation of 33%.

The Supervisory Board has set a target of 20% for the Management Board, provided that PUMA SE has five or more members. The Management Board, which consisted of three members as of December 31, 2019 including Anne-Laure Descours, will be composed of 33% women and 66% men.

Together with the Supervisory Board, the Management Board has set a target of 25% for the first management level below the Management Board and 30% for the second management level below the Management Board. At Group level, the proportion of women is to increase to 30% for the first management level below the Management Board and to 40% for the second management level. The implementation deadline here, too, is October 31, 2021.

The current composition of the Supervisory Board largely implements the diversity concept.

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 the technical requirements laid out in the following. 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. With Anne-Laure Descours a woman is represented on the Management Board. The proportion of women on the Management Board is therefore currently 33%.

- 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. Notwithstanding the several years of international experience of all board members, this goal has been exceeded simply because of the international origins of Bjørn Gulden and Anne-Laure Descours.

- 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. All members of the Management Board are below the standard age limit.

- 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 members of the board have all the above mentioned competences.

The current composition of the Management Board largely implements the diversity concept.

DIRECTORS' DEALINGS

Transactions by management personnel in PUMA shares reported to the Company are published at https://about.puma.com/de-de/investor-relations/the-puma-share. Mr. Jean-François Palus reported in May 2019 that he received PUMA shares in 2018 as part of the distribution of a dividend in kind by Kering S.A. (Paris) to its shareholders. In October and November 2019, Mr. Palus also reported that, as part of a related transaction, he first sold his PUMA shares and shortly thereafter repurchased the same number. Mr. Bjørn Gulden reported a purchase in PUMA shares on 3 January 2020.

RISK AND OPPORTUNITY REPORT

Entrepreneurial activities are always associated with opportunities and risks. This is particularly true for the fast-moving sports and lifestyle industry in which PUMA globally operates and is therefore continuously exposed to risks and opportunities that must be identified and managed. We need 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 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 Management Board of PUMA SE has overall responsibility for the risk and opportunity management system. The Risk Management Committee (RMC) is a management-level committee and responsible for the design and monitoring of the risk management system and therefore also the first point of contact for risk reporting. The task of operationally coordinating the group-wide risk management system has been transferred to Group Internal Audit & Governance, Risk Management & Internal Control (GRC). Opportunity management is not part of the risk management. Individual risk interviews are conducted with selected executives as risk owners below the Management Board throughout the company at regular intervals of 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 the probability of occurrence, the potential effect and the control of the risk.
The risks identified and assessed during the risk interviews are presented to the RMC in an aggregated form in a so-called risk heat map. The RMC consists of a defined group of executives from various corporate divisions, including the Management Board. Chair of the RMC is the Chief Financial Officer as member of the Management Board. The results of the RMC meetings are reported to the Audit Committee as 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 the Controlling department.

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

The following explanations of opportunities and risks are shown in the order of their relative importance.

MACROECONOMIC DEVELOPMENTS

As an internationally operating group, PUMA is exposed to global macroeconomic developments and the associated risks. For example, economic developments in important sales markets may have an effect on consumer behavior. This can have positive or negative effects on the planned sales and results. Likewise, political changes and social developments may result in changes in the legal framework conditions, such as in connection for example with Brexit and cur-

rency exchange rate fluctuations.
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 in 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 ("brave", "confident", "determined" and "joyful") and have a large potential for influencing PUMA's target group. PUMA has therefore strengthened its position as sports brand through partnerships with top athletes, such as star striker Antoine Griezmann, sprint legend Usain Bolt, multiple Formula 1 world champion Lewis Hamilton and pro golfer Rickie Fowler. In 2019, we were able to sign further brand ambassadors, such as the goalkeeper Jan Oblak, the football manager Pep Guardiola, and Karsten Warholm, the 400-meter hurdles world champion. In football, PUMA has long-term sponsorship agreements with top clubs, such as Manchester City, Borussia Dortmund, AC Milan, Olympique Marseille and the Italian national team. PUMA's return to basketball and its engagement in athletics and other sports should also be viewed in this context. PUMA reaches young trendsetters via brand ambassadors and collaborations in the music, movie and fashion scene, such as with Jay-Z, Meek Mill, Adriana Lima, Cara Delevingne and Selena Gomez, and also increasingly through influencers in social networks.

INFORMATION TECHNOLOGY

The ongoing digitalization of PUMA's business environment exposes the company to risks, but it also increasingly provides opportunities. The failure of IT systems may significantly disrupt important business procedures and processes. External attacks or wrong behavior, for example, may result in the loss of confidential and sensitive data, and lead to high costs, loss of revenue and reputational damage. Opportunities arise, for example, from improved, tailored communication with customers via digital channels and new opportunities for product presentation. In addition, new or more efficiently supported processes may add value or result in cost optimization.
To mitigate these risks and use the existing opportunities inherent in digitalization at the same time, PUMA continuously carries out technical and organizational measures and invests in the renewal and security of its IT landscape. IT systems are regularly checked, maintained and undergo security tests. In addition, all employees are continuously sensitized using guidelines, training courses and information campaigns.

SOURCING AND SUPPLY CHAIN

The majority of PUMA products is produced in selected Asian countries, in particular in Vietnam, China, Bangladesh, Cambodia, Indonesia and India. Production in these countries is associated with significant risks for PUMA, which result, for example, from exchange rate fluctuations, changes in sourcing and wage costs, supply bottlenecks for raw materials or components, quality issues, but also from natural disasters and political instability. 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. A quality assurance process and the direct collaboration with manufacturers should permanently secure the quality of PUMA products.
Sourcing and the supply chain must also respond to risks and opportunities, including changes in duties and tariffs as well as trade restrictions. PUMA accordingly continuously analyzes political and legal framework conditions in order to

be able to react to changes at an early stage.
The transport of products into the distribution countries is exposed to the risk of delays and disruptions among service providers. The collaboration with service providers is accordingly secured by selection processes, uniform contractual terms and permanent monitoring of relevant indicators.

SUSTAINABILITY

Sustainability topics are highly important in sourcing, but also throughout the entire value chain. There is a risk that suppliers will violate core labor standards of ILO (International Labour Organization), not comply with environmental standards or use hazardous chemicals in production. This would violate PUMA's requirements to suppliers and also lead to 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. A more efficient use of resources and reduction of greenhouse gas emissions and the increased use of sustainable production materials 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.

COUNTERFEIT PRODUCTS

Counterfeit products can cause damage to consumer confidence in the brand and can damage PUMA's brand image. For this reason, PUMA has made fighting brand piracy a high priority. The PUMA team responsible for the protection of intellectual property not only ensures that we have a strong global portfolio of property rights, such as brands, designs and patents, but also works closely with customs and police forces and provides input regarding the implementation of effective legislation to protect intellectual property.

DISTRIBUTION STRUCTURE

PUMA utilizes various distribution channels, such as the traditional wholesale business with our retail partners and the PUMA-owned retail and e-commerce business to reduce its dependency on individual distribution channels. The wholesale business represents overall the largest revenue share. The focus on the company-own retail and e-commerce business is intended to ensure a higher gross profit margin, better distribution control and exclusive presentation of PUMA products in the desired brand environment.
In the wholesale business, up-and-coming retailers, including those offering their own brands, and competitors pose the risk of intensified competition for consumers and market shares. Consumer purchase behavior is also changing, focusing more on e-commerce and a combination of stationary and digital trade. This requires continuous adjustment of the distribution structure. Distribution through the company's own retail stores and e-commerce channels is, however, also associated with various risks for PUMA. These include the necessary investments in expansion and infrastructure, setting up and refurbishing stores, higher fixed costs and leases with long-term lease obligations. This can have an adverse impact on profitability should business decline.
In order to avoid risks and take advantage of opportunities, PUMA carries out permanent monitoring of distribution channels and regular reporting by the Controlling and specialized departments. A detailed location and profitability analysis is carried out in our distribution channels before making any investment decision. The company's reporting and controlling system allows us to detect negative trends early on, and to take the countermeasures required to manage individual stores. 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 shopping 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 cause 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, social media and public relations work which is managed from its group headquarters in Herzogenaurach, Germany, and its subsidiary in the U.S. In addition, PUMA continuously seeks an open dialog with key external stakeholders, such as suppliers, NGOs and industry initiatives, and has institutionalized this as part of regularly held "Sustainability Stakeholder Meetings."

ORGANIZATIONAL CHALLENGES AND PROJECT RISKS

PUMA's organizational structure with its group 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 specialized department.

PERSONNEL DEPARTMENT

The creative potential, commitment and performance of PUMA employees are important factors for a successful business development and represent a significant opportunity for our business. 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 this successful philosophy on a long-term and sustainable basis. 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. Therefore, PUMA uses various tools to manage these risks. This includes 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 regarding critical compliance topics, 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 2019, the net requirements for the 2020 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 financial instruments (cash and cash equivalents, receivables, interest-bearing and non-interest-bearing liabilities) are either denominated in the functional currency or are transferred into the functional currency using currency forward transactions.

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.

TAX RISKS

In an international business environment, applicable tax regulations must be observed. By means of appropriate internal rules of conduct, employees are required to comply with and adhere to the relevant tax regulations. In addition to compliance with national tax regulations to which the individual group companies are subject, there are increasing risks in the course of intra-group transfer pricing, which must be applied for various internal business transactions in accordance with the arm's length principle between individual group companies. In all tax areas PUMA has taken adequate precautions with internal and external tax experts in order to comply with the relevant tax regulations, but also to be able to react to changes in the constantly changing tax environment.
For the group-internal transfer prices a corresponding documentation exists, which was prepared according to international and national requirements and standards. There are guidelines and specifications for determining transfer prices for intra-group transactions that are customary for foreign companies, which comply with the applicable procedural rules and are binding on the employees acting on behalf of the group. By means of internal tax reporting, external and internal tax experts are able to control and monitor tax developments at PUMA on an ongoing basis. Both the Management Board and the Supervisory Board are continuously informed about tax developments at PUMA in order to identify and avoid tax risks as early as possible.

DEFAULT 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 capital requirements through rolling cash flow planning at the level of the individual companies in coordination with the central Treasury department. PUMA maintains a liquidity reserve, for example, in the form of cash and confirmed credit facilities in order to ensure the company's solvency, financial flexibility and a strategic liquidity buffer. In this respect, there was a syndicated credit line amounting to € 350.0 million as of December 31, 2019, which was not utilized as of the balance sheet date.

Medium and long-term funding requirements that cannot be directly covered by net cash from operating activities are financed by taking out medium and long-term loans. For this purpose, promissory note loans were issued in four tranches in July 2018 (one tranche each with a fixed and a variable coupon with a residual term of 2 years for a total of € 100.0 million and one tranche each with a residual term of 4 years for a total of € 60.0 million). Furthermore, an additional promissory note loan totaling € 70.0 million was concluded in December 2019 with payout in January 2020. This promissory note loan comprises two tranches with a fixed and a variable coupon and a term of 5 years.

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

The assessment of the overall risk situation of the group and PUMA SE is the result of a consolidated view of the individual risks described above. The Management Board is currently not aware of any significant risks that, either independently or in combination with other risks, could jeopardize the continued existence of the group and PUMA SE. In 2019, there was no significant change in the overall assessment of the risk situation compared to the previous year.

However, we cannot exclude the possibility that in the future factors that are currently unknown to us or that we currently assess as immaterial could influence the continued existence of the group and PUMA SE and its consolidated companies. Due to the extremely solid balance sheet structure and equity ratio, as well as the positive business outlook, the Management Board does not see any risks that could jeopardize the continued existence of the PUMA Group and PUMA SE.

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

The Management Board of PUMA SE 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 by the Management Board and the management.

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. At the annual meeting on the financial statements, the auditor reports to the Supervisory Board on the results of the audit of the 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 based on internal and external guidelines and best-practice standards. The objective is to continuously improve the internal control system and to identify specific risks at process level to be able to introduce countermeasures. 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.

OUTLOOK

GLOBAL ECONOMY

After the dynamics of the global economy have slowed down in 2019, experts at the Kiel Institute for the World Economy (ifw Kiel) expect global gross domestic product (GDP) to rise by 3.1% in 2020 (winter forecast dated December 11, 2019). This corresponds to a slight increase in the GDP growth rate of 0.1% compared to 2019. Accordingly, the global economy is expected to stabilize overall in 2020.

Experts expect that the increase in production in the advanced economies will remain moderate in 2020. While economic momentum in the United States of America continues to slow down and the "Brexit" will continue to put a strain on the UK economy in 2020, ifw Kiel expects the economy in the euro zone to remain at a similar level compared to 2019. The expansion of the Chinese economy is likely to lose further momentum in 2020. In the other emerging markets, however, the rise in production is likely to increase slightly. Trade policy uncertainties continue to weigh on the outlook and remain a risk for the forecast.

SPORTING GOODS INDUSTRY

If there are no significant negative effects from the overall economic development, we expect the sporting goods industry to continue its stable growth in 2020. It can be assumed that the trend towards sports activities and a healthy lifestyle will continue and thus the demand for sporting goods will also continue to rise. In addition, major sporting events in 2020, especially the Tokyo Summer Olympics and the European Football Championship, should help to support growth in the sporting goods industry.

OUTLOOK 2020

Our business developed strongly in 2019, both in terms of sales and profitability. We are confident that the positive development will continue in 2020.

For the full year 2020, 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 (2019: 48.8%) and operating expenses (OPEX) to increase at a slightly lower rate than sales. Based on the current exchange rate levels we expect an operating result (EBIT) for the financial year 2020 in a range between € 500 million and € 520 million (2019: € 440.2 million). We also expect a significant improvement of net earnings in 2020.

INVESTMENTS

Investments in fixed assets of around € 200 million are planned for 2020. The majority of these investments will be in infrastructure in order to create the operating requirements for the planned long-term growth. The investments mainly concern own distribution and logistics centers and further investments 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. We believe 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 31, 2020

The Management Board

Gulden Lämmermann Descours