Combined Management Report
for the Financial Year 2018

<u>Combined Management Report:</u>

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

Overview 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PUMA Group Essential Information

Commercial Activities and Organizational Structure

The company operates as European corporation, PUMA SE, with Group headquarters in Herzogenaurach, Germany. Our internal reporting activities are based according to three regions (EMEA, the Americas and Asia/Pacific) and three product segments (footwear, apparel and accessories). A detailed description of the various segments can be found in chapter 26 of the Notes to the Consolidated Financial Statements.

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

As of December 31, 2018, 103 subsidiaries were controlled directly or indirectly by PUMA SE. Our subsidiaries carry out various tasks at the local level, such as sales, marketing, product development, sourcing and administration. A full list of all subsidiaries can be found in chapter 2 of the Notes to the Consolidated Financial Statements.

Targets and Strategy

PUMA aims to become the fastest sports brand in the world. For this reason, we have focused on five priorities over the past few years: brand heat, a competitive product range, a leading offer for women, an improved distribution quality and organizational speed. Positive feedback from retail partners around the world, better sell-through as well as improved financial results in 2018 confirm that PUMA is on the right track. In 2018, we have added a sixth priority: re-entering basketball with the aim to strengthen our position on the North-American sports market.

The PUMA brand draws strength and brand heat from its unique heritage in sports. PUMA is associated with some of the greatest sports legends: Pelé, Maradona, Usain Bolt, Tommie Smith, Boris Becker, Lothar Matthäus, Linford Christie, and many more. Today, PUMA continues to strengthen its position as a sports brand through partnerships with some of the most elite ambassadors: star strikers Antoine Griezmann, Romelu Lukaku, Sergio Agüero and Luis Suarez, international top clubs Arsenal F.C., Borussia Dortmund and A.C. Milan, golf stars Lexi Thompson and Rickie Fowler, the five-time Formula One world champion Lewis Hamilton, Canadian sprinter André De Grasse and the Jamaican and Cuban Olympic Federations.

In its Sportstyle category, that offers a lifestyle product-range, PUMA has also developed a unique way of working with cultural and fashion icons to connect with young trend-setting audiences. This has made PUMA one of the hottest sports and fashion brands for young consumers. The partnerships PUMA enters with stars like Selena Gomez, Cara Delevingne and Adriana Lima, open new doors to an authentic interaction with our target group, aged 16 to 24.

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

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

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

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

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

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

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

Product Development and Design

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

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

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

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

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

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

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

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

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

Research and product development at PUMA mainly comprise the areas of innovation (new technologies), product design and model and collection development. The research and product development activities range from the analysis of scientific studies and customer surveys through the generation of creative ideas to the implementation of innovations in commercial products. The activities in research and product development are directly linked to sourcing activities.
As of December 31, 2018, a total of 946 people were employed in research and development/product management (previous year: 894). In 2018, research and development/product management expenses totaled €97.8 million (previous year: €98.5 million), of which €54.0 million (previous year: €53.4 million) related to research and development.

Sourcing

The Sourcing Organization

PUMA's sourcing functions, referred to as the central management of the sourcing of products for PUMA and PUMA Group's own brand, Cobra, are merged in PUMA Group Sourcing (PGS.). PUMA's global trading entity, PUMA International Trading GmbH (PIT), with head office in PUMA's corporate headquarters Herzogenaurach (Germany), is the Group company mainly responsible for PUMA Group Sourcing. PIT coordinates product sourcing from independent manufacturers by sourcing products itself from the manufacturers and selling them to PUMA distribution subsidiaries or supporting PUMA distribution subsidiaries directly in the local sourcing of products via local manufacturers. Additionally, PIT manages the cooperation with PUMA's suppliers worldwide and oversees the production processes at the different sourcing sites in Hong Kong, China, Vietnam, Bangladesh, India, Portugal, South Africa, Brazil and Mexico. Furthermore, PIT carries out a centralized hedging against currency risks. The centralized control of these processes guarantees a high degree of transparency within the supply chain, reduces sourcing complexity and creates efficiencies through largely automated processes.

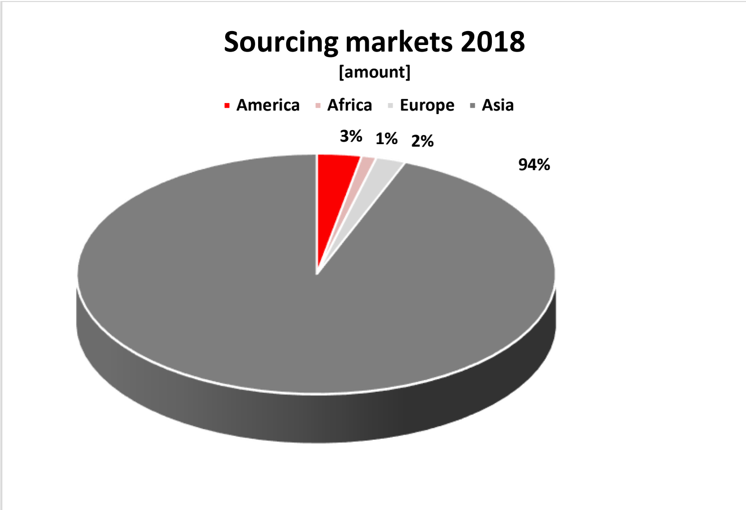
PUMA Group Sourcing (PGS) collaborates with a network of independent manufacturers worldwide. The aim is to offer an optimal service so as to meet global requirements for service, quality and safety, along with environmental and social aspects in the supply chain. Under the six core principles of partnership, transparency, flexibility, speed, simplicity, and effectiveness, the central sourcing responsibility allows for continuous improvements with regard to sourcing costs, sourcing flexibility and the necessary delivery reliability. This guarantees distribution subsidiaries high-level service and a sustainable production and supply chain. Additionally, PUMA's sustainability function (Corporate Sustainability Department, formerly PUMA SAFE) is successfully integrated into the PGS organization since 2016. This ensures that social and environmental issues and standards of good corporate governance are integrated into day-to-day sourcing activities.

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

Furthermore, 2018 saw the successful continuation of the innovative financing program for PUMA suppliers. This program allows for receivables of the suppliers from goods delivered to PUMA to be paid more quickly provided they meet certain sustainability criteria. As a result, financial scope was created for new investments for suppliers. In addition, the program for suppliers also acts as a financial incentive for complying with its standards regarding ecology, labor law and society, as well as continuously improving them.

The Sourcing Markets

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

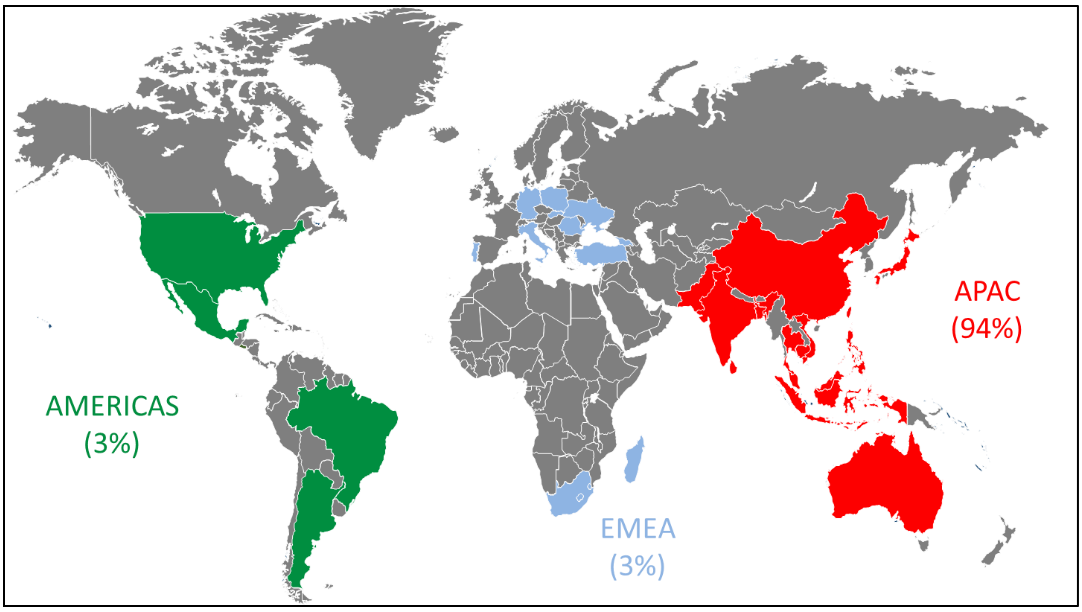


Asia remains the strongest sourcing region overall with 94% of the total volume, followed by America with 3%, and EMEA with also 3% (thereof Europe with 2% and Africa with 1%).

As a result, the six most important sourcing countries (91% of the total volume) are all located on the Asian continent. Once more, Vietnam was the strongest production country with a total of 32%. China followed at 24%. Cambodia was in third place at 14%, one percentage point up from 2017. Bangladesh, which focuses on apparel, is in fourth place at 13%. Bangladesh thus increased its share of the sourcing volume from 10% in the previous year to 13% in 2018. Indonesia, which focuses on footwear production, produces 4% of the total volume and is in fifth place. India is in sixth place at 3%.

Rising wage costs and macroeconomic influences, such as changes in the trade environment, have continued to influence sourcing markets in 2018. Such impacts need to be taken into account in allocating the production. This is a significant component of our sourcing strategy so as to ensure the secure and competitive sourcing of products and, furthermore, to successfully manage the increasing sourcing volumes due to the positive company development.

Sourcing regions of PUMA Group Sourcing

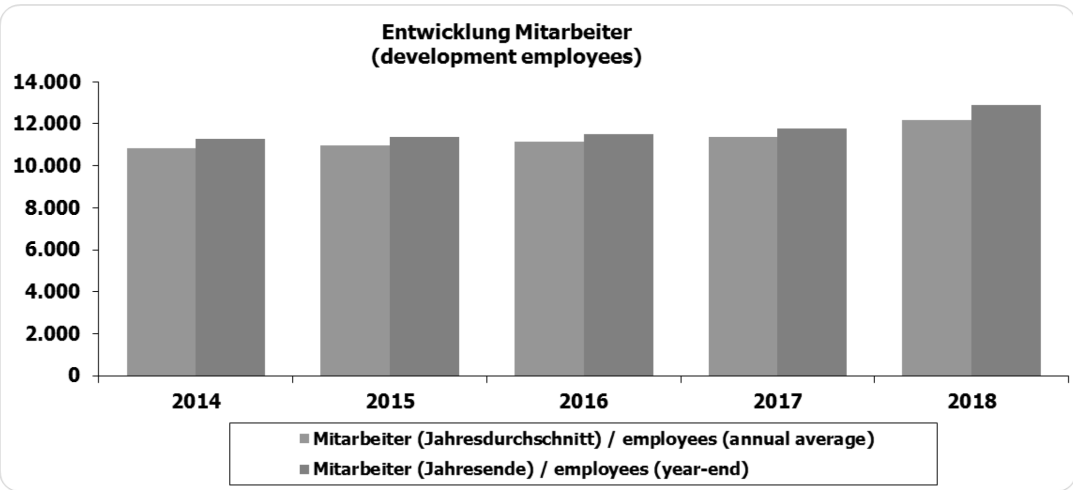


Employees

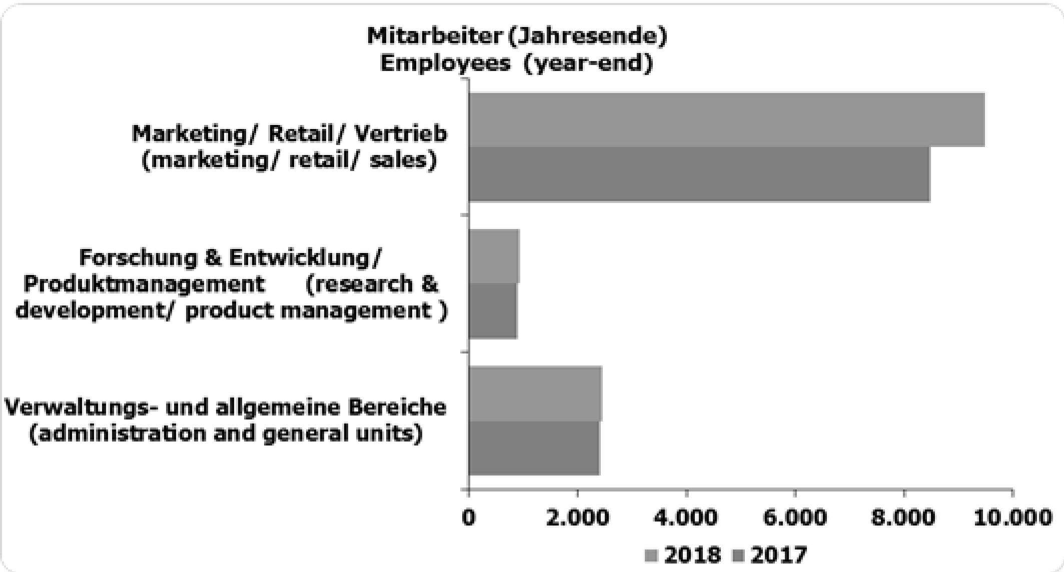
Number of employees

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

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



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



Talent Recruitment and Development

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

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

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

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

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

In particular, we also offer a large number of seminars with the aim of developing employees and managers over the longer term, giving them the opportunity to apply their newly acquired knowledge in practice between the individual modules and then to discuss this with other seminar participants. Our internal leadership program, consisting of several modules, comprises the ILP ("International Leadership Program") and ILP² seminars. These contain a number of measures to equip employees with the required skills and knowledge to be able to lead their team. They include intensive training and coaching, including interactive learning, roleplay simulations and best practice learning, as well as joint projects. The focus is therefore particularly on "Mindful Leadership" as well as agile work methods.

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

Compensation

We at PUMA offer our employees a targeted and competitive compensation system, which consists of several components. In addition to a fixed base salary, the PUMA bonus system, profit-sharing programs and various social benefits and intangible benefits form part of a performance-based compensation system. We also offer long-term incentive programs for the senior management level that honor the sustainable development and performance of the business. In 2018, the bonus system was standardized worldwide and made even more transparent. Incentives are now exclusively linked to PUMA's corporate goals.

Management System

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

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

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

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

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

Information regarding the Non-financial Report

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

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

Economic Report

General Economic Conditions

Global Economy

According to the winter forecast by the Kiel Institute for the World Economy (IFW Kiel) on December 11, 2018, the global economy slowed over the course of 2018. In addition to uncertainty caused by increasing trade policy conflicts – particularly between the United States of America and China – the tightening of monetary policy in the United States, in particular, contributed to the slowing down of growth. For 2018, IFW Kiel's experts expect an increase in global gross domestic product (GDP) of 3.7%, which represents a slight reduction of 0.1% compared to its summer forecast.

The slowdown in economic development in 2018 is evident both in the advanced economies and in the emerging markets. While 2017 was marked by synchronous growth, 2018 saw differences in economic development between the individual countries and groups of countries increase. In the industrial nations, expansion in the United States continued at a faster pace, supported by significant fiscal stimuli, while the economies of the euro zone and Japan lost considerable momentum. In the emerging markets, growth slowed to varying degrees, partly due to poorer financing conditions due to a more restrictive monetary policy on the part of the US Federal Reserve. While large parts of Asia, Russia and parts of South America continued their growth trend, Argentina and Turkey fell into recession.

Sporting goods industry

The sporting goods industry continued to grow strongly in 2018. This development was primarily driven by higher private household income, which enabled an increase in consumer spending on sporting goods. The global fitness boom also continued in 2018. Plenty of movement, a healthy lifestyle, and the accompanying increase in free-time sporting activities are still in fashion worldwide across large parts of the population. At the same time, there continued to be a strong demand for sporting everyday clothes in 2018.

The e-commerce business was a strong driver of growth in the sporting goods industry in 2018. Many commercial opportunities were taken advantage of in order to improve the purchasing experience for consumers, such as mobile technology and social media. In terms of major sporting events of the last year, it was particularly the Football World Cup in Russia that supported the growth of the sporting goods industry.

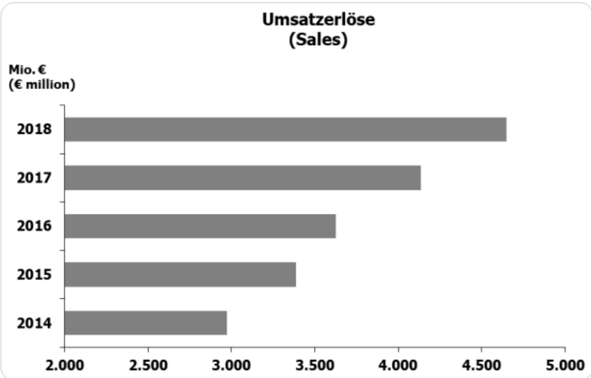
Sales

Illustration of Sales Development in 2018 compared to the Outlook

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

Net Sales

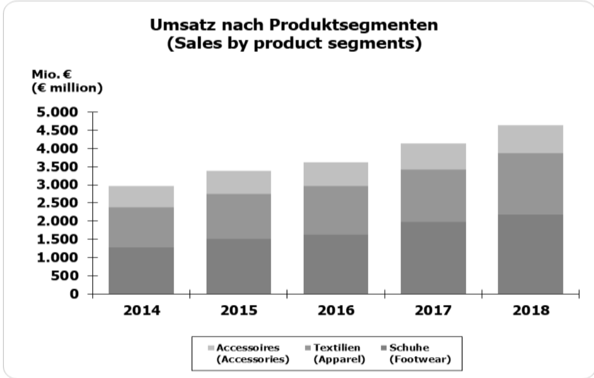
PUMA's net sales rose in the financial year 2018 in the reporting currency, the Euro, by 12.4% to €4,648.3 million. Currency-adjusted sales increased by 17.6%. In particular, the Asia/Pacific region, driven by China, showed a strong double-digit growth in sales. In terms of products, apparel was the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



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

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

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

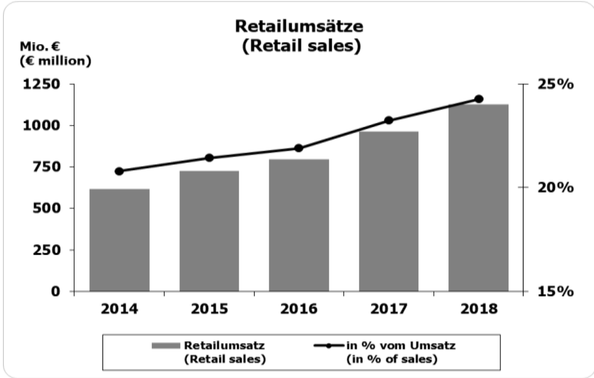


Retail Businesses

PUMA's retail activities include direct sales to our consumers ("Direct to Consumer business"). This includes PUMA's own retail stores, the so-called "Full Price Stores", "Factory Outlets", and e-commerce online sales. Our own retail store activities ensure regional availability of PUMA products and the presentation of the PUMA brand in an environment suitable to our brand positioning.

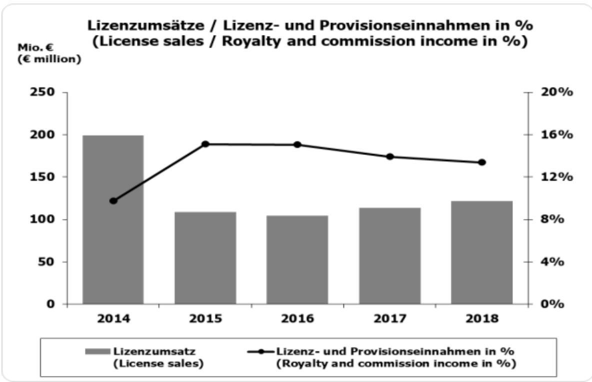
PUMA's retail sales increased in the financial year 2018 by a currency-adjusted 24.0% to €1,127.5 million. This corresponds to a 24.3% share in total sales (previous year: 23.2%). The increase of PUMA's retail sales resulted from both the increase in sales on a comparable floor area basis compared to last year and from the targeted expansion of our portfolio of own retail stores. In addition to the opening of additional retail stores at selected locations worldwide, optimizing the portfolio also included modernizing existing retail stores in line with the "Forever Faster" store concept. This makes it possible to present PUMA products and related technologies in an even more attractive environment and strengthens PUMA's position as a sports brand.

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



Licensing Business

For various product segments, such as fragrances, eyewear, and watches, PUMA issues licenses authorizing independent partners to design, develop, manufacture, and sell these products. Revenue from license agreements also includes some sales licenses for various markets. License sales, which are not part of PUMA's consolidated sales, but which are, however, the basis for PUMA's licensing and commission income, increased in 2018 in the reporting currency, the Euro, by 7.4% to €121.9 million. PUMA's resulting licensing and commission income increased in 2018 by 3.2% to €16.3 million.

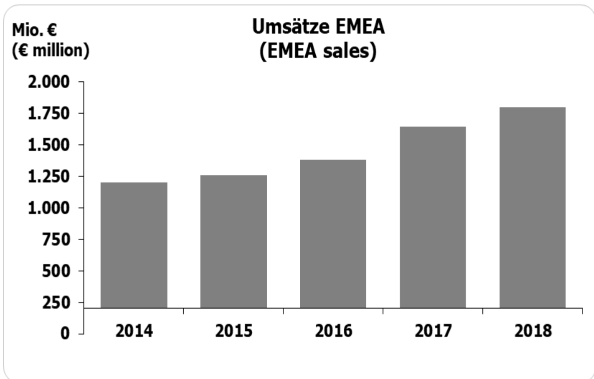


Regional Development

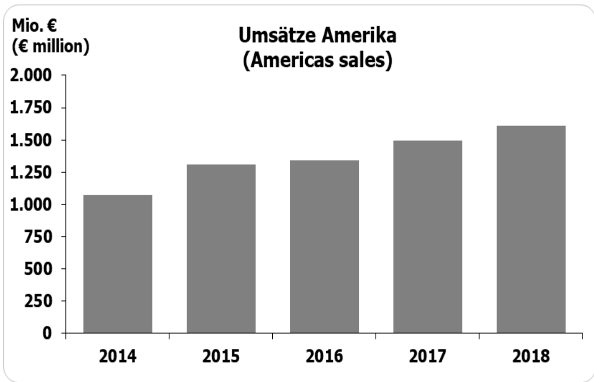
In the following explanation of the regional distribution of sales, the sales are allocated to the respective region of the customer ("Customer Site"). It is divided into three geographic regions (EMEA, America and Asia/Pacific). A more detailed regional presentation of the sales according to the registered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

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

In the **EMEA** region, sales rose in the reporting currency, the Euro, by 9.4% to €1,800.3 million. This corresponds to a currency-adjusted increase in sales of 11.4%. A particularly strong increase came from France, Spain and the United Kingdom (UK), which showed double-digit growth in sales. Russia, Ukraine, Turkey and the United Arab Emirates also grew strongly with double-digit growth rates. However, the strength of the Euro against, for example, the Turkish Lira led to significant negative currency exchange effects on sales in the reporting currency, the Euro.
The EMEA region accounted for 38.7% of Group sales in 2018 in comparison to 39.8% last year.
In terms of the product segments, sales of footwear recorded a currency-adjusted increase of 8.6%. Sales from apparel increased by a currency-adjusted 18.4% and sales from accessories grew by a currency-adjusted 6.6%.

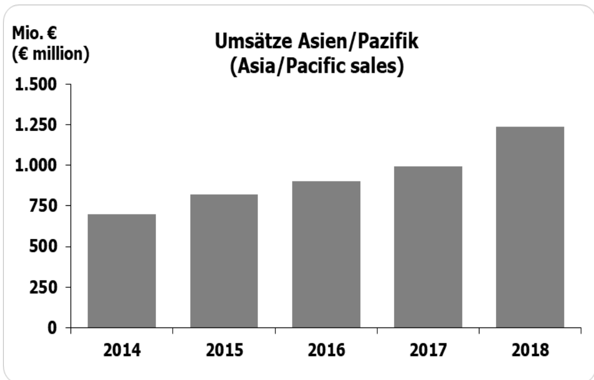


Sales in the **America** region increased in the reporting currency, the Euro, by 7.9% to 1,612.5 million. Currency-adjusted sales rose by 16.9%, with both North and Latin America showing double-digit growth rates and thereby contributing to the increase in revenue. The weakness of the Argentine Peso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



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

In the product segments, sales from footwear increased by a currency-adjusted 37.9%. Sales from apparel increased by a currency-adjusted 23.9% and accessories recorded a rise in sales of a currency-adjusted 7.2%.



Results of Operations

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

Illustration of Earnings Development in 2018 compared to the Outlook

In the outlook of the 2017 Annual Report, PUMA forecasted a slight improvement in the gross profit margin for financial year 2018. PUMA expected an increase in a mid-to-high single-digit percentage rate for other operating income and expenses. The forecast for the operating result (EBIT) was within a range of between €305 million and €325 million. In addition, a significant improvement in net earnings was expected.

These forecasts were raised slightly several times during the year and PUMA thereafter expected an improvement in the gross profit margin of around 100 basis points compared to the previous year (2017: 47.3%), an increase in other operating income and expenses in the low double-digit percentage range and an operating result (EBIT) within a range of between €325 million and €335 million. In accordance with the previous forecasts, Management expected a significant improvement in net earnings for the financial year 2018.

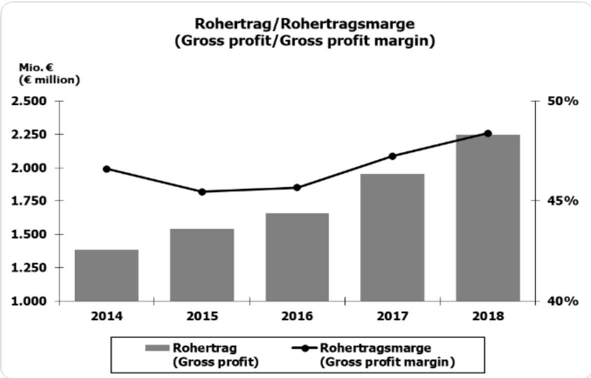
PUMA was able to fully achieve the increased forecasts in 2018, and even slightly exceed them. This means that PUMA exceeded the originally targeted improvement in operating result for 2018.

More details on earnings development are provided below.

Gross Profit Margin

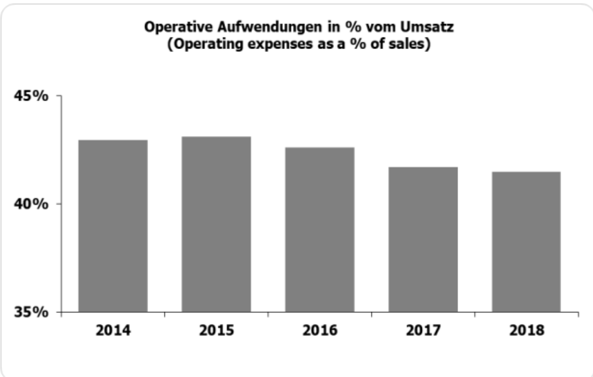
Gross profit improved in the financial year 2018 by 15.1% from €1,954.3 million to €2,249.4 million. The gross profit margin increased by 110 basis points from 47.3% to 48.4%, particularly because of improvements in sourcing and higher sales of new products with a higher margin. In addition, the higher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

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



Other Operating Income and Expenses

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

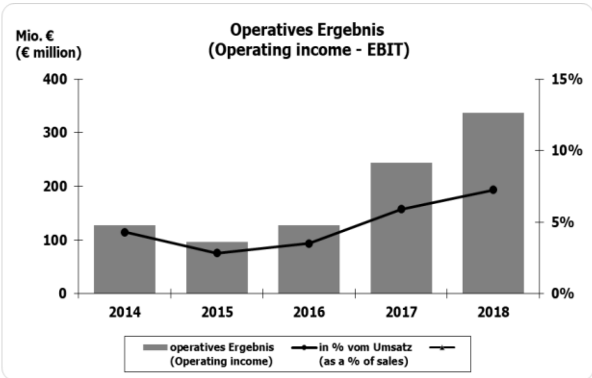


Within sales expenses, the expenses for marketing/retail grew by 13.2% from €822.9 million to €931.2 million. This development is primarily connected to the consistent implementation of the "Forever Faster" brand campaign and the increased number of own retail stores. At 20.0% of sales, the cost ratio remained almost unchanged compared to the previous year. Other sales expenses, which mainly include sales-related variable costs and transportation costs, increased by 19.1% to €592.4 million. This increase is primarily due to higher sales-related expenses from operating our own retail stores and from the e-commerce business. The cost ratio of other sales expenses in 2018 was 12.7% of sales.

Research and Development/Product Management expenses remained almost stable compared to the previous year at €97.8 million and the cost ratio fell slightly to 2.1%. Other operating income in the past financial year amounted to €21.1 million and consisted primarily of income arising from the release of provisions. Administrative and general expenses increased in 2018 by 6.9% from €307.0 million to €328.1 million. The slight increase resulted from, amongst other things, higher expenses in warehousing, logistics and IT. The cost ratio of administrative and general expenses decreased from 7.4% to 7.1%. Depreciation/amortization are included in the relevant costs and total €81.5 million (previous year: €70.3 million). This represents a 15.9% increase in depreciation/amortization compared to the previous year.

Operating result (EBIT)

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



Financial Result

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

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

Earnings before taxes (EBT)

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

Net Earnings Attributable to Non-controlling Interests

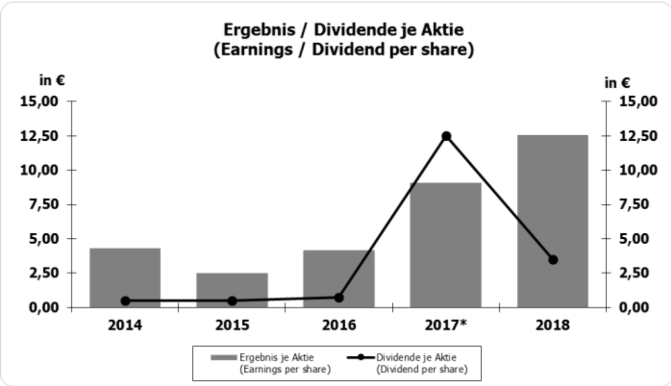
Net earnings attributable to non-controlling interests relate to companies in the North American market, in each of which the same shareholder holds a minority stake. The earnings attributable to this shareholder increased in the financial year 2018 by 31.7% to €42.4 million (previous year: €32.2 million). These companies concern Janed, which distributes socks and bodywear, PUMA Accessories North America and PUMA Kids Apparel that focuses on selling clothing for children, and their respective subsidiaries in Canada.

Net Earnings

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

Dividends

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



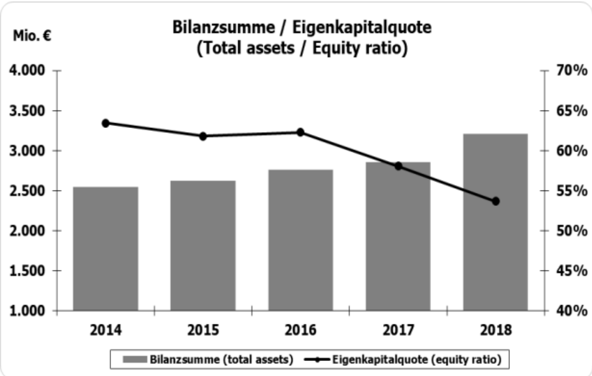
2017*: einmalige Sonderdividende
(2017*: one-time special dividend)

Net Assets and Financial Position

Balance Sheet	31.12.2018 € million	%	31.12.2017 € million	%	+/- %
Cash and cash equivalents	463.7	14.5%	415.0	14.5%	11.7%
Inventories	915.1	28.5%	778.5	27.3%	17.5%
Trade receivables	553.7	17.3%	503.7	17.7%	9.9%
Other current assets (Working Capital)	187.7	5.9%	164.0	5.7%	14.5%
Other current assets	72.6	2.3%	23.6	0.8%	207.2%
Current assets	**2,192.8**	68.4%	**1,884.8**	66.0%	16.3%
Deferred taxes	207.6	6.5%	207.9	7.3%	-0.2%
Other non-current assets	806.8	25.2%	761.1	26.7%	6.0%
Non-current assets	**1,014.4**	31.6%	**969.0**	34.0%	4.7%
Total assets	**3,207.2**	100.0%	**2,853.8**	100.0%	12.4%
Current financial liabilities	20.5	0.6%	29.0	1.0%	-29.2%
Trade liabilities	705.3	22.0%	646.1	22.6%	9.2%
Other current liabilities (Working Capital)	447.3	13.9%	306.1	10.7%	46.1%
Other current liabilities	22.1	0.7%	75.2	2.6%	-70.6%
Current liabilities	**1,195.2**	37.3%	**1,056.5**	37.0%	13.1%
Deferred taxes	47.7	1.5%	37.6	1.3%	27.0%
Pension provisions	28.9	0.9%	29.7	1.0%	-2.9%
Other non-current liabilities	213.1	6.6%	73.3	2.6%	190.6%
Non-current liabilities	**289.7**	9.0%	**140.7**	4.9%	106.0%
Shareholders' equity	**1,722.2**	53.7%	**1,656.7**	58.1%	4.0%
Total liabilities and shareholders' equity	**3,207.2**	100.0%	**2,853.8**	100.0%	12.4%
Working capital	**503.9**		**493.9**		2.0%
- in % of consolidated sales	10.8%		11.9%		

Equity Ratio

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

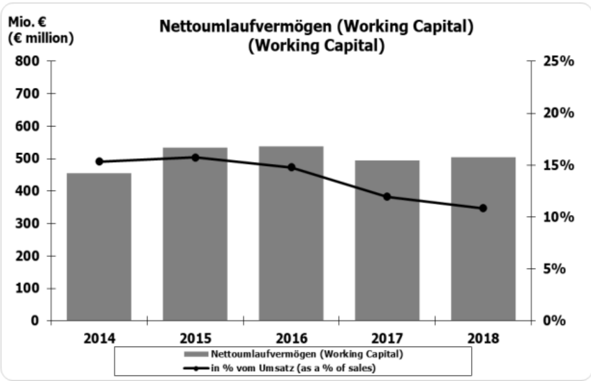


Working Capital

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

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

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



Other Assets and Other Liabilities

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

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

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

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

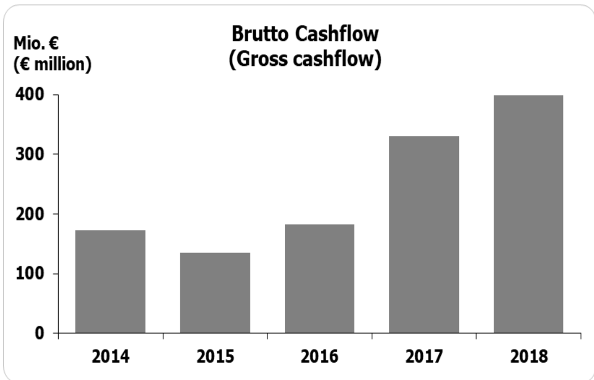
Other non-current liabilities increased from €73.3 million in the previous year to €213.1 million, mainly due to the issue of promissory note loans totaling €160.0 million.

Cash Flow

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

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

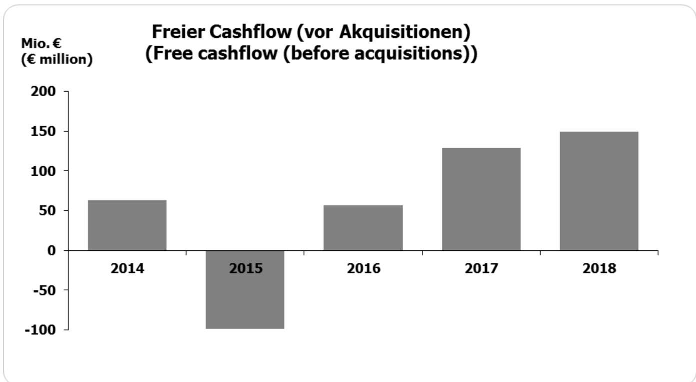
The increase in earnings before taxes (EBT) in the financial year 2018 led to an increase in gross cash flow by 20.3% from €330.9 million to €398.0 million. The financial result and the non-cash effected expenses and income, which include in particular the depreciation on property, plant and equipment,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



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

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

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



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

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

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

Statement regarding the Business Development and the Overall Situation of the Group

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

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

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

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

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

Comments on the German GAAP Financial Statements of PUMA SE

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

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

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

Results of Operations

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

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

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

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

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

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

Net assets

Balance Sheet (German GAAP, HGB)	12/31/2018 € million	%	12/31/2017 € million	%	+/- %
Total non-current assets	657.9	48.4%	559.8	44.0%	17.5%
Inventories	52.9	3.9%	57.9	4.6%	-8.8%
Receivables and other current assets	576.4	42.4%	524.6	41.2%	9.9%
Cash and cash equivalents	59.5	4.4%	119.4	9.4%	-50.2%
Total current assets	688.8	50.6%	701.9	55.2%	-1.9%
Others	14.0	1.0%	10.5	0.8%	32.6%
Total Assets	**1,360.6**	100.0%	**1,272.2**	100.0%	**6.9%**
Equity	564.3	41.5%	665.7	52.3%	-15.2%
Accruals/provisions	101.5	7.5%	102.8	8.1%	-1.3%
Liabilities	694.5	51.0%	502.1	39.5%	38.3%
Others	0.3	0.0%	1.6	0.1%	-
Total Liabilities & Shareholders' Equity	**1,360.6**	100.0%	**1,272.2**	100.0%	**6.9%**

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

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

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

Financial position

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

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

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

Outlook

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

Relationships with affiliated companies

At the end of the dependent company report of the Management Board for the financial year 2018, the following statement was given: "Under the circumstances which were known to the Management Board at the time when the transactions listed in the report on relationships with affiliated companies were made, PUMA SE received an appropriate consideration in all cases. There were no reportable measures taken or not taken in the reporting period".

Further Information

Information concerning Takeovers

The following information, valid December 31, 2018, is presented in accordance with Art. 9 p. 1 c) (ii) of the SE Regulation in conjunction with Sections 289a, 315a German Commercial Code (HGB). Details under Sections 289a, 315a HGB which do not apply at PUMA SE are not mentioned.

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

On the balance sheet date, subscribed capital totaled € 38,611,107.84 and was divided into 15,082,464 no-par-value shares with a proportional amount in the statutory capital of €2.56 per share. As of the balance sheet date, the Company held 130,994 treasury shares.

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

As of December 31, 2018, there was one shareholding in PUMA SE that exceeded 10% of the voting rights. It was held by the Pinault family via several companies controlled by them (ranked by size of stake held by the Pinault family: Financière Pinault S.C.A., Artémis S.A. and Kering S.A.). The shareholding of Kering S.A. in PUMA SE amounted to 15.7% of the share capital according to Kering's press release from May 16, 2018. The shareholding of Artémis S.A. and Kering S.A. amounts to 44.22% of the share capital according to their voting rights notification as of May 24, 2018.

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

Regarding the appointment and dismissal of the members of the Management Board, reference is made to the applicable statutory requirements of § 84 German Stock Corporation Act (AktG). Moreover, Section 7[1] of PUMA SE's Articles of Association stipulates that Management Board shall consist of two members in the minimum; the Supervisory Board determines the number of members in the Management Board. The Supervisory Board may appoint deputy members of the Management Board and appoint a member of the Management Board as chairperson of the Management Board. Members of the Management Board may be dismissed only for good cause, within the meaning of Section 84[3] of the German Stock Corporation Act (AktG) or if the employment agreement is terminated, in which case a resolution must be adopted by the Supervisory Board with a simple majority of the votes cast.

Amendments to the Articles of Association of the Company require a resolution by the Annual General Meeting. Resolutions of the Annual General Meeting require a majority according to Art. 59 SE Regulation and Sections 133[1], 179 [2] [1] German Stock Corporation Act (AktG) (i.e. a simple majority of votes and a majority of at least three quarters of the share capital represented at the time the resolution is adopted). The Company has not made use of Section 51 SEAG.

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

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

Authorized Capital

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

The shareholders shall generally be entitled to pre-emption rights. However, the Management Board shall be authorized with the approval of the Supervisory Board to partially or completely exclude pre-emption rights

- to avoid peak amounts;
- in case of capital increases against contributions in cash if the pro-rated amount of the share capital attributable to the new shares for which pre-emption rights have been excluded does not exceed 10% of the share capital and the issue price of the newly created shares is not significantly lower than the relevant exchange price for already listed shares of the same class, Section 186 (3) sentence 4 AktG. The 10% limit of the share capital shall apply at the time of the resolution on this authorization by the Annual General Meeting as well as at the time of exercise of the authorization. Shares of the Company (i) which are issued or sold during the term of the Authorized Capital 2017 excluding shareholders' pre-emption rights directly or respectively applying Section 186 (3) sentence 4 AktG or (ii) which are or can be issued to service option and convertible bonds applying Section 186 (3) sentence 4 AktG while excluding shareholders' pre-emption rights during the term of the Authorized Capital 2017, shall be counted towards said limit of 10%.;
- in case of capital increases against contributions in cash insofar as it is required to grant pre-emption rights regarding the Company's shares to holders of option or convertible bonds which have been or will be issued by the Company or its direct or indirect subsidiaries to such an extent to which they would be entitled after exercising option or conversion rights or fulfilling the conversion obligation as a shareholder;
- in case of capital increases against contributions in kind for carrying out mergers or for the (also indirect) acquisition of companies, participation in companies or parts of companies or other assets including intellectual property rights and receivables against the Company or any companies controlled by it in the sense of Section 17 AktG.

The total amount of shares issued or to be issued based upon this authorization while excluding shareholders' pre-emption rights may neither exceed 20% of the share capital at the time of the authorization becoming effective nor at the time of exercising the authorization; this limit must include all shares which have been disposed of or issued or are to be issued during the term of this authorization based on other authorizations while excluding pre-emption rights or which are to be issued because of an issue of option or convertible bonds during the term of this authorization while excluding pre-emption rights. The Management Board shall be entitled with the approval of the Supervisory Board to determine the remaining terms of the rights associated with the new shares as well as the conditions of the issuance of shares.

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

Conditional Capital

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

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

No use has been made of this authorization to date.

Authorization to purchase treasury shares

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

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

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

For more details, please refer to the relevant disclosures in the Notes to the Consolidated Financial Statements (chapter 18).

Compensation Report

Management Board (Managing Directors until July 9, 2018)

Compensation for the Management Board (Managing Directors of the monistic PUMA SE until July 9, 2018), which is set by the Supervisory Board (Administrative Board of the monistic PUMA SE until July 9, 2018), consists of non-performance-based and performance-based components. The non-performance-based components consist of a fixed salary and non-cash compensation, whereas the performance-based components consist of bonuses and components with a long-term incentive effect. Along with job assignments and performance of each individual Management Board member, the criteria for calculating the total remuneration are the economic situation, long-term strategic planning and related targets, the long-term durability of targeted results and the company's long-term prospects.

A fixed salary is paid out monthly as non-performance-based basic compensation. In addition, the Management Board members receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Management Board members in an equal manner and are included in the non-performance-based compensation. The fixed compensation for the three Management Board members amounted to €2.3 million in the financial year (previous year: €2.1 million). Non-cash compensation totaled €0.1 million (previous year: €0.1 million).

The bonus component of performance-related compensation is mainly based on the PUMA Group's operating result (EBIT) and free cash flow and is staggered according to the degree to which targets are met. In addition, qualitative individual goals are set. An upper limit is also agreed. In the financial year, variable bonuses came to €2.7 million (previous year: €3.9 million).

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

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

Management Board members have pension commitments as part of deferred compensation, which are paid from the aforementioned performance-based and/or non-performance-based remuneration for which the company has taken out reinsurance for pension commitments. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, PUMA allocated €0.5 million for Management Board members (previous year: €0.4 million). The present value of the pension benefits granted to active Management Board members in the amount of €10.1 million as of December 31, 2018 (previous year: €4.5 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

There were pension obligations to former members of the Management Board and their widows/widowers amounting to €3.2 million (previous year: €3.3 million) as well as contribution-based pension commitments in connection with deferred compensation of former members of the Management Board and Managing Directors amounting to €10.6 million (previous year: €10.3 million). Both items are accordingly recognized as liabilities under pension provisions, unless they are offset against asset values of an equal amount. Pension obligations to former members of the Management Board and their widows/widowers amounted to €0.2 million (previous year: €0.2 million).

Supervisory Board (Administrative Board until July 9, 2018)

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

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

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

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

Corporate Governance Report including the Statement on Corporate Governance in accordance with § 289f and § 315d HGB

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

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

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

Statement of Compliance pursuant to Section 161 AktG for 2018:

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

Exceptions to the Code's recommendations

- In derogation of No. 3.8 p. 3 of the Code, members of the Supervisory Board are provided with D&O insurance with no deductible. The Supervisory Board feels that it can dispense with a deductible for members of the Supervisory Board, because the D&O insurance is group insurance for people in Germany and abroad, and a deductible is fairly unusual abroad.
- According to No. 4.2.3 p. 2 s. 4 of the Code both positive and negative developments shall be taken into account when determining variable remuneration components. As regards negative developments this recommendation is deviated from, since the structure of the PUMA Monetary Unit Plan may not fully comply with the purpose of the recommendation, but it comes fairly close.
- In derogation of No. 4.2.3 p. 2 s. 6 of the Code the compensation of the members of the Management Board does not show the maximum amount limits in total or their variable compensation components. This is due to the fact that neither the existing PUMA Monetary Units Plans 2016/2017/2018 nor the PUMA Board Member Bonus Plan nor the discretionary extra bonus clause provide for a maximum amount.
- In derogation of No. 4.2.3 p. 2 s. 8 of the Code subsequent amendments to the performance targets or comparison parameters are not excluded. This provides the possibility to the Supervisory Board to react to extraordinary effects using its equitable discretion.
- According to No. 4.2.3 p. 3 of the Code the target level of pension benefits for every pension commitment shall be established by the Supervisory Board. Due to the defined contribution plans, PUMA does not comply with this recommendation.
- In derogation of No. 4.2.3 p. 5 of the Code no limits on severance payments for premature termination as a managing director due to a change of control have been agreed until June 5, 2018. As part of the change of the governance structure from a monistic SE to a dualistic SE and the conclusion of new service agreements with the members of the Management Board, a limit has been included into the agreements. Insofar the Code recommendation has been fully met since the conclusion of the agreements on June 6, 2018.
- In accordance with the authorization by the Annual General Meeting on April 12, 2018, pursuant to Section 286 p. 5 HGB, the Company shall not publish the amounts of compensation for individual members of the Management Board until the authorization expires (Nos. 4.2.4 and 4.2.5 of the Code). The members of the Management Board shall adhere to the authorization when they prepare the annual financial statements. Based on the authorization of the Annual General Meeting, and in derogation of No. 4.2.5 p. 3 of the Code the information stated in this Section regarding the compensation of the members of the Management Board is not included in the Compensation Report.
- In derogation of No. 5.4.6 p. 2 s. 2 of the Code, members of the Supervisory Board receive performance-based compensation that is not linked to the sustainable success of the Company. The compensation was authorized by the Annual General Meeting on April 12, 2018, it is stipulated in the Articles of Association and is deemed to be proper and correct by PUMA SE.

- In derogation of No. 5.4.6. p. 3 of the Code, the compensation of the Supervisory Board members is not shown individually. In the opinion of PUMA SE, this is not additional information relevant to the capital market as the respective remuneration regulations included in the Articles of Association are in the public domain.

Herzogenaurach, November 09, 2018

PUMA SE

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

Relevant disclosures of corporate governance practices that are applied beyond the regulatory requirements

CORPORATE SOCIAL RESPONSIBILITY

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

COMPLIANCE MANAGEMENT SYSTEM

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

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

With the help of various measures such as risk-based face-to-face trainings and e-learnings, the employees of the PUMA Group are familiarized with the relevant legal regulations and internal guidelines and trained. In the past financial year, training was provided in particular in the areas of anti-corruption and antitrust law. In 2018, all PUMA employees were instructed by the CEO of PUMA SE to complete an e-learning course on the Code of Ethics including modules on managing conflicts of interest, financial integrity and confidentiality. The clear tone from the top led to 99% of PUMA employees successfully completing the e-learning on the Code of Ethics.

The Management Board have overall responsibility for the proper functioning of the CMS. The Management Board is supported by a compliance organization consisting of a Chief Compliance Officer and compliance officers in the most important operational Group companies. The Audit Committee of the Supervisory Board of PUMA SE is regularly informed about the current status of the implementation of the compliance structures and serious compliance violations. The Chief Compliance Officer works closely with the Legal Department and Internal Audit. In addition, regular meetings of the PUMA SE Risk & Compliance Committee are held. Among other things, the committee analyses and evaluates compliance risks and defines and adopts appropriate measures (policies, training courses, etc.).

After the separation from Kering PUMA introduced a new whistleblower platform operated by an external provider that is available to PUMA employees throughout the Group and to whom unethical, illegal or criminal activities can be reported - if desired, anonymously as well. The introduction of the new platform was communicated throughout the Group by the CEO and the communication was accompanied by appropriate information material. In addition to the complaint system for PUMA employees, there is a worldwide hotline for external whistleblowers from the supply chain.

Description of the working practices of the Management Board and the Supervisory Board

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

MANAGEMENT BOARD

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

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

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

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

SUPERVISORY BOARD

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

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

ANNUAL GENERAL MEETING

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

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

The Supervisory Board meets at least every three months. Meetings must also be held if the best interests of the Company so require or if a member of the Supervisory Board requests that the meeting be convened. The Supervisory Board has established three committees to perform its duties and receives regular reports on their work. The principles of cooperation of the Supervisory Board of PUMA SE and the duties of the committees are set out in the Rules of Procedure for the Supervisory Board, which can be viewed at http://about.PUMA.com under "Corporate Governance".

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

The Audit Committee consists of three members. The Chairman of the Audit Committee must be an independent shareholder representative and must have expertise in the fields of accounting and auditing in accordance with Section 100(5) AktG. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, internal audits, compliance and the statutory audit of the financial statements, with particular regard to the required independence of the statutory auditors, issuing the audit mandate to the statutory auditors, defining the audit areas of focus, any additional services to be performed by the auditors and the fee agreement. The recommendation of the Supervisory Board on the selection of the statutory auditors must be based on a corresponding recommendation by the Audit Committee. Once the Annual General Meeting has appointed the statutory auditors, and the Supervisory Board has issued the audit assignment, the Audit Committee shall work with the statutory auditors to specify the scope of the audit and the audit areas of focus. The statutory auditors shall attend a meeting to review the annual financial statements and the consolidated financial statements and shall report on the key findings of their audit. They shall also inform the Committee about other services they have provided in addition to auditing services and shall confirm their independence. Each month, the Audit Committee shall receive financial data on the PUMA Group, which will allow the tracking of developments in net assets, financial position, results of operations and the order books on a continual basis. The Audit Committee shall also deal with issues relating to the balance sheet and income statement and shall discuss these with Management. 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.
- A sufficient number of members have strong international backgrounds.
- Including the employees' representative on the Supervisory Board, the Supervisory Board has an appropriate number of independent members.
- The Chairman of the Audit Committee has specialist knowledge and experience in the application of accounting principles and internal control procedures and is independent.
- The members have sufficient time to perform his/her mandate in the Supervisory Board.
- The Supervisory Board prevents potential significant and not only temporary conflicts of interest of its members by regularly monitoring and critically scrutinizing its members' other activities.
- According to Section 1(4) of the Rules of Procedure for the Supervisory Board, Supervisory Board members may, in principle, not be over 70 years of age and their maximum term of office may not exceed three terms.

b) Profile of skills and expertise

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

- Managing of large or mid-sized international companies
- Leadership experience in the sporting or luxury goods industry
- International corporate background
- Leadership experience with various distribution channels, including e-commerce
- Expertise in building strong international brands

- Marketing, sales and digital know how
- Financial expertise (accounting, treasury, risk management, corporate governance)
- Expertise in serving on the Administrative or Supervisory Boards of publicly listed companies
- Experience with mergers & acquisitions
- Understanding of the industrial constitution law and advocating the interests of the employees
- HR expertise
- IT expertise

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

c) Commitments to promote the participation of women in management positions in accordance with Art. 9(1)c(ii) of the SE Regulation (SE-VO) in connection with Section 76(4) and Section 111(5) AktG

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

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

Diversity Concept for the Management Board

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

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

- Gender

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

- Internationality

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

- Age

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

- Training and experience background

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

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

Directors’ Dealings

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

Risk and Opportunity Report

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

The members of the PUMA SE Management Board, who acted as managing directors through July 2018, have overall responsibility for the risk and opportunity management system. The "Risk Management Committee" (hereinafter "RMC") is a management-level committee responsible for the design and monitoring of the risk management system, thereby acting as the first point of contact for risk report preparation. The task of operationally coordinating and implementing the Group-wide risk management system has been transferred to Group Internal Audit & GRC (Governance, Risk Management & Internal Control). Opportunity management is not part of risk management. Individual interviews (risk interviews) are conducted with select executives at the management level below the Management Board (risk owners) throughout the company at regular intervals (currently twice a year). The objective of these interviews is to systematically identify, validate and categorize risks and record countermeasures. The Group Internal Audit & GRC department provides a uniform framework for the assessment of risks. The assessment considers probability of occurrence, the potential effect, and the control of the risk in question.
The risks identified and assessed during the risk interviews are presented to the RMC in an aggregated form (the risk heat map). The RMC consists of a fixed group of executives from various corporate divisions, including the Management Board. The position of RMC Chairman is always filled by a member of the Management Board. The results of the RMC meetings are reported to the Audit Committee (sub-committee of the Supervisory Board) by the Chair of the RMC and the Head of the Group Internal Audit & GRC department. An integrated GRC tool used to document the risk management processes is available to the Group Internal Audit & GRC department and to the risk owners.

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

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

Risk and Opportunity Categories

Macroeconomic Developments

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

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

Brand Image

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

PUMA manages brand image risks in particular through cooperation with brand ambassadors who embody the core of the brand and PUMA's brand values ("courageous", "confident", "determined" and "fun-loving"), and have a large potential for influencing PUMA's target group. PUMA has therefore strengthened its position as a sports brand through its partnerships with top athletes such as sprint legend Usain Bolt, star striker Antoine Griezmann and Formula One star Lewis Hamilton. In football, PUMA entered into long-term sponsorship agreements with leading clubs such as Borussia Mönchengladbach, Olympique Marseille and AC Milan in 2018. PUMA's return to basketball in 2018 is also in this context. PUMA reaches young trendsetters via brand ambassadors and collaborations from the cultural and fashion scene, such as Jay-Z, Cara Delevingne and Selena Gomez.

Counterfeit Products

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

Sourcing and the Supply Chain

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

Moreover, risks may result from an overdependence on individual manufacturers. The portfolio is regularly reviewed and adjusted to avoid creating a dependence on individual suppliers and sourcing markets. Generally, long-term master framework agreements are agreed upon to secure production capacities required in the future.

Furthermore, there is a risk that suppliers will violate core ILO (International Labour Organization) labor standards, not comply with environmental standards or use hazardous chemicals in production. This would violate PUMA requirements to suppliers and also result in negative reporting. Adherence to applicable standards is ensured through regular audits of supplier companies.

Climate change and increasing customer requirements with regard to sustainability are leading to a stronger ecological focus both in our own locations and along the production and supply chain. More efficient use of resources as well as minimization of CO_2 emissions and use of sustainable materials in production are expressions of PUMA’s sustainability strategy.

Product and Market Environment

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

Targeted investments in product design and product development are to ensure that the characteristic PUMA design of the entire product range is consistent with the overall brand strategy (“Forever Faster”), thereby creating a unique level of brand recognition. PUMA is focusing, for example, on the expansion and improvement of the product range for women as part of the “The future is female” initiative.

Retail and e-commerce

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

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

In order to avoid risks and take advantage of opportunities, PUMA performs in-depth location and profitability analyses before making investment decisions. As a result of the company’s reporting and controlling system, negative trends can be detected early on, and the countermeasures required to manage individual stores can be taken accordingly. In e-commerce, global activities are harmonized and investments in the IT platform are made to further optimize purchase transaction settlement and further improve the purchasing experience for consumers.

Reporting in the Media

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

Organizational Challenges and Project Risks

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

Personnel Department

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

PUMA's human resources strategy seeks to ensure the long-term sustainability of this successful philosophy. To achieve this goal, a control process is in place to detect and assess human-resource risks. Accordingly, special attention has been paid to managing talent, identifying key positions and high-potential individuals, and optimizing talent placement and succession planning. PUMA has instituted additional national and global regulations and guidelines to ensure compliance with legal provisions. PUMA will continue to make targeted investments in the human-resource needs of particular functions or regions in order to meet the future requirements of its corporate strategy.

Legal Risks

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

Compliance Risks

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

Currency Risks

As an international company, PUMA is subject to currency risks resulting from the disparity between the respective amounts of currency used on the purchasing and sales sides and from exchange-rate fluctuations.
PUMA's biggest sourcing market is Asia, where most payments are settled in US dollars (USD), while sales of the PUMA Group are mostly invoiced in other currencies. PUMA manages currency risk in accordance with internal guidelines. Currency forward contracts are used to hedge existing and future financial liabilities in foreign currencies.

To hedge signed or pending contracts against currency risk, PUMA only concludes currency forward contracts on customary market terms with reputable international financial institutions. As of the end of 2018, the net requirements for the 2019 planning period were adequately hedged against currency effects.

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

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

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

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

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

Counterparty Risks

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

Liquidity Risk

PUMA continually analyzes short-term funding requirements through rolling cash flow planning at the level of the individual companies in coordination with the central treasury department. In order to ensure solvency, financial flexibility and a strategic liquidity cushion at all times, a liquidity reserve is maintained in the form of cash and confirmed credit lines.

In 2018, the PUMA Group implemented an independent financing concept after the distribution of the majority shareholding of Kering S.A. A syndicated credit line of €350.0 million was taken out for this purpose. The syndicated credit line was not utilized as of December 31, 2018.

To finance medium and long-term funding requirements that cannot be covered directly from the cash flow from operating activities, promissory note loans were issued for the first time in July 2018 in four tranches, one tranche each with a variable and fixed coupon over 3 years (total €100.0 million) and one tranche each over 5 years (total €60.0 million).

Interest-Rate Risks

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

Summary

PUMA's risk management system allows the company to fulfill the legal requirements pertaining to corporate control and transparency. In 2018, there was no material change in the assessment of the risk situation. The Management assumes that, in an overall assessment of the company's risk situation, the risks are limited and manageable. Due to the extremely solid balance sheet structure, in particular the high equity ratio and the positive business outlook, the management does not see any substantial threat to the continued existence of the PUMA Group.

Main features of the internal control and risk management system as it relates to the Group's accounting process

PUMA SE's Management Board is responsible for the preparation and accuracy of the annual financial statements, the consolidated financial statements and the combined management report of PUMA SE. The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards that apply in the EU, the requirements of the German Commercial Code (HGB), the German Stock Corporation Act (AktG) and the German SE Implementation Act (SEAG). Certain disclosures and amounts are based on current estimates made by management and the Management Board.

The company's Management Board is responsible for maintaining and regularly monitoring a suitable internal control and risk management system covering the consolidated financial statements and the disclosures in the combined management report. This control and risk management system is designed to ensure the compliance and reliability of the internal and external accounting records, the presentation and accuracy of the consolidated financial statements, and the combined management report and the disclosures contained therein. It is based on a series of process-integrated monitoring steps and encompasses the measures necessary to accomplish these, internal instructions, organizational and authorization guidelines, the PUMA Code of Ethics, a clear separation of functions within the Group and the dual-control principle. The adequacy and operating effectiveness of these measures are regularly reviewed by the Group Internal Audit & GRC department.

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

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

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

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

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

Supplemental Report and Outlook

Supplemental Report

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

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

Outlook

Global Economy

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

Sporting goods industry

If there are no significant negative effects on the part of macroeconomic development, we continue to expect stable growth in the sporting goods industry in 2019. It can be assumed that the trend for sporting activities and a healthy lifestyle will continue and the demand for sporting goods will therefore also continue to rise.

Outlook 2019

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

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

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

Investments

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

Foundation for Long-Term Growth

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

Herzogenaurach, January 30, 2019

The Management Board

Gulden	**Lämmermann**	**Sørensen**

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

CONSOLIDATED FINANCIAL STATEMENTS

PUMA SE

for the Financial Year 2018

- International Financial Reporting Standards - IFRS

Consolidated Statement of Financial Position

	Notes	31.12.2018 € million	31.12.2017 € million
ASSETS			
Cash and cash equivalents	3	463.7	415.0
Inventories	4	915.1	778.5
Trade receivables	5	553.7	503.7
Income tax receivables	23	33.9	26.8
Other current financial assets	6	111.2	66.7
Other current assets	7	115.2	94.1
Current assets		**2,192.8**	**1,884.8**
Deferred income taxes	8	207.6	207.9
Property, plant and equipment	9	294.6	260.1
Intangible assets	10	437.5	412.9
Investments in associates	11	0.0	16.6
Other non-current financial assets	12	65.4	51.7
Other non-current assets	12	9.4	19.8
Non-current assets		**1,014.4**	**969.0**
Total assets		**3,207.2**	**2,853.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current financial liabilities	13	20.5	29.0
Trade payables	13	705.3	646.1
Income taxes	23	68.0	54.7
Other current provisions	16	39.6	86.2
Other current financial liabilities	13	57.2	94.9
Other current liabilities	13	304.6	145.5
Current liabilities		**1,195.2**	**1,056.5**
Deferred income tax liabilities	8	47.7	37.6
Pension provisions	15	28.9	29.7
Other non-current provisions	16	26.3	34.6
Liabilities from acquisitions	17	3.3	4.8
Other non-current financial liabilities	13	180.7	30.9
Other non-current liabilities	13	2.9	3.0
Non-current liabilities		**289.7**	**140.7**
Subscribed capital	18	38.6	38.6
Group reserves	18	146.8	50.7
Retained earnings	18	1,546.7	1,566.1
Treasury stock	18	-28.9	-30.0
Equity attributable to the shareholders of the parent		**1,703.3**	**1,625.5**
Non-controlling interests	18	18.9	31.2
Shareholders' equity		**1,722.2**	**1,656.7**
Total liabilities and shareholders' equity		**3,207.2**	**2,853.8**

Consolidated Income Statement

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

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

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

Consolidated Statement of Cashflows

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

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

Statement of Changes in Equity in € million	Subscribed capital	Reserves					Retained earnings	Treasury stock	Equity before non-controlling interests	Non-controlling interests	TOTAL equity
		Capital reserve	Revenue reserves	Difference from currency conversion	Cash flow hedges	At equity accounted investments					
Dec. 31, 2016	**38.6**	**193.7**	**55.6**	**-100.9**	**54.3**	**0.5**	**1,496.6**	**-31.4**	**1,706.9**	**15.3**	**1,722.2**
Net Earnings							**135.8**		**135.8**	32.2	168.0
Net income directly recognized in equity			4.8	-111.7	-99.1	-0.4			**-206.4**	-2.9	-209.3
Total comprehensive income			4.8	-111.7	-99.1	-0.4	**135.8**		**-70.6**	29.2	-41.4
Dividends paid to equity holders of the parent company / non-controlling interests							**-11.2**		**-11.2**	-13.4	-24.6
Transfers to revenue reserves			55.0				**-55.0**				
Repurchase of equity instruments		-1.8							**-1.8**		-1.8
Utilization/Issue of shares		0.8						1.4	**2.2**		2.2
Dec. 31, 2017	**38.6**	**192.6**	**115.3**	**-212.6**	**-44.8**	**0.2**	**1,566.1**	**-30.0**	**1,625.5**	**31.2**	**1,656.7**
Net Earnings							**187.4**		**187.4**	42.4	229.8
Net income directly recognized in equity			9.4	-13.0	78.8	-0.2			**75.0**	1.1	76.1
Total comprehensive income			9.4	-13.0	78.8	-0.2	**187.4**		**262.5**	43.4	305.9
Dividends paid to equity holders of the parent company / non-controlling interests							**-186.8**		**-186.8**	-55.7	-242.,5
Transfers to revenue reserves			20.0				**-20.0**				
Repurchase of equity instruments											
Utilization/Issue of shares		1.0						1.1	**2.2**		2.2
Dec. 31, 2018	**38.6**	**193.6**	**144.7**	**-225.6**	**34.1**	**0.0**	**1,546.7**	**-28.9**	**1,703.3**	**18.9**	**1,722.2**

Notes to the Consolidated Financial Statements

1. General

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

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

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

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

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

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

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

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

Adoption of IFRS 9 - Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

Adoption of IFRS 15 - Revenue from Contracts with Customers

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

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

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

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

The effect of the first-time adoption of IFRS 15 in the past financial year on individual relevant items of the financial statements is explained below.
The change in the balance-sheet presentation of refund liabilities led to a transfer on the liabilities side of €50.2 million from the Other Current Provisions to the Other Current Liabilities. Moreover, this led to a rise in inventories in the amount of €27.2 million with no effect on income; these now also include customers' product refund claims. On the liabilities side, this likewise led to an increase in the Other Current Liabilities. As a result, there was an increase of €27.2 million in total assets and liabilities with the first-time adoption as of January 1, 2018.
Another effect of the first-time adoption of IFRS 15 is related to the presentation of customer bonuses, which were previously recognized under Trade Liabilities and now are likewise assigned to the Other Current Liabilities as part of the refund liabilities. As a result, there was a transfer of €46.8 million with the first-time adoption as of January 1, 2018.

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

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

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

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

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

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

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

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

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

* Adjusted by EU endorsement, if applicable

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

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

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

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

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

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

2. Significant Consolidation, Accounting and Valuation Principles

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

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

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

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

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

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

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

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

Group of consolidated companies

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

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

As of	**31.12.2017**	**110**
Formation of companies		1
Disposal of companies		7
As of	**31.12.2018**	**104**

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

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

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

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

The Group companies are allocated to regions as follows:

No.	Companies/Legal Entities	Country	City	Shareholder	Share in Capital	
	- parent company -					
1.	PUMA SE	Germany	Herzogenaurach			
	EMEA					
2.	Austria PUMA Dassler Ges. m.b.H.	Austria	Salzburg	direct	100%	
3.	Dobotex Austria GmbH	Austria	Salzburg	indirect	100%	
4.	PUMA Czech Republic s.r.o.	Czech Republic	Prague	indirect	100%	
5.	PUMA Denmark A/S	Denmark	Skanderborg	indirect	100%	
6.	PUMA Estonia OÜ	Estonia	Tallinn	indirect	100%	
7.	PUMA Finland Oy	Finland	Espoo	indirect	100%	
8.	PUMA FRANCE SAS	France	Illkirch-Graffenstaden	indirect	100%	
9.	Dobotex France SAS	France	Paris	indirect	100%	
10.	PUMA International Trading GmbH	Germany	Herzogenaurach	direct	100%	
11.	PUMA Europe GmbH	Germany	Herzogenaurach	direct	100%	
12.	PUMA Sprint GmbH	Germany	Herzogenaurach	direct	100%	
13.	PUMA Mostro GmbH	Germany	Herzogenaurach	indirect	100%	
14.	Dobotex Deutschland GmbH	Germany	Düsseldorf	indirect	100%	
15.	PUMA United Kingdom Ltd.	Great Britain	London	indirect	100%	
16.	PUMA Premier Ltd.	Great Britain	London	indirect	100%	
17.	Dobotex UK Ltd.	Great Britain	Manchester	indirect	100%	
18.	Branded Sports Merchandising UK Ltd.	Great Britain	London	indirect	100%	
19.	Genesis Group International Ltd.	Great Britain	Manchester	direct	100%	1)
20.	Sport Equipment Hellas S. A. of Footwear, Apparel and Sportswear u.Li.	Greece	Athens	direct	100%	1)
21.	Sport Equipment TI Cyprus Ltd. u.Li.	Cyprus	Nicosia	direct	100%	1)
22.	PUMA Italia S.r.l.	Italy	Assago	indirect	100%	
23.	Dobotex Italia S.r.l.	Italy	Assago	indirect	100%	
24.	PUMA Sport Israel Ltd.	Israel	Hertzeliya	indirect	100%	
25.	PUMA Malta Ltd.	Malta	St.Julians	indirect	100%	
26.	PUMA Racing Ltd.	Malta	St.Julians	indirect	100%	
27.	PUMA Benelux B.V.	Netherlands	Leusden	direct	100%	
28.	PUMA Teamwear Benelux B.V.	Netherlands	Leusden	indirect	100%	
29.	PUMA International Sports Marketing B.V.	Netherlands	Leusden	direct	100%	
30.	Brand Plus Licensing B.V.	Netherlands	's-Hertogenbosch	direct	100%	
31.	Dobotex International B.V.	Netherlands	's-Hertogenbosch	indirect	100%	
32.	Branded Sports Merchandising B.V.	Netherlands	's-Hertogenbosch	indirect	100%	
33.	Dobotex B.V.	Netherlands	's-Hertogenbosch	indirect	100%	
34.	Dobo Logic B.V.	Netherlands	Tilburg	indirect	100%	
35.	Dobotex Licensing Holding B.V.	Netherlands	's-Hertogenbosch	indirect	100%	
36.	PUMA Norway AS	Norway	Oslo	indirect	100%	
37.	PUMA Polska Sp. z o.o.	Poland	Warsaw	indirect	100%	
38.	PUMA Sports Romania Srl	Romania	Bucharest	indirect	100%	
39.	PUMA-RUS o.o.o.	Russia	Moscow	indirect	100%	
40.	PUMA Slovakia s.r.o.	Slovakia	Bratislava	indirect	100%	
41.	PUMA Sports Distributors (Pty) Ltd.	South Africa	Cape Town	indirect	100%	
42.	PUMA Sports South Africa (Pty) Ltd.	South Africa	Cape Town	indirect	100%	
43.	PUMA Iberia S.L.U	Spain	Madrid	direct	100%	
44.	Dobotex Spain S.L.	Spain	Barcelona	indirect	100%	
45.	Nrotert AB	Sweden	Helsingborg	direct	100%	
46.	PUMA Nordic AB	Sweden	Helsingborg	indirect	100%	
47.	Nrotert Sweden AB	Sweden	Helsingborg	indirect	100%	
48.	Dobotex Nordic AB	Sweden	Helsingborg	indirect	100%	
49.	Mount PUMA AG (Schweiz)	Switzerland	Oensingen	direct	100%	
50.	PUMA Retail AG	Switzerland	Oensingen	indirect	100%	
51.	Dobotex Switzerland AG	Switzerland	Oensingen	indirect	100%	
52.	PUMA Spor Giyim Sanayi ve Ticaret A.S.	Turkey	Istanbul	indirect	100%	
53.	PUMA Ukraine TOV	Ukraine	Kiew	indirect	100%	
54.	PUMA Middle East FZ LLC	United Arab Emirates	Dubai	indirect	100%	
55.	PUMA UAE LLC	United Arab Emirates	Dubai	indirect	100%	1)
	Americas					
56.	Unisol S.A.	Argentina	Buenos Aires	indirect	100%	
57.	PUMA Sports Ltda.	Brazil	Sao Paulo	indirect	100%	
58.	PUMA Canada, Inc.	Canada	Toronto	indirect	100%	
59.	PUMA CHILE S.A.	Chile	Santiago	direct	100%	
60.	PUMA SERVICIOS SPA	Chile	Santiago	indirect	100%	
61.	PUMA México Sport, S.A. de C.V.	Mexico	Mexico City	direct	100%	
62.	Servicios Profesionales RDS, S.A. de C.V.	Mexico	Mexico City	indirect	100%	
63.	Importaciones RDS, S.A. de C.V.	Mexico	Mexico City	direct	100%	
64.	Dobotex de México, S.A. de C.V.	Mexico	Mexico City	indirect	100%	
65.	Importationes Brand Plus Licensing, S.A. de C.V.	Mexico	Mexico City	indirect	100%	
66.	Distribuidora Deportiva PUMA S.A.C.	Peru	Lima	indirect	100%	
67.	Distribuidora Deportiva PUMA Tacna S.A.C.	Peru	Tacna	indirect	100%	
68.	PUMA Retail Peru S.A.C.	Peru	Lima	indirect	100%	
69.	PUMA Sports LA S.A.	Uruguay	Montevideo	direct	100%	
70.	PUMA Suede Holding, Inc.	USA	Westford	indirect	100%	
71.	PUMA North America, Inc.	USA	Westford	indirect	100%	
72.	Cobra Golf Incorporated	USA	Carlsbad	indirect	100%	
73.	PUMA Accessories North America, LLC	USA	New York	indirect	85%	
74.	PUMA North America Accessories Canada, LLC	USA	New York	indirect	85%	
75.	Janed, LLC	USA	New York	indirect	51%	
76.	Janed Canada, LLC	USA	New York	indirect	51%	
77.	PUMA Kids Apparel North America, LLC	USA	New York	indirect	51%	
78.	PUMA Kids Apparel Canada, LLC	USA	New York	indirect	51%	

	Asia/Pacific				
79.	PUMA Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
80.	White Diamond Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
81.	White Diamond Properties Pty. Ltd.	Australia	Melbourne	indirect	100%
82.	PUMA China Ltd.	China	Shanghai	indirect	100%
83.	Dobotex China Ltd.	China	Shanghai	indirect	100%
84.	Guangzhou World Cat Information Consulting Services Company Ltd.	China	Guangzhou	indirect	100%
85.	World Cat Ltd.	Hongkong		direct	100%
86.	Development Services Ltd.	Hongkong		direct	100%
87.	PUMA International Trading Services Ltd.	Hongkong		indirect	100%
88.	PUMA Asia Pacific Ltd.	Hongkong		direct	100%
89.	PUMA Hong Kong Ltd.	Hongkong		indirect	100%
90.	Dobotex Ltd.	Hongkong		indirect	100%
91.	PUMA Sports India Private Ltd.	India	Bangalore	indirect	100%
92.	PUMA India Corporate Services Private Ltd.	India	Bangalore	indirect	100%
93.	World Cat Sourcing India Private Ltd.	India	Bangalore	indirect	100%
94.	PT PUMA Cat Indonesia Ltd.	Indonesia	Jakarta	indirect	100%
95.	PUMA JAPAN K.K.	Japan	Tokyo	indirect	100%
96.	PUMA Korea Ltd.	Korea	Seoul	direct	100%
97.	Dobotex Korea Ltd.	Korea	Seoul	indirect	100%
98.	PUMA Sports Goods Sdn. Bhd.	Malaysia	Kuala Lumpur	indirect	100%
99.	PUMA New Zealand Ltd.	New Zealand	Auckland	indirect	100%
100.	PUMANILA IT Services Inc.	Philippines	Manila	indirect	100%
101.	PUMA Sports SEA Trading Pte. Ltd.	Singapore		indirect	100%
102.	PUMA SEA Holding Pte. Ltd.	Singapore		indirect	100%
103.	PUMA Taiwan Sports Ltd.	Taiwan	Taipei	indirect	100%
104.	World Cat Vietnam Sourcing & Development Services Co. Ltd.	Vietnam	Ho Chi Minh City	indirect	100%

1) Subsidiaries which are assigned to be economically 100% PUMA Group

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

Currency Conversion

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

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

The significant conversion rates per Euro are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

For determining the value adjustments to trade receivables, PUMA uniformly applies the simplified method in order to determine the lifetime expected credit losses in accordance with the specifications of IFRS 9 "Financial Instruments". Therefore, trade receivables are classified by geographic region into suitable groups with shared credit risk characteristics. The expected credit losses are calculated using a matrix that presents the age structure of the receivable claims and depicts a likelihood of loss for the individual maturity bands of the claims on the basis of historic credit loss events and future-based factors. The percentage rates for the loss likelihoods are checked regularly to ensure they are up to date. If objective indications of a credit impairment are found regarding the trade receivables of a certain customer, a detailed analysis of the specific credit risk of this customer is conducted and an individual value adjustment is recognized for the trade receivables with respect to this customer. If a credit insurance is in place, it is taken into account in the amount of the value adjustment.

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

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

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

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

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

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

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

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

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

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

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

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

Other Intangible Assets

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

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

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

Impairment of Assets

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

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

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

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

Holdings in associated companies

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

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

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

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

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

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

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

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

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

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

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

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

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

Management Incentive Programs
PUMA uses cash-settled share-based payments and key performance indicator-based long-term incentive programs.

For share-based remunerations with cash compensation, a liability is recorded for the services received, and measured with its fair value upon recognition. Until the debt is cleared, its fair value is recalculated on every balance sheet date and on the settlement date and all changes to the fair value are recognized in the income statement.

During the three-year term of the respective programs, the medium-term targets of the PUMA Group with regard to EBIT, cash flow and gross profit margin are determined for key figure-based compensation procedures and recognized in the income statement with their respective degree of target achievement.

Recognition of Sales Revenues
The Group recognizes sales revenues from the sale of sporting goods. The sales revenues are measured at fair value of the consideration to which the Group expects to be entitled from the contract with the customer, taking into account returns, discounts and rebates. Amounts collected on behalf of third parties are not included in the sales revenues. The Group records sales revenues at the time when PUMA fulfills its performance obligation to the customer and has transferred the promised product to the customer.

The Group sells footwear, apparel and accessories both to wholesalers and directly to customers through its own retail stores. Meanwhile, the sales-related warranty services cannot be purchased separately and do not lead to services that go beyond the assurance of the specifications at the time of the transfer of risk. Accordingly, the Group records warranties in the balance sheet in conformity with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

In the case of sales of products to wholesalers, the revenue is recorded at the date on which the right of disposal for the products is transferred to the customer, in other words, when the products have been shipped to the specific location of the wholesaler (delivery). After delivery, the wholesaler bears the inventory risk and has full right of disposal over the manner and means of distribution and the selling price of the products. In the case of sales to end customers in the Group's own retail stores, the sales revenues are recorded at the date when the right of disposal of the products is transferred to the end customer, in other words, the date on which the end customer buys the products in the retail shop. The payment of the purchase price is due immediately with the purchase of the products by the customer.

Under certain conditions and according to the contractual stipulations, the customer has the ability to exchange products or return them for a credit. The amount of the expected returns is estimated on the basis of experience and is deducted from sales revenues by a provision for returns. The asset value of the right arising from the product return claim is recorded under Inventories, and leads to a corresponding reduction of Cost of Sales.

Royalty and Commission Income
The Group records Royalty and Commission Income from the licensing of trademark rights to third parties. Income from royalties is recognized in the income statement in accordance with the statements to be submitted by the license holders. In certain cases, values must be estimated in order to permit accounting on an accrual basis. Commission income is invoiced if the underlying purchase transaction is classified as realized.

Advertising and Promotional Expenses
Advertising expenses are recognized in the income statement as of the date of their accrual. As a general rule, promotional expenses stretching over several years are recognized as an expense over the contractual term on an accrual basis. Any expenditure surplus resulting from this allocation of expenses after the balance sheet date are recognized in the form of an impairment of assets or a provision for anticipated losses in the financial statements.

Product Development
PUMA continuously develops new products in order to meet market requirements and market changes. Research costs are expensed in full at the time they are incurred. Development costs are also recognized as an expense when they do not meet the recognition criteria of IAS 38 "Intangible Assets".

Financial Result
The financial result includes the results from associated companies as well as interest income from financial investments and interest expenses from loans and in connection with financial instruments. Financial results also include interest expenses from discounted non-current liabilities and from pension provisions that are associated with acquisitions of business enterprises or arise from the valuation of pension commitments.

Exchange rate effects that can be directly allocated to an underlying transaction are shown in the respective income statement item.

Income Taxes
Current income taxes are determined in accordance with the tax regulations of the respective countries in which the Company conducts its operations.

Deferred taxes
Deferred taxes resulting from temporary valuation differences between the IFRS and tax balance sheets of individual Group companies and from consolidation procedures are charged to each taxable entity and shown either as deferred tax assets or deferred tax liabilities. Deferred tax assets may also include claims for tax reductions that result from the expected utilization of existing losses carried forward to subsequent years and which is sufficiently certain to materialize. Deferred tax assets or liabilities may also result from accounting treatments that do not affect the income statement. Deferred taxes are calculated on the basis of the tax rates that apply to the reversal in the individual countries and that are in force or adopted as of the balance sheet date.

Deferred tax assets are shown only to the extent that the respective tax advantage is likely to materialize. Value adjustments are recognized on the basis of the past earnings situation and the business expectations for the foreseeable future, if this criterion is not fulfilled.

Assumptions and Estimates
The preparation of the consolidated financial statements requires some assumptions and estimates that have an impact on the amount and disclosure of the recognized assets and liabilities, income and expenses, as well as contingent liabilities. The assumptions and estimates are based on premises, which in turn are based on currently available information. In individual cases, the actual values may deviate from the assumptions and estimates made. Consequently, future periods involve a risk of adjustment to the carrying amount of the assets and liabilities concerned. If the actual development differs from the expectation, the premises and, if necessary, the carrying amounts of the relevant assets and debts are adjusted with an effect on profit or loss.

All assumptions and estimates are continuously reassessed. They are based on historical experiences and other factors, including expectations regarding future global and industry-related trends that appear reasonable under the current circumstances. Assumptions and estimates are made in particular with regard to evaluating the control of companies with non-controlling shares and in the measurement of goodwill and brands, pension obligations, derivative financial instruments and taxes. The most significant forward-looking assumptions and sources of estimation and uncertainty as of the reporting date concerning the above-mentioned items are discussed below.

Evaluation of control of companies with non-controlling interests
The Group holds 51% of the capital of Janed LLC, Janed Canada LLC, PUMA Kids Apparel North America LLC and PUMA Kids Apparel Canada LLC and 85% of the capital of PUMA Accessories North America LLC and PUMA North America Accessories Canada LLC. With regards to these companies, the profit participation deviates from the existing capital shares in favour of the identical non-controlling shareholder. PUMA, on the other hand, receives increased license fees.
The contractual agreements of these companies stipulate that PUMA has the majority of the voting rights in the general meeting and thus has the power over these companies. PUMA is exposed to fluctuating returns from sales-related license fees and controls the relevant activities of the companies. Accordingly, the companies are included in the consolidated financial statements as subsidiaries by way of full consolidation, with non-controlling interests reported.

Goodwill and Brands
A review of the impairment of goodwill is based on the calculation of the value in use. In order to calculate the value in use, the Group must estimate the future cash flows from those cash-generating units to which the goodwill is allocated. To this end, the data used were from the three-year plan, which is based on forecasts of the overall economic development and the resulting industry-specific consumer behavior. Another key assumption concerns the determination of an appropriate interest rate for discounting the cash flow to present value (discounted cash flow method). Trademarks are valued using the relief-from-royalty method taking into account an unchanged royalty rate of 8%. See chapter 10 for further information, in particular regarding the assumptions used for the calculation.

Pension Obligations
Pension obligations are determined using an actuarial calculation. This calculation is contingent on a large number of factors that are based on assumptions and estimates regarding the discount rate, the expected return on plan assets, future wage and salary increases, mortality and future pension increases. Due to the long-term nature of the commitments made, the assumptions are subject to significant uncertainties. Any change in these assumptions has an impact on the carrying amount of the pension obligations. At the end of each year, the Group determines the discount rate applied to determine the present value of future payments. This discount rate is based on the interest rates of corporate bonds with the highest credit rating that are denominated in the currency in which the benefits are paid and the maturity of which corresponds to that of the pension obligations. See chapter 15 for further information, in particular regarding the parameters used for the calculation.

Taxes
Tax items are determined taking into account the various prevailing local tax laws and the relevant administrative opinions and, due to their complexity, may be subject to different interpretations by persons subject to tax on the one hand and the tax authorities on the other hand. Differing interpretations of tax laws may result in subsequent tax payments for past years; depending on the management’s assessment, these differing opinions may be taken into account.

The recognition of deferred taxes, in particular with respect to tax losses carried forward, requires that estimates and assumptions be made concerning future tax planning strategies as well as the expected timing and amount of future taxable income. The taxable income from the relevant corporate planning is derived for this judgment. This takes into account the past financial position and the business development expected in the future. Deferred tax assets on losses carried forward are recorded in the event of companies incurring a loss only if it is highly probable that future positive income will be achieved that can be offset against these tax losses carried forward. Please see chapter 8 for further information and detailed assumptions.

Derivative Financial Instruments
The assumptions used for estimating derivative financial instruments are based on the prevailing market conditions as of the balance sheet date and thus reflect the fair value. See chapter 25 for further information.

3. Cash and Cash Equivalents

As of December 31, 2018, the Group has €463.7 million (previous year: €415.0 million) in cash and cash equivalents. The average effective interest rate of financial investments was 0.8% (previous year: 0.5%). There are no restrictions on disposition.

4. Inventories

Inventories are allocated to the following main groups:

	2018 € million	2017 € million
Raw materials, consumables and supplies	18.0	12.2
Finished goods and merchandise/inventory		
Footwear	313.2	296.6
Apparel	213.6	191.4
Accessories/Others	109.0	100.2
Goods in transit	228.0	178.0
Right to return goods*	33.5	-
Total	**915.1**	**778.5**

*New line item (see chapter 1 Adoption of IFRS 15)

The table shows the carrying amounts of the inventories net of value adjustments. Of the value adjustments of €64.4 million (previous year: €51.5 million), approx. 68.1% (previous year approx. 69.6%) were recognized as expense under costs of sales in the 2018 financial year.

The amount of inventories recorded as an expense during the period is substantially equivalent to the cost of sales shown in the consolidated income statement.

The right to return goods represents the merchandise value of the products when the customer's right to return is exercised.

5. Trade Receivables

This item consists of:

	2018 € million	2017 € million
Trade receivables, gross	591.3	541.5
Less value adjustments	-37.7	-37.8
Trade receivables, net	**553.7**	**503.7**

The value adjustments to Trade Receivables relate to receivables in connection with sales revenues from contracts with customers and developed as follows:

	2018 € million	2017 € million
Status of value adjustments as of January 1	**37.8**	**39.0**
Change in Scope	0.0	0.0
Exchange rate differences	-0.2	-1.7
Additions	9.9	9.7
Utilization	-8.0	-7.1
Releases	-1.7	-2.1
Status of value adjustments as of December 31	**37.7**	**37.8**

The age structure of the trade receivables is as follows:

€ million						
2018	**Total**	**Not due**	**0 – 30 days**	**31 – 90 days**	**91 – 180 days**	**Over 180 days**
Gross carrying amount – Trade receivables	591.3	478.9	53.8	22.2	8.1	28.3
Value adjustment	37.7	5.7	0.7	3.6	3.3	24.5
Net carrying amount – Trade receivables	553.7	473.3	53.0	18.6	4.9	3.8
Expected loss rate		1.2%	1.4%	16.1%	40.1%	86.4%

€ million						
2017	**Total**	**Not due**	**0 – 30 days**	**31 – 90 days**	**91 – 180 days**	**Over 180 days**
Gross carrying amount – Trade receivables	541.5	426.0	51.1	23.0	8.0	33.4
Value adjustment	37.8	1.7	0.6	2.0	3.5	29.9
Net carrying amount – Trade receivables	503.7	424.3	50.5	21.0	4.5	3.5
Expected loss rate		0.4%	1.2%	8.9%	44.3%	89.5%

With respect to the net carrying amount of trade receivables, PUMA assumes that the debtors will satisfy their payment obligations.

6. Other Current Financial Assets

This item consists of:

	2018 € million	2017 € million
Fair value of derivative financial instruments	72.6	23.5
Other financial assets	38.6	43.2
Total	**111.2**	**66.7**

The amount shown is due within one year. The fair value corresponds to the carrying amount.

The increase of derivative financial instruments is mainly due to a higher US-Dollar exchange rate.

7. Other Current Assets

This item consists of:

	2018 € million	2017 € million
Prepaid expense relating to the subsequent period	49.7	42.8
Other receivables	65.5	51.3
Total	**115.2**	**94.1**

The amount shown is due within one year. The fair value corresponds to the carrying amount.

Other receivables mainly include VAT receivables amounting to €41.9 million (previous year: €35.9 million).

8. Deferred taxes

Deferred taxes relate to the items shown below:

	2018 € million	2017 € million
Tax loss carryforwards	76.2	92.2
Non-current Assets	41.6	29.0
Current Assets	46.8	43.5
Provisions and other liabilities	63.5	60.2
Deferred tax assets (before netting)	**228.0**	**224.8**
Non-current Assets	53.5	42.1
Current Assets	8.6	5.6
Provisions and other liabilities	6.1	6.8
Deferred tax liabilities (before netting)	**68.2**	**54.5**
Deferred tax assets, net	**159.9**	**170.4**

Of the deferred tax assets, €105.5 million (previous year: €97.9 million) are current, and of the deferred tax liabilities €11.8 million (previous year: €10.7 million) are current.

As of December 31, 2018, tax losses carried forward amounted to a total of €541.1 million (previous year: €542.9 million). This results in a deferred tax asset of €147.6 million (previous year: €148.2 million). Deferred tax assets were recognized for these items in the amount at which the associated tax advantages are likely to be realized in the form of future profits for income tax purposes. Accordingly, deferred tax assets for tax loss carryforwards in the amount of €71.4 million (previous year: €56.0 million) were not recognized; of these, €71.1 million (previous year: €54.4 million) cannot expire, but €13.3 million (previous year: €13.4 million) will never be usable due to the absence of future expectations. The remaining unrecognized deferred tax assets of €0.3 million (previous year: €1.6 million) will expire within the next seven years.

In addition, no deferred taxes were recognized for deductible temporary differences amounting to €4.8 million (previous year: €13.9 million).

Deferred tax liabilities for withholding taxes from possible dividends on retained earnings of subsidiaries that serve to cover the financing needs of the respective company were not accumulated, since it is most likely that such temporary differences will not be cleared in the near future.

Deferred tax assets and liabilities are netted if they relate to a taxable entity and can in fact be netted. Accordingly, they are shown in the balance sheet as follows:

	2018 € million	2017 € million
Deferred tax assets	207.6	207.9
Deferred tax liabilities	47.7	37.6
Deferred tax assets, net	**159.9**	**170.4**

The changes in deferred tax assets were as follows:

	2018 € million	2017 € million
Deferred tax assets, previous year	207.9	229.5
Recognition in the income statement	11.0	-11.5
Adjustment against Other Comprehensive Income	-11.4	-10.0
Deferred tax assets	**207.6**	**207.9**

The changes in deferred tax liabilities were as follows:

	2018 € million	2017 € million
Deferred tax liabilities, previous year	37.6	63.1
Recognition in the income statement	8.1	-19.0
Adjustment against Other Comprehensive Income	2.1	-6.5
Deferred tax liabilities	**47.7**	**37.6**

9. Property, Plant and Equipment

Property, plant and equipment at their carrying amounts consist of:

	2018 € million	2017 € million
Land and buildings, including buildings on third-party land	121.4	89.7
Technical equipment and machines	20.8	10.1
Other equipment, factory and office equipment	137.3	122.0
Payments on account and assets under construction	15.2	38.3
Total	**294.6**	**260.1**

The carrying amount of property, plant and equipment is derived from the acquisition costs. Accumulated depreciation of property, plant and equipment amounted to €325.4 million (previous year: €289.5 million).

The item Other equipment, factory and office equipment includes leased objects (finance leasing) in the amount of €0.2 million (previous year: €0.2 million), and under the item Technical equipment and machines, €8.3 million (previous year: €0.4 million) relates to finance leasing.

The changes in property, plant and equipment in the 2018 financial year are shown in "Changes in Fixed Assets" in Appendix 1 to the notes of the consolidated financial statements. Impairment expenses that exceed current depreciation during the reporting year are included in the amount of €0.6 million (previous year: €0.0 million).

10. Intangible Assets

Intangible assets mainly include goodwill, intangible assets with indefinite useful lives, assets associated with the Company's own retail activities, and software licenses.

Goodwill and intangible assets with indefinite useful lives are not amortized according to schedule. Impairment tests with regard to goodwill were performed in the past financial year using the discounted cash flow method. These were based on data from the respective three-year plan. The recoverable amount was determined on the basis of the value in use. This did not result in an impairment loss.

In connection with the Golf business unit (CPG – Cobra PUMA Golf), the Cobra brand exists as an intangible asset with an indefinite useful life of €124.2 million (previous year: €118.6 million). The carrying amount of the Cobra brand is significant in comparison to the overall carrying amount of the intangible assets with an indefinite useful life. The latter was assigned to the North America business segment, where the headquarters of Cobra PUMA Golf is located. The recoverable amount of the Cobra brand (level 3) was determined using the relief from royalty method. A discount rate of 6.1% p.a. (previous year: 7.3% p.a.), a royalty rate of 8% (previous year: 8%) and a 2% growth rate (previous year: 3%) were applied.
If indications of a value impairment of a self-used trademark should arise, the trademark is not only valued individually using the relief-from-royalty method, but the recoverable amount of the cash-generating units to which the trademark is to be attributed is determined. There were no indications of this in 2018.

In the financial year, development costs in connection with Cobra brand golf clubs amounting to €1.7 million (previous year: €1.8 million) were capitalized. Development costs are allocated to the item Other Intangible Assets in "Changes in Fixed Assets". Current amortization of development costs amounted to €1.1 million in the financial year (previous year: €0.6 million).

The changes in intangible assets in the financial year are shown in "Changes in Fixed Assets" of Appendix 1 to the notes of the consolidated financial statements. Other intangible assets include advance payments in the amount of €21.3 million (previous year: €8.7 million).

The current amortization of intangible assets in the amount of €17.2 million (previous year: €14.3 million) is included in the Other operating expenses. Of this, €3.5 million pertains to sales and distribution expenses (previous year: €2.1 million), €1.2 million to expenses for product management/merchandising (previous year: €0.1 million), €0.0 million to development expenses (previous year: €0.6 million) and €12.5 million to administrative and general expenses (previous year: €11.5 million). As in the previous year, there were no impairment expenses that exceed current depreciation.

Goodwill is allocated to the Group's identifiable cash-generating units (CGUs) according to the country where the activity is carried out. Summarized by regions, goodwill is allocated as follows:

	2018 € million	2017 € million
PUMA UK	1.6	1.6
Genesis	6.8	6.9
Subtotal Europe	8.4	8.5
PUMA South Africa	2.2	2.4
Subtotal EEMEA	2.2	2.4
PUMA Canada	9.1	9.5
Janed	1.9	1.8
Subtotal North America	11.1	11.3
PUMA Argentina	15.2	14.6
PUMA Chile	0.5	0.5
PUMA Mexico	10.1	9.6
Subtotal Latin America	25.9	24.7
PUMA China	2.5	2.5
PUMA Taiwan	12.8	12.6
Subtotal Greater China	15.3	15.1
PUMA Japan	43.5	40.6
Subtotal Asia/Pacific (without Greater China)	43.5	40.6
Dobotex	139.4	139.4
Total	**245.7**	**241.9**

Assumptions used in conducting the impairment test in 2018:

	Tax rate (range)	WACC before tax (range)	WACC after tax (range)
Europe	17.0%-19.0%	7.6%-7.9%	6.7%
EEMEA*	28.0%	15.3%	11.4%
North America*	26.4%	8.2%	6.5%
Latin America	27.0%-30.0%	10.3%-39.5%	8.0%-52.6%
Greater China	17.0%-25.0%	7.0%-9.0%	6.1%-7.2%
Asia/Pacific (without Greater China)*	30.0%	8.3%	6.1%
Dobotex*	25.0%	7.8%	6.3%

* The information for EEMEA, North America, Asia/Pacific (without Greater China) and Dobotex relates in each case to only one cash-generating unit (CGU)

The tax rates used for the impairment test correspond to the actual tax rates in the respective countries. The cost of capital (WACC) was derived from observable market data.

In addition, a growth rate of 2% (previous year: 3%) is generally assumed. A growth rate of less than 2% (previous year: less than 3%) was only used in justified exceptional cases. The reduction of the growth rate in the perpetual annuity reflects a lower long-term inflation expectation.

The cash-generating unit 'Dobotex' includes goodwill of €139.4 million (previous year: €139.4 million), which is significant in comparison to the overall carrying amount of the goodwill. The recoverable amount was determined by a value-in-use calculation with a discount rate of 7.8% p.a. (previous year: 7.6% p.a.) and a growth rate of 2% (previous year: 2%).

Sensitivity analyses with regard to the impairment tests carried out at the balance sheet date show that neither an increase in discount rates of one percentage point each nor a reduction in growth rates of one percentage point each results in any indication of impairment. The sensitivity analysis with a one percentage point increase in the discount rate and the sensitivity analysis with a one percentage point reduction of the growth rate likewise do not show any indication of impairment.

The following table contains the assumptions for the performance of the impairment test in the previous year:

	Tax rate (range)	WACC before tax (range)	WACC after tax (range)
Europe	17.0%-19.3%	8.7%-8.8%	7.6%
EEMEA*	28.0%	17.4%	13.3%
North America*	26.4%	8.6%	7.0%
Latin America	25.5%-35.0%	11.0%-26.4%	8.9%-22.7%
Greater China	17.0%-25.0%	9.0%-10.7%	7.9%-8.7%
Asia/Pacific (without Greater China)*	30.0%	10.3%	7.6%
Dobotex*	25.0%	9.6%	7.6%

* The information for EEMEA, North America, Asia/Pacific (without Greater China) and Dobotex relates in each case to only one cash-generating unit (CGU)

A growth rate of 3% was generally assumed, and a growth rate of under 3% has only been used in exceptional cases where this is justified.

11. Holdings in associated companies

Due to the loss of significant influence in Wilderness Holdings Ltd. in May 2018, the valuation of the investment using the equity method was discontinued. The investment was then sold in July 2018. The income/expenses in connection with the end of at-equity valuation and the sale are recognized under Other operating income and expenses.

The following overview shows the aggregated benchmark data of the associated companies recognized at equity. The values represent the values based on the entire company and do not relate to the shares attributable to the PUMA Group. Due to the end of the equity method, data are no longer presented for 2018.

	2018 € million	2017 € million
Income relating to continuing operations	n/a	8.3
Other result	n/a	-0.1
Comprehensive income	n/a	8.2

Dividends received amount to €0.6 million (previous year: €0.8 million).

The balance sheet date of Wilderness Holdings Ltd. is February 28, 2018.

12. Other Non-current Assets

Other non-current financial and non-financial assets consist of:

	2018 € million	2017 € million
Non-current investments	36.6	28.0
Fair value of derivative financial instruments	3.1	1.6
Other financial assets	25.6	22.1
Total of other non-current financial assets	**65.4**	**51.7**
Other non-current non-financial assets	9.4	19.8
Other non-current assets, total	**74.7**	**71.5**

The non-current investments relate to the 5.0% shareholding in Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien (BVB) with registered office in Dortmund, Germany.

The other financial assets mainly include rental deposits of €22.5 million (previous year: €19.2 million). The other non-current non-financial assets mainly include deferrals in connection with promotional and advertising agreements.

In the 2018 financial year, there were no indicators of impairment of other non-current assets.

13. Liabilities

The residual terms of liabilities are as follows:

	2018				2017			
		Residual term of				Residual term of		
	Total	up to 1 year	1 to 5 years	over 5 years	**Total**	up to 1 year	1 to 5 years	over 5 years
	€ million	€ million	€ million	€ million	**€ million**	€ million	€ million	€ million
Financial liabilities	**190.9**	20.5	170.4		**56.8**	29.0	27.9	
Trade payables	**705.3**	705.3			**646.1**	646.1		
Liabilities from acquisitions	**3.3**		3.3		**4.8**		4.8	
Other liabilities								
Liabilities from other taxes	**41.8**	41.8			**35.6**	35.6		
Liabilities relating to social security	**6.5**	6.5			**7.1**	7.1		
Payables to employees	**94.9**	94.9			**96.1**	96.1		
Refund liabilities *	**154.9**	154.9						
Liabilities from market valuation of forward exchange transactions	**22.8**	20.7	2.1		**75.2**	72.3	2.9	
Liabilities from finance leases	**8.3**	0.8	7.5		**0.4**	0.3	0.1	
Other liabilities	**45.5**	42.2	2.2	1.4	**32.0**	29.0	1.9	1.2
Total	**1,274.2**	1,087.6	185.5	1.4	**954.3**	915.5	37.6	1.2

*New line item (see chapter 1 Adoption of IFRS 15)

PUMA has confirmed credit facilities amounting to a total of €691.9 million (previous year: €497.1 million). Under financial liabilities, €1.5 million (previous year: €0.0 million) was utilized from credit lines granted only until further notice. Unutilized credit lines totaled €501.0 million as of December 31, 2018, compared to €440.2 million the previous year.

The effective interest rate of the financial liabilities ranged between 0.1% and 8.4% (previous year: 1.0% to 14.7%).

The liabilities from refund obligations result from contracts with customers and include obligations from customer return rights as well as obligations connected with customer bonuses.

The table below shows the cash flows of the original financial liabilities and of the derivative financial instruments with a positive and negative fair value:

Cash flows from non-derivative and derivative financial liabilities	Carrying amount 2018 € million	Cashflow Interest € million	2019 Repayment € million	Cashflow Interest € million	2020 Repayment € million	Cashflow Interest € million	2021 et seq. Repayment € million
Non-derivative financial liabilities							
Financial liabilities	190.9	0.8	20.5	0.7	7.1	1.4	163.3
Trade payables	705.3		705.3				
Liabilities from finance leases	8.3		0.8		0.8		6.6
Liabilities from acquisitions	3.3				3.3		
Other liabilities	36.4		36.4				0.0
Derivative financial liabilities and assets							
Cash-Inflow from forward exchange transactions			2,461.2		366.5		
Cash-Outlow from forward exchange transactions			2,402.0		363.0		

The current financial liabilities can be repaid at any time.

The following values were determined in the previous year:

Cash flows from non-derivative and derivative financial liabilities	Carrying amount 2017 € million	Cashflow Interest € million	2018 Repayment € million	Cashflow Interest € million	2019 Repayment € million	Cashflow Interest € million	2020 et seq. Repayment € million
Non-derivative financial liabilities							
Financial liabilities	56.8	1.3	29.0	0.3	10.1	0.1	17.7
Trade payables	646.1		646.1				
Liabilities from finance leases	0.4		0.3		0.1		0.1
Liabilities from acquisitions	4.8						4.8
Other liabilities	22.4		22.3		0.0		
Derivative financial liabilities and assets							
Cash-Inflow from forward exchange transactions			2,152.9		383.0		
Cash-Outlow from forward exchange transactions			2,197.0		380.6		

14. Additional Disclosures on Financial Instruments

	Measurement categories under IFRS 9	Carrying amount 2018 € million	Fair value 2018 € million	Carrying amount 2017 € million	Fair value 2017 € million
Assets					
Cash and cash equivalents	[1]AC	463.7	463.7	415.0	415.0
Trade receivables	AC	553.7	553.7	503.7	503.7
Other current financial assets	AC	38.6	38.6	43.2	43.2
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	75.7	75.7	25.0	25.0
Derivatives without hedging relationship (fair value)	[2]FVPL	0.0	0.0	0.1	0.1
Other non-current financial assets	AC	25.6	25.6	22.1	22.1
Non-current investments	[3] FVOCI	36.6	36.6	28.0	28.0
Liabilities					
Financial liabilities (current and non-current)	[2] AC	190.9	190.9	56.8	56.8
Trade payables	AC	705.3	705.3	646.1	646.1
Liabilities from acquisitions	AC	3.3	3.3	4.8	4.8
Liabilities from finance leases	n.a.	8.3	8.3	0.4	0.4
Other financial liabilities	AC	36.4	36.4	22.4	22.4
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	22.5	22.5	75.2	75.2
Derivatives without hedging relationship (fair value)	[2]FVPL	0.3	0.3	0.0	0.0
Total financial assets at amortized cost		**1,081.6**	**1,081.6**	**984.0**	**984.0**
Total financial liabilities at amortized cost		**935.9**	**935.9**	**730.1**	**730.1**
Total financial assets at FVOCI		**36.6**	**36.6**	**28.0**	**28.0**

[1] AC = at Amortised Cost

[2] FVPL = Fair value through Profit or Loss

[3] FVOCI = Fair value through Other Comprehensive Income

* Financial instruments and their previous-year values were assigned to valuation categories according to the newly applicable IFRS 9. A transition of the previous-year values from the valuation categories under IAS 39 to IFRS 9 can be found in chapter 1 (General) of the Notes to the Consolidated Financial Statements.

Financial instruments that are measured at fair value in the balance sheet were determined using the following hierarchy:

Level 1: Use of prices quoted on active markets for identical assets or liabilities.

Level 2: Use of input factors that do not involve the quoted prices stated under Level 1, but can be observed for the asset or liability either directly (i.e., as price) or indirectly (i.e., derivation of prices).

Level 3: Use of factors for the valuation of the asset or liability that are based on non-observable market data.

The fair value of the financial assets of the category "fair value through OCI" (FVOCI) was determined on the basis of Level 1. The market values of derivative assets or liabilities were determined on the basis of Level 2.

Cash and cash equivalents, trade receivables and other assets have a short residual maturity. Accordingly, as of the reporting date, the carrying amount approximates fair value. Receivables are stated at nominal value, taking into account deductions for default risk.

The carrying amount of loans receivable approximates the fair value as of the reporting date.

The fair values of other financial assets correspond to their carrying amount, taking into account prevailing market interest rates. Other financial assets include €30.4 million (previous year: €25.7 million) that were pledged as rental deposits at usual market rates.

The current liabilities to banks can be repaid at any time. Accordingly, as of the reporting date, the carrying amount approximates fair value. The non-current bank liabilities consist of fixed-interest loans. The carrying amounts correspond to the repayment amounts.

Trade payables have a short residual maturity. The carrying amounts therefore approximate fair value.

Pursuant to the contracts entered into, purchase price liabilities associated with acquisitions of business enterprises lead to payments. The resulting nominal amounts were discounted at a reasonable market interest rate, depending on the expected date of payment. As of the end of the financial year, the market interest rate only affects one company and is 0.7% (previous year: 0.6%).

The fair values of other financial liabilities are determined based on the present values, taking into account the prevailing interest rate parameters.

The fair values of derivatives with a hedging relationship at the balance sheet date are determined on the basis of current market parameters, i.e. reference prices observable on the market, taking into account forward premiums and discounts. The discounted result of the comparison of the forward price on the reporting date with the forward price on the valuation date is included in the measurement. The fair values are also checked for the counterparty's non-performance risk. In doing this, PUMA calculates credit value adjustments (CVA) or debt value adjustments (DVA) on the basis of an up/down method, taking current market information into account. No material deviations were found, so that no adjustments were made to the fair value determined.

Net result by measurement categories:

	2018 € million	**2017 € million**
Financial Assets at amortised cost (AC)	-1.0	-3.2
Financial Liabilities at amortised cost (AC)	-22.0	-15.3
Derivatives without hedging relationship	-0.4	-0.3
Financial assets measured at fair value through other comprehensive income (FVOCI)	9.1	3.8
Total	**-14.3**	**-15.0**

The net result was determined by taking into account interests, currency exchange effects, impairment losses as well as gains and losses from sales.

General administrative expenses include the write-downs of receivables.

15. Pension Provisions

Pension provisions result from employees' claims for benefits, which are based on the statutory or contractual regulations applicable in the respective country, in the event of invalidity, death or when a certain retirement age has been reached. Pension commitments in the PUMA Group include both benefit- and contribution-based pension commitments and include both obligations from current pensions and rights to pensions payable in the future. The pension entitlements are financed by both provisions and funds.

The risks associated with the pension commitments mainly concern the usual risks of benefit-based pension plans in relation to possible changes in the discount rate and, to a minor degree, inflation trends and recipient longevity. In order to limit the risks of changed capital market conditions and demographic developments, plans with the maximum obligations were agreed or insured a few years ago in Germany and the UK for new hires. The specific risk of obligations based on salary is low within the PUMA Group. The introduction of an annual cap in 2016 for pensionable salary in the UK plan now covers this risk for the highest obligations. The UK plan is therefore classified as a non-salary obligation.

	Germany € million	UK € million	Other Companies € million	PUMA Group € million
Present Value of Pension Claims 12/31/2018				
Salary-based obligations				
Annuity	0.0	0.0	7.3	7.3
One-off payment	0.0	0.0	8.1	8.1
Non-salary-based obligations				
Annuity	25.7	37.6	0.0	63.3
One-off payment	7.1	0.0	0.0	7.1

The following values were determined in the previous year:

	Germany € million	UK € million	Other Companies € million	PUMA Group € million
Present Value of Pension Claims 12/31/2017				
Salary-based obligations				
Annuity	0.0	0.0	6.5	6.5
One-off payment	0.0	0.0	6.2	6.2
Non-salary-based obligations				
Annuity	20.3	41.5	0.0	61.8
One-off payment	6.8	0.0	0.0	6.8

The main pension arrangements are described below:

The general pension scheme of PUMA SE generally provides for pension payments to a maximum amount of €127.82 per month and per eligible employee. It was closed for new members beginning in 1996. In addition, PUMA SE provides individual commitments (fixed sums in different amounts) as well as contribution-based individual commitments (in part from salary conversion). The contribution-based commitments are insured plans. There are no statutory minimum funding requirements. The scope of obligation for domestic pension claims amounts to €32.7 million at the end of 2018 (previous year: €27.1 million) and thus comprises 38.1% of the total obligation. The fair value of the plan assets relative to domestic obligations amounts to €22.3 million. The corresponding pension provision amounts to €10.3 million.

The defined benefit plan in the United Kingdom has not been available to new hires since 2006. This defined benefit plan includes salary and length of service-based commitments to provide old age, invalidity and surviving dependents' retirement benefits. In 2016, a growth cap of 1% p.a. was introduced on the pensionable salary. Partial capitalization of the old-age pension is permitted. There are statutory minimum funding requirements. The obligations regarding pension claims under the defined benefit plan in the UK amount to €37.6 million at the end of 2018 (previous year: €41.5 million) and thus accounts for 43.9% of the total obligation. The obligation is covered by assets amounting to €30.5 million. The provision amounts to €7.1 million.

The changes in the present value of pension claims are as follows:

	2018 € million	2017 € million
Present Value of Pension Claims January 1	**81.3**	**80.3**
Cost of the pension claims earned in the reporting year	7.2	3.4
Past service costs	-0.1	0.0
(Profits) and losses from settlements	0.0	0.0
Interest expense on pension claims	1.8	1.7
Employee contributions	0.2	0.2
Benefits paid	-1.7	-2.3
Effects from transfers	-0.1	0.2
Actuarial gains (-) and losses	-2.4	-0.2
Currency exchange effects	-0.4	-2.0
Present Value of Pension Claims December 31	**85.8**	**81.3**

The changes in the plan assets are as follows:

	2018 € million	2017 € million
Plan Assets January 1	**51.6**	**48.8**
Interest income on plan assets	1.2	1.1
Actuarial gains and losses (-)	-1.8	1.1
Employer contributions	6.8	3.1
Employee contributions	0.2	0.2
Benefits paid	-0.9	-1.4
Effects from transfers	0.0	0.0
Currency exchange effects	-0.2	-1.4
Plan Assets December 31	**56.9**	**51.6**

The pension provision for the Group is derived as follows:

	2018 € million	2017 € million
Present value of pension claims from benefit plans	85.8	81.3
Fair value of plan assets	-56.9	-51.6
Financing Status	**28.9**	**29.7**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Pension Provision December 31	**28.9**	**29.7**

In 2018, benefits paid amounted to €1.7 million (previous year: €2.3 million). Contributions in 2019 are expected to amount to €2.2 million. Of this, €1.1 million is expected to be paid directly by the employer. Contributions to external plan assets amounted to €6.8 million in 2018 (previous year: €3.1 million). Contributions in 2019 are expected to amount to €2.0 million.

The changes in pension provisions are as follows:

	2018 € million	2017 € million
Pension Provision January 1	**29.7**	**31.6**
Pension expense	7.7	4.0
Actuarial gains (-) and losses recorded in Other Comprehensive Income	-0.6	-1.3
Employer contributions	-6.8	-3.1
Direct pension payments made by the employer	-0.8	-0.9
Transfer values	-0.1	0.2
Currency exchange differences	-0.2	-0.7
Pension Provision December 31	**28.9**	**29.7**
of which assets	0.0	0.0
of which liabilities	28.9	29.7

The expenses in the 2018 financial year are structured as follows:

	2018 € million	2017 € million
Cost of the pension claims earned in the reporting year	7.2	3.4
Past service costs	-0.1	0.0
Income (-) and expenses from plan settlements	0.0	0.0
Interest expense on pension claims	1.8	1.7
Interest income on plan assets	-1.2	-1.1
Administration costs	0.0	0.0
Expenses for Defined Benefit Plans	**7.7**	**4.0**
of which personnel costs	7.1	3.4
of which financial costs	0.6	0.6

In addition to the defined benefit pension plans, PUMA also makes contributions to defined contribution plans. Payments for the financial year 2018 amounted to €12.5 million (previous year: €11.7 million).

Actuarial gains and losses recorded in Other Comprehensive Income:

	2018 € million	2017 € million
Revaluation of Pension Commitments	**-2.4**	**0.0**
Actuarial gains (-) and losses resulting from changes in demographic assumptions	0.8	-0.6
Actuarial gains (-) and losses resulting from changes in financial assumptions	-2.5	-0.1
Actuarial gains (-) and losses due to adjustments based on experience	-0.7	0.5
Revaluation of Plan Assets	**1.8**	**-1.1**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Adjustment of administration costs	0.0	0.0
Total Revaluation Amounts recorded directly in Other Comprehensive Income	**-0.6**	**-1.3**

Plan assets investment classes:

	2018 € million	2017 € million
Cash and cash equivalents	1.4	0.3
Equity instruments	0.0	0.0
Bonds	0.0	1.3
Investment funds	17.3	18.5
Derivatives	5.6	7.1
Real estate	3.1	3.5
Insurance	24.6	16.4
Others	4.9	4.5
Total Plan Assets	**56.9**	**51.6**

Of which investment classes with a quoted market price:

	2018 € million	2017 € million
Cash and cash equivalents	1.4	0.3
Equity instruments	0.0	0.0
Bonds	0.0	1.3
Investment funds	17.3	18.3
Derivatives	5.6	7.1
Real estate	3.1	3.2
Insurance	0.0	0.0
Others	4.9	4.5
Plan Assets with a quoted Market Price	**32.3**	**34.7**

Plan assets still do not include the Group's own financial instruments or real estate used by Group companies.

The plan assets are used exclusively to fulfill defined pension commitments. Legal requirements exist in some countries for the type and amount of financial resources that can be chosen; in other countries (for example Germany) they can be chosen freely. In the UK, a board of trustees made up of Company representatives and employees is in charge of asset management. Its investment strategy is aimed at long-term profits and low volatility. It was revised in 2017 and 2018 and the risk profile was reduced.

The following assumptions were used to determine pension obligations and pension expenses:

	2018	2017
Discount rate	2.41%	2.30%
Future pension increases	2.31%	2.42%
Future salary increases	1.70%	1.55%

The indicated values are weighted average values. A standard interest rate of 1.75% was applied for the Euro zone (previous year: 1.75%).

The following overview shows how the present value of pension claims from benefit plans would have been affected by changes to significant actuarial assumptions.

	2018 € million	2017 € million
Effect on present value of pension claims if		
the discount rate were 50 basis points higher	-6.7	-7.4
the discount rate were 50 basis points lower	4.9	6.0

Salary and pension trends have only a negligible effect on the present value of pension claims due to the structure of the benefit plans.

The weighted average duration of pension commitments is 17 years.

16. Other Provisions

	2017*					2018
	€ million	Currency adjustments, retransfers € million	Addition € million	Utilization € million	Reversal € million	**€ million**
Provisions for:						
Warranties*	**2.3**	0.0	1.0	-1.2	-0.2	**1.9**
Purchasing risks	**7.2**	0.1	9.6	-7.1	-0.1	**9.8**
Others*	**61.2**	-0.3	23.9	-16.8	-13.7	**54.3**
Total	**70.6**	**-0.2**	**34.4**	**-25.1**	**-13.9**	**65.9**

*Adjusted opening values related to customer return rights (see chapter 1 Adoption of IFRS 15)

The warranty provision is determined on the basis of the historical value of sales generated during the past six months. It is expected that the majority of these expenses will fall due within the first six months of the next financial year. Purchasing risks mainly relate to material risks and to moulds required for the manufacturing of footwear.

The provisions for warranties and purchasing risks contain no non-current provisions (previous year: €0.0 million).

Other provisions comprise risks in connection with litigation in the amount of €25.9 million (previous year: €30.0 million), provisions for asset retirement obligations, and other risks in the amount of €28.4 million (previous year: €31.2 million). Other provisions include €26.3 million (previous year: €34.6 million) in non-current provisions.

Short-term provisions are expected to be paid out in the following year, while long-term provisions are not expected to be paid out until the end of the following year at the earliest.

17. Liabilities from the Acquisition of Business Entities

Pursuant to the contracts entered into, purchase price liabilities associated with acquisitions of business enterprises lead to payments. The resulting nominal amounts were discounted at a reasonable market interest rate, depending on the expected date of payment.

The existing purchase price liability relates to the acquisition of Genesis Group International Ltd. and is made up as follows:

	2018 € million	2017 € million
Due within one year	0.0	0.0
Due in more than one year	3.3	4.8
Total	**3.3**	**4.8**

18. Equity

Subscribed Capital
The subscribed capital corresponds to the subscribed capital of PUMA SE. As of the balance sheet date, the subscribed capital amounted to €38.6 million and is divided into 15,082,464 bearer shares. Each no-par-value share corresponds to €2.56 of the subscribed capital (share capital).

Changes in the circulating shares:

		2018	2017
Circulating shares as of January 1	**share**	**14,946,356**	**14,939,913**
Issue of Treasury Stock		5,114	6,443
Circulating shares as of December 31	**share**	**14,951,470**	**14,946,356**

Capital Reserve
The capital reserve includes the premium from issuing shares, as well as amounts from the grant, conversion and expiration of share options.

Retained Earnings and Net Profit
Retained earnings and net profit include the net income of the financial year as well as the income of the companies included in the consolidated financial statements achieved in the past to the extent that it was not distributed.

Reserve from the Difference Resulting from Currency Conversion
The equity item for currency conversion serves to record the differences from the conversion of the financial statements of subsidiaries with non-Euro accounting compared to the date of first consolidation of the subsidiaries.

Cash Flow Hedges
The "cash flow hedges" item includes the market valuation of derivative financial instruments. The item amounting to €34.1 million (previous year: €-44.8 million) is offset by deferred taxes of €-1.4 million (previous year: €3.7 million).

Treasury Stock
The resolution adopted by the Annual General Meeting on May 6, 2015 authorized the company to purchase treasury shares up to a value of 10% of the share capital until May 5, 2020. If purchased through the stock exchange, the purchase price per share may not exceed or fall below 10% of the closing price for the Company's shares with the same attributes in the XETRA trading system (or a comparable successor system) during the last three trading days prior to the date of purchase.

The Company did not make use of the authorization to purchase treasury stock during the reporting period.

As of the balance sheet date, the Company holds a total of 130,994 PUMA shares in its own portfolio, which corresponds to 0.86% of the subscribed capital.

Authorized Capital
As of December 31, 2018, the Company's Articles of Association provide for authorized capital totaling €15,000,000:

Pursuant to Section 4.2. of the Articles of Association, the Management Board is authorized with the consent of the Supervisory Board to increase the Company's share capital by April 11, 2022 by up to €15,000,000 (Authorized Capital 2017) by issuing new no-par value bearer shares against cash and/or non-cash contributions on one or more occasions. In case of capital increases against contributions in cash, the new shares may be acquired by one or several banks, designated by the Management Board, subject to the obligation to offer them to the shareholders for subscription (indirect pre-emption right). The shareholders shall generally be entitled to pre-emption rights. However, the Management Board is authorized with the consent of the Supervisory Board to exclude shareholders' subscription rights in whole or in part in the cases specified in Section 4.2. of the Articles of Association.

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

Conditional Capital
By resolution of the Annual General Meeting of April 12, 2018, the Management Board was authorized until April 11, 2023, with the consent of the Supervisory Board, through one or more issues, altogether or in parts and in various tranches at the same time, to issue bearer or registered options and/or convertible bonds, profit-sharing rights or participation bonds or a combination of these instruments with or without a term limitation in a total nominal amount of up to €1,000,000,000.00 (Conditional Capital 2018).

In this connection, the share capital was increased conditionally by up to €7,722,219.52 by the issue of up to 3,016,492 new units of registered stock. The conditional capital increase will be performed only insofar as use is made of options or conversion rights or a conversion or option obligation is fulfilled or insofar as deliveries are made and if other forms of fulfillment are not used for servicing.

No use has been made of the authorization to date.

Dividends
The amounts eligible for distribution relate to the retained earnings of PUMA SE, which is determined in accordance with German Commercial Law.

The Management Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €3.50 per circulating share, or a total of €52.3 million (with respect to the circulating shares as of December 31, 2018), be distributed to the shareholders from the retained earnings of PUMA SE for the 2018 financial year.

Proposed appropriation of the retained earnings of PUMA SE:

	2018	2017
Retained earnings of PUMA SE as of December 31 € million	144.5	268.0
Retained earnings available for distribution € million	144.5	268.0
Dividend per share €	3.50	12.50
Number of circulating shares * share	14,951,470	14,946,356
Total dividend * € million	52.3	186.8
Carried forward to the new accounting period * € million	92.2	81.2

* Previous year's values adjusted to the outcome of the Annual General Meeting

Non-controlling interests
The non-controlling interest remaining as of the balance sheet date relates to the company PUMA Accessories North America, LLC with €1.3 million (previous year: €4.9 million), Janed, LLC with €14.6 million (previous year: €21.3 million), PUMA Kids Apparel North America, LLC with €0.0 million (previous year: €1.3 million), and Janed Canada, LLC with €3.0 million (previous year: €2.4 million), PUMA North America Accessories Canada, LLC with €0.1 million (previous year: €0.5 million) and PUMA Kids Apparel Canada, LLC, with €-0.2 million (previous year: €0.8 million); see also chapter 30.

Capital Management
The Group's objective is to retain a strong equity base in order to maintain both investor and market confidence and to strengthen future business performance.

Capital management relates to the consolidated shareholders' equity of PUMA. This is shown in the consolidated balance sheet as well as in the reconciliation statement concerning "Changes in Equity."

19. Management Incentive Program

In order to tie the management to the company with a long-term incentive, virtual shares with cash settlement and other long-term incentive programs are used at PUMA.

The current programs are described below:

Explanation of "virtual shares", termed "monetary units"
Monetary units were granted on an annual basis beginning in 2013 as part of a management incentive program. Monetary units are based on the PUMA and Kering share performance. Each of these monetary units entitles the holder to a cash payment at the end of the term. This is dependent on the year-end price determined for the PUMA share (component 1), which is weighted at 70%, and on the year-end price determined for the Kering share (component 2), which is weighted at 30%. Component 1 compares the success with the average virtual stock appreciation rights of the last 30 days of the previous year. Component 2, on the other hand, measures success by comparing the performance of the Kering share against the average performance of a reference portfolio in the luxury and sports sector over the same period. These monetary units are subject to a vesting period of three years. After that, there is an exercise period of two years (in the period in April and October) which can be freely used by participants for the purposes of execution. The fundamental exercise condition after the vesting period is the existence of an active employment relationship with PUMA until the end of the vesting period.

Component 2 was transferred into Component 1 in 2018 on account of the Kering spin-off. This relates to the programs with the issue dates of 2016 and 2017, since they are still in the vesting period. The conversion occurred as of 1/1/2018 with a Component 2 value of 581 EUR/monetary unit and a Component 1 value of 371 EUR/monetary unit. The monetary units of Component 2 were measured in EUR with the value 581 EUR/monetary unit and then transferred into converted Component 1 monetary units at the same time (371 EUR/monetary unit). After this conversion, the converted programs and subsequent programs will be subject only to the provisions of Component 1.

In the financial year 2018, an expense of €5.8 million was established for this purpose on the basis of the employment contract commitments to the managing directors.

Virtual shares (monetary units)							
Issue date	1/1/2013	1/1/2014	1/1/2015	1/1/2016	1/1/2017	1/1/2018	
Term	5	5	5	5	5	5	Years
Vesting period	3	3	3	3	3	3	Years
Base price component 1	224.00	232.00	174.00	200.00	240.00	371.00	EUR/share
Base price component 2	152.00	144.00	167.00	166.00	249.00	N/A	EUR/share
Reference value component 1 at the end of the financial year	N/A	N/A	N/A	444.00	296.00	148.00	EUR/share
Reference value component 2 at the end of the financial year	N/A	N/A	N/A	N/A	N/A	N/A	EUR/share
Reference value component 2 at the conversion date	N/A	N/A	N/A	581.00	581.00	N/A	EUR/share
Reference value component 1 at the conversion date	N/A	N/A	N/A	371.00	371.00	N/A	EUR/share
Participants in year of issue	4	3	3	3	3	3	Persons
Participants at the end of the financial year	2	3	3	3	3	3	Persons
Number of monetary units component 1 as of 1/1/2018	0	5,250	7,965	6,300	6,519	11,744	Shares
Number of monetary units component 1 exercised in the FY	0	-5,250	-7,965	0	0	0	Shares
Final number of monetary units component 1 as of 12/31/2018	0	0	0	6,300	6,519	11,744	Shares
Number of monetary units component 2 as of 1/1/2018	577	3,208	3,692	3,393	2,693	N/A	Shares
Conversion of monetary units component 2 to component 1 in 2018	N/A	N/A	N/A	5,093	4,217	N/A	Shares
Number of converted monetary units component 1 exercised in the FY	N/A	N/A	N/A	0	0	N/A	Shares
Final number of converted monetary units component 1 as of 12/31/2018	N/A	N/A	N/A	5,093	4,217	N/A	Shares
Number of monetary units component 2 exercised in the FY	-577	-3,208	-3,692	N/A	N/A	N/A	Shares
Final number of monetary units component 2 as of 12/31/2018	0	0	0	N/A	N/A	N/A	Shares
Total monetary units	**0**	**0**	**0**	**11,393**	**10,736**	**11,744**	**Shares**

This commitment consisting of share-based remuneration transactions with cash compensation is recorded as personnel provisions and revalued on every balance sheet date at fair value. Expenses are likewise recorded over the vesting period. Based on the market price on the balance sheet date, the provision for this program amounts to €10.0 million at the end of the financial year (previous year: €12.2 million).

Explanation of the "Game Changer 2018" program
In addition, another global long-term incentive program called "Game Changer 2018" was launched in 2015. Participants in this program consist mainly of top executives reporting to the managing directors and individual key positions in the PUMA Group. The aim of this program is to bind this group of employees to the company on a long-term basis and to allow them to share in the medium-term success of the Company.

The term of the program is 3 years and is based on the medium-term objectives of the PUMA Group in terms of EBIT (70%), cash flow (15%) and gross profit margin (15%). For this purpose, a corresponding provision is set up each year when the respective currency-adjusted targets are met. The resulting savings were paid out to the participants in March 2018. The payment was subject to the condition that the individual participant was in an unterminated employment relationship with a company of the PUMA Group as of 12/31/2017. No further expenses were incurred for this program in the year under review.

Explanation of the "Game Changer 2019" program
In 2016, the global "Game Changer 2019" program was launched, which is subject to the same parameters as the "Game Changer 2018" program (employment relationship until 12/31/2018 and payout March 2019). Provisions of €0.8 million were set aside for this program in the year under review.

Explanation of the "Game Changer 2020" program
In 2017, the global "Game Changer 2019" program was launched, which is subject to the same parameters as the "Game Changer 2018" program (employment relationship until 12/31/2019 and payout March 2020). Provisions of €1.2 million were set aside for this program in the year under review.

Explanation of the Momentum 2020 program
In addition, a global program called "Momentum" was launched in 2017, which is subject to the same parameters (employment until December 31, 2019 and payout in March 2020) as the Game Changer programs. The difference to the Game Changer programs lies in the different participants. While the participants in the Game Changer programs consist of top executives, the "Momentum" program includes employees who are not part of this group. Provisions of €0.8 million were set aside for this program in the year under review.

Explanation of the "Game Changer 2.0 - 2021" program
In 2018, the long-term incentive program "Game Changer 2.0" was introduced. Participants in this program consist mainly of top executives reporting to the Management Board and individual key positions in the PUMA Group. The aim of this program is to tie these employees to the company on a long-term basis and to allow them to share in the medium-term success of the Company.

The LTIP "Game Changer 2.0" consists of two plan parts, a Performance Cash Plan and a Performance Share Plan, each with a 50% share. The Performance Cash Plan gives a reward for PUMA's financial performance, while the Performance Share Plan gives a reward for its performance in the capital market.

The performance period of the Performance Cash Plan is three years and is based on the medium-term objectives of the PUMA Group in terms of EBIT (70%), cash flow (15%) and net sales (15%). Payment is made in cash and is limited to a maximum of 200% of the granted proportionate target amount (cap).

The Performance Share Plan uses virtual shares to manage the incentive. The term is up to five years, divided into a three-year performance period and a subsequent, two-year exercise period, in which the virtual shares are paid out in cash. The share price at the exercise date determines the value of a virtual share. Payment is limited to a maximum of 200% of the granted proportionate target amount (cap).

The program is subject to the condition that the individual participant is in an unterminated employment relationship with a company of the PUMA Group as of 12/31/2020.

Provisions totaling €1.3 million were set aside for this program in the year under review.

Game Changer 2.0 (Performance Share Plan)		
Program addendum	2021	
Issue date	1/1/2018	
Term	5	Years
Vesting period	3	Years
Base price at program start	371.00	EUR/share
Reference value at the end of the financial year	444.00	EUR/share
Participants in year of issue	48	People
Participants at the end of the financial year	48	People
Number of "virtual shares" as of 1/1/2018	4,666	Shares
Number of "virtual shares" exercised in the FY	0	Shares
Final number of "virtual shares" as of 12/31/2018	4,666	Shares

20. Net Sales

The net sales of the Group are broken down by product segments and distribution channels as follows:

Breakdown by distribution channels

	2018 € million	2017 € million
Wholesale	3,520.8	3,175
Retail	1,127.5	961
	4,648.3	**4,135.9**

Breakdown by product segments

	2018 € million	2017 € million
Footwear	2,184.7	1,974.5
Apparel	1,687.5	1,441.4
Accessories	776.1	719.9
	4,648.3	**4,135.9**

21. Other Operating Income and Expenses

According to the respective functions, other operating income and expenses include personnel, advertising, sales and distribution expenses as well as rental and leasing expenditure, travel costs, legal and consulting expenses and other general expenses. Typical operating income that is associated with operating expenses was offset. Rental and lease expenses associated with the Group's own retail stores include sales-dependent rental components.

Other operating income and expenses are allocated based on functional areas as follows:

	2018 € million	2017 € million
Sales and distribution expenses	1,523.6	1,320.4
Product management/merchandising	43.8	45.1
Research and development	54.0	53.4
Administrative and general expenses	328.1	307.0
Other operating expenses	**1,949.5**	**1,725.9**
Other operating income	**21.1**	**0.3**
Total	**1,928.4**	**1,725.6**
Thereof scheduled depreciation	81.5	70.3
Thereof impairment expenses	0.6	0.0

Within the sales and distribution expenses, marketing/retail expenses account for a large proportion of the operating expenses. In addition to advertising and promotional expenses, they also include expenses associated with the Group's retail activities. Other sales and distribution expenses include logistic expenses and other variable sales and distribution expenses.

In the consolidated financial statements of PUMA SE, fees of €0.9 million (previous year: €0.9 million) are recorded as operating expenses for the auditor of the consolidated financial statements. The fees break down into costs for audit services amounting to €0.8 million (previous year: €0.7 million), other assurance services amounting to €0.1 million (previous year: €0.2 million), in particular for EMIR audits and the review of the combined non-financial report as well as for tax consultancy services of €0.0 million (previous year: €0.0 million).

Other operating income includes mainly income from the release of provisions in the amount of €12.1 million (previous year: €0.0 million) and other income in the amount of €9.0 million (previous year: €0.3 million).

Overall, other operating expenses include personnel costs, which consist of:

	2018 € million	2017 € million
Wages and salaries	437.0	428.3
Social security contributions	56.8	57.3
Expenses from share-based remuneration with cash compensation	5.8	8.4
Expenses for retirement pension and other personnel expenses	54.1	55.1
Total	**553.8**	**549.1**

In addition, cost of sales includes personnel costs in the amount of €8.2 million (previous year: €12.8 million).

The average number of employees for the year was as follows:

Employees	2018	2017
Marketing/retail/sales and distribution	8,851	7,986
Research & development/product management	909	891
Administrative and general units	2,432	2,511
Total annual average	**12,192**	**11,389**

As of the end of the year, a total of 12,894 individuals were employed (previous year: 11,787).

22. Financial Result

This financial result consists of:

	2018 € million	2017 € million
Result from associated companies	**-1.5**	**1.6**
Interest income	4.0	4.1
Others	7.6	6.3
Financial income	**11.6**	**10.3**
Interest expense	-15.1	-14.3
Interest accrued on liabilities from acquisitions	0.0	0.0
Valuation of pension plans	-0.6	-0.6
Expenses from currency-conversion differences, net	-14.4	-6.9
Others	-3.9	-3.6
Financial expenses	**-34.1**	**-25.3**
Financial Result	**-24.0**	**-13.4**

The result from associated companies comprises the current result from the shareholding in Wilderness Holdings Ltd. until the end of the at-equity valuation (see also chapter 11).

The financial income includes interest income of €4.0 million (previous year: €4.1 million), interest components (SWAP points) of €7.3 million (previous year: €6.0 million) from financial instruments in connection with currency derivatives, and dividend income of €0.3 million (previous year: €0.3 million) from the investment in Borussia Dortmund GmbH & Co. KGaA (BVB).

The financial expenses include interest expenses from financial liabilities of €15.1 million (previous year: €14.3 million) and interest components (SWAP points) of €3.9 million (previous year: €3.6 million) from financial instruments in connection with currency derivatives.

In addition, expenses from currency-conversion differences of €14.4 million (previous year: €6.9 million) are included, which are to be assigned to the financing area.

23. Income Taxes

	2018 € million	2017 € million
Current income taxes		
Germany	16.8	9.3
Other countries	69.7	61.5
Total current income taxes	**86.5**	**70.7**
Deferred taxes	**-2.9**	**-7.5**
Total	**83.6**	**63.3**

In general, PUMA SE and its German subsidiaries are subject to corporate income tax, plus a solidarity surcharge and trade tax. Thus, a weighted mixed tax rate of 27.22% continued to apply for the financial year.

Reconciliation of the theoretical tax expense with the effective tax expense:

	2018 € million	2017 € million
Earnings before income tax	**313.4**	**231.2**
Theoretical tax expense Tax rate of the SE = 27.22% (previous year: 27.22%)	85.3	62.9
Taxation difference with respect to other countries	-7.1	-7.1
Other tax effects:		
Income tax for previous years	0.5	4.1
Losses and temporary differences for which no tax claims were recognized	16.5	4.0
Changes in tax rate	0.6	8.7
Non-deductible expenses for tax purposes and non-taxable income and other effects	-12.3	-9.3
Effective tax expense	**83.6**	**63.3**
Effective tax rate	26.7%	27.4%

The tax effect resulting from items that are directly credited or debited to equity is shown directly in the statement of comprehensive income.

Other effects include withholding tax expenses in the amount of €7.5 million (previous year: €9.7 million).

24. Earnings per share

The earnings per share are determined in accordance with IAS 33 by dividing the consolidated annual surplus (consolidated net earnings) attributable to the shareholder of the parent company by the average number of circulating shares.

The calculation is shown in the table below:

	2018	2017
Net Earnings € million	187.4	135.8
Average number of circulating shares	14,947,323	14,943,161
Diluted number of shares	14,947,323	14,943,161
Earnings per share €	12.54	9.09
Earnings per share, diluted €	12.54	9.09

25. Management of the Currency Risk

In the 2018 financial year, PUMA designated "forward purchase USD" currency derivatives as cash flow hedges in order to hedge the amount payable of purchases denominated in USD, which is converted to Euros.

The nominal amounts of open rate-hedging transactions, which relate mainly to cash flow hedges, refer to currency forward transactions in a total amount of €2,401.8 million (previous year: €2,287.4 million). These underlying transactions are expected to generate cash flows in 2019 and 2020. For further information, please refer to chapter 13.

The market values of open hedging transactions on the balance sheet date consist of:

	2018 € million	2017 € million
Currency forward contracts, assets (see chapter 6 and 12)	75.7	25.1
Currency forward contracts, liabilities (see chapter 13 and 14)	-22.8	-75.2
Net	52.9	-50.1

The changes in effective cash flow hedges are shown in the schedule of changes in shareholders' equity and the statement of comprehensive income.

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

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

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

Currency forward contracts used to hedge against payment fluctuations caused by exchange rates are part of an effective cash-flow hedging relationship pursuant to IAS 39. Changes in the exchange rate of the currencies underlying these contracts have an effect on the hedge reserve in equity and the fair value of these hedging contracts.
If, as of December 31, 2018, the USD had appreciated (devalued) against all other currencies by 10%, the hedge reserve in equity and the fair value of the hedging contracts would have been €126.2 million higher (lower) (December 31, 2017: €120.4 million higher (lower)).

Currency risks and other risk and opportunity categories are discussed in greater detail in the Combined Management Report under the Risk and Opportunity Management section as well as in chapters 2 and 13 of the Notes to the consolidated financial statements.

26. Segment Reporting

Segment reporting is based on geographical regions in accordance with our internal reporting structure. The geographical region forms the business segment. Sales revenues, operating result (EBIT) and other segment information are allocated to the corresponding geographical regions according to the registered office of the respective Group company.

The internal management reporting includes the following reporting segments: Europe, EEMEA (Eastern Europe, Middle East and Africa), North America, Latin America, Greater China, Rest of Asia Pacific (excluding Greater China) and Dobotex. These are reported as reportable business segments in accordance with the criteria of IFRS 8.

The reconciliation includes information on assets, liabilities, expenses and income in connection with centralized functions that do not meet the definition of business segments in IFRS 8. Central expenses and income include in particular global sourcing, central treasury, central marketing and other global functions of the company headquarters.

The company’s chief operating decision-maker is defined as the entire Management Board of PUMA SE.

With the exception of Dobotex's sales of products amounting to €26.9 million (previous year: €22.4 million), there are no significant internal sales between the business segments, which are therefore not included in the presentation.

The operating result (EBIT) of the business segments is defined as gross profit less the attributable other operating expenses plus royalty and commission income and other operating income, but not taking into account the costs of the central departments and the central marketing expenses.

The external sales, operating result (EBIT), inventories and trade receivables of the business segments are regularly reported to the chief operating decision-maker. Investments, depreciation and long-term assets at the level of the business segments are not regularly reported to the chief operating decision-maker. Intangible assets are allocated to the business segments in the manner described under chapter 10. Segment liabilities, the financial result and income taxes are not allocated to the business segments and are therefore not reported to the chief operating decision maker at the business segment level.

Long-term assets, investments and depreciation relate to additions and depreciation of property, plant and equipment and intangible assets during the past financial year. In addition, total impairment expenses in the amount of €0.6 million (previous year: €0.0 million) were recognized. These relate to the Europe segment for €0.6 million (previous year: €0.0 million).

Since PUMA is only active in one business field, the sporting goods industry, products are additionally allocated according to the footwear, apparel and accessories product segments in accordance with the internal reporting structure.

Further changes in segment reporting in the year under review resulted from the fact that the previous CPG (Cobra PUMA Golf) business segment, which had previously been allocated to central areas, no longer existed in the year under review. The CPG business activities are now allocated to the individual regions. The previous year's figures have been adjusted accordingly.

Operating Segments 1-12/2018

Regions

	External Sales		EBIT		Investments	
	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million
Europe	1,171.2	1,080.0	164.1	172.5	15.0	20.8
EEMEA	523.2	481.7	81.5	69.3	12.2	15.0
North America	1,163.1	1,052.7	180.0	143.2	13.9	8.0
Latin America	431.7	425.9	61.1	45.4	11.1	8.2
Greater China	534.0	367.3	153.4	95.5	21.7	18.5
Asia/ Pacific (without Greater China)	553.0	480.3	83.5	72.3	9.2	8.9
Dobotex	272.0	248.1	91.4	80.5	3.4	0.3
Total business segments	**4,648.3**	**4,135.9**	**814.9**	**678.7**	**86.5**	**79.7**

	Depreciation		Inventories		Trade Receivables (3rd)	
	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million
Europe	7.6	7.4	262.5	250.4	131.3	108.7
EEMEA	7.7	7.0	130.7	102.8	67.9	78.4
North America	11.6	12.0	258.9	199.1	109.0	83.5
Latin America	6.9	6.4	93.5	86.2	96.2	102.0
Greater China	15.4	9.7	87.0	63.0	36.0	25.5
Asia/ Pacific (without Greater China)	7.3	7.4	98.4	79.7	71.0	62.2
Dobotex	2.8	2.8	48.3	42.1	37.8	32.1
Total business segments	**59.4**	**52.8**	**979.3**	**823.3**	**549.2**	**492.5**

	Long-term Assets	
	1-12/2018 € million	1-12/2017 € million
Europe	44.7	41.1
EEMEA	29.5	27.8
North America	187.9	179.3
Latin America	47.4	46.9
Greater China	32.1	25.9
Asia/ Pacific (without Greater China)	73.0	68.0
Dobotex	143.9	141.1
Total business segments	**558.5**	**530.1**

Product

	External Sales		Gross Profit Margin	
	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million
Footwear	2,184.7	1,974.5	45.8%	45.5%
Apparel	1,687.5	1,441.4	50.9%	49.0%
Accessories	776.1	719.9	50.3%	48.5%
Total business segments	**4,648.3**	**4,135.9**	**48.4%**	**47.3%**

Reconciliations

	EBIT	
	1-12/2018 € million	1-12/2017 € million
Total business segments	**814.9**	**678.7**
Central areas	-199.4	-205.8
Central expenses Marketing	-278.2	-228.3
Consolidation	0.0	0.0
EBIT	**337.4**	**244.6**
Financial result	**-24.0**	**-13.4**
EBT	**313.4**	**231.2**

	Investments		Depreciation	
	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million
Total business segments	**86.5**	**79.7**	**59.4**	**52.8**
Central areas	51.8	43.3	22.8	17.6
Consolidation	0.0	0.0	0.0	0.0
Total	**138.2**	**122.9**	**82.1**	**70.3**

	Inventories		Trade Receivables (3rd)		Long-term assets	
	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million	1-12/2018 € million	1-12/2017 € million
Total business segments	**979.3**	**823.3**	**549.2**	**492.5**	**558.5**	**530.1**
Not allocated to the business segments	-64.2	-44.8	4.5	11.3	173.6	142.8
Total	**915.1**	**778.5**	**553.7**	**503.7**	**732.1**	**673.0**

27. Notes to the Cash Flow Statement

The cash flow statement was prepared in accordance with IAS 7 and is structured based on cash flows from operating, investment and financing activities. The indirect method is used to determine the cash outflow/inflow from operating activities. The gross cash flow, derived from earnings before income taxes and adjusted for non-cash effective income and expense items, is determined within the cash flow from operating activities. Cash outflow/inflow from operating activities, reduced by investments in property, plant and equipment as well as intangible assets is referred to as free cash flow.

Interest payments were reclassified from cash provided by operating activities to cash used in financing activities in the year under review due to their financing nature and in order to provide more relevant information. The previous year's figures were adjusted accordingly.

The cash and cash equivalents shown in the cash flow statement comprise all cash and cash equivalents shown in the balance sheet under "Cash and cash equivalents", i.e. cash on hand, cheques and short-term bank balances.

The following table shows the cash and non-cash changes in financial liabilities in accordance with IAS 7.44A:

2018

Transfer of financial liabilities to the cash inflow/outflow from financing activities	Notes	€ million As of Jan. 1, 2018	Non-cash changes: Currency changes	Non-cash changes: Others	Cash changes	€ million As of Dec. 31, 2018
Financial liabilities						
Liabilities from finance leases	13	0.4	0.2	9.4	-1.8	8.3
Current financial liabilities	13	29.0	8.1	0.0	-16.6	20.5
Non-current financial liabilities	13	27.9	-2.6	0.0	145.2	170.4
		57.3	5.7	9.4	126.9	199.2

2017

Transfer of financial liabilities to the cash inflow/outflow from financing activities	Notes	€ million As of Jan. 1, 2017	Non-cash changes: Currency changes	Non-cash changes: Others	Cash changes	€ million As of Dec. 31, 2017
Financial liabilities						
Liabilities from finance leases	13	0.7	0.0	0.0	-0.2	0.4
Current financial liabilities	13	44.3	-3.2	0.0	-12.1	29.0
Non-current financial liabilities	13	14.8	-2.3	0.0	15.4	27.9
		59.7	-5.6	0.0	3.1	57.3

Lease liabilities of €8.3 million are divided into current lease liabilities (€0.8 million), contained in other current financial liabilities, and non-current lease liabilities (€7.5 million), which are part of other non-current financial liabilities. Non-current financial liabilities of €170.4 million are part of other non-current financial liabilities.

28. Contingencies and Contingent Liabilities

Contingencies

As in the previous year, there were no reportable contingencies.

Contingent Liabilities

As in the previous year, there were no reportable contingent liabilities.

29. Other Financial Obligations

Obligations from Operating Lease

The Group rents and leases offices, warehouses, facilities and fleets of vehicles and sales rooms for its own retail business. Rental agreements for the retail business are concluded for terms of between five and fifteen years. The remaining rental and lease agreements typically have residual terms of between one and five years. Some agreements include options to renew and price adjustment clauses.

Total expenses resulting from these agreements amounted in 2018 to €174.1 million (previous year: €163.2 million), of which €27.7 million (previous year: €19.9 million) were sales-related.

As of the balance sheet date, the obligations from future minimum rental payments for operating lease agreements are as follows:

	2018 € million	2017 € million
Under rental and lease agreements:		
2019 (2018)	142.8	128.1
2020 – 2023 (2019 – 2022)	355.7	286.6
from 2024 (from 2023)	376.7	86.8
Total	**875.2**	**501.4**

The increase is related to the expansion of the retail store network and the distribution centers.

Further Other Financial Obligations

Furthermore, the Company has other financial obligations associated with license, promotional and advertising agreements, which give rise to the following financial obligations as of the balance sheet date:

	2018 € million	2017 € million
Under license, promotional and advertising agreements:		
2019 (2018)	227.4	181.8
2020 – 2023 (2019 – 2022)	867.8	542.6
from 2024 (from 2023)	5.0	367.6
Total	**1,100.2**	**1,092.0**

As is customary in the industry, the promotional and advertising agreements provide for additional payments on reaching pre-defined goals (e.g. medals, championships). Although these are contractually agreed upon, they naturally cannot be exactly foreseen in terms of their timing and amount.

In addition, there are other financial obligations totaling €238.8 million, of which €143.3 million relate to the years from 2020. These include service agreements of €124.3 million as well as other obligations of €114.5 million.

30. Information on non-controlling interests

The summarized financial information about subsidiaries of the Group in which non-controlling interests exist is presented below. This financial information relates to all companies with non-controlling interests in which the identical non-controlling shareholder holds an interest. The financial information of Janed LLC, including its subsidiary Janed Canada LLC, is also disclosed as a separate note. The figures represent the amounts before intercompany eliminations.

Disclosures related to non-controlling interests (in € million)	Dec. 31, 2018 Total	Dec. 31, 2018 thereof Janed	Dec. 31, 2017 Total	Dec. 31, 2017 thereof Janed
Current Assets	41.6	24.1	50.4	33.9
Non-current Assets	3.8	3.8	3.6	3.6
Current Liabilities	21.7	6.5	18.3	10.3
Non-current Liabilities	0.0	0.0	0.0	0.0
Equity attributable to equity holders of the parent	23.7	21.3	35.7	27.2
Non-controlling interests	18.9	17.6	31.2	23.7

(in € million)	1-12/2018 Total	1-12/2018 thereof Janed	1-12/2017 Total	1-12/2017 thereof Janed
Sales	265.8	146.6	215.6	117.2
Net income	42.8	33.9	32.5	25.1
Profit attributable to non-controlling interests	42.4	33.5	32.2	24.8
Other comprehensive income of non-controlling interests	1.1	0.9	-2.9	-2.3
Total comprehensive income of non-controlling interests	43.4	34.4	29.2	22.5
Dividends paid to non-controlling interests	55.7	40.5	13.4	11.5

(in € million)	1-12/2018 Total	1-12/2018 thereof Janed	1-12/2017 Total	1-12/2017 thereof Janed
Net cash provided by operating activities	48.3	36.4	19.6	14.3
Net cash used in investing activities	0.0	0.0	0.0	0.0
Cash inflow/outflow from financing activities	-56.1	-40.8	-13.7	-11.8
Change in cash and cash equivalents	-7.6	-4.4	5.2	2.0

31. Management Board (Managing Directors until July 9, 2018) and Supervisory Board (Administrative Board until July 9, 2018)

Disclosures pursuant to § 314 (1) No. 6 HGB

In accordance with the Act on Disclosure of Management Board Compensation of August 3, 2005, the disclosure of the individual earnings of the members of the Management Board or Managing Directors may be dispensed with for a period of 5 years pursuant to Section 285 (9) (a) sentences 5 - 8; Section 314 (1) No. 6 (a) sentences 5 - 8 of the HGB, if the Annual General Meeting passes a resolution in this regard by a 75% majority.

Pursuant to the resolution of the Annual General Meeting of April 12, 2018, the Company was authorized to refrain from disclosures pursuant to Section 285 (9) (a) sentences 5 - 8 and Section 314 (1) No. 6 (a) sentences 5 - 8 of the HGB with respect to the financial year beginning on January 1, 2018 and all subsequent financial years ending December 31, 2022 at the latest.

The Management Board and the Supervisory Board are of the opinion that the shareholders' justified interest in information is sufficiently accounted for by the disclosure of the total compensation of the Management Board members. The Supervisory Board will ensure that individual compensation is appropriate in accordance with its statutory duties.

Management Board (Managing Directors until July 9, 2018)

Compensation for the Management Board (managing directors of the monistic PUMA SE until July 9, 2018), which is set by the Supervisory Board (administrative board of the monistic PUMA SE until July 9, 2018), consists of non-performance-based and performance-based components. The non-performance-based components consist of a fixed salary and non-cash compensation, whereas the performance-based components consist of bonuses and components with a long-term incentive effect. Along with job assignments and performance of each individual Management Board member, the criteria for calculating the total remuneration are the economic situation, long-term strategic planning and related targets, the long-term durability of targeted results and the company's long-term prospects.

A fixed salary is paid out monthly as non-performance-based basic compensation. In addition, the Management Board members receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Management Board members in an equal manner and are included in the non-performance-based compensation. The fixed compensation for the three Management Board members amounted to €2.3 million in the financial year (previous year: €2.1 million). Non-cash compensation totaled €0.1 million (previous year: €0.1 million).

The bonus component of performance-related compensation is mainly based on the PUMA Group's operating result (EBIT) and free cash flow and is staggered according to the degree to which targets are met. In addition, qualitative individual goals are set. An upper limit is also agreed. In the financial year, variable bonuses came to €2.7 million (previous year: €3.9 million).

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

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

Management Board members have pension commitments as part of deferred compensation, which are paid from the aforementioned performance-based and/or non-performance-based remuneration for which the company has taken out reinsurance for pension commitments. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, PUMA allocated €0.5 million for Management Board members (previous year: €0.4 million). The present value of the pension benefits granted to active Management Board members in the amount of €10.1 million as of December 31, 2018 (previous year: €4.5 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

There were pension obligations to former members of the Management Board and their widows/widowers amounting to €3.2 million (previous year: €3.3 million) as well as contribution-based pension commitments in connection with deferred compensation of former members of the Management Board and Managing Directors amounting to €10.6 million (previous year: €10.3 million). Both items are accordingly recognized as liabilities under pension provisions, unless they are offset against asset values of an equal amount. Pension obligations to former members of the Management Board and their widows/widowers amounted to €0.2 million (previous year: €0.2 million).

Supervisory Board (Administrative Board until July 9, 2018)

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

In conformity with § 15 of the Articles of Association, each Supervisory Board member receives a fixed annual compensation of €25,000.00, which is payable at the end of the Annual General Meeting for the respective financial year.
The fixed compensation is increased by an additional fixed annual amount of €25,000 for the Chairman of the Supervisory Board, €12,500 for the Vice Chairman of the Supervisory Board, €10,000 for the Chairman of a committee and €5,000 for each member of a committee. The definitive committees here are the Personnel Committee, the Audit Committee and the Sustainability Committee.

In addition to the fixed compensation, each Supervisory Board member receives annual performance-based compensation equal to €20.00 for each €0.01 by which the earnings per share figure as disclosed in the consolidated financial statements exceeds a minimum amount of €16.00 per share. The performance-based compensation amounts to a maximum of €10,000.00 per year. The Chairman of the Supervisory Board receives €40.00 for every €0.01 in profit per share and a maximum of €20,000.00 per year, and the Deputy Chairman receives €30.00 for every €0.01 in profit per share and a maximum of €15,000.00 per year.

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

32. Related Party relationships

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

Kering S.A., Paris, holds 15.7% of the share capital of PUMA SE as of the reporting date, according to information provided by Kering S.A. in the press release on May 16, 2018. Kering S.A. is controlled by Artémis S.A., Paris. Together, Artémis S.A. (a wholly-owned subsidiary of Financière Pinault S.C.A.) and Kering S.A. hold 44.22% of the share capital according to a voting rights announcement dated May 24, 2018. Consequently, all companies that are directly or indirectly controlled by Artémis S.A. and are not included in the consolidated financial statements of PUMA SE are considered related companies.

In addition, the disclosure obligation pursuant to IAS 24 extends to transactions with associated companies as well as transactions with other related companies and parties. These include non-controlling shareholders in particular.

Transactions with related companies and parties largely concern the sale of goods and services. These sales were concluded under normal market conditions that are also customary with third parties.

The following overview illustrates the scope of the business relationships:

	Deliveries and services rendered			Deliveries and services received	
	2018 € million	2017 € million		2018 € million	2017 € million
Companies included in the Artémis Group	0.0	0.0		0.0	0.0
Companies included in the Kering Group	2.3	3.6		2.0	5.7
Other related parties and persons	0.7	0.3		19.6	16.6
Total	**2.9**	**3.9**		**21.6**	**22.4**

	Net receivables from			Liabilities to	
	2018 € million	2017 € million		2018 € million	2017 € million
Companies included in the Artémis Group	0.0	0.0		0.0	0.0
Companies included in the Kering Group	0.8	1.3		0.0	2.3
Other related parties and persons	0.0	0.1		4.7	2.8
Total	**0.8**	**1.4**		**4.8**	**5.1**

In addition, dividend payments of €55.7 million were made to non-controlling shareholders in the financial year 2018 (previous year: €13.4 million).

Apart from the dividend income of €0.6 million (previous year: €0.8 million), there were no other accounting transactions with associated companies.

Receivables from related companies and parties are, with one exception, not subject to value adjustments. Only with respect to the receivables from a non-controlling shareholder and its group of companies were gross receivables in the amount of €52.2 million adjusted in value for a subsidiary of Puma SE in Greece as of December 31, 2018 (previous year: €52.2 million). As in the previous year, no expenses were recorded in this respect in the financial year 2018.

As of December 31, 2018, there were no liabilities to companies included in the Kering Group arising from financing activities (previous year: €0.0 million).

The Management Board as well as the members of the Supervisory Board of the PUMA Group are related parties within the meaning of IAS 24. The services and compensation of this group of individuals is shown in chapter 31.

As part of consulting, service and employment contracts, members of the Supervisory Board received compensation from PUMA in the amount of €0.2 million (previous year: €0.1 million).

33. Corporate Governance

In November 2018, the Management Board and the Supervisory Board submitted the required compliance declaration with respect to the recommendations issued by the Government Commission German Corporate Governance Code pursuant to Section 161 of the AktG (Aktiengesetz, German Stock Corporation Act) and published it on the Company's website (www.puma.com). Please also refer to the Corporate Governance Report in the Combined Management Report.

34. Events after the Balance Sheet Date

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

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

35. Date of Release

The Management Board of PUMA SE released the consolidated financial statements on January 30, 2019 for distribution to the Supervisory Board. The task of the Supervisory Board is to review the consolidated financial statements and state whether it approves them.

Herzogenaurach, January 30, 2019

The Management Board

Gulden **Lämmermann** **Sørensen**

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

Appendix 1 of the Consolidated Financial Statements

Changes in Fixed Assets

Changes in 2017	Purchase costs						Accumulated depreciation						Carrying amounts	
	Balance 1.1.2017 € million	Currency changes and other changes	Additions/ retransfers	Changes in group of consolidated companies	Disposals	Balance 31.12.2017 € million	Balance 1.1.2017 € million	Currency changes and other changes	Additions/ retransfers 1)	Changes in group of consolidated companies	Disposals	Balance 31.12.2017 € million	Balance 31.12.2017 € million	Balance 31.12.2016 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	167.1	-8.4	2.0		-29.0	131.8	-58.8	3.4	-5.3		18.5	-42.1	89.7	108.4
Technical equipment and machines	17.9	0.4	1.9	0.0	-0.9	19.2	-7.5	-0.1	-2.1		0.6	-9.1	10.1	10.4
Other equipment, factory and office equipment	357.4	-21.0	62.4		-38.5	360.2	-241.3	15.1	-48.7		36.6	-238.2	122.0	116.1
Payments on account and assets under construction	17.3	-4.5	25.6		-0.1	38.3	0.0	0.0			0.0		38.3	17.3
	559.7	**-33.6**	**92.0**	**0.0**	**-68.5**	**549.5**	**-307.5**	**18.5**	**-56.1**	**0.0**	**55.7**	**-289.5**	**260.1**	**252.1**
INTANGIBLE ASSETS														
Goodwill	297.1	-8.9				288.2	-46.7	0.4				-46.3	241.9	250.4
Intangible fixed assets with an unlimited or indefinite useful life	152.6	-16.3				136.3	-17.7	0.0				-17.7	118.5	134.9
Other intangible fixed assets	134.7	-3.6	31.0	0.0	-6.1	156.0	-96.9	2.9	-14.3		4.6	-103.7	52.4	37.8
	584.4	**-28.8**	**31.0**	**0.0**	**-6.1**	**580.5**	**-161.3**	**3.3**	**-14.3**	**0.0**	**4.6**	**-167.7**	**412.8**	**423.1**

1) There was no impairment for fixed assets and intangible assets in the financial year 2017, see chapters 9 and 10.

Changes in 2018	Purchase costs						Accumulated depreciation						Carrying amounts	
	Balance 1.1.2018 € million	Currency changes and other changes	Additions/ retransfers	Changes in group of consolidated companies	Disposals	Balance 31.12.2018 € million	Balance 1.1.2018 € million	Currency changes and other changes	Additions/ retransfers 1)	Changes in group of consolidated companies	Disposals	Balance 31.12.2018 € million	Balance 31.12.2018 € million	Balance 31.12.2017 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	131.8	34.7	3.7		-1.2	169.0	-42.1	0.0	-6.4		0.9	-47.6	121.4	89.7
Technical equipment and machines	19.2	-1.4	14.4		-0.5	31.7	-9.1	0.7	-2.9		0.4	-10.9	20.8	10.1
Other equipment, factory and office equipment	360.2	4.7	67.6		-28.4	404.1	-238.2	-0.3	-55.6		27.3	-266.8	137.3	122.0
Payments on account and assets under construction	38.3	-42.5	20.3		-1.0	15.2							15.2	38.3
	549.5	**-4.5**	**106.0**	**0.0**	**-31.0**	**620.0**	**-289.5**	**0.4**	**-65.0**	**0.0**	**28.7**	**-325.4**	**294.6**	**260.1**
INTANGIBLE ASSETS														
Goodwill	288.2	3.9			-1.6	290.5	-46.3	-0.1			1.6	-44.8	245.7	241.9
Intangible fixed assets with an unlimited or indefinite useful life	136.3	5.6				141.9	-17.7					-17.7	124.2	118.5
Other intangible fixed assets	156.0	0.7	32.2		-5.3	183.7	-103.7	-0.3	-17.2		5.1	-116.1	67.6	52.4
	580.5	**10.3**	**32.2**	**0.0**	**-6.9**	**616.1**	**-167.7**	**-0.5**	**-17.2**	**0.0**	**6.7**	**-178.6**	**437.4**	**412.8**

1) There was an impairment for fixed assets in the amount of €0,6 million in the financial year 2018, see chapter 9. No impairment loss was recognized for intangible assets (see chapter 10)

Appendix 2 of the Consolidated Financial Statements

Bodies
Status: 31.12.2018

Management Board

Bjørn Gulden
Chief Executive Officer (CEO)
Membership of other supervisory boards and controlling bodies:
- Tchibo GmbH, Hamburg
- Borussia Dortmund GmbH & Co. KGaA, Dortmund
- Salling Group A/S, Brabrand/Denmark (previously Dansk Supermarked A/S)
- Pandora A/S, Copenhagen/Denmark

Michael Lämmermann
Chief Financial Officer (CFO)

Lars Radoor Sørensen (until January 31, 2019)
Chief Operating Officer (COO)
Membership of other supervisory boards and controlling bodies:
- Scandinavian Brake Systems A/S, Svendborg/Denmark
- Hoyer Group A/S, Copenhagen/Denmark
- Skiold A/S, Sæby/Denmark

Supervisory Board

Jean-François Palus
(Chairman)
London, United Kingdom
Group Managing Director and member of the Administrative Board of Kering S.A., Paris/France, responsible for Strategy, Operations and Organization

Membership of other supervisory boards and controlling bodies:
- Kering Americas, Inc., New York/USA
- Volcom, LLC., Costa Mesa/USA
- Kering Tokyo Investment Ltd., Tokyo/Japan
- Pomellato S.p.A, Milan/Italy
- Sowind Group S.A., La Chaux-de-Fonds/Switzerland
- Guccio Gucci SpA., Florence/Italy
- Gucci America, Inc., New York/USA
- Christopher Kane Ltd., London/United Kingdom
- Manufacture et fabrique de montres et chronomètres Ulysse Nardin Le Locle S.A., Le Locle/Switzerland
- Kering Eyewear S.p.A., Padua/Italy
- Yugen Kaisha Gucci LLC, Tokyo/Japan
- Birdswan Solutions Ltd., Haywards Heath/West Sussex/United Kingdom
- Paintgate Ltd., Haywards Heath/West Sussex/United Kingdom
- Stella McCartney Ltd., Haywards Heath/West Sussex/United Kingdom
- Kering Asia Pacific Ltd., Hong-Kong/China
- Kering South East Asia PTE Ltd., Singapore
- Altuzarra LLC, New York/USA
- Tomas Maier Holding LLC, New York/USA
- Tomas Maier Distribution LLC, New York/USA
- Tomas Maier LLC, New York/USA

Thore Ohlsson
(Deputy Chairman)
Falsterbo, Sweden
President of Elimexo AB, Falsterbo/Sweden

Membership of other supervisory boards and controlling bodies:
- Docktricks AB, Uppsala/Sweden
- Elite Hotels AB, Stockholm/Sweden
- Tomas Frick AB, Vellinge/Sweden
- Tjugonde AB, Malmö/Sweden
- Dahlqvists Fastighetsförvaltning AB, Kristianstad/Sweden
- Dofab AB, Malmö/Sweden
- Orrefors Kosta Boda AB, Kosta/Sweden

Jean-Marc Duplaix
Paris, France
Chief Financial Officer (CFO) of Kering S.A., Paris/France

Membership of other supervisory boards and controlling bodies:
- Redcats S.A., Paris/France
- E_lite S.p.A., Milan/Italy
- Pomellato S.p.A., Milan/Italy
- Kering Japan Ltd., Tokyo/Japan
- Kering Tokyo Investment Ltd., Tokyo/Japan
- Kering Luxembourg S.A., Luxembourg/Luxembourg
- Qeelin Holding Luxembourg S.A., Luxembourg/Luxembourg
- E-Kering Lux S.A., Luxembourg/Luxembourg
- Luxury Fashion Luxembourg S.A., Luxembourg/Luxembourg
- Kering Spain S.L. (previously named Noga Luxe S.L.), Barcelona/Spain
- Kering Eyewear S.p.A., Padua/Italy
- GPo Holding S.A.S., Paris/France
- Design Management Srl, Florence/Italy
- Design Management 2 Srl, Florence/Italy
- Kering Studio S.A.S., Paris/France
- Balenciaga Asia Pacific Ltd., Hong Kong/China
- Kering Eyewear Japan Ltd., Tokyo/Japan
- Redcats Management Services S.A.S., Paris/France
- Balenciaga S.A., Paris/France
- Kering Investments Europe B.V., Amsterdam/Netherlands
- Altuzarra LLC, New York/USA
- Pomellato Japan Co. Ltd., Tokyo/Japan
- Bottega Veneta Japan Ltd., Tokyo/Japan
- Richard Ginori Asia Pacific Co. Ltd., Tokyo/Japan
- Kering Korea Ltd., Seoul/Republic of Korea

Béatrice Lazat,
Paris, France
Human Resources Director, Kering S.A., Paris/France

Membership of other supervisory boards and controlling bodies:
- Castera S.A.R.L., Luxembourg/Luxembourg
- Luxury Goods Services S.A., Cadempino/Switzerland
- Augustin S.A.R.L., Paris/France
- Prodistri S.A., Paris/France
- Conseil et Assistance S.N.C., Paris/France

Martin Koeppel
(Employees' Representative)
Weisendorf, Germany
Chairman of the Works Counsel of PUMA SE

Gernot Heinzel
(Employees' Representative**)**
Hausen, Deutschland
Key Account Manager Shoe Chains Germany South
Member until 9 July 2018

Bernd Illig
(Employees' Representative)
Bechhofen, Germany
Administrator IT Systems of PUMA SE
Member since 9 July 2018

Supervisory Board Committees

Personnel Committee

- Jean-François Palus (Chairman)
- Béatrice Lazat
- Martin Köppel

Audit Committee

- Thore Ohlsson (Chairman)
- Jean-Marc Duplaix
- Gernot Heinzel (until 9 July 2018)
- Bernd Illig (since 9 July 2018)

Sustainability Committee (until 9 July 2018)

- Jean-François Palus (Chairman)
- Béatrice Lazat
- Martin Koeppel

Nominating Committee

- Jean-François Palus (Chairman)
- Jean-Marc Duplaix
- Béatrice Lazat

Declaration by the Legal Representatives

We state to the best of our knowledge that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with the applicable accounting principles, and that the Group management report, which is combined with the Management report of PUMA SE for the financial year 2018, provides a true and fair view of the course of the development and performance of the business and the position of the Group, together with a description of the principal risks and opportunities associated with the expected performance of the Group.

Herzogenaurach, January 30, 2019

The Management Board

Gulden **Lämmermann** **Sørensen**

INDEPENDENT AUDITOR'S REPORT

To PUMA SE, Herzogenaurach

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of PUMA SE, Herzogenaurach, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2018 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of PUMA SE for the financial year from 1 January to 31 December 2018. In accordance with the German legal requirements, we have not audited the statement on corporate governance and the corporate governance report specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report.with the German legal requirements, we have not audited the content of those parts of the notes to the consolidated financial statements and of the combined management report as specified in the Chapter "Other information" of our independent auditor´s report.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the statement on corporate governance and the corporate governance report specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report.

Pursuant to Section 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) Point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

1. Recoverability of goodwill
2. Recoverability of the Cobra brand

Our presentation of these key audit matters has been structured as follows:

a) Description (including reference to corresponding information in the consolidated financial statements)
b) Auditor's response

1. Recoverability of goodwill

a) The consolidated financial statements of PUMA SE show goodwill in the amount of mEUR 245.7 corresponding to approximately 7.7 % of the consolidated balance sheet total or 14.3 % of the group equity.

Each financial year or in case of respective signs of impairment, goodwill is subject to impairment tests. The impairment tests are performed by PUMA SE by applying the "discounted cash flow method". The valuation is based on the present values of the future cash flows. The company's valuation model is based on future cash flows, which are in turn based on the effective three-year plan and valid at the date the impairment test. This detailed planning phase is extended with the assumption of long-term growth rates. The discounting is performed using the weighted average cost of capital (WACC). Here, the realizable amount is determined on the basis of the value in use and a possible need for impairment is determined by comparing the value in use with the carrying amount.

The outcome of this valuation highly depends on the legal representatives' assessment of future cash flows, the WACC rate applied and the long-term growth rate and therefore involves uncertainties and discretion. Thus, the assessment of the recoverability of the goodwill was classified as a key audit matter within the scope of our audit.

Information on the goodwill, provided by the legal representatives, is disclosed in Chapter 2 "Significant Consolidation, Accounting and Valuation Principles" and in Chapter 10 "Intangible Assets" of the notes to the consolidated financial statements.

b) Within the scope of our risk-oriented audit, we gained an understanding of the systematic approach applied when performing the impairment test. We satisfied ourselves, that the valuation model used adequately presents the requirements of the relevant standards, whether the necessary input data are completely and accurately determined and whether the calculations within the model are performed correctly. We satisfied ourselves of the appropriateness of the future cash flows used for the computation by reconciling these cash flows particularly with the effective three-year plan as well as by interviewing the legal representatives or persons appointed by them with regard to the material assumptions underlying this plan. In addition, we performed a critical assessment of the plan under consideration of general and industry-specific market expectations.

Since a material portion of the value in use results from the forecasted cash flows for the period after the three-year plan (phase of perpetuity), we in particular critically assessed the sustainable growth rate used within the perpetuity phase by means of general and industry-specific market expectations. Since relatively low changes of the discounting rate may materially affect the amount of the realizable value, we have also checked the parameters used when determining the WACC rate involving internal valuation experts from the financial advisory sector and reproduced the computation scheme.

Due to the material significance and taking into account the fact that the assessment of the goodwill also depends on the economic framework conditions that cannot be influenced by the Group, we performed in addition a critical assessment of the sensitivity analyses performed by PUMA SE for the cash-generating units (so-called CGUs) with low headroom (present values compared to the carrying amount) in order to be able to assess a possible impairment risk in case of change of a material valuation assumption.

2. Recoverability of the Cobra brand

a) The consolidated financial statements of PUMA SE disclose for the Cobra brand a brand value of mEUR 124.2 corresponding to approximately 3.9 % of the consolidated balance sheet total or 7.2 % of the group equity.

The Cobra brand is subject to an impairment test conducted annually or in case of a triggering event. The impairment test is conducted by PUMA SE based on the relief from royalty method. According to this approach, the value of the brand results from future royalty that a company would have to pay for the use of the brand if they had to license it. The approach uses forecasted revenue generated with the Cobra brand based on the effective three-year plan, valid at the time the impairment test is conducted. Subsequently, the projection period is extended assuming long-term growth rates. The discounting is performed by means of the weighted average cost of capital (WACC). The recoverable amount and the need for impairment is determined by comparing the value in use with the carrying amount. If there are indications of impairment of the brand used by the Group, the recoverability of the brand is assessed by reference to the recoverable amount of the cash-generating unit to which the brand is allocated.

The outcome of this valuation highly depends on the legal representatives' assumption of future revenue to be generated with the Cobra brand, the royalty rate and the long-term growth rate as well as the WACC rate applied and therefore involves uncertainties and discretion. Thus, the assessment of the recoverability of the Cobra Brand was classified as key audit matter within the scope of our audit.

Information on the Cobra brand, provided by the legal representatives, is disclosed in Chapter 2 "Significant Consolidation, Accounting and Valuation Principles" and in Chapter 10 "Intangible Assets" of the notes to the consolidated financial statements.

b) As part of our risk-oriented audit, we first examined on the basis of the information available to us and in discussions with the legal representatives or persons appointed by them, that there are no indications of impairment of the brand and that the recoverability of the brand can be assessed by use of the relief-from-royalty method as part of the impairment test. We have followed the methodological procedure for performing the impairment test using the relief-from-royalty method. In this regard we examined, whether the valuation model adequately reflects the conceptual requirements of the relevant standards, whether the necessary input data are completely and accurately determined and whether the calculations applied to the model are made correctly. We satisfied ourselves of the appropriateness of the assumed future revenue underlying the computation (Cobra branded sales) by reconciling these sales particularly with the effective three-year plan as well as by interviewing the legal representatives or persons appointed by them with regard to the material assumptions underlying this plan. In addition, we performed a critical assessment of the plan taking into account general and industry-specific market expectations.

Since a material portion of the value in use results from the forecasted revenue for the period following the three-year plan (phase of perpetuity), we particularly reviewed the sustainable growth rate applied to the perpetuity phase by means of general and industry-specific market expectations. As even relatively small changes of the expected royalty rate and the used discount rate may have a material effect on the value in use, we also assessed the parameters involved in the assumed royalty rate and determination of the discount rate involving internal valuation experts from the financial advisory sector and recalculated the computation scheme. Additionally, we reviewed the applied royalty rate based on industry-specific average rates.

Due to the material significance and as the measurement of the brand also depends on general economic conditions that are beyond the Group's control, we additionally reviewed the sensitivity analyses concerning the Cobra brand originally conducted by Puma SE in order to be able to determine a potential impairment risk in case a material assumption underlying the measurement changes.

Other information

The legal representatives are responsible for the other information. The other information comprises:

- the statement on corporate governance pursuant to Section 289f German Commercial Code (HGB) specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report,
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code specified in Chapter "Corporate Governance Report including the Statement on Corporate Governance pursuant to § 289f and § 315d HGB" of the combined management report,
- the legal representatives' confirmation relating to the consolidated financial statements and to the combined management report pursuant to Section 297 (2) Sentence 4 and Section 315 (1) Sentence 5 German Commercial Code (HGB), respectively,
- the combined non-financial report which will be published after the issuance of this auditor´s report and
- the remaining parts of the Annual Report which will be published after the issuance of this auditor´s report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Legal representatives and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the legal representatives are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates made by the legal representatives and related disclosures.
- Conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code HGB).
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 12 April 2018. We were engaged by the Supervisory Board on 24 October 2018. We have been the group auditor of PUMA SE, Herzogenaurach, without interruption since the financial year 2012.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Stefan Otto.

Munich, 30 January 2019

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Christof Stadter	Stefan Otto
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report by the Supervisory Board

Dear Shareholders,

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

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

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

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

Main advisory focus

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

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

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

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

Conflicts of interest

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

Committees

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

Personnel Committee

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

Audit Committee

The Audit Committee held four regular meetings in financial year 2018. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, risk management and the risk management system, internal audits, compliance and the statutory audit of the financial statements, with particular regard to the required independence of the statutory auditors, issuing the audit mandate to the statutory auditors, defining the audit areas of focus, any additional services to be performed by the auditors and the fee agreement.

Sustainability Committee

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

Nominating Committee

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

Corporate Governance

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

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

Annual financial statements adopted

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

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

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

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

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

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

Report on relationships with affiliated companies

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

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

1. the information contained in the report is correct,
2. the payments made by the corporation in the legal transactions listed in the report were not unduly high and
3. regarding the other measures listed in the report, there are no circumstances indicating a materially different assessment from that of the Management Board."

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

Personnel changes in the Supervisory Board

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

Thanks

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

Herzogenaurach, February 13, 2019

On behalf of the Supervisory Board

Jean-François Palus
Chairman