Combined Management Report

for the Financial Year 2016

Combined Management Report:

This report combines the Management Report of the PUMA Group and the Management Report of PUMA SE according to German GAAP (HGB)

Overview 2016

2016 was a year of major sporting events for PUMA. The Copa América, the European Football Championship and the Rio Olympics proved to be great platforms to present PUMA as an innovative and design-oriented sports brand and set the stage for our "Forever Faster" mission statement. The increasing sell-through of our products and the growing interest of consumers in our brand underlines the fact that we have significantly improved our product offering and have made great strides in further strengthening our brand heat. This can also be seen in the positive reactions of our retail partners, with whom we worked intensively again in 2016 to position our brand and products even better in retail and wholesale. Our new product lines such as Fierce, Platform, IGNITE Dual and the FENTY collections designed by Rihanna have received a very positive response from our consumers. Coupled with a successful marketing with our brand ambassadors such as Rihanna, Kylie Jenner and Cara Delevingne, and, not least, the outstanding achievements of Usain Bolt, PUMA managed to make 2016 a year in which the company has gained further positive momentum.

In our Teamsport category, the 2016 European Football Championship in France provided the perfect stage for PUMA to show its strength as an innovative and design-oriented sports brand. With a brand presence in almost 40 percent of all games, PUMA's five teams were highly visible in their jerseys with ACTV Thermo-R technology. France's Antoine Griezmann, who was named Player of the Tournament by UEFA, was the top goal scorer of the tournament, with six goals in his two-toned PUMA Tricks shoes. Prior to the European Championship, underdog Leicester City became the first PUMA team to become English Premier League champions, followed by London-based PUMA team Arsenal, which ended the season in second place.

Our Running and Training category drew benefit from the enormous success achieved by our athletes and partnered associations at the Summer Olympics in Rio. PUMA sprint star Usain Bolt won gold medals in all three sprint competitions. In total, our PUMA-sponsored Olympic teams from Jamaica, the Bahamas, Cuba and Grenada, as well as the track-and-field teams from Switzerland, the Dominican Republic and Barbados won ten gold, five silver, and nine bronze medals. Another highlight in our Running category was the successful expansion of our IGNITE shoe technology in various models.

In our Motorsport category, Nico Rosberg won the Formula 1 world championship for the first time in his career after a gripping final race. The Formula 1 racing team MERCEDES AMG PETRONAS, which we sponsor, also won the Constructors' Championship for the third time in a row. Our Golf division again benefited from the excellent performance of our numerous top players, including Rickie Fowler and Lexi Thompson. The introduction of PUMA’s new KING F7 drivers with ultralight GPS sensors in the grip is revolutionizing the game of golf and making it possible for players to carry out a comprehensive analysis of their golf game on their smartphone.

In line with our mantra "The future is female", we further sharpened our strategic focus on the female target group in 2016. A key element in this strategy is our partnership with Rihanna as brand ambassador and creative director. With her intuitive, individual style, she has a direct influence on our women's collections in our Performance and Sportstyle categories. September 2016 saw the launch of the first PUMA collection under her FENTY label that was first revealed at the New York Fashion Week in February. A short time later, Rihanna presented her 2017 spring/summer collection at Paris Fashion Week. This second collection is inspired by the France of the 18th century and combines influences from the time of Louis XVI with a modern street-style look.

Our "DO YOU" communication platform has further strengthened our women's segment. Our aim with this campaign, which is centered around model, actress, and activist Cara Delevingne, is to inspire self-confidence in women around the world. A cross-collection range of products from the Running and Training segments and from our Sportstyle collection will be advertised as part of the "DO YOU" campaign.

In order to improve the quality of our sales and to increase sales, we continued to work systematically to strengthen our relationships with our strategic retail partners. In addition, we have established new initiatives and customer relationships with major retail companies in traditional and growing markets. In 2016, for example, we successfully continued our long-term relationship with Foot Locker in North America and the jointly developed retail concept "PUMA Lab". In China, our franchise partners opened around 200 additional PUMA retail stores during the past financial year. In terms of the Group's own retail stores, we continued the global roll-out of our "Forever Faster" store concept to optimize the presentation of our products and associated technologies and strengthen our positioning as a sports brand.

We also made further progress in our ongoing efforts to simplify our organizational structure and setup in the last financial year. For example, the flexibility of the supply chain has improved as a result of increased local sourcing ("local-for-local"). In addition, our own employees were moved closer to the production sites of our suppliers in order to make faster decisions and to make better use of synergies with our suppliers. Regarding the optimization of our IT, we continued to work on implementing a standardized ERP system. We also focused on renewing our IT infrastructure and improving our design, product development and planning processes. In the past financial year, we also started the process of expanding our Group headquarters in Herzogenaurach. The new administration building, which is scheduled to be completed in spring 2018, is being erected opposite the existing PUMAVision Headquarters and represents a clear commitment to the Herzogenaurach site.

The positive business development in 2016, with significantly improved sales of our products - both in the Group's own retail business, as well as with our partners and major customers in wholesale - shows that our efforts are already beginning to pay off in the form of better products, better marketing and better cooperation with our retail partners. This means we made major progress towards our goal of being the "Fastest Sports Brand in the World" in 2016.

The growth in PUMA's sales during 2016 shows that we are on the right path with respect to increasing our brand awareness and improving our product offering. The footwear segment was the strongest driver of growth among the three product segments and has recorded an increase in sales in each of the past ten quarters. Accordingly, consolidated sales increased by 10.2% on a currency-adjusted basis during the past financial year. This put the currency-adjusted sales improvement in the high single-digit percentage range, which was even slightly higher than forecast in the previous annual report for 2016. In the reporting currency, the euro, this represents a 7.1% increase in sales from around € 3.4 billion in the previous year to around € 3.6 billion in 2016. The gross profit margin improved by 20 basis points to 45.7%, despite the strength of the US dollar against a number of currencies, as PUMA more than compensated for negative currency effects through selective price adjustments and improvements in sourcing. In addition, the increased share of sales generated by the Group's own retail activities had a positive impact on the gross profit margin.

The moderate increase in other operating income and expenses by only 5.7% contributed to a strong improvement in operating income (EBIT), which rose by 32.6% from € 96.3 million to € 127.6 million in the past financial year. The gross profit margin, other operating income and expenses and operating income were thus also within the range of the forecast or slightly higher. Consolidated net earnings increased to € 62.4 million (previous year: € 37.1 million) and earnings per share rose to € 4.17 compared to € 2.48 in the previous year.

Due to the successful business development, with a clear improvement in the earnings situation and the free cash flow, the Managing Directors will propose to the Administrative Board and the Annual General Meeting on April 12, 2017, the distribution of a dividend of € 0.75 per share for the 2016 financial year (previous year: € 0.50).

At the end of the year, the PUMA share listed at € 249.65, a 25.7% increase over the share price at the end of the previous year (€ 198.65). This means that the market capitalization has risen to around € 3.7 billion (previous year: € 3.0 billion).

PUMA Group Essential Information

Commercial Activities and Organizational Structure

We trade under the name PUMA SE with Group headquarters in Herzogenaurach, Germany. Our internal reporting activities are based according to regions (EMEA, America and Asia/Pacific) and products (footwear, apparel and accessories). A detailed description of the various segments can be found in paragraph 25 of the Notes to the Consolidated Financial Statements.

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

As of December 31, 2016, 106 subsidiaries were controlled directly or indirectly by PUMA SE. Our subsidiaries carry out various tasks at the local level, such as sales, marketing, product development, sourcing and management. A full list of all subsidiaries and an associated company can be found in paragraph 2 of the Notes to the Consolidated Financial Statements.

Targets and Strategy

The results achieved in 2016 show that PUMA is starting to gain momentum: Throughout the year, we focused and invested in events, products, and campaigns that took us yet again a step closer to becoming the Fastest Sports Brand in the World. For us, the past year was particularly exciting and characterized by the following highlights: The football tournaments Copa América and UEFA Euro 2016, the Olympic Games in Rio and the fantastic development of our women's category.

We continued to make progress along our five key strategic priorities: creating brand heat for PUMA as the Fastest Sports Brand in the World, further improving the product engine with a strong pipeline of exciting and commercial products, optimizing PUMA's distribution quality through stronger sell-through, enhancement of organizational speed and business processes as well as strengthening PUMA's women's business. These priorities will be at the center of our strategy going forward. While we still have a lot of work ahead of us, we feel that 2016 took us a big step forward within each of these areas.

We have further **strengthened our brand heat**, by leveraging our brand ambassadors and cultivating the hype in social media. We are proud to have long-standing partnerships with some of the world's greatest athletes, such as the Olympic legend Usain Bolt, who has been with PUMA for almost 15 years. Additionally we have new relationships with up-and-coming stars and talents like the charismatic Silver-medalist Andre De Grasse, the one of a kind Cara Delevingne, the R&B star, style icon The Weeknd, and of course Rihanna who have made a major impact in 2016. During the UEFA Euro 2016 we ensured high visibility with our five PUMA-sponsored teams Italy, Austria, Switzerland, Slovakia and the Czech Republic. On top, outstanding players such as Antoine Griezmann, who was named player of the tournament were wearing our distinctive two-colored Tricks boots. In terms of media investments, we have shifted much of our budget into online, and especially social media channels. Not only our own channels, but especially those of our brand ambassadors and other influencers have proven highly effective in reaching our target consumers. In addition, we have increasingly partnered with key customers for the launch of new collections in order to optimize sell-through and get our brand noticed at the point of sale. Both the focus on our ambassadors and social media as well as the close integration of our retail partners will continue to be integral parts of our brand strategy.

On the **product** side, we introduced a number of key styles. The PUMA Fierce with its highly distinctive silhouette and uncompromised performance attributes has been an instant hit in terms of distribution, media coverage and most importantly sales. Other new key footwear styles included the IGNITE Dual and IGNITE Evoknit with its modern mid-top silhouette that represents the first style in our Street Running initiative. Our FENTY collection, that features apparel and footwear, was very well received by press, retail partners and our consumers. Some styles, such as the FENTY Creeper and the Leadcat, were sold out within hours or even minutes. According to our retail partners as well as independent research companies, we have gained shares in most geographies and channels, showing that PUMA products are again resonating well with consumers.

In terms of **improving the quality of distribution**, we continued to strengthen our relationships with key strategic accounts and built new partnerships with strong retailers in both established and emerging markets. One of the best examples is our long-standing strong relationship with Foot Locker in North America. For several years, we have rolled out our jointly developed retail concept "PUMA Lab". This has helped to grow sell-through well beyond just the "PUMA Lab" doors, especially in Foot Locker's women-only banner Six:02, where PUMA sales have more than doubled. PUMA is also gaining traction with other customers in the US, but also in Europe, where PUMA has returned to double-digit growth rates in many markets. In China, our franchise partners such as Belle and the YY Group have opened around 200 additional PUMA doors in 2016. PUMA's owned and operated retail sales developed quite strongly throughout the year based on a healthy like-for-like sales growth, an increased number of own retail stores in operation as well as significant momentum in our eCommerce business, which we have moved into our global headquarters in Herzogenaurach. We also continued our worldwide roll-out of the "Forever Faster" store layout, which contributed to this positive development. We will continue to build on this momentum with our most important accounts as well as our own retail stores across geographies in 2017.

The continuous improvements made to our systems, processes and overall **organizational structure** in the last two years enabled us to further increase the flexibility of our supply chain in 2016. Further rollouts to build an improved, standardized global IT foundation allow for faster and better communication and information exchange, which form the basis for strengthening and improving the performance of our staff. Closer proximity to the supplier by relocating employees to product operation centers (POCs), increased local-for-local production in countries such as India and Mexico as well as implementing a new, highly automated warehouse solution in the United States will ensure faster lead times for key markets and allow us to come one step closer to our mantra of being "Forever Faster".

An area where PUMA has received a lot of attention in 2016 - and will continue to put a special focus on - is our **women's business**. Building on PUMA's fashion credibility and sports authenticity, as well as a profound understanding of the modern female athletic consumer, we have positioned PUMA to address the segment "where the gym meets the runway". Not only are women increasingly participating in athletic activities worldwide, but they are also taking inspiration from athletic wear for their everyday wardrobe. In 2016 PUMA has successfully introduced cross-category collections merging sports and fashion. With our "DO YOU" campaign, which aims to inspire confidence in women around the world, we are changing the way we address our female consumer. Additionally we are collaborating with a number of strong female brand ambassadors such as Rihanna, Kylie Jenner, the New York City Ballet and Cara Delevingne to tell a powerful story. The reactions to our FENTY PUMA by Rihanna runway shows during the New York and Paris Fashion Weeks have been overwhelmingly positive and have created major social media buzz for us. Our women-specific collections are among the best performing styles in terms of both sell-in and sell-through. Not only have many major retailers made additional space for our female collections, in many accounts the success of our women's line has actually been a door opener to expand our shelf space with men's and kids styles.

Social, economic and environmental sustainability is among the core values at PUMA. In line with our Forever Faster mantra, we define sustainability as “Forever” - Caring for the needs of the present without compromising future needs and “Faster” – in responding to economic, environmental and social opportunities and challenges we face. Our sustainability strategy is centered around ten priority areas, which form our 10FOR20 sustainability targets. Our mission to be the Fastest Sports Brand in the World includes assuming responsibility for ensuring that our products are manufactured under appropriate working conditions and produced by suppliers who respect human rights and care for the environment.

Product Development and Design

In line with our mission statement of being the Fastest Sports Brand in the World, PUMA offers an attractive product range of footwear, apparel and accessories within its Performance and Sportstyle categories. In 2016, we set ourselves the goal to further improve our product offering: This includes increasing design clarity by reducing and standardizing colors and material components, and introducing more innovative technologies and more commercial products. The positive response from our retail partners and the increased sell-through of our products in the past year show that these improvements have been well received by our customers. Lightness, strength, comfort, and agility are among the most important attributes of our product concepts in the Performance category, as for example demonstrated in our successful IGNITE series in Running and our Teamsport products. All of our Sportstyle ranges are inspired by our roots in sport, combined with fashionable trends for a sporty lifestyle. Under the leadership of our Global Creative Director, Torsten Hochstetter, we ensure a design language that spans all our collections by organizing our product responsibility within global business units and regional design centers.

In 2016, our product range in Performance was dominated by major sporting events, from the Copa América and the European Championships in Football to the Summer Olympics in Rio. These events provided the perfect stage for us to show that PUMA is an innovative and design-oriented sports brand. At the European Championships in France, we achieved a high level of visibility with our five participating teams in their jerseys equipped with PUMA's innovative ACTV Thermo-R technology. In addition to many other individual players in PUMA shoes, France’s Antoine Griezmann in particular attracted attention to our brand: He was named Player of the Tournament by UEFA and the six goals he scored in his duo coloured PUMA Tricks shoes made him the top goal scorer of the Championships.

In addition, PUMA also received a 2016 IPSO AWARD in the Apparel Performance Products Outer Layer category for a Football product: Our evoTRG vent jacket with dynamic temperature control has ergonomically-placed inserts that adapt to movements during football matches: The inserts open during movement to cool the players, and close during periods of rest to keep players warm.

The Olympic Games in Rio de Janeiro, where PUMA athletes won a total of ten gold, five silver, and nine bronze medals, were also a perfect opportunity to showcase our products and establish our credibility as a sports brand. As supplier of all the competition and training apparel of the Caribbean nations Jamaica, Cuba, Grenada, the Dominican Republic, the Bahamas and Barbados, as well as other associations like Switzerland, we once again showed – led by the Fastest Man in the World, Usain Bolt, and with the three gold medals he won in Rio in the 100, 200 and 4x100 meter races – that no other brand stands for speed the way we do.

Other highlights of our product range in Running and Training included our successful IGNITE series with the IGNITE Dual for the fall/winter season. Its innovative sole construction and the proven IGNITE foam offer an ideal combination of flexible grip and good cushioning, especially for medium and long-distance runners. Our apparel, with its strong colors and simplified designs, gives our customers a dynamic look when engaging in sports.

Our Motorsport category saw the introduction of our latest model in the DISC family with the metallic-silver shoe BMW X-CAT DISC. This striking shoe is another example of our reintroduced DISC technology, which uses an intelligent fastening system developed in 1991 to provide an optimal and comfortable grip. Formula 1 is dominated by PUMA-sponsored teams such as MERCEDES AMG PETRONAS, Scuderia Ferrari and Red Bull Racing, which hold top places in the Drivers' and Constructors' Championships in what has been an enormously successful season thus far.

We were particularly pleased with the sustained success of our product concepts for women. In keeping with our mission statement "The future is female", we have systematically expanded our women's collection over the past two years. We achieved major success in this segment again in 2016, especially in Sportstyle. The overwhelming response to our "FENTY PUMA by Rihanna" fashion show at New York Fashion Week in February, for example, gave a boost to the launch of other FENTY collections. The FENTY Trainer and the CREEPER model, which was released in new colors, sold out within a few days, and the Fur Slide sandal sold out after just a few hours or minutes. As part of our partnership with Kylie Jenner, who has a great influence on young women in the USA and is a new brand ambassador of PUMA, we launched another revolutionary silhouette – the FIERCE training shoe.

After launching our first, long-awaited "FENTY PUMA by Rihanna" collection in September for the fall/winter season, Rihanna presented her 2017 spring/summer collection at Paris Fashion Week only a short time later. This second collection is inspired by the France of the 18th century and combines influences from the time of Louis XVI with a modern street-style look. We also further strengthened our Women's segment with the launch of our "DO YOU" campaign, which aims to inspire self-confidence in women around the world. The campaign is spearheaded by Cara Delevingne, an international model, actress and activist who complements PUMA's growing number of influential brand ambassadors. "DO YOU" involves a cross-collection range of products from Running and Training and our Sportstyle collection.

PUMA is continuously researching new technologies and constantly developing new products that meet the high standards of high-performance athletes and consumers in terms of design, quality, technical characteristics and wearing comfort.

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

As of December 31, 2016, a total of 525 employees were employed in research and product development. Expenses for research and product development totaled € 52.0 million in 2016.

Sourcing

The Sourcing Organisation

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

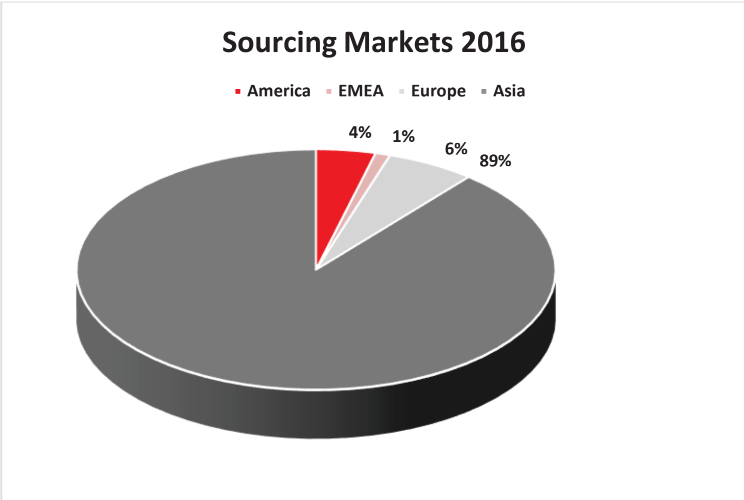
PUMA International Trading GmbH (PIT), PUMA's globally active trading company which has its head office in Herzogenaurach (Germany), is the Group company mainly responsible for PUMA Group Sourcing. PIT coordinates product sourcing from independent manufacturers by sourcing products itself from the manufacturers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

The processes of PUMA Group Sourcing are continuously improved in line with the six core principles of partnership, transparency, flexibility, speed, simplicity, and effectiveness, thus satisfying the aim of offering service at a high level for all PUMA brands and creating a sustainable production and supply chain. In order to further strengthen the link between customer demands, product design and production, product knowledge is moved closer to production, thus ensuring any developments in the market can be adapted to more quickly. PUMA Group Sourcing's worldwide production network, which is the main focus of PIT's efforts, helps to optimize the supply chain by working with independent manufacturers, from materials purchase to manufacturing through to product delivery. The aim is to offer an optimum service to the various PUMA brands in order to meet and continue to improve global requirements for quality and safety along with environmental and social aspects in production. At the same time, the centralized sourcing responsibility results in regular improvements to sourcing costs, sourcing flexibility, and the required supply reliability.

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

The Sourcing Markets

During the financial year 2016, PUMA Group Sourcing worked with 163 suppliers in 34 countries via PIT. The strategic cooperation with long-term partners was one of the key competitive advantages in 2016, ensuring stable procurement in turbulent market conditions. The trend away from China toward Vietnam as the main production country continued in 2016.

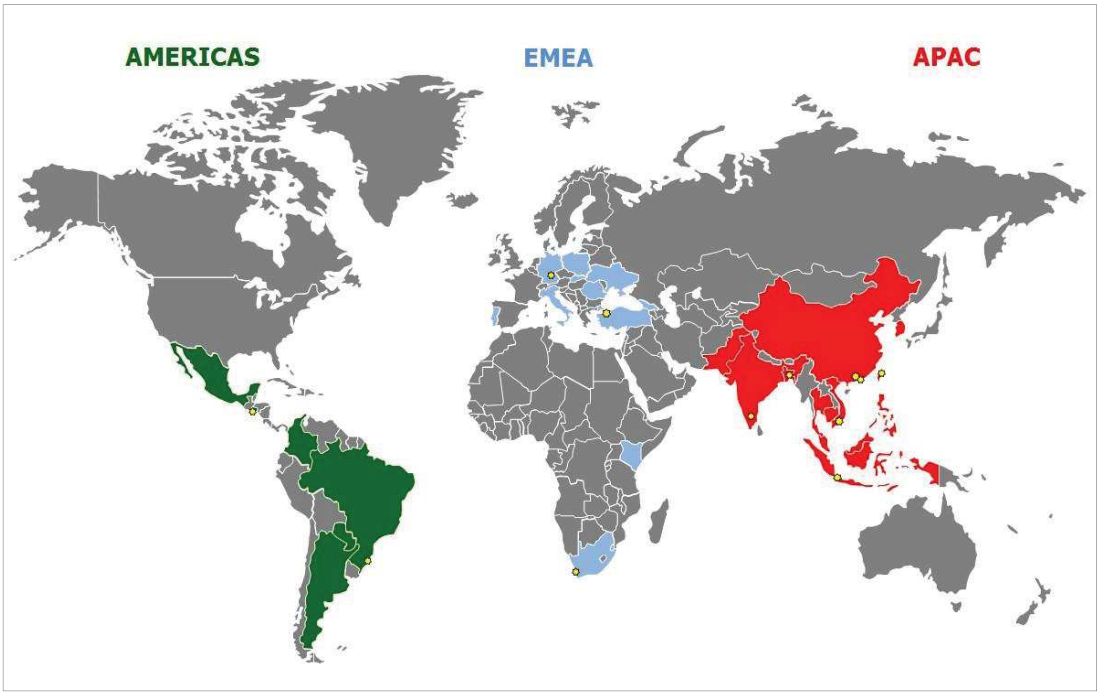


Asia remains the strongest sourcing region overall with 89% of the total volume, followed by Europe with 6%, America with 4%, and Africa with 1%.

As a result, the six most important sourcing countries (85% of the total volume) are all located on the Asian continent. Vietnam was the strongest production country again in 2016 with a total of 32%, an increase of 4 percentage points from the previous year. China followed at 23%, a decline of 3 percentage points from 2015. Cambodia was in third place at 12%. Bangladesh, which focuses on apparel, is in fourth place at 10%. Indonesia, which focuses on footwear production, produces 5% of the total volume and is in fifth place. India is in sixth place at 3%.

Rising wage costs and macroeconomic influences affected the sourcing markets in 2016. This increases the need to take into account the risks of these factors when allocating production. This is a crucial component of our sourcing strategy in order to ensure the secure and competitive sourcing of products.

Sourcing regions of PUMA Group Sourcing

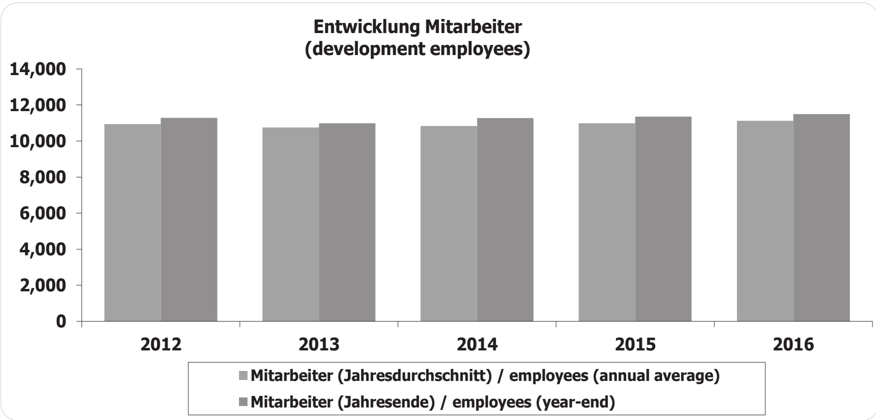


Employees

Number of employees

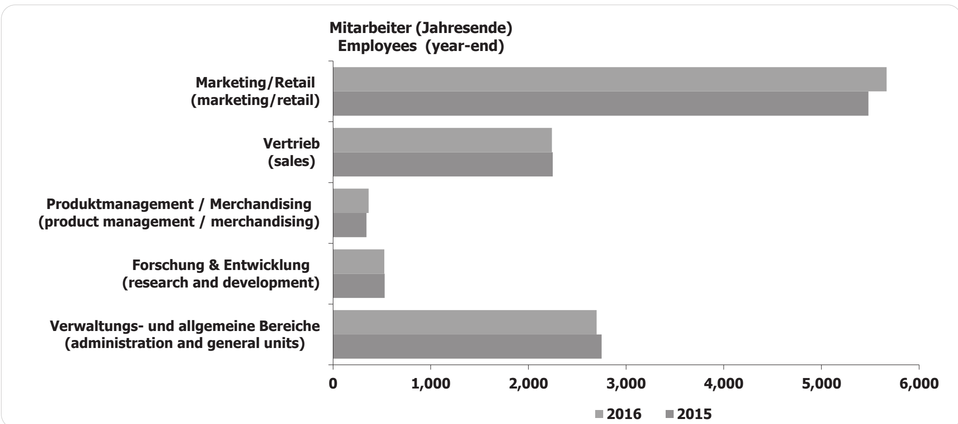
The worldwide number of employees on **average for the year** was 11,128 in 2016 compared to 10,988 in the previous year. The increase was mainly related to the higher number of the Group's own retail stores.

In 2016, personnel costs increased by 1.9% from € 483.8 million to € 493.1 million. On average, personnel expenses per employee amounted to € 44.3 thousand, compared to € 44.0 thousand in the previous year.



As of **December 31, 2016**, the number of employees was 11,495, compared to 11,351 at the end of the previous year.

In the Marketing/Retail segment, the number of employees increased by 3.4 % to 5,668. The number of employees in Sales remained largely stable at 2,241. The number of employees in Product Management/Merchandising increased by 6.3% to 364, while the number of employees in the administrative and general units declined by 1.9 % to 2,698. The number of employees in Research and Development remained largely stable at 525.



Talent Recruitment and Development

PUMA's success depends to a large extent on its employees. In order to secure and expand our position in the market, it is essential that we have highly qualified and motivated personnel. Our recruitment strategy allows us to recruit external talent through different channels according to specific target groups and thus strengthen our workforce.

In addition to performance assessment and target-setting, our global performance management system includes talent management and systematic succession planning. This system serves as the basis for the annual employee interviews and for identifying talent within the company. PUMA has set itself the goal of developing this talent individually, both in Germany and internationally, and creating a high degree of employee loyalty to ensure that staff is retained in the long term. This shows that we regard our employees as an important and valuable asset. The long-term retention of motivated and capable employees is a core element of competitiveness today and ensures that we can perform well both as a company and an employer in our dynamic environment and can adapt to changes in the market.

The continuous professional and personal development of our employees also ensures that our workforce has the necessary skills to ensure steady growth and market expertise. In our effort to provide adequate entry-level and development opportunities to talented individuals at all levels, in addition to the range of different training and dual-track (combined work-study) programs, we also promote the systematic training of our professionals and managers. We continually develop our PUMA training offers in order to ensure that our employees have at all times comprehensive and diverse options to add to their qualifications, build on existing knowledge and acquire new skills. This approach helps employees achieve their personal goals and helps the company achieve its goals as well. In addition to a training program with a broad range of individual courses and workshops, a large number of seminars is offered 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. For example, this year we continued to enhance our successful International Leadership Program (ILP), an internal program consisting of several modules, on a worldwide scale. In addition, in Speed Up² we have developed a new training program that will intensively prepare our top talents for the next steps in their career. Participants, who are selected for the program by a panel of executives and human resources representatives, work with a personal mentor. The first Speed Up² module took place in November.

Compensation

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

Management System

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

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

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

We use the indicator **working capital** 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.

Economic Report

General Economic Conditions

Global Economy

The global economy emerged from the worst of the economic downturn during the course of 2016. The expansion of the global economy was weak overall in 2016, but began accelerating slightly from the middle of the year. According to the winter forecast of the Kiel Institute for the World Economy (IfW), the increase in global gross domestic product (GDP) for 2016 will be 3.1%. This is again slightly below the level of the previous year, which was already weak, and corresponds to the lowest growth since the crisis year 2009.

Economic growth in the advanced economies remained moderate, with the GDP in the United States (+1.6%), the United Kingdom (+1.6%), the Euro zone (+1.7%) and in Japan (+1.0%) at a similarly subdued level.

The emerging markets economies have recently seen an overall stronger performance, but major problems remain in some countries. While China's GDP grew significantly (+6.6%) thanks to its expansionary economic policy, Russia (-0.6%) and Brazil (-3.5%) remained in recession.

The Sporting Goods industry

The global sporting goods industry recorded solid growth in 2016. The main growth drivers were the increase in consumer spending due to higher incomes and the worldwide increase in participation in sports. The trend towards more and more women being active in sports contributed to this positive performance. In addition, the global sports fashion trend continued.

With regard to sales channels, the eCommerce business continued to record the highest growth rates. However, volatile currency movements, and, in particular, the strong US dollar, which made products more expensive, had a dampening effect on the profitability of some companies in the sporting goods sector.

Sales

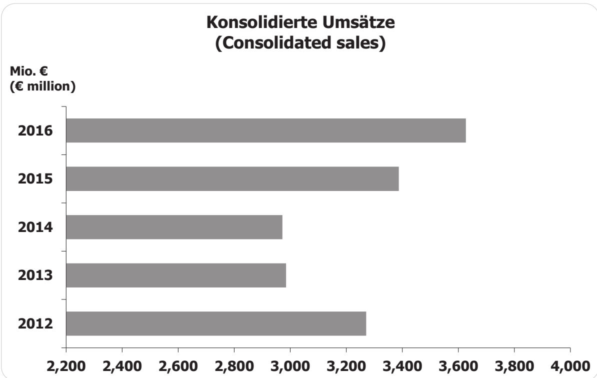
Illustration of Sales Development in 2016 Compared to 2015 Outlook

In the 2015 Annual Report, we forecast a currency-adjusted increase in consolidated sales at a high single-digit rate for the financial year 2016. This was confirmed during the year and was even slightly exceeded for the full year 2016.

More details on sales development are provided below.

Consolidated Sales

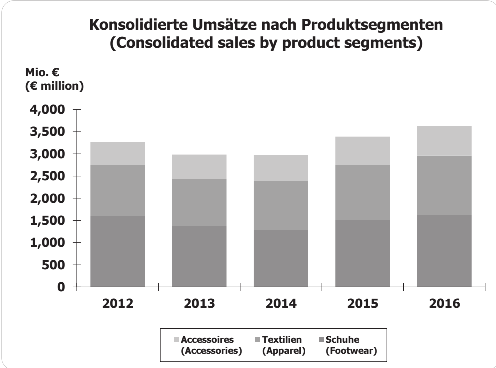
PUMA increased consolidated sales in the financial year 2016 in euro, the reporting currency, by 7.1 % to € 3,626.7 million. Currency-adjusted sales increased by 10.2%. This result even slightly exceeds the forecast of currency-adjusted sales growth at a high single-digit rate. All regions and product segments contributed to this positive performance.



The main driver for the growth in sales was PUMA's most important segment, **footwear**, which at the end of the 2016 financial year had been on a sustained growth trend over the past ten quarters: Sales in euro, the reporting currency, rose by 8.0 % to € 1,627.0 million, supported by the Running, Sportstyle and Fundamentals categories. The currency-adjusted sales increase was 12.6 %. This segment's share in consolidated sales rose from 44.5 % in 2015 to 44.9 % in the reporting year.

In the reporting currency, the euro, sales in the **apparel** segment rose by 7.1 % to € 1,333.2 million. The currency-adjusted sales increase was 9.6 %. All product categories contributed to this positive performance. The largest increases were achieved in the Sportstyle category, especially with products for women. The apparel segment accounted for 36.8 % of consolidated sales (previous year: 36.7 %).

Sales in the **accessories** segment increased by 4.7 % to € 666.5 million in the reporting currency, the euro, despite the stable development of the golf club business. This corresponds to a currency-adjusted increase of 5.9 %. The share of consolidated sales decreased to 18.4 % (previous year: 18.8 %).

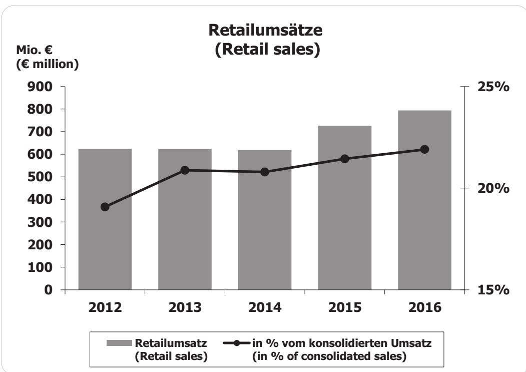


Retail businesses

The Group's own retail activities include PUMA Stores, factory outlets and online sales, each with direct sales to our consumers (direct-to-consumer business). In addition to regional availability, this ensures the controlled sale of PUMA products as well as the presentation of the PUMA brand in an environment appropriate to our brand positioning.

Sales in the Group's own retail businesses improved on a currency-adjusted basis by 12.5 % to € 794.3 million during the 2016 financial year. This corresponds to a share of 21.9 % of total sales (previous year: 21.4 %). The sales growth was achieved both on a comparable area basis in our own retail stores and through the targeted expansion of the portfolio of the company's own retail stores. In addition to the opening of additional retail stores, the optimization of the portfolio also included the modernization of existing retail stores as well as the roll-out of the "Forever Faster" store concept at other locations. This makes it possible to present PUMA products and related technologies in an even more attractive environment and strengthens PUMA's position as a sports brand.

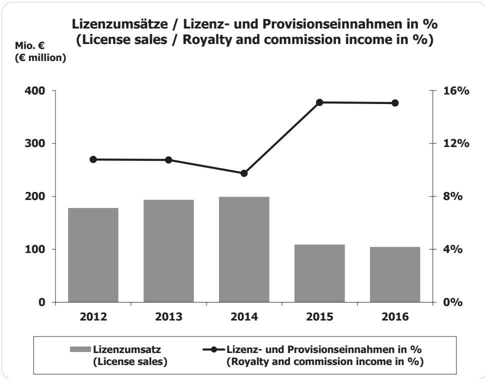
The eCommerce business recorded above-average growth, supported by the expansion of the product offering in the online stores and the opening of further online platforms. Our sales promotion measures on special days in the online business, for example on November 11, the largest online shopping day in the world, and on "Cyber Monday", were particularly successful. In addition, the new products introduced, for example from the "FENTY PUMA by Rihanna" collection, were extremely well received by our online customers.



Licensing business

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

License sales decreased in 2016 due to the expiration of some licensing agreements, both in the reporting currency, the euro, and, on a currency-adjusted basis, by 4.3 % to € 104.3 million. Of this amount, € 15.7 million or 15.1 % was attributable to license and commission income, compared with € 16.5 million (15.1 %) in the previous year.



Results of Operations

Income Statement	2016 € million	2016 %	2015 € million	2015 %	+/- %
Sales	**3,626.7**	100.0%	**3,387.4**	100.0%	7.1%
Cost of sales	-1,970.3	-54.3%	-1,847.2	-54.5%	6.7%
Gross profit	**1,656.4**	45.7%	**1,540.2**	45.5%	7.5%
Royalty and commission income	15.7	0.4%	16.5	0.5%	-5.3%
Other operating income and expenses	-1,544.5	-42.6%	-1,460.5	-43.1%	5.7%
Operating income (EBIT)	**127.6**	3.5%	**96.3**	2.8%	32.6%
Financial result / Income from associated companies	-8.7	-0.2%	-11.2	-0.3%	-22.0%
Earnings before taxes (EBT)	**118.9**	3.3%	**85.0**	2.5%	39.8%
Taxes on income	-30.5	-0.8%	-23.3	-0.7%	30.7%
Tax rate	-25.7%		-27.5%		
Net earnings attributable to non-controlling interests	-26.0	-0.7%	-24.6	-0.7%	5.8%
Net earnings	**62.4**	1.7%	**37.1**	1.1%	68.0%
Weighted average shares outstanding (million)	14.940		14.940		0.0%
Weighted average shares outstanding, diluted (million)	14.940		14.940		0.0%
Earnings per share in €	4.17		2.48		68.0%
Earnings per share, diluted in €	4.17		2.48		68.0%

Illustration of Earnings Development in 2016 Compared to 2015

In the outlook in the 2015 Annual Report, PUMA forecast for a gross profit margin at the previous year's level (45.5 %) for the 2016 financial year, as PUMA had planned countermeasures to offset the negative effects of developments in exchange rates. For other operating income and expenses, PUMA expected an increase at a mid to high single-digit rate, as plans called for continued investment in marketing, in the company's own retail stores and in the IT infrastructure. The forecast for operating income (EBIT) was in a range between € 115 million and € 125 million. In addition, a corresponding improvement in net earnings was expected. These forecasts were confirmed during the year and, for the full year 2016, were achieved in full, or, in the case of gross profit margin and operating income, even slightly exceeded. As a result, PUMA was able to achieve the targeted improvement in its operating income and operating margin for 2016.

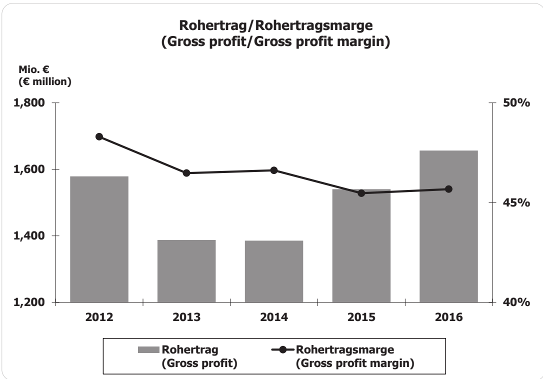
More details on earnings development are provided below.

Gross Profit Margin

In the financial year 2016, gross profit increased by 7.5 % from € 1,540.2 million to € 1,656.4 million.

The gross profit margin increased by 20 basis points from 45.5 % to 45.7 %, as PUMA was able to more than compensate for negative currency effects resulting from the strength of the US dollar against a number of currencies by selectively increasing prices and improving sourcing. In addition, the increased share of sales generated by the Group's own retail activities had a positive impact on the gross profit margin.

Accordingly, the gross profit margin in the footwear segment increased from 41.2 % in the previous year to 42.5 %. Apparel recorded a decline from 49.3 % to 48.4 %, while gross profit margin for accessories remained virtually unchanged at 47.9 %.

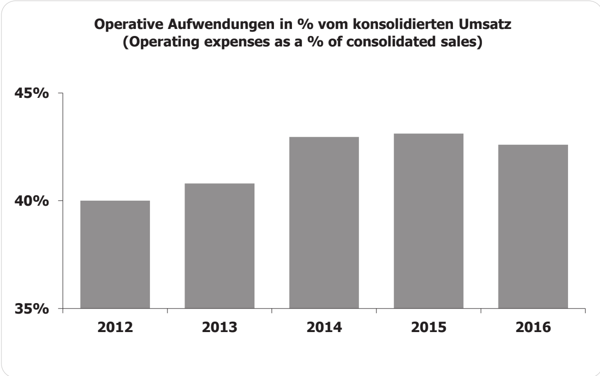


Other Operating Income and Expenses

The strong focus on tightly controlling other operating income and expenses remained a high priority for PUMA in the 2016 financial year.

Nevertheless, further targeted investments were made in marketing in order to increase the brand awareness of PUMA and to position PUMA as the Fastest Sports Brand in the World. Investments were also made in the modernization of the Group's own retail stores and in the continued roll-out of the "Forever Faster" store concept. The opening of additional retail stores also contributed to the increase in other operating income and expenses. In addition, we continued modernizing our IT infrastructure.

In the 2016 financial year, other operating income and expenses increased by 5.7 % from € 1,460.5 million to € 1,544.5 million. As a percentage of sales, the expense ratio improved from 43.1 % to 42.6 %. The decline in the expense ratio reflects the operating leverage achieved and contributes significantly to the increase in operating income.



In sales and distribution expenses, expenses for marketing/retail increased by 5.0 % from € 697.6 million to € 732.3 million. This development is primarily related to the systematic continuation of the "Forever Faster" brand campaign and the increased number of the Group's own retail stores. However, due to the strong growth in sales, the expense ratio decreased from 20.6 % to 20.2 %. Other sales and distribution expenses stood at € 450.1 million, an increase of 1.7 %. The expense ratio decreased from 13.1 % to 12.4 %.

Expenditures for product management and merchandising increased by 11.2 % to € 41.7 million. The expense ratio remained stable at 1.2 % (previous year: 1.1 %). Expenditures for research and development fell by 8.4 % to € 52.0 million and the corresponding expense ratio was 1.4 % (previous year: 1.7 %).

Other operating income declined from € 23.9 million in the previous year to € 0.9 million in 2016. The decrease was due to the lower allocation for development costs and the one-time income related to the sale of the Tretorn brand rights in the previous year.

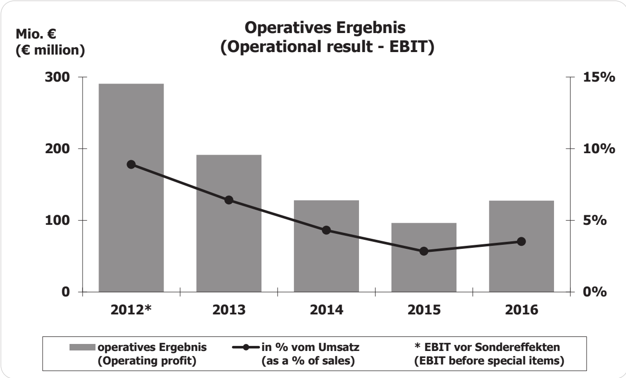
Administrative and general expenses increased by 7.8 % from € 249.8 million to € 269.3 million. The increase was due to, among other things, higher expenses for IT and value adjustments for receivables. In contrast, other administrative and general expenses remained virtually constant. The expense ratio of administrative and general expenses remained unchanged at 7.4 %.

Depreciation/amortization totaling € 59.9 million (previous year: € 57.5 million) is included under the respective expenses. This represents a 4.1 % increase in depreciation/amortization compared to the previous year.

Operating income (EBIT)

Operating income rose by 32.6 % from € 96.3 million to € 127.6 million in 2016. This result is slightly above the projected range for EBIT between € 115 million and € 125 million.

As a result, the operating margin improved from 2.8 % in 2015 to 3.5 % in the reporting year. This is mainly due to the growth in sales combined with the only moderate increase in other operating income and expenses and the simultaneous slight improvement in the gross profit margin.



Financial Result

The financial result improved from € -11.2 million in the previous year to € -8.7 million in 2016. With virtually stable financial income of € 10.5 million (previous year: € 11.2 million), interest expenses decreased from € 14.4 million to € 13.4 million in the financial year, and expenses from currency conversion differences declined from € 8.2 million to € 6.4 million. The result from the associated company Wilderness Holdings Ltd, which is also included in the financial result, increased to € 1.2 million in 2016 (previous year: € 1.0 million).

Earnings before Taxes (EBT)

In the financial year 2016, PUMA generated earnings before taxes of € 118.9 million, an improvement of 39.8 % over the previous year (€ 85.0 million). The tax expense was € 30.5 million, compared to € 23.3 million in the previous year. The decrease in the tax rate from 27.5% to 25.7% in 2016 resulted mainly from the adjustment of tax provisions after the underlying audits were completed.

Net Earnings Attributable to Non-controlling Interests

Earnings attributable to non-controlling interests relate to our joint ventures in the North American market; they increased by 5.8 % to € 26.0 million in 2016 (previous year: € 24.6 million). These companies are Janed, which sells socks and bodywear, PUMA Accessories North America (previously: PUMA Wheat Accessories) and PUMA Kids Apparel, which focuses on the sale of children's clothing.

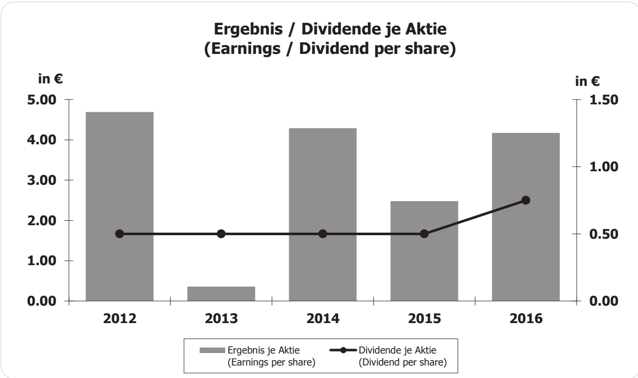
Consolidated Net Earnings

Consolidated net earnings increased in 2016 by 68.0 % from € 37.1 million to € 62.4 million. The main reason for the improvement was the growth of sales in connection with the only moderate increase in other operating income and expenses and the simultaneous slight improvement in the gross profit margin. The improvement in the financial result and the lower tax rate also contributed to the increase in consolidated net earnings.
As a result, both earnings per share and diluted earnings per share rose by 68.0 % to € 4.17 in comparison to € 2.48 in the previous year.

Dividends

The dividend policy of PUMA SE is based mainly on the development of consolidated net earnings and free cash flow.

The Managing Directors will recommend to the Administrative Board at the Annual General Meeting on April 12, 2017 that a dividend of € 0.75 per share be distributed from PUMA SE's net earnings for financial year 2016 (previous year: € 0.50). The increase in the dividend results from the improvement in consolidated net earnings and free cash flow in the past financial year. As a percentage of consolidated sales, the payout ratio amounts to 18.0 %, compared to 20.2 % in the previous year. The dividends will be distributed in the days following the Annual General Meeting at which the resolution on the distribution is adopted.

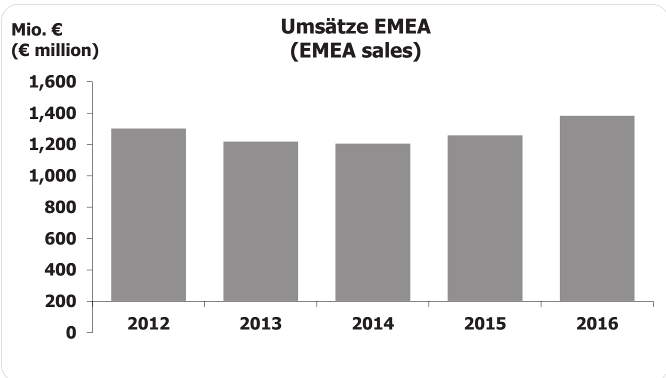


Regional Development

The currency-adjusted growth in consolidated sales of 10.2 % in 2016 is attributable to the positive development in all regions.

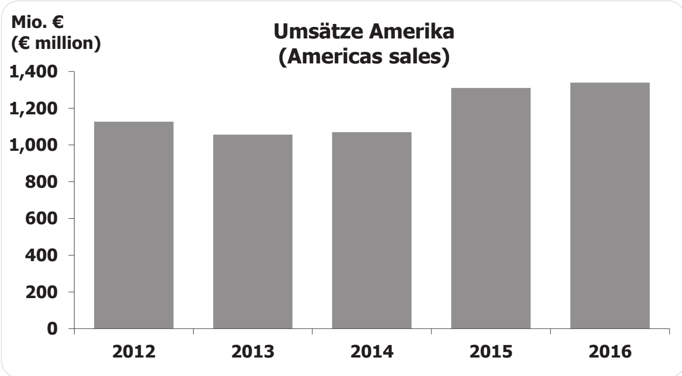
Growth in the **EMEA** region was particularly strong. Sales in the reporting currency, the euro, increased by 9.9 % to € 1,382.7 million. This corresponds to a currency-adjusted increase in sales of 13.2 %. Particularly strong contributions came from France and the DACH region (Germany, Austria and Switzerland), which recorded double-digit sales growth. In addition, Russia and South Africa performed very well, also recording double-digit sales growth. The share of the EMEA region in consolidated sales increased from 37.1 % in the previous year to 38.1 % in the 2016 financial year.

All three product segments recorded a double-digit increase in sales on a currency-adjusted basis. Sales of footwear increased by 13.4 % on a currency-adjusted basis. In apparel, sales improved by 14.6 % on a currency-adjusted basis and accessories recorded currency-adjusted sales growth of 10.9 %.



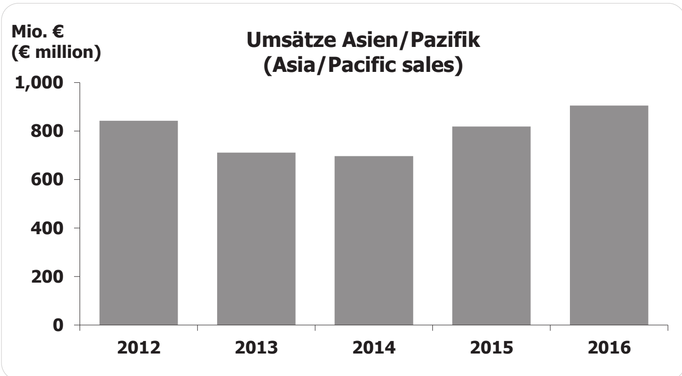
Sales in the **Americas** region rose by 2.2 % to € 1,339.6 million in the reporting currency, the euro. On a currency-adjusted basis, sales increased by 8.3 %, with both North and Latin America contributing to the growth. The weakness of the currencies in Latin America, particularly in Argentina, continued to impact the development of sales in euro, the reporting currency, in 2016. The share of the Americas region in consolidated sales therefore fell from 38.7 % to 36.9 %.

In the segments, footwear was the main growth driver: On a currency-adjusted basis, sales improved by 11.4 %. Apparel sales increased by 7.7 % on a currency-adjusted basis and accessories recorded a currency-adjusted sales increase of 1.9 % compared to the previous year.



In the reporting currency, the euro, sales in the **Asia/Pacific** region rose by 10.5 % to € 904.5 million. The currency-adjusted sales increase was 8.5 %. The main drivers of growth in the region were China, with a double-digit increase in sales, followed by India, which also recorded strong sales growth. The difficult market environment in Japan and Korea, on the other hand, allowed only a stable development of sales in 2016. The share of the Asia/Pacific region in consolidated sales rose from 24.2 % to 24.9 % in 2016.

With regard to the product segments, the footwear segment continued its strong growth. Currency-adjusted footwear sales rose by 13.5 %. Apparel sales rose by 5.7 % on a currency-adjusted basis and accessories increased by 1.3 % on a currency-adjusted basis compared to the previous year.

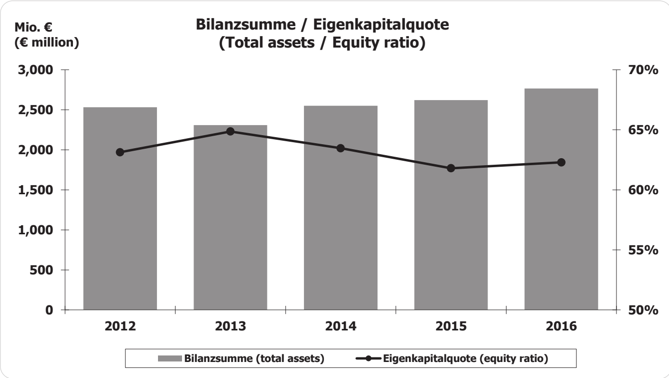


Net Assets and Financial Position

Balance Sheet	31.12.2016		31.12.2015		
	€ million	%	€ million	%	+/- %
Cash and cash equivalents	326.7	11.8%	338.8	12.9%	-3.6%
Inventories	718.9	26.0%	657.0	25.1%	9.4%
Trade receivables	499.2	18.1%	483.1	18.4%	3.3%
Other current assets (Working Capital)	141.4	5.1%	154.9	5.9%	-8.7%
Other current assets	79.2	2.9%	51.0	1.9%	55.4%
Current assets	**1,765.4**	63.8%	**1,684.8**	64.3%	4.8%
Deferred taxes	229.5	8.3%	219.8	8.4%	4.4%
Other non-current assets	770.2	27.9%	715.7	27.3%	7.6%
Non-current assets	**999.7**	36.2%	**935.5**	35.7%	6.9%
Total assets	**2,765.1**	100.0%	**2,620.3**	100.0%	5.5%
Current financial liabilities	25.3	0.9%	14.0	0.5%	81.5%
Trade liabilities	580.6	21.0%	519.7	19.8%	11.7%
Other current liabilities (Working Capital)	242.3	8.8%	242.4	9.3%	-0.1%
Other current liabilities	46.6	1.7%	103.9	4.0%	-55.1%
Current liabilities	**894.9**	32.4%	**880.0**	33.6%	1.7%
Deferred taxes	63.1	2.3%	64.2	2.5%	-1.8%
Pension provisions	31.6	1.1%	23.8	0.9%	32.8%
Other non-current liabilities	53.3	1.9%	32.9	1.3%	61.8%
Non-current liabilities	**148.0**	5.4%	**121.0**	4.6%	22.3%
Shareholders' equity	**1,722.2**	62.3%	**1,619.3**	61.8%	6.4%
Total liabilities and shareholders' equity	**2,765.1**	100.0%	**2,620.3**	100.0%	5.5%
Working capital	**536.6**		**532.9**		0.7%
- in % of consolidated sales	14.8%		15.7%		

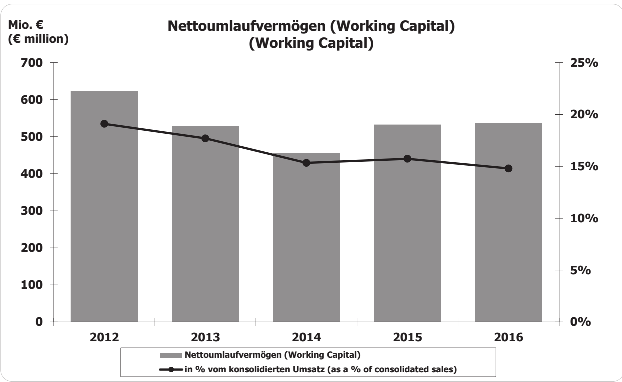
Equity Ratio

PUMA continues to have an extremely solid capital base. As of December 31, 2016, total assets increased by 5.5 % from € 2,620.3 million to € 2,765.1 million. Equity rose by 6.4 % from € 1,619.3 million to € 1,722.2 million. The equity ratio accordingly improved by 0.5 percentage points from 61.8 % to 62.3 %.



Working Capital

Despite the significant increase in sales and the rise in the number of the Group's own retail stores, working capital increased only slightly in the past financial year by 0.7 % from € 532.9 million to € 536.6 million. This underpins the strong performance in working capital management. In order to ensure product availability even when demand is strong and to meet the increased need for products due to our new retail stores, inventories increased by 9.4 % compared to the previous year from € 657.0 million to € 718.9 million. Trade receivables increased by 3.3 % from € 483.1 million to € 499.2 million. Trade payables rose by 11.7 % and totaled € 580.6 million as of December 31, 2016, compared to € 519.7 million in the previous year.



Other Assets and Other Liabilities

Other current assets, which include the market value of derivative financial instruments, increased compared to the previous year by 55.4 % to € 79.2 million.

Other non-current assets, consisting mainly of intangible assets and property, plant and equipment, rose by 7.6 % to € 770.2 million, mainly due to investments in the Group's own retail stores, IT infrastructure and the expansion of the administration building at the Group headquarters in Herzogenaurach.

Other current liabilities decreased year on year from € 103.9 million to € 46.6 million. The reduction resulted from the repayment of current financial liabilities, which were taken out as part of financing activities by companies included in the Kering Group.

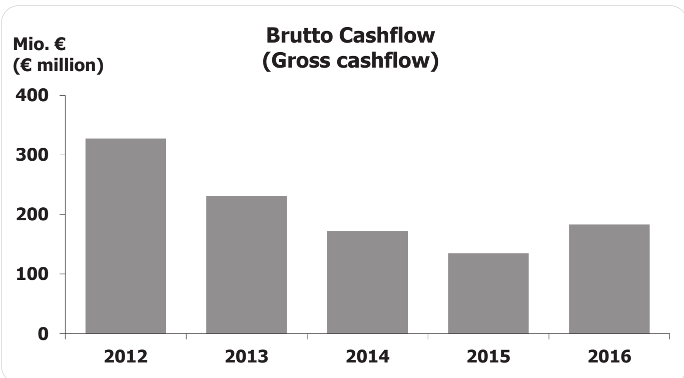
The increase in pension provisions by 32.8 % to € 31.6 million resulted mainly from a fall in the interest rate applied for valuation and the discounting of pension obligations, since yields on top-rated fixed-income corporate bonds in the market have decreased. The resulting actuarial loss is allocated to other income in accordance with IFRS accounting principles.

Other non-current liabilities rose by 61.8 % year on year to € 53.3 million. This increase is due to non-current purchase price liabilities from the acquisition of Genesis Group International Ltd. and the taking out of a long-term bank loan for the expansion of the administration building.

Cash Flow

Cashflow Statement	2016 € million	2015 € million	+/- %
Earnings before tax (EBT)	118,9	85,0	39,8%
Financial result and non cash effected expenses and income	64,1	49,4	29,6%
Gross cashflow	**182,9**	**134,5**	36,0%
Change in current assets, net	-0,2	-125,1	-99,8%
Taxes, interest and dividend payments	-51,6	-46,5	10,9%
Net cash used in/ from operating activities	**131,1**	**-37,1**	-
Payment for acquisition of shareholdings	-6,8	-0,5	-
Payment for investing in fixed assets	-84,3	-79,0	6,8%
Other investing activities	9,8	17,8	-45,0%
Net cash used in investing activities	**-81,4**	**-61,7**	31,9%
Free cashflow	**49,7**	**-98,9**	-150,3%
Free cashflow (before acquisitions)	**56,5**	**-98,3**	-157,5%
- in % of consolidated sales	1,6%	-2,9%	-
Net cash from/ used in financing activities	**-61,1**	**28,9**	-
Effect on exchange rates on cash	-0,7	7,3	-
Change in cash and cash equivalents	-12,1	-62,7	-
Cash and cash equivalents at beginning of the financial year	338,8	401,5	-15,6%
Cash and cash equivalents at year-end	**326,7**	**338,8**	-3,6%

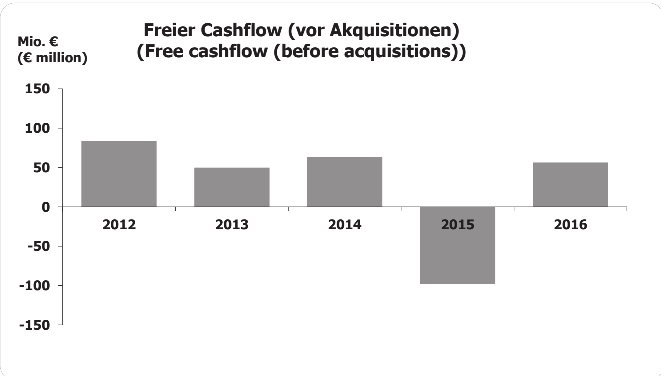
Gross cash flow improved by 36.0 % from € 134.5 million to € 182.9 million in the 2016 financial year due to higher pre-tax profit. Both the financial result and non-cash expenses and income, which include in particular depreciation on property, plant and equipment, amounted to € 64.1 million in 2016.



The strong performance of working capital management contributed significantly to the improvement in cash flow from operating activities. In 2016, the total cash inflow from operating activities was € 131.1 million compared to a cash outflow of € 37.1 million in the previous year. The significant improvement is due in particular to the positive development of net working capital*. Whereas net working capital recorded a cash outflow of € 125.1 million in the previous year, the cash flow in 2016 was almost completely balanced at € -0.2 million. By contrast, the cash outflow from tax, interest and dividend payments increased by 10.9 % to € 51.6 million.

The cash outflow from investing activities increased by 31.9 % from € 61.7 million to € 81.4 million in the reporting year. Payments for the acquisition of shareholdings in 2016 largely resulted from the acquisition of Genesis Group International Ltd. Investments in property, plant and equipment in 2016 related mainly to investments in the Group's own retail stores, IT infrastructure and the expansion of the administration building in Herzogenaurach. These investments increased from € 79.0 million in the previous year to € 84.3 million. The decline in other investment activities related to lower cash inflows from asset disposals.

The free cash flow before acquisitions is the balance of the cash inflows and outflows from current operating and investing activities. In addition, an adjustment is made for payments in connection with acquisitions. As a result of the increase in pre-tax profit and the strong improvement in cash flow from net working capital, the free cash flow before acquisitions rose by € 154.8 million from € -98.3 million to € 56.5 million. As a percentage of consolidated sales, free cash flow before acquisitions was 1.4 % compared to -2.9 % 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.

The cash flow from financing activities in the financial year 2016 mainly consists of € 7.5 million in dividend payments to shareholders of PUMA SE, dividend payments to non-controlling interests of € 19.3 million, and the entering into and repayment of financial liabilities. In the 2016 financial year, PUMA repaid financial liabilities which had been taken on by the majority shareholder Kering as part of financing activities in the previous year. This resulted in an overall cash outflow from financing activities of € 61.1 million versus cash inflows of € 28.9 million in the previous year.

As of December 31, 2016, PUMA had cash and cash equivalents of € 326.7 million, a slight decline of 3.6 % compared to the previous year (€ 338.8 million). The PUMA Group also had credit facilities totaling € 487.6 million as of December 31, 2016 (previous year: €401.7 million). Unutilized credit lines totaled € 433.1 million on the reporting date, compared to € 306.0 million the previous year.

Managing Director’s Statement regarding the Business Development and the Overall Situation of the PUMA Group

We are very satisfied with the business development in the past financial year. PUMA was able to fully meet the financial targets for 2016 and even slightly exceed them in some cases. The growth in sales (currency-adjusted +10.2%) shows that we are on the right track by increasing our brand heat and improving our product offering. The sales of our products in the Group's own retail stores as well as through our wholesale customers also improved significantly. In terms of profitability, too, we were able to grow significantly and, once again, improve our operating income, consolidated net earnings and earnings per share after declining earnings in previous years. Operating income (EBIT) improved considerably in the past financial year, thanks to a slightly improved gross profit margin and an only moderate increase in other operating income and expenses (EBIT € 127.6 million, +32.6 %).

With regard to the consolidated balance sheet, we believe that PUMA continues to have an extremely solid capital base (equity of around € 1.7 billion, equity ratio of 62.3 %). In addition, management's strong focus on working capital contributed to the fact that working capital increased only slightly by 0.7 % compared to the previous year, despite the significant increase in sales.

The improvement in profitability and the focus on working capital also led to a significant improvement in cash flow during the past financial year. Free cash flow before acquisitions rose from € -98.3 million in the previous year to € 56.5 million. Cash and cash equivalents amounted to € 326.7 million as of the balance sheet date.

As a result, the net assets, financial position and results of operations of the PUMA Group were solid at the time the combined management report was prepared. This enables us to increase the dividend for the 2016 financial year and propose a dividend of € 0.75 per share, an increase of € 0.25 per share, to the Annual General Meeting on April 12, 2017.

Comments on the German GAAP Financial Statements of PUMA SE

The financial statements of PUMA SE are drawn up in accordance with the German Commercial Code (HGB).

PUMA SE is the parent company of the PUMA Group. The results of PUMA SE are influenced to a considerable extent by the subsidiaries and investments in other companies held directly and indirectly. The business development of PUMA SE is fundamentally subject to the same risks and opportunities as the PUMA Group.

PUMA SE is responsible for the wholesale business of the DACH region, consisting of the home market of Germany, Austria and Switzerland. PUMA SE is also responsible for global distributors in the Motorsports category, pan-European sales for individual key accounts, the sourcing of products from European production countries, and global licensing management. Furthermore, PUMA SE acts as a holding company within the PUMA Group and, in this role, is responsible for a part of international product development, marketing, the finance and operations, and for the strategic orientation of PUMA.

Results of Operations

Income Statement (German GAAP, HGB)	2016 € million		2015 € million		+/- %
Net Sales	**540.3**	100.0%	**435.5***	100.0%	**24.1%**
Other operating income	**57.4**	10.6%	**139.7***	32.1%	**-58.9%**
Cost of sales	-154.5	-28.6%	-140.1	-32.2%	10.3%
Personnel expenses	-86.1	-15.9%	-78.7	-18.1%	9.4%
Depreciation	-14.1	-2.6%	-14.1	-3.2%	0.0%
Other operating expenses	-406.1	-75.2%	-430.8	-98.9%	-5.7%
Total expenses	**-660.8**	-122.3%	**-663.8**	-152.4%	**-0.4%**
Financial result	**145.3**	26.9%	**196.2**	45.1%	**-25.9%**
Income before Tax	**82.2**	15.2%	**107.6**	24.7%	**-23.6%**
Income tax	-3.5	-0.6%	-26.5	-6.1%	-86.8%
Net income	**78.7**	14.6%	**81.1**	18.6%	**-3.0%**

* The figures in 2016 are based on the redefinition of the term "sales" pursuant to Section 277 (1) HGB in accordance with BilRUG. The previous year's figures have not been adjusted. However, a corresponding application in 2015 would have resulted in a reclassification of € 42.5 million from other operating income to sales.

Sales (including license and commission income) increased by 24.1 % to € 540.3 million in the 2016 financial year. The increase was due to higher sales in the DACH region and higher licensing and commission income. Product sales in the DACH region increased by 15.8 % to € 150.6 million. Total PUMA SE product sales rose by 20.0 % to € 224.1 million. Licensing and commission income included in sales rose by 14.6 % to € 281.5 million. **Other operating income** amounted to € 57.4 million in 2016 (previous year: € 139.7 million). The decrease compared to the previous year was mainly related to lower currency exchange gains and the aforementioned BilRUG reclassification.

Total **expenses,** comprising material expenses, personnel expenses, depreciation/amortization and other operating expenses, was virtually unchanged compared to the previous year (2016: total € 660.8 million; previous year: € 663.8 million). While other operating expenses fell, material expenses rose due to higher sales and personnel expenses rose due to the larger number of employees.

The **financial result** declined by 25.9 % compared to the previous year to € 145.3 million since the previous year included income from profit transfer agreements totaling € 107.6 million related to a one-time capital increase at PUMA Sprint GmbH. Excluding this effect in the previous year, the financial result improved in 2016, due mainly to the higher profit transfer of PUMA International Trading GmbH.

Profit before tax fell by 23.6 % from € 107.6 million to € 82.2 million. The decline in **taxes on income** resulted partly from the adjustment of tax provisions after the end of the tax audit for the years 2007 to 2011. **Net income** amounted to € 78.7 million compared to € 81.1 million in the previous year.

Net Assets

Balance Sheet (German GAAP, HGB)	12/31/2016		12/31/2015		
	€ million	%	€ million	%	+/- %
Total Non-current Assets	507.6	43.9%	516.7	43.8%	-1.7%
Inventory	50.2	4.3%	43.3	3.7%	15.9%
Receivables and other current assets	523.0	45.2%	565.6	48.0%	-7.5%
Cash and cash equivalents	73.1	6.3%	47.6	4.0%	53.7%
Total Current Assets	646.3	55.8%	656.4	55.7%	-1.5%
Others	3.7	0.3%	5.9	0.5%	-37.8%
Total Assets	**1,157.6**	100.0%	**1,179.0**	100.0%	**-1.8%**
Equity	547.8	47.3%	476.6	40.4%	15.0%
Accruals/Provision	63.1	5.4%	71.5	6.1%	-11.8%
Liabilities	544.5	47.0%	627.7	53.2%	-13.3%
Others	2.3	0.2%	3.2	0.3%	-29.1%
Total Equity & Liabilities	**1,157.6**	100.0%	**1,179.0**	100.0%	**-1.8%**

While the construction of our administration building and the acquisition of our shareholding in Genesis Group International mainly increased our **total non-current assets**, valuation allowances on and disposals of investments in subsidiaries led to a slight overall decline.

In **total current assets,** inventories rose by 15.9 % to € 50.2 million as a result of the increase in business volume. In contrast, there was a decline in receivables from affiliated companies.

On the **liabilities side**, equity rose by 15.0 % to € 547.8 million due to the net income for the year. This represents an improvement in the equity ratio from 40.4 % to 47.3 %. The decrease in provisions resulted in particular from the adjustment of tax provisions after the end of the tax audit for the years 2007 to 2011. The decline in liabilities resulted mainly from the repayment of financial liabilities that existed at Kering, the majority shareholder.

Financial Position

Cash Flow Statement (German GAAP, HGB)	2016 € million	2015 € million	+/- %
Earnings before taxes	**82.2**	**107.6**	**-23.6%**
Financial result and non-cash effected expenses and income	-131.2	-181.2	-27.6%
Gross cash flow	**-49.0**	**-73.6**	**-33.4%**
Net change in working capital	49.7	-37.0	-
Income tax and interest payments	-22.0	-22.0	0.0%
Cash flow from operating activities	**-21.3**	**-132.5**	**-83.9%**
Cash flow from investing activities	**-63.0**	**-100.2**	**-37.2%**
Free Cash Flow	**-84.3**	**-232.7**	**-63.8%**
Cash flow from financing activities	**109.8**	**221.3**	**-50.4%**
Change in cash and cash equivalents	**25.5**	**-11.4**	**-**
Cash and cash equivalents at beginning of financial year	47.6	59.0	-19.4%
Cash and cash equivalents at year-end	**73.1**	**47.6**	**53.6%**

The positive development in working capital contributed significantly to the improvement in **cash flow from operating activities**. While there was a cash outflow from operating activities in the previous year of € 37.0 million, due to the net change in working capital, there was a cash inflow of € 49.7 million in 2016. The **cash outflow from investing activities** decreased from € -100.2 million to € -63.0 million. The decrease was linked to a lower capital requirement by our subsidiaries. This resulted overall in a significant improvement in **free cash flow** from € -232.7 million in the previous year to € -84.3 million in 2016.

Cash flow from financing activities in 2016 showed a cash inflow of € 109.8 million (previous year: € 221.3 million), resulting from the decrease in liabilities to affiliated companies.

This led to an overall increase in **cash and cash equivalents** from € 47.6 million to € 73.1 million. In addition, various credit lines are available to PUMA SE for financing purposes. As of December 31, 2016, the credit lines totaled € 309.0 million, of which € 19.0 million was utilized.

Outlook

For the 2017 financial year, PUMA SE does not expect any significant changes compared to 2016 in respect of net sales and income before taxes.

Relationships with Affiliated Companies

At the end of the dependent company report of the Managing Directors for the 2016 financial year, the following statement was made: "Under the circumstances which were known to the Managing Directors at the time when the transactions listed in the report on relationships with affiliated companies were made, PUMA SE received an appropriate consideration in all cases. There were no reportable measures taken or not taken in the reporting period".

Compensation Report

The Managing Directors

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

A fixed salary is paid out monthly as non-performance-based basic compensation. In addition, the Managing Directors receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Managing Directors in an equal manner and are included in the non-performance-based compensation.

The bonus component of performance-related compensation is mainly based on the PUMA Group's operating income (EBIT) and free cash flow and is staggered according to the degree to which targets are met. In addition, qualitative individual goals are set. An upper limit is also agreed.

The previous performance-based compensation component with a long-term incentive effect (stock appreciation rights) as part of a stock option plan was not granted beyond the 2012 financial year. The existing options can be exercised until the end of April 2017 if the exercise criteria are met. Details on the parameters used for the respective programs are provided in Section 19 of the Notes to the Consolidated Financial Statements.

Pro-rata provisions totaling € 2.1 million (€ 1.9 million) were set up for the compensation program (virtual shares/monetary units) with long-term incentives (from the years 2013 to 2016) for Managing Directors. Under the performance-based program, 70% of the compensation will be based on the medium-term performance of PUMA SE's share and 30% will be based on the medium-term performance of Kering SA's share in relation to benchmark companies. Further information on this program can be found in Section 19 of the Notes to the Consolidated Financial Statements.

The fixed compensation for the three Managing Directors amounted to € 1.9 million in the financial year (previous year: € 1.9 million) and variable bonuses came to € 2.5 million (previous year: € 1.5 million). Non-cash compensation totaled € 0.1 million (previous year: € 0.1 million).

The Managing Directors receive pension benefits, for which the Company took out a pension liability insurance policy. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, € 0.4 million was allocated for Managing Directors (previous year: € 0.4 million). The present value of the pension benefits granted to active Managing Directors in the amount of € 2.6 million as of December 31, 2016 (previous year: € 1.7 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

Pension obligations to former members of the Board of Management, their widows and Managing Directors amounted to € 13.6 million (previous year: € 13.3 million) and are accordingly recognized as liabilities under pension provisions, unless they are offset against asset values of an equal amount. Pensions paid totaled € 0.2 million (previous year: € 0.2 million).

In 2016, a long-term incentive program, Game Changer 2019, was introduced for senior management and strategically important employees that will allow this group of employees to participate in PUMA SE's earnings over the medium term. € 1.2 million has been set aside for this program. An additional € 1.0 million was set aside for the predecessor program Game Changer 2018 (Tranche 2) (previous year: € 1.0 million) and an additional € 0.7 million was set aside for the program Game Changer 2017 (Tranche 3) (previous year: € 0.8 million) in the reporting period. Further information on this program can be found in Section 19 of the Notes to the Consolidated Financial Statements.

Administrative Board

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

In accordance with the Articles of Association, each member of the Administrative Board receives a fixed annual compensation in the amount of € 25,000. The fixed compensation is increased by an additional fixed annual amount of € 25,000 for the Chairman of the Administrative Board, € 12,500 for the Vice-Chairman of the Administrative Board, € 10,000 for each committee chairman (excluding the Nominating Committee) and € 5,000 for each committee member (excluding the Nominating Committee).

In addition, each Administrative Board member receives performance-based compensation equal to € 20.00 for each € 0.01 by which the earnings per share figure exceeds a minimum amount of € 16.00 per share. The performance-based compensation amounts to a maximum of € 10,000 per year. The Chairman of the Administrative Board receives twice this amount (maximum € 20,000) and the Vice Chairman receives one and a half times this amount (maximum € 15,000) in compensation. Since earnings per share are below the minimum amount in the financial year, no performance-based compensation will be paid.

Risk and Opportunity Management

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. This necessitates effective risk and opportunity management which can be used to systematically monitor risks and opportunities. A risk is one or more future events with unplanned, negative consequences for the planning of PUMA, up to the risk of a threat to the continued existence of the company. Similarly, an opportunity is defined as one or more events with unplanned, positive consequences for PUMA.

The Managing Directors of PUMA SE have overall responsibility for the risk and opportunity management system. The "Risk & Compliance Committee" (hereinafter "RCC") was therefore established as an official body and is responsible for the design of the risk and opportunity management system, as well as being the first addressee of risk reporting. The task of operational coordination and implementation of the Group-wide risk and opportunity management system has been transferred to the Group Internal Audit & GRC (Governance, Risk & Compliance) department. Structured individual interviews (risk interviews) are conducted regularly (currently twice annually) with executives at the management level below the Managing Directors (risk owners). The objective of these interviews is to systematically identify, validate and assess risks. The Group Internal Audit & GRC department provides a uniform framework for the assessment of risks. A defined scale is used to assess the probability of occurrence and potential level of damage and to control the risk in question. The risks identified and assessed during the risk interviews are presented to the RCC in an aggregated form (the risk heat map).

The RCC consists of a fixed group of executives from various corporate divisions, including the Managing Directors. The position of RCC Chairman is always filled by a Managing Director. The results of the RCC meetings are reported to the Audit Committee (sub-committee of the Administrative Board) by the Chair of the RCC and the Head of the Group Internal Audit & GRC department. An integrated GRC tool used to document the risk management processes is available to the Group Internal Audit & GRC department and to the risk owners.

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

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

Risk and Opportunity Categories

Macroeconomic Developments

As an international company, PUMA is exposed to global macroeconomic developments. Economic developments in key sales markets can have a direct impact on consumer behavior, which may have a positive or negative impact on sales and earnings. For example, political changes, exchange rate fluctuations, changes to the legal framework, and social developments may have an effect. The current political developments may have a noticeable effect on PUMA's sales and operations and are therefore being closely monitored.

Overall, PUMA manages these challenges with geographic diversification and the development of alternative scenarios for the possible occurrence of serious events.

Brand Image

Brand image and brand heat are extremely important for PUMA, as consumer behavior can have a negative effect on the brand as well as a positive one. PUMA is aware of the significant risks involved in this and therefore strives to work with appropriate brand ambassadors. In 2016, the "DO YOU" campaign and the cooperation with female brand ambassadors such as Rihanna, Kylie Jenner and Cara Delevingne formed a focal point. The main objective was to address female customers directly and to make the PUMA brand more attractive to women. The improved range of products for women (e.g. Fierce, FENTY PUMA by Rihanna) increased brand heat in 2016.

PUMA came up with a new mission statement in 2013 in order to ensure PUMA’s sporting roots are emphasized even further and to sharpen its perception as a sports brand. "To be the Fastest Sports Brand in the world". Our cooperation with Usain Bolt and our commitment to Formula 1 support this mission statement.

Counterfeit Products

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

Sourcing Department

Most products are produced in the emerging markets of Asia. Production in these countries can be associated with substantial risks for PUMA. For instance, certain risks may result from factors such as fluctuations in exchange rates, changes in taxes and customs duties, trade restrictions, natural disasters and political instability, as well as the international threat of terrorism.

Risks may also result from an overdependence on individual manufacturers.

The portfolio is regularly reviewed and adjusted to avoid creating a dependence on individual suppliers and sourcing markets. In order to ensure that the necessary future production capacity will be available, framework agreements are generally concluded for extended periods.
There is also the risk of a breach of ILO (International Labor Organization) core labor standards by our suppliers. The core task of the PUMA Sustainability Team is thus to verify compliance with the applicable standards in regular audits of suppliers.

Product and Market Environment

Recognizing and taking advantage of relevant consumer trends early on is key to countering the risk posed by market-specific product influences, in particular the risk of substitutability in the competitive sport and lifestyle market. Only those companies that identify these trends at an early stage will be able to gain an edge over their competitors.
PUMA's targeted investments in product design and development ensures that the characteristic PUMA design of the entire product range is consistent with the overall brand strategy (Forever Faster), thereby creating a unique level of brand recognition.

Retail

PUMA makes use of various distribution channels in order to minimize dependence on any single channel. The expansion of the Company's own retail stores is also intended to ensure that PUMA products are presented in an exclusive brand environment preferred by PUMA.
Distribution through its own retail stores is linked to various risks for PUMA, including investments in expansion and equipping stores, higher fixed costs compared to distribution through wholesalers as well as lease agreements with long-term lease obligations, all of which can have a negative impact on profitability if business declines. On the other hand, extending the value chain can deliver higher gross margins and provide better control over distribution. In addition, PUMA-owned retail stores can deliver PUMA brand experience directly to the end customer.
To avoid risks and take advantage of opportunities, PUMA performs in-depth location and profitability analyses before making investment decisions. The Company’s strong controlling and key performance indicator system enables it to detect negative trends early on and take the countermeasures required to manage individual stores accordingly.

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 assumed by the media. PUMA protects itself against this risk through careful public relations work, which is managed from the Group’s headquarters in Herzogenaurach, Germany. In addition, PUMA regularly seeks an open dialog with key external stakeholders (e.g. NGOs) and this has been institutionalized in the "Talks at Banz", which have been held annually since 2003.

Organizational challenges

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

To accomplish this objective, PUMA continued to optimize its organizational structure and setup in 2016. The optimization of the IT infrastructure remained a key topic. In addition, the central management of global eCommerce activities has been relocated from Boston to Herzogenaurach and is now being carried out at the Group's headquarters.

Personnel Department

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

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

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

Legal risks

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

Compliance risks

PUMA is exposed to the risk that employees violate laws, directives and company standards (compliance violations). These risks, such as theft, fraud, breach of trust, embezzlement and corruption, as well as deliberate misrepresentations in financial reporting, may lead to significant monetary and reputational damage. PUMA therefore makes use of various tools to manage these risks. They include an integrated compliance management system, the internal control system, Group controlling and the internal audit department. The employees of PUMA also have access to an integrity hotline for reporting unethical behavior.

Currency Risks

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

To hedge signed or pending contracts against currency risk, PUMA only concludes currency forward contracts on customary market terms with reputable international financial institutions and Kering Finance SNC. As of the end of 2016, the net requirements for the 2017 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.

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, 2016, 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 € 106.2 million higher (lower) (December 31, 2015: € 105.5 million higher (lower)).

Counterparty Risks

Because of its business activities, PUMA is exposed to default risk that is managed by continuously monitoring outstanding receivables and recognizing impairment losses, where appropriate.
The default risk is limited by credit insurance and the maximum default risk is reflected by the carrying amounts of the financial assets recognized on the balance sheet.

Liquidity Risk

A liquidity reserve in the form of cash or cash equivalents as well as confirmed credit lines is maintained in order to ensure the Company's solvency at all times, its financial flexibility, and the presence of a strategic liquidity buffer. Confirmed credit lines are made available until further notice or with a maturity period of less than one year.
PUMA continually analyzes short-term capital requirements through rolling cash flow planning at the level of the individual companies in coordination with the central Treasury. Thanks to the adequate liquidity of the PUMA Group and a central financing approach, any capital requirements are covered by internal financing, where and whenever possible. The central Treasury conducts medium-term liquidity planning as part of its budget process.

Interest-Rate Risks

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

Summary

PUMA's risk management system allows the Company to fulfill the legal requirements pertaining to corporate control and transparency. The Management believes that, in an overall evaluation of the Company's risk situation, risk is limited and manageable. Based on a very solid balance sheet structure, in particular the high equity ratio, and the positive business outlook, management does not foresee any substantial threat to the continued viability of the PUMA Group.

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

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

The Company's Managing Directors are responsible for maintaining and regularly monitoring a suitable internal control and risk management system covering the consolidated financial statements and the disclosures in the Group 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 Group 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 detect deviations from projected figures and accounting irregularities regularly and promptly 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 Group management report, it is also sometimes necessary to make assumptions and estimates that are based on the information available on the balance sheet date and which will affect the reported amounts and recognition of assets and liabilities, income and expenses, contingent liabilities, and other data that must be reported, as well as how these are classified.

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

In addition to the risk and opportunity management described, the Group Internal Audit & GRC department carries out internal control self-assessments (ICSA) at the process level for all essential business processes. In these assessments, 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 the 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.

Outlook

Global Economic Situation

In its winter 2016 forecast, the Kiel Institute for the World Economy (IfW) assumes that global gross domestic product (GDP) will grow by 3.5 % in 2017. For 2018, the IfW expects a rise in global production of 3.6 %.

The upturn in the advanced economies is expected to continue at a slightly increased pace in the next two years. The main drivers of this growth are general continued expansionary monetary policy, increased fiscal policy incentives and progressively rising wages. While the United States will probably achieve GDP growth of 2.5 % (2017) and 2.7 % (2018), which is above average for this group of countries, the figures for the Euro zone are expected to be 1.7 % in both years.

Expansion in the emerging markets is expected to pick up progressively in the next two years, but no great momentum will be generated, given that commodity prices will continue to be relatively low and structural problems are still unsolved in many cases.

In the view of IfW, risks to global economic development are primarily related to political uncertainty. The impact the change in US President will have on the economic climate is still hard to assess at the moment. Several major European countries will hold elections in 2017. It is also unclear how Brexit will change the economic framework in Europe.

Sporting goods industry

We expect continued stable growth in the global sporting goods industry in 2017, provided it is not significantly impacted negatively by macroeconomic development. Our assumption is that the relevant influences and trends of the last few years will continue. Rising wages will probably further stimulate private consumption globally. Increasing awareness of health and the resulting increase in sports activity by consumers should also lead to a rise in demand for sporting goods. Improvements in sports infrastructure and government initiatives to promote sport, for example in China, should also stimulate growth in the sporting goods industry. Major sports events in 2017, such as the Africa Cup of Nations soccer tournament in Gabon and the IAAF World Athletics Championships in London, are also expected to help support growth in the sporting goods industry.

Outlook 2017

Based on the development in 2016, where we saw ongoing sales growth and an improvement of profitability, we are confident that PUMA can continue the momentum that it has gained as a brand. In 2017, we will further invest in marketing and continue our "Forever Faster"-brand communication to increase our brand heat by leveraging our ambassadors and to position PUMA as the Fastest Sports Brand in the World. Our global marketing activities will again be centered around athletes, including the World's Fastest Man and sports icon Usain Bolt, star strikers like Sergio Agüero and Antoine Griezmann, Golfstar Rickie Fowler, Arsenal Football Club, Borussia Dortmund as well as global entertainment assets like multi-platinum recording artist, designer and entrepreneur Rihanna, Kylie Jenner, Cara Delevingne and the R&B star and style icon The Weeknd.

We will continue to work very closely with our retail partners. With our improved product offering including recently launched styles such as the Fierce, Basket Heart, IGNITE Dual and IGNITE Evoknit as well as our FENTY collection we will continue to work hard to get more of the right PUMA products on the shelves of our retail partners. In combination with further investments in our own retail and eCommerce business we will support our direct to consumer business. This should enable us to attract new customers and to increase our market share in most geographies as well as to improve our sell-through across all product categories.

For the full year 2017 we expect that currency-adjusted net sales will increase at a high single-digit rate. The gross profit margin is forecasted to improve to approximately 46.0% (2016: 45.7%). Operating expenses (OPEX) are expected to increase at a mid to high single-digit rate, as PUMA will continue to invest in marketing, in the modernization and expansion of the owned and operated retail store network and in IT-infrastructure. At the same time, management will continue to place a strong emphasis on strict control of other operating costs.

At the current exchange rate levels, PUMA's management expects that the operating result (EBIT) will improve significantly in 2017, thanks to operating leverage, as sales will increase stronger than OPEX, combined with a slightly improved gross profit margin. EBIT for the full year 2017 is therefore expected to come in between € 170 million and € 190 million. Net earnings will also continue to improve significantly in 2017.

PUMA's management is optimistic that 2017 is another important year with great opportunities and that PUMA is well positioned to carry the brand's positive momentum into 2017 and beyond.

Investments

Investments totaling around € 90 million are planned for 2017. The major portion will go to investments in infrastructure to create the operative preconditions for the planned long-term growth, as well as to expanding our core markets and to selective investments in retail stores.

Foundation for Long-Term Growth

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

Information Concerning Takeovers

The following information, valid December 31, 2016, is presented in accordance with Art. 9 p. 1 c) (ii) of the SE Regulation and Section 22 p. 6 of the German SE Implementation Act (SEAG), in conjunction with Sections 289 [4], 315 [4] HGB. Details under Sections 289 [4], 315 [4] HGB which do not apply at PUMA SE are not mentioned.

Sections 289 [4][1][1], 315 [4][1][1] HGB

On the balance sheet date, subscribed capital totaled € 38,611,107.84 and was divided into 15,082,464 no-par-value shares. As of the balance sheet date, the Company held 142,551 treasury shares.

Sections 289 [4][1][3], 315 [4][1][3] HGB

As of December 31, 2016 there was one shareholding in PUMA SE that exceeded 10 % of the voting rights. It was held by Messrs. François-Henri Joseph Pinault and François Jean-Henri Pinault via several companies controlled by them (ranked by size of stake held by Messrs. Pinault: Financière Pinault S.C.A., Artémis S.A., Kering S.A. and SAPARDIS SE). On August 3, 2011, the share of voting rights allotted to Messrs. Pinault and to the aforementioned companies exceeded the 75 % threshold and on that date stood at 75.12 %. 1.15 % of the share of voting rights concerned treasury shares of PUMA SE. The list of shareholdings of Kering S.A. on page 298 in the Reference Document for 2015 shows that Kering S.A. has an 85.81 % share of the voting rights in PUMA SE.

Sections 289 [4][1][6], 315 [4][1][6] HGB

Regarding the appointment and dismissal of Managing Directors, reference is made to the applicable statutory requirements of Section 40 of the German SE Implementation Act (SEAG). Moreover, Section 13[1] of PUMA SE's Articles of Association stipulates that the Administrative Board shall appoint one or several Managing Director(s). It may appoint one of these Managing Directors as Chief Executive Officer and one or two as Deputy Chief Executive Officers. Pursuant to Section 13[4] of PUMA SE's Articles of Association, Managing Directors may be dismissed only for good cause, within the meaning of Section 84[3] of the German Stock Corporation Act (AktG) or if the employment agreement is terminated, in which case a resolution must be adopted by the Administrative Board with a simple majority of the votes cast. Pursuant to Art. 9(1)c(ii) of the SE Regulation (SE-VO), the requirements for changing the Articles of Association are governed by Sections 133 and 179 of the German Stock Corporation Act (AktG). The Administrative Board is authorized to make changes to the Articles of Association that affect only the text (Article 9(3) of PUMA SE's Articles of Association).

Sections 289 [4][1][7], 315 [4][1][7] HGB

Pursuant to the resolution of the Annual General Meeting dated April 24, 2012, the Administrative Board is authorized to increase the share capital by April 23, 2017 as follows:

1. By issuing up to € 7.5 million worth of up to 2,929,687 new no-par bearer shares on one or more occasions with a pro-rata amount of the share capital of € 2.56 per share in exchange for cash contributions. The new shares can also be acquired by one or several banks as determined by the Administrative Board, subject to the obligation to offer these to the shareholders for subscription (indirect subscription right). The shareholders are basically entitled to a subscription right. The Administrative Board is, however, authorized to exclude the subscription rights of shareholders to avoid fractional shares. The Administrative Board is authorized to determine the additional rights of shares and the conditions of the share issue (Authorized Capital I).
2. By issuing up to € 7.5 million worth of up to 2,929,687 new no-par bearer shares on one or more occasions with a pro-rata amount of the share capital of € 2.56 per share in exchange for cash contributions or contributions in kind. The new shares can also be acquired by one or several banks as determined by the Administrative Board, subject to the obligation to offer these to the shareholders for subscription (indirect subscription right). The Administrative Board is authorized to exclude the subscription rights of shareholders in part or in whole, once or several times
   - to avoid fractional shares;
   - in the event of capital increases against contributions in kind to carry out mergers or for the acquisition of companies, shareholdings in companies or parts of companies;
   - for capital increases against cash contributions, provided the amount of the share capital attributable to the new shares does not exceed ten percent of the share capital and the issue amount for the new shares is not significantly below the market price of already listed shares, Section 186(3)(4) AktG. The ten percent limit of the share capital is valid for the date of the resolution of the Annual General Meeting on this authorization and on the exercise date of the authorization. The sale of treasury shares, which are sold during the term of Authorized Capital II under exclusion of subscription rights of shareholders in application of section 186(3)(4) AktG, and the issuance of shares to service options or convertible bonds issued during the term of Authorized Capital II under exclusion of subscription rights of shareholders in application of section 186(3)(4) AktG, shall be counted toward the ten percent limit of the share capital.

   The Administrative Board is authorized to determine the additional rights of shares and the conditions of the share issue (Authorized Capital II).

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

Section 289 [4][1][8], 315 [4][1][8] HGB

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

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

Corporate Governance Report including the Statement on Corporate Governance in accordance with Section 289a and Section 315(5) HGB

Effective implementation of the principles of corporate governance is an important aspect of PUMA's corporate policy. Transparent and responsible corporate governance is a key prerequisite for achieving corporate targets and for increasing the Company's value in a sustainable manner. The Administrative Board and the Managing Directors work closely with each other in the interests of the entire Company to ensure that the Company is managed and monitored in an efficient way that will ensure sustainable added value through good corporate governance. In the following the Administrative Board and the Managing Directors report on the corporate governance at PUMA SE in accordance with Section 3.10 of the German Corporate Governance Code. This section also includes the Statement of Compliance in accordance with Art. 9(1)c(ii) of the SE Regulation (SE-VO) and Section 22(6) of the German SE Implementation Act (SEAG), in conjunction with Section 289a and Section 315(5) HGB.

Under Art. 9(1)c(ii) of the SE Regulation (SE-VO) and Section 22(6) of the German SE Implementation Act (SEAG), in conjunction with § 161 AktG the Administrative Board of a listed German SE is required to issue a statement at least once a year stating whether the German Corporate Governance Code has been and is being observed and which of the Code's recommendations have not been or are not being applied and why. The Administrative Board of PUMA SE issued the following statement of compliance on November 9, 2016:

Statement of Compliance pursuant to Section 161 AktG for 2016:

Pursuant to Art. 9(1)c(ii) of the SE Regulation (SE-VO) and Section 22(6) of the German SE Implementation Act (SEAG), in conjunction with Section 161 AktG, PUMA SE's Administrative Board declares that PUMA SE has been and is in compliance with recommendations issued by the "Government Commission on the German Corporate Governance Code" (the "Code") (in the versions dated June 24, 2014 and May 5, 2015) since the last Statement of Compliance of November 2014 in consideration of the particulars of PUMA SE's single-tier system described under item 1 with the exceptions mentioned under item 2, and where it is not in compliance, explains why not.

1st Particulars of the Single-Tier Corporate Governance System

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

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

- In derogation of No. 2.2.1 p.1 of the Code, the Administrative Board must submit the annual financial statements and the consolidated financial statements to the Annual General Meeting (Section 48(2) p. 2 SEAG).
- In derogation of Nos. 2.3.1 p. 1 and 3.7(3) of the Code, the Administrative Board is responsible for convening the Annual General Meeting (Sections 48 and 22(2) SEAG).
- The duties of the Board of Management listed in Sections 4.1.1 (Corporate Governance), and 4.1.2 in conjunction with 3.2 half-sentence 1 (Development of the Company's Strategic Orientation) of the Code are the responsibility of the Administrative Board (Section 22(1) SEAG).
- The powers of the Board of Management governed by Sections 2.3.2(2) (Proxy Bound by Instructions), 3.7(1) (Statement on a Takeover Bid) and 3.7(2) (Conduct during a Takeover Bid), as well as 3.10 (Corporate Governance Report), 4.1.3 (Compliance) and 4.1.4 (Risk Management and Controlling) of the Code are the responsibility of PUMA SE's Administrative Board (Section 22(6) SEAG).
- In derogation of Nos. 5.1.2(2)(1 and 2) of the Code, Managing Directors, unlike members of the Board of Management, are not subject to a fixed, maximum term of appointment (Section 40(1)(1) SEAG).
- In derogation of Nos. 5.4.2 p. 2 and 5.4.4 of the Code, members of the Administrative Board may be appointed as Managing Directors, provided that the majority of the Administrative Board continues to consist of non-executive Managing Directors (Section 40(1) p. 2 SEAG).

2nd Exceptions to the Code's recommendations

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

- In accordance with the authorization by the Annual General Meeting on May 7, 2013, pursuant to Section 286(5) HGB, the Company shall not publish the amounts of compensation for individual Managing Directors until the authorization expires (Sections 4.2.4 and 4.2.5 of the Code). The Managing Directors shall adhere to the authorization when they prepare the annual financial statements. Based on the authorization of the Annual General Meeting, and in derogation of No. 4.2.5(3) of the Code, the information stated in this Section regarding the compensation of the Managing Directors is not included in the Compensation Report.
- In derogation of No. 5.4.6(2) page 2 of the Code, members of the Administrative Board receive performance-based compensation that is not linked to the sustainable success of the Company. The compensation was authorized by the Annual General Meeting on April 14, 2011; it is stipulated in the Articles of Association and is deemed to be proper and correct by PUMA SE.
- Deviating from Section 5.4.6(3) of the Code, the compensation of the Administrative Board members is not shown individually. In the opinion of PUMA SE, this additional information is not relevant to the capital market, as the respective remuneration regulations are in the public domain in the Articles of Association.

Herzogenaurach, 9 November 2016

PUMA SE

On behalf of the Administrative Board

Jean-François Palus

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

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

In order to fulfill our responsibility as a global sporting goods manufacturer, PUMA has developed guidelines on environmental management and on compliance with workplace and social standards (see http://about.PUMA.com under "SUSTAINABILITY"). The PUMA Code of Conduct and the PUMA Code of Ethics (see http://about.PUMA.com under "SUSTAINABILITY") prescribe ethical and environmental standards with which both employees in the entire PUMA Group 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.

Compliance with laws and internal regulations and values are of key importance for PUMA's corporate governance. For this reason, a revised version of the PUMA Code of Ethics (http://about.puma.com/de/nachhaltigkeit/standards/coe) was communicated company-wide in 2014. The communication of the PUMA Code of Ethics was made directly by the CEO of PUMA SE. To further reduce the risk of misconduct, the Code of Ethics is accompanied by guidelines governing selected risk areas in detail. Risk-based classroom training sessions in the areas of corruption and antitrust were also conducted.

In 2016, the CEO of PUMA SE expected all PUMA employees to complete an ethics e-learning training course. The focal points of the training course this year were: combating corruption, conduct in the workplace, confidentiality of business information, and environmental protection. In total, 97% of PUMA employees completed the ethics e-learning program in 2016.

The establishment and monitoring of the Group's compliance structure is carried out by the PUMA SE Risk & Compliance Committee. This consists of a specified group of executives, including PUMA SE's Managing Directors. The regular meetings of the Committee include the analysis of compliance risks and the establishment and approval of appropriate measures (guidelines, training courses, etc.). The Audit Committee of the Administrative Board of PUMA SE is informed regularly as to the status of the compliance structure implementation.

The employees of PUMA have access to a Group-wide integrity hotline for reporting unethical, unlawful and criminal activity.

Description of the working practices of the Administrative Board and the Managing Directors and the composition and working practices of their committees

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

The **Administrative Board** of PUMA SE manages the Company, determines the Company's basic business strategies and monitors the implementation of said strategies by the Managing Directors. It appoints and dismisses the Managing Directors, decides on the compensation system and establishes the compensation. In accordance with the Articles of Association, the Administrative Board consists of at least three members. At least one independent member of the Administrative Board must have expertise in the areas of finance, accounting or auditing. The members of the Administrative Board are appointed by the Annual General Meeting, a third of them pursuant to the German Codetermination Act based on binding nominations by employee representatives. The members of the Administrative Board are appointed for a period up to the close of the Annual General Meeting that adopts the resolution approving the actions of the Board for the fourth financial year after the term of office began (the financial year in which the term of office begins is not counted) and no later than six years after the respective Administrative Board member was appointed. Administrative Board members may be reappointed.

In 2016 the Administrative Board consisted – almost continuously – of nine members. Only in the period between Ms. Belén Essioux-Trujillo's resignation on April 11, 2016 and the election of Ms. Béatrice Lazat by the Annual General Meeting on May 4, 2016 there were eight members of the Administrative Board. The regular period of office of all members of the Administrative Board ends at the close of the Annual General Meeting in 2017. Details of the members of the Administrative Board can be found in the Notes to the Consolidated Financial Statements (last chapter).

Meetings of the Administrative Board must be held at least every three months. Meetings must also be held if required for the Company's well-being or if a member of the Administrative Board demands that a meeting be convened. The Administrative Board held four regular meetings in 2016.

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

The Executive Committee consists of three members. It is responsible for organizing meetings of the Administrative Board and for making decisions when instructed by the Administrative Board to do so on its behalf.

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

The Audit Committee consists of three members. The Chairman of the Audit Committee must be an independent shareholder representative and must have expertise in the fields of accounting and auditing in accordance with Section 100(5) AktG. In particular, the Audit Committee is responsible for accounting issues and monitoring the accounting process, the effectiveness of the internal control system, the risk management system, internal audits, compliance and the statutory audit of the financial statements, with particular regard to the required independence of the statutory auditors, issuing the audit mandate to the statutory auditors, defining the audit areas of focus, any additional services to be performed by the auditors and the fee agreement. The recommendation of the Administrative Board on the selection of the statutory auditors must be based on a corresponding recommendation by the Audit Committee. Once the Annual General Meeting has appointed the statutory auditors, and the Administrative Board has issued the audit assignment, the Audit Committee shall work with the statutory auditors to specify the scope of the audit and the audit areas of focus. The statutory auditors shall attend the meeting to review the annual financial statements and the consolidated financial statements and shall report on the key findings of their audit. They shall also inform the Committee about other services they have provided in addition to auditing services and shall confirm their independence.

Each month, the Audit Committee shall receive financial data on the PUMA Group, which will allow the tracking of developments in net assets, financial position, results of operations and the order books on a continual basis. The Audit Committee shall also deal with issues relating to the balance sheet and income statement and shall discuss these with Management. In addition, when the internal audit projects are completed, the Audit Committee shall receive the audit reports, which must also include any actions taken.

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

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

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

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

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

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

Objectives for the composition of the Administrative Board

The members of the Administrative Board as a group possess the appropriate knowledge, skills and professional experience necessary for the proper fulfillment of their duties. Relevant qualifications, in compliance with diversity and appropriate involvement of women, are the key factors for the composition of the Administrative Board. Based on Section 5.4.1 of the Code, the Administrative Board has set targets for his composition that have been fulfilled. In detail:

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

Regarding its target to reach a women's proportion of 30 % the Administrative Board has set an implementation deadline until June 30, 2017.

Members of PUMA SE's Administrative Board, its Managing Directors and senior staff have the opportunity to attend appropriate training and continuing education programs.

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

The targets for the proportion of women on the Administrative Board, at the level of the Managing Directors and the two management levels below the Managing Directors were set on time by September 30, 2015.

For the Administrative Board of PUMA SE a target of 30 % women was set and for the level of the Managing Directors a target of 20 %, on the condition that PUMA SE has five or more Managing Directors. The Administrative Board adopted targets of 20% for the first management level and 30 % for the second management level.

All implementation deadlines initially run until June 30, 2017.

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

Directors' Dealings

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

Shareholdings of the Administrative Board and the Managing Directors

According to the notification dated August 3, 2011 pursuant to Sections 21 and 22 of the German Securities Trading Act (WpHG), on this date Messrs. François-Henri Joseph Pinault (Administrative Board member) and François Jean-Henri Pinault indirectly held 75.12 % (11,330,446 voting rights) of the voting rights in PUMA SE, of which 1.15 % of the voting rights (173,377 voting rights) were treasury shares of PUMA SE.

Declaration by the Legal Representatives

Regarding the Affirmation pursuant to Section 315(1)(6) of the German Commercial Code (HGB) (Responsibility Statement/Bilanzeid), please refer to the Notes.

Herzogenaurach, January 30, 2017

The Managing Directors

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 2016

- International Financial Reporting Standards - IFRS

Consolidated Statement of Financial Position

	Notes	31.12.2016 € million	31.12.2015 € million
ASSETS			
Cash and cash equivalents	3	326.7	338.8
Inventories	4	718.9	657.0
Trade receivables	5	499.2	483.1
Income tax receivables	22	37.4	50.5
Other current financial assets	6	114.1	76.8
Other current assets	7	69.2	78.6
Current assets		**1,765.4**	**1,684.8**
Deferred income taxes	8	229.5	219.8
Property, plant and equipment	9	252.1	232.6
Intangible assets	10	423.1	403.3
Investments in associates	11	16.5	15.2
Other non-current financial assets	12	59.8	39.3
Other non-current assets	12	18.7	25.2
Non-current assets		**999.7**	**935.5**
Total assets		**2,765.1**	**2,620.3**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current financial liabilities	13	25.3	14.0
Trade payables	13	580.6	519.7
Income taxes	22	41.4	49.7
Other current provisions	16	56.0	52.7
Liabilities from acquisitions	17	0.0	3.0
Other current financial liabilities	13	70.0	115.9
Other current liabilities	13	121.5	125.1
Current liabilities		**894.9**	**880.0**
Deferred income tax liabilities	8	63.1	64.2
Pension provisions	15	31.6	23.8
Other non-current provisions	16	29.8	23.5
Liabilities from acquisitions	17	5.0	0.0
Other non-current financial liabilities	13	16.2	7.2
Other non-current liabilities	13	2.3	2.2
Non-current liabilities		**148.0**	**121.0**
Subscribed capital	18	38.6	38.6
Group reserves	18	203.2	162.5
Retained earnings	18	1,496.6	1,441.7
Treasury stock	18	-31.4	-31.4
Equity attributable to the shareholders of the parent		**1,706.9**	**1,611.3**
Non-controlling interest	18	15.3	8.0
Shareholders' equity		**1,722.2**	**1,619.3**
Total liabilities and shareholders' equity		**2,765.1**	**2,620.3**

Consolidated Income Statement

	Notes	2016 € million	2015 € million
Sales	25	**3,626.7**	**3,387.4**
Cost of sales	25	-1,970.3	-1,847.2
Gross profit	25	**1,656.4**	**1,540.2**
Royalty and commission income		15.7	16.5
Other operating income and expenses	20	-1,544.5	-1,460.5
Operating income (EBIT)		**127.6**	**96.3**
Result from associated companies	21	1.2	1.0
Financial income	21	10.5	11.2
Financial expenses	21	-20.4	-23.4
Financial result		**-8.7**	**-11.2**
Earnings before taxes (EBT)		**118.9**	**85.0**
Taxes on income	22	-30.5	-23.3
Consolidated net earnings for the year		**88.4**	**61.7**
attributable to:			
Non-controlling interest	18	-26.0	-24.6
Equity holders of the parent (net earnings)		**62.4**	**37.1**
Earnings per share (€)	23	4.17	2.48
Earnings per share (€) - diluted	23	4.17	2.48
Weighted average shares outstanding (million)	23	14,940	14,940
Weighted average shares outstanding, diluted (million)	23	14,940	14,940

Consolidated Statement of Comprehensive Income

		After tax 2016 € million	Tax impact 2016 € million	Before tax 2016 € million	After tax 2015 € million	Tax impact 2015 € million	Before tax 2015 € million
Net earnings before attribution		**88.4**		**88.4**	**61.7**		**61.7**
Currency changes		11.9	0.0	11.9	-0.0	0.0	-0.0
Cashflow hedge							
Release to the income statement		-17.4	5.2	-22.6	-34.6	13.5	-48.1
Market value for cashflow hedges		51.1	-0.6	51.7	21.2	-5.3	26.5
Net result of available-for-sale financial assets		4.9	-0.8	5.7	0.5	-0.2	0.6
Share in the other comprehensive income of at equity accounted investments		-0.1	0.0	-0.1	0.2	0.0	0.2
Items expected to be reclassified to the income statement in the future		**50.4**	**3.8**	**46.6**	**-12.7**	**8.1**	**-20.8**
Remeasurements of defined benefit plans (IAS 19)		-9.1	2.3	-11.3	1.4	-0.3	1.7
Items not expected to be reclassified to the income statement in the future		**-9.1**	**2.3**	**-11.3**	**1.4**	**-0.3**	**1.7**
Other result		**41.3**	**6.1**	**35.2**	**-11.3**	**7.7**	**-19.1**
Comprehensive income		**129.7**	**6.1**	**123.6**	**50.4**	**7.7**	**42.6**
attributable to:	Non-controlling interest	26.6		26.6	26.9		26.9
	Equity holder of the parent	103.1	6.1	97.0	23.5	7.7	15.7

Consolidated Statement of Cashflows

	Notes	2016 € million	2015 € million
Operating activities			
Earnings before tax (EBT)		118.9	85.0
Adjustments for:			
Depreciation	9, 10	59.9	57.5
Non-realized currency gains/losses, net		-0.7	-5.3
Result from associated companies	11	-1.2	-0.9
Financial income	21	-10.2	-11.0
Financial expenses	21	14.0	15.2
Changes from the sale of fixed assets		0.6	-16.4
Changes to pension accruals	15	-3.2	-0.5
Other non cash effected expenses/income		4.8	10.9
Gross Cashflow	26	**182.9**	**134.5**
Changes in receivables and other current assets	5, 6, 7	-16.8	-8.8
Changes in inventories	4	-57.7	-92.2
Changes in trade payables and other current liabilities		74.2	-24.1
Cash inflow from operating activities		**182.7**	**9.4**
Dividends received	11, 12	1.0	0.9
Interest paid	21	-11.6	-9.1
Income taxes paid	22	-41.0	-38.4
Net cash from operating activities	26	**131.1**	**-37.1**
Investing activities			
Payment for acquisitions	17	-6.8	-0.5
Purchase of property and equipment	9, 10	-84.3	-79.0
Proceeds from sale of property and equipment		1.5	23.8
Payment for other assets	12	-0.5	-13.2
Interest received	21	8.8	7.2
Cash outflow from investing activities		**-81.4**	**-61.7**
Financing activities			
Changes in non-current liabilities	13	-0.1	0.1
Raising/ (-) Repayment of current financial liabilities	13	-43.4	71.0
Raising of non-current financial liabilities	13	9.2	7.3
Dividend payments to equity holders of the parent	18	-7.5	-7.5
Dividend payments to non-controlling interests	18	-19.3	-42.0
Cash inflow/ outflow from financing activities	26	**-61.1**	**28.9**
Exchange rate-related changes in cashflow		-0.7	7.3
Change in cash and cash equivalents		**-12.1**	**-62.7**
Cash and cash equivalents at beginning of the financial year		338.8	401.5
Cash and cash equivalents at the end of the financial year	3, 26	**326.7**	**338.8**

Statement of Changes in Equity in € million	**Subscribed capital**	**Reserves** Capital reserve	Revenue reserves	Difference from currency conversion	Cash flow hedges	At equity accounted investments	**Retained earnings**	**Treasury stock**	**Equity before non-controlling interests**	**Non-controlling interests**	**TOTAL equity**
Dec. 31, 2014	**38.6**	**193.7**	**57.9**	**-110.6**	**34.6**	**0.5**	**1,412.0**	**-31.4**	**1,595.2**	**23.1**	**1,618.3**
Net Earnings							**37.1**		**37.1**	24.6	61.7
Net income directly recognized in equity			1.9	-2.4	-13.3	0.2			**-13.7**	2.3	-11.3
Total comprehensive income			1.9	-2.4	-13.3	0.2	**37.1**		**23.5**	26.9	50.4
Dividends paid to equity holders of the parent company / non-controlling interests							**-7.5**		**-7.5**	-42.0	-49.5
Changes in the group of consolidated companies				0.1					**0.1**		**0.1**
Dec. 31, 2015	**38.6**	**193.7**	**59.7**	**-112.8**	**21.2**	**0.6**	**1,441.7**	**-31.4**	**1,611.3**	**8.0**	**1,619.3**
Net Earnings							**62.4**		**62.4**	26.0	88.4
Net income directly recognized in equity			-4.2	11.9	33.1	-0.1			**40.7**	0.6	41.3
Total comprehensive income			-4.2	11.9	33.1	-0.1	**62.4**		**103.1**	26.6	129.7
Dividends paid to equity holders of the parent company / non-controlling interests							**-7.5**		**-7.5**	-19.3	-26.8
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**

Changes in Fixed Assets

Changes in 2015	Purchase costs						Accumulated depreciation						Carrying amounts	
	Balance Jan. 1, 2015 € million	Currency changes and other Changes	Additions/ retransfers	Change in group of consolidated companies	Disposals	Balance Dec. 31, 2015 € million	Balance Jan. 1, 2015 € million	Currency changes and other Changes	Additions/ retransfers [1)]	Change in group of consolidated companies	Disposals	Balance Dec. 31, 2015 € million	Balance Dec. 31, 2015 € million	Balance Dec. 31, 2014 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	160.3	8.6	8.2		-9.9	167.2	-54.4	-0.8	-5.8		5.4	-55.6	111.6	105.9
Technical equipment and machinery	15.9	-0.3	2.5		-0.1	18.0	-4.2	0.3	-2.2			-6.1	11.9	11.7
Other equipment, factory and office equipment	303.5	11.4	44.2		-35.1	324.0	-208.4	-5.1	-36.7		31.3	-218.9	105.1	95.1
Assets under construction	11.3	-13.2	7.5		-1.6	4.0							4.0	11.3
	491.0	**6.5**	**62.4**		**-46.7**	**513.2**	**-267.0**	**-5.6**	**-44.7**		**36.7**	**-280.6**	**232.6**	**224.0**
INTANGIBLE ASSETS														
Goodwill	298.3	5.6	0.2		-12.7	291.4	-56.6	-0.6			6.1	-51.1	240.3	241.7
Intangible assets with an unlimited or indefinite useful life	134.8	13.5				148.3	-17.6	-0.1				-17.7	130.6	117.2
Other intangible assets	110.5	-2.4	16.6		-1.5	123.2	-78.0	-1.2	-12.8		1.2	-90.8	32.4	32.5
	543.6	**16.7**	**16.8**		**-14.2**	**562.9**	**-152.2**	**-1.9**	**-12.8**		**7.3**	**-159.6**	**403.3**	**391.4**

1) In the 2015 financial year, there were no expenses for impairment of property, plant and equipment, and intangible assets; see paragraphs 9 and 10.

Changes in 2016	**Purchase costs**						**Accumulated depreciation**						**Carrying amounts**	
	Balance Jan. 1, 2016 € million	Currency changes and other Changes	Additions/ retransfers	Change in group of consolidated companies	Disposals	Balance Dec. 31, 2016 € million	Balance Jan. 1, 2016 € million	Currency changes and other Changes	Additions/ retransfers [1)]	Change in group of consolidated companies	Disposals	Balance Dec. 31, 2016 € million	Balance Dec. 31, 2016 € million	Balance Dec. 31, 2015 € million
PROPERTY, PLANT AND EQUIPMENT														
Land, land rights and buildings including buildings on third party land	167.2	-0.2	3.0		-2.9	167.1	-55.6	-0.1	-6.0		3.0	-58.8	108.4	111.6
Technical equipment and machinery	18.0	-1.0	1.0	0.2	-0.4	17.9	-6.1	0.3	-1.8	-0.1	0.3	-7.5	10.4	11.9
Other equipment, factory and office equipment	324.0	7.9	48.3	0.9	-23.6	357.4	-218.9	-3.9	-40.7	-0.6	22.9	-241.3	116.1	105.1
Assets under construction	4.0	-2.3	16.2		-0.6	17.3	0.0	-0.0			-0.0	-0.0	17.3	4.0
	513.2	**4.4**	**68.5**	**1.1**	**-27.6**	**559.7**	**-280.6**	**-3.7**	**-48.6**	**-0.7**	**26.1**	**-307.5**	**252.1**	**232.6**
INTANGIBLE ASSETS														
Goodwill	291.4	2.1		3.7	-0.1	297.1	-51.1	0.0		4.3		-46.7	250.4	240.3
Intangible assets with an unlimited or indefinite useful life	148.3	4.3				152.6	-17.7					-17.7	134.9	130.6
Other intangible assets	123.2	0.8	15.8	0.4	-5.5	134.7	-90.8	-0.6	-11.3	0.5	5.3	-96.9	37.8	32.4
	562.9	**7.2**	**15.8**	**4.0**	**-5.6**	**584.4**	**-159.6**	**-0.5**	**-11.3**	**4.8**	**5.3**	**-161.3**	**423.1**	**403.3**

1) In the 2016 financial year, there were no expenses for impairment of property, plant and equipment, and intangible assets; see paragraphs 9 and 10.

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 the parent company of the PUMA Group, with its registered office on PUMA WAY 1, 91074 Herzogenaurach, Germany. The competent registry court is in Fürth (Bavaria).

The PUMA Group is included in the consolidated financial statements of Kering S.A., Paris; these financial statements are available on the website www.kering.com as well as from the "Autorité des Marchés Financiers (AMF)".

The consolidated financial statements of PUMA SE and its subsidiaries (hereinafter 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 315a (1) of the German Commercial Code (Handelsgesetzbuch, HGB). The IASB standards and interpretations, as they are to be applied in the EU, which are mandatory for financial years as of Friday, January 1, 2016, have been applied.

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

Standard	Name
First-time adoption in the current financial year	
Amendment IFRS 11	Accounting for Acquistitions of Interests in Joint Operations
Amendment IAS 1	Disclosure initiative
Amendment IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization
Amendment IAS 16 and IAS 41	Agriculture: bearer plants
Amendment IAS 27	Application of the equity method in separate financial statements
AIP 2012 - 2014	Improvements to IFRS
Amendment IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception

The standards and interpretations used for the first time as of January 1, 2016 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	Name	Date of adoption *	Planned adoption
Endorsed			
IFRS 9	Financial Instruments	1/1/2018	1/1/2018
IFRS 15	Revenue from Contracts with Customers	1/1/2018	1/1/2018
Endorsement pending			
IFRS 14	Regulatory Deferral Accounts	1/1/2016	1/1/2016
Amendment IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1/1/2017	1/1/2017
Amendment IAS 7	Disclosure Initiative	1/1/2017	1/1/2017
Amendment IFRS 2	Classification and Measurement of Share-based Payment Transactions	1/1/2018	1/1/2018
Amendment IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1/1/2018	1/1/2018
IFRS 16	Leases	1/1/2019	1/1/2019
Amendment IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and ist Associate or Joint Venture	Postponed	

* Adjusted by EU endorsement, if applicable

IFRS 9 contains provisions for the recognition, measurement, derecognition and accounting of hedging transactions. As a result, the financial instruments previously accounted for under IAS 39 (Financial instruments: Recognition and Measurement) are now fully accounted for under IFRS 9. This includes, among other things, a new impairment model based on the expected credit defaults. IFRS 9 also contains new rules for the application of hedge accounting. Detailed analyses with respect to the first-time application of IFRS 9 are still being conducted. This is not expected to have any significant impact.

IFRS 15 stipulates when and in what amounts revenues are to be recognized. The standard provides a single, principle-based, five-step model to be applied to all contracts with customers. It also calls for more informative and relevant information to be provided to the target audience of the annual financial statements than before. Detailed analyses with respect to the first-time application of IFRS 15 are still being conducted. In particular, the new regulations on payments to customers, licenses and customer loyalty programs are subjected to a critical assessment. Because PUMA has not entered into any long-term contracts and multi-component agreements, no significant impact on accounting is expected.

The new leasing standard IFRS 16 will, in future, lead to the recognition of all leases in the form of a right to use and a corresponding leasing obligation. In all cases, they are presented in the income statement as a financing process, i.e. in general, the right to use must be amortized on a straight-line basis, and the leasing obligation must be amortized using the effective interest method. Detailed analyses with respect to the initial application of IFRS 16 are still being conducted. An estimate of the possible impact of the application of the new leasing standard is given in paragraph 28 (Other Financial Obligations: Obligations from Operating Leases).

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

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 €). Amounts being shown 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.

2. Significant Consolidation, Accounting and Valuation Principles

Consolidation Principles

The consolidated financial statements were prepared as of December 31, 2016, 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 those companies in which the Group has existing rights which give it the current ability to control the company's main activities. The main activities are the activities which significantly influence the profitability of the company. Control is therefore exercised when the Group is exposed to variable returns from the relationship with a company and, by using its authority to exercise control over the main activities, it is possible to influence these returns. As a rule, the possibility of control is based on PUMA's holding a direct or indirect majority of the voting rights. The company is included from the time when the possibility of control exists. 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 (previously referred to as minority interest). 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.

Pursuant to the contractual arrangement with the “joint venture partners”, PUMA is already the beneficial owner of some controlling interests. 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. If there are any subsequent deviations, for acquisitions before January 1, 2010, these lead to a subsequent adjustment of the acquisition costs not affecting income. For business combinations as of January 1, 2010, the costs that can be directly allocated to the acquisition as well as subsequent deviations in the present value of expected residual purchase prices are recognized in the income statement pursuant to the application of the amended 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 in 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

Apart from PUMA SE, all subsidiaries in which PUMA SE has existing direct or indirect rights which give it the current ability to control the main activities are fully consolidated in the consolidated financial statements. At present, the possibility of control in all Group companies is based on the direct or indirect majority of the 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) were as follows:

As of	**Dec. 31, 2015**	**110**
Formation and acquisition of companies		5
Disposal of companies		7
As of	**Dec. 31, 2016**	**108**

The following changes occurred within the group of consolidated companies in financial year 2016:

The additions in the group of consolidated companies concern the acquisition of the companies Genesis Group International Ltd. and Admiral Teamsports Ltd. and the formation of the companies Janed Canada, LLC, PUMA Kids Apparel Canada, LLC, and PUMA Information Technology Services Philippines Company Limited Inc.

The disposals in the group of consolidated companies concern the closure of the companies PUMA Baltic UAB and the sale of the companies Brandon Oy, Brandon Company AB, Brandon AB, Brandon USA, Inc., Brandon Trading (Shanghai) Ltd., and Brandon Hong Kong Ltd.

These 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	as of DEC 31st 2016 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.	Wilderness Holdings Ltd.	Botswana	Maun	direct	20%
5.	PUMA Sport Hrvatska d.o.o.	Croatia	Zagreb	indirect	100%
6.	PUMA Czech Republic s.r.o.	Czech Republic	Prague	indirect	100%
7.	PUMA Denmark A/S	Denmark	Skanderborg	indirect	100%
8.	PUMA Estonia OÜ	Estonia	Tallinn	indirect	100%
9.	PUMA Finland Oy	Finland	Espoo	indirect	100%
10.	PUMA FRANCE SAS	France	Illkirch-Graffenstaden	indirect	100%
11.	Dobotex France SAS	France	Paris	indirect	100%
12.	PUMA International Trading GmbH	Germany	Herzogenaurach	direct	100%
13.	PUMA Europe GmbH	Germany	Herzogenaurach	direct	100%
14.	PUMA Vertrieb GmbH	Germany	Herzogenaurach	direct	100%
15.	PUMA Sprint GmbH	Germany	Herzogenaurach	direct	100%
16.	PUMA Mostro GmbH	Germany	Herzogenaurach	indirect	100%
17.	Dobotex Deutschland GmbH	Germany	Düsseldorf	indirect	100%
18.	PUMA United Kingdom Ltd.	Great Britain	London	indirect	100%
19.	PUMA Premier Ltd.	Great Britain	London	indirect	100%
20.	Dobotex UK Ltd.	Great Britain	Manchester	indirect	100%
21.	Branded Sports Merchandising UK Ltd.	Great Britain	London	indirect	100%
22.	Genesis Group International Ltd.	Great Britain	Manchester	direct	100%1)
23.	Admiral Teamsports Ltd.	Great Britain	Manchester	indirect	100%1)
24.	Sport Equipment Hellas S. A. of Footwear, Apparel and Sportswear u.Li.	Greece	Athens	direct	100%1)
25.	Sport Equipment TI Cyprus Ltd. u.Li.	Cyprus	Nicosia	direct	100%1)
26.	PUMA Italia S.r.l.	Italy	Assago	indirect	100%
27.	Dobotex Italia S.r.l.	Italy	Assago	indirect	100%
28.	PUMA Sport Israel Ltd.	Israel	Hertzeliya	indirect	100%
29.	PUMA Malta Ltd.	Malta	St.Julians	indirect	100%
30.	PUMA Racing Ltd.	Malta	St.Julians	indirect	100%
31.	PUMA Benelux B.V.	Netherlands	Leusden	direct	100%
32.	PUMA International Sports Marketing B.V.	Netherlands	Leusden	direct	100%
33.	Brand Plus Licensing B.V.	Netherlands	's-Hertogenbosch	direct	100%
34.	Dobotex International B.V.	Netherlands	's-Hertogenbosch	indirect	100%
35.	Branded Sports Merchandising B.V.	Netherlands	's-Hertogenbosch	indirect	100%
36.	Dobotex B.V.	Netherlands	's-Hertogenbosch	indirect	100%
37.	Dobo Logic B.V.	Netherlands	Tilburg	indirect	100%
38.	Dobotex Licensing Holding B.V.	Netherlands	's-Hertogenbosch	indirect	100%
39.	PUMA Norway AS	Norway	Oslo	indirect	100%
40.	PUMA Polska Sp. z o.o.	Poland	Warsaw	indirect	100%
41.	PUMA Sports Romania Srl	Romania	Bucharest	indirect	100%
42.	PUMA-RUS o.o.o.	Russia	Moscow	indirect	100%
43.	PUMA Slovakia s.r.o.	Slovakia	Bratsilava	indirect	100%
44.	PUMA Sports Distributors (Pty) Ltd.	South Africa	Cape Town	indirect	100%
45.	PUMA Sports South Africa (Pty) Ltd.	South Africa	Cape Town	indirect	100%
46.	PUMA Iberia S.L.U	Spain	Barcelona	direct	100%
47.	Dobotex Spain S.L.	Spain	Barcelona	indirect	100%
48.	Nrotert AB	Sweden	Helsingborg	direct	100%
49.	PUMA Nordic AB	Sweden	Helsingborg	indirect	100%
50.	Nrotert Sweden AB	Sweden	Helsingborg	indirect	100%
51.	Mount PUMA AG (Schweiz)	Switzerland	Oensingen	direct	100%
52.	PUMA Retail AG	Switzerland	Oensingen	indirect	100%
53.	Dobotex Switzerland AG	Switzerland	Oensingen	indirect	100%
54.	PUMA Spor Giyim Sanayi ve Ticaret A.S.	Turkey	Istanbul	indirect	100%
55.	PUMA Ukraine TOV	Ukraine	Kiew	indirect	100%
56.	PUMA Middle East FZ LLC	United Arab Emirates	Dubai	indirect	100%
57.	PUMA UAE LLC	United Arab Emirates	Dubai	indirect	100%1)

	Americas				
58.	Unisol S.A.	Argentina	Buenos Aires	indirect	100%
59.	PUMA Sports Ltda.	Brazil	Sao Paulo	indirect	100%
60.	PUMA Canada, Inc.	Canada	St. Laurent (Montreal)	indirect	100%
61.	Janed Canada, LLC	Canada	Toronto	indirect	51%
62.	PUMA CHILE S.A.	Chile	Santiago	direct	100%
63.	PUMA SERVICIOS SPA	Chile	Santiago	indirect	100%
64.	PUMA México Sport, S.A. de C.V.	Mexico	Mexico City	direct	100%
65.	Servicios Profesionales RDS, S.A. de C.V.	Mexico	Mexico City	indirect	100%
66.	Importaciones RDS, S.A. de C.V.	Mexico	Mexico City	direct	100%
67.	Dobotex de México, S.A. de C.V.	Mexico	Mexico City	indirect	100%
68.	Importationes Brand Plus Licensing, S.A. de C.V.	Mexico	Mexico City	indirect	100%
69.	Distribuidora Deportiva PUMA S.A.C.	Peru	Lima	indirect	100%
70.	Distribuidora Deportiva PUMA Tacna S.A.C.	Peru	Tacna	indirect	100%
71.	PUMA Retail Peru S.A.C.	Peru	Lima	indirect	100%
72.	PUMA Sports LA S.A.	Uruguay	Montevideo	direct	100%
73.	PUMA Suede Holding, Inc.	USA	Westford	indirect	100%
74.	PUMA North America, Inc.	USA	Westford	indirect	100%
75.	Cobra Golf Incorporated	USA	Carlsbad	indirect	100%
76.	PUMA Accessories North America, LLC	USA	New York	indirect	85%
77.	Janed, LLC	USA	New York	indirect	51%
78.	PUMA Kids Apparel North America, LLC	USA	New York	indirect	51%
79.	PUMA Kids Apparel Canada, LLC	USA	New York	indirect	51%
	Asia/Pacific				
80.	PUMA Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
81.	White Diamond Australia Pty. Ltd.	Australia	Melbourne	indirect	100%
82.	White Diamond Properties Pty. Ltd.	Australia	Melbourne	indirect	100%
83.	Kalola Pty. Ltd.	Australia	Melbourne	indirect	100%
84.	Liberty China Holding Ltd.	British Virgin Islands		indirect	100%
85.	PUMA China Ltd.	China	Shanghai	indirect	100%
86.	Dobotex China Ltd.	China	Shanghai	indirect	100%
87.	Guangzhou World Cat Information Consulting Services Company Ltd.	China	Guangzhou	indirect	100%
88.	World Cat Ltd.	Hongkong		direct	100%
89.	Development Services Ltd.	Hongkong		direct	100%
90.	PUMA International Trading Services Ltd.	Hongkong		indirect	100%
91.	PUMA Asia Pacific Ltd.	Hongkong		direct	100%
92.	PUMA Hong Kong Ltd.	Hongkong		indirect	100%
93.	Dobotex Ltd.	Hongkong		indirect	100%
94.	PUMA Sports India Private Ltd.	India	Bangalore	indirect	100%
95.	PUMA India Corporate Services Private Ltd.	India	Bangalore	indirect	100%
96.	World Cat Sourcing India Private Ltd.	India	Bangalore	indirect	100%
97.	PT PUMA Cat Indonesia Ltd.	Indonesia	Jakarta	indirect	100%
98.	PUMA JAPAN K.K.	Japan	Tokyo	indirect	100%
99.	PUMA Korea Ltd.	Korea (South)	Seoul	direct	100%
100.	Dobotex Korea Ltd.	Korea (South)	Seoul	indirect	100%
101.	PUMA Sports Goods Sdn. Bhd.	Malaysia	Kuala Lumpur	indirect	100%
102.	PUMA New Zealand Ltd.	New Zealand	Auckland	indirect	100%
103.	PUMA Information Technology Services Philippines Company Limited Inc.	Philippines	Manila	indirect	100%
104.	PUMA Sports SEA Trading Pte. Ltd.	Singapore		direct	100%
105.	PUMA SEA Holding Pte. Ltd.	Singapore		indirect	100%
106.	PUMA Taiwan Sports Ltd.	Taiwan	Taipei	indirect	100%
107.	World Cat Vietnam Co. Ltd.	Vietnam	Long An Province	indirect	100%
108.	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 Vertrieb GmbH, 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:

	2016		**2015**	
Currency	Reporting date exchange rate	Average exchange rate	Reporting date exchange rate	Average exchange rate
USD	1.0541	1.1069	1.0887	1.1095
HKD	8.1751	8.5922	8.4376	8.6014
JPY	123.4000	120.1967	131.0700	134.3140
GBP	0.8562	0.8195	0.7340	0.7258

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 when a hedging instrument is concluded, PUMA classifies the derivatives either as the hedge of a planned transaction (cash flow hedge) or the hedge of the fair value of a reported 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 are suitable for fair value hedges and which have been determined as such are recognized directly in the consolidated income statement together with the 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 in the item related to the underlying transaction.

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

Leasing

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

Cash and Cash Equivalents

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

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. As a general rule, the acquisition cost of the merchandise is determined using the average cost method. Value adjustments are adequately recorded, depending on age, seasonality, and realizable market prices, in a manner that is standard throughout the Group.

Receivables and Other Assets
Receivables and other assets are initially stated at fair value, taking into account transaction costs, and subsequently valued at amortized costs after deduction of value adjustments. All identifiable risks with respect to value adjustments are sufficiently accounted for in the form of individual risk assessments based on historical values.

Adjustments are conducted in principle if, after the entry record of the financial asset, there are objective indications for an adjustment which has an effect on the expected future cash flow from that financial instrument. Significant financial difficulties of a debtor, an increased probability that a creditor becomes insolvent or enters into a clean-up procedure, as well as a breach of contract, e.g. a cancellation or delay in interest or amortization payments, all count as indicators for an existing adjustment. The amount of the adjustment loss corresponds to the difference between the carrying amount and the cash value of the expected cash flows.

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

Non-current investments
The investments reported under non-current financial assets are classified as "available for sale". This category includes financial instruments that are not loans and receivables or held-to-maturity financial investments and that are not recognized in the income statement at fair value. The "held-to-maturity financial investments" category and "financial assets recognized in the income statement at fair value" do not apply within the PUMA Group.

All purchases and disposals of non-current investments are recognized as of the trading day. The initial recognition of non-current investments is made at fair value plus transaction costs. They are also recognized at fair value in subsequent periods, provided this can be determined reliably. Unrealized gains and losses are recognized in the statement of comprehensive income, taking into account deferred taxes. When the non-current investments are sold, the profit or loss is recognized in the income statement.

If there are significant objective indications for an impairment of non-current investments, they are written down in the income statement. In the case of equity investments classified as available for sale, a substantial or sustained reduction in the fair value of the assets below their acquisition costs is an objective indication of an impairment. The same applies if there is no longer an active market for listed shares.

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 moveable assets.

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.

Other Intangible Assets
Acquired intangible assets largely consist of concessions, intellectual property rights and similar rights. These are valued at acquisition costs, net of accumulated amortization. The useful life of intangible assets is between three and ten years.

If the capitalization requirements of IAS 38.57 “Intangible Assets” are cumulatively met, expenses for the development phase for internally generated intangible assets are capitalized at the time they are created. In subsequent periods, both internally generated intangible assets and acquired intangible assets are measured at cost less accumulated amortization and impairment losses. In the Group, internally generated intangible assets are generally amortized on a straight-line basis over a useful life of three years.

The item also includes acquired trademark rights, which were 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 subject 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 written down 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.

Investments 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 prorata 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 entries are recognized at their acquisition cost, taking into account transaction costs and subsequently recognized 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.

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 also have 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. 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 produced, 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.

Equity Compensation Plans/Management Incentive Program
In accordance with IFRS 2, stock-based compensation systems are recognized at fair value and recorded under personnel costs. PUMA has stock-based compensation systems in the form of stock options (SOP) involving compensation in shares and in the form of virtual shares with cash compensation.

The expenses associated with the SOP are determined from the fair value of the options as of the grant date, without taking into account the impact of non-market-oriented exercise hurdles (e.g. forfeited options if the eligible employee leaves the company prematurely). The expense is recorded by distributing it as personnel costs over the vesting period until the options are vested and is recognized as a capital reserve. Non-market-oriented exercise hurdles are adjusted in accordance with current expectations and the assessment of expected exercisable options is reviewed on each balance sheet date. The resulting gains and losses are recognized in the income statement and recorded through a corresponding adjustment in equity over the remaining period up to the vesting date.

For share-based remunerations with cash compensation, a liability is recorded for the services received and measured with its fair value upon addition. 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.

Recognition of Sales Revenues
Revenues from the sale of products (sales revenues) are recognized at the time of the transfer of the significant opportunities and risks associated with the ownership of the goods and products sold to the buyer if it is likely that the Group will derive the economic benefit from the sale. The amount of the recognized sales revenues is based on the fair value of the consideration received or to be received, taking into account returns, discounts and rebates.

Royalty and Commission Income
Income from royalties is recognized in the income statement in accordance with the invoices 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 to the extent that the underlying purchase transaction is deemed 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 recognized in full as expenses when they are incurred. Development costs are also recognized as an expense at the time they are incurred unless they meet the recognition criteria of IAS 38 "Intangible Assets".

Financial Result
The financial results include the results from associated companies as well as interest income from financial investments and interest expense from loans and 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 where 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 net income. 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.

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 particularly relevant for the valuation of goodwill, brands, pension obligations, derivative financial instruments and taxes. The most significant forward-looking assumptions and sources of estimation uncertainty as of the reporting date concerning the above-mentioned items are discussed below.

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). The "relief from royalty method" method is used to value brands. See paragraph 10 for further information, in particular with regard to 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 paragraph 15 for further information, in particular with regard to 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 expected dates of initial recognition and the 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. Active deferred tax assets on losses carried forward are recorded in the event of companies incurring a loss only if it is highly likely that future positive income will be achieved that can be offset against these tax losses carried forward. Please see paragraph 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 paragraph 24 for further information.

3. Cash and Cash Equivalents

As of December 31, 2016, the Group has € 326.7 million (previous year: € 338.8 million) in cash and cash equivalents. The average effective interest rate of financial investments was 0.7% (previous year: 1.0%). There are no restrictions on disposition.

4. Inventories

Inventories are allocated to the following main groups:

	2016 € million	2015 € million
Raw materials, consumables and supplies	20.2	19.9
Finished goods and merchandise/inventory		
Footwear	239.7	218.6
Apparel	193.7	177.3
Accessories/Other	111.6	102.6
Goods in transit	153.7	138.6
Total	**718.9**	**657.0**

The table shows the carrying amounts of the inventories net of value adjustments. Of the value adjustments of € 44.0 million (previous year: € 48.2 million), approx. 69% (previous year: approx. 72%) were recognized as expense under costs of sales in the 2016 financial year.

The amount of inventories recorded as an expense during the period mainly includes the cost of sales shown in the consolidated income statement.

5. Trade Receivables

This item consists of:

	2016 € million	2015 € million
Trade receivables, gross	542.0	521.9
Less value adjustments	-42.9	-38.8
Trade receivables, net	**499.2**	**483.1**

Allowances for trade receivables developed as follows:

	2016 € million	2015 € million
Status of value adjustments as of January 1	**38.8**	**39.4**
Scope	-2.3	0.0
Exchange rate differences	0.4	0.3
Allocations	12.5	7.3
Utilization	-4.7	-6.0
Reversals	-1.9	-2.2
Status of value adjustments as of December 31	**42.9**	**38.8**

The age structure of the trade receivables is as follows:

Gross values							
2016	Total	of which not written down					of which written down
		Not due	0 – 30 days	31 – 90 days	91 – 180 days	over 180 days	
€ million	542.0	370.3	37.8	26.1	6.8	1.0	100.0

Gross values							
2015	Total	of which not written down					of which written down
		Not due	0 – 30 days	31 – 90 days	91 – 180 days	over 180 days	
€ million	521.9	344.2	40.9	28.9	6.1	2.7	99.1

With respect to trade receivables that were not written down, PUMA assumes that the debtors will satisfy their payment obligations.

6. Other Current Financial Assets

This item consists of:

	2016 € million	**2015 € million**
Fair value of derivative financial instruments	78.8	51.0
Other financial assets	35.2	25.8
Total	**114.1**	**76.8**

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

7. Other Current Assets

This item consists of:

	2016 € million	**2015 € million**
Prepaid expense relating to the subsequent period	31.6	35.5
Other receivables	37.6	43.1
Total	**69.2**	**78.6**

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

Other receivables mainly include VAT receivables amounting to € 17.8 million (previous year: € 15.7 million).

8. Deferred Taxes

Deferred taxes relate to the items shown below:

	2016 € million	2015 € million
Tax losses carried forward	110.3	119.1
Non-current assets	30.7	33.0
Current assets	38.0	32.9
Provisions and other liabilities	65.7	66.0
Deferred tax assets (before netting)	**244.8**	**251.0**
Non-current assets	65.9	76.9
Current assets	8.8	14.5
Provisions and other liabilities	3.7	4.0
Deferred tax liabilities (before netting)	**78.4**	**95.4**
Deferred tax assets, net	**166.4**	**155.6**

Of the deferred tax assets, € 85.3 million (previous year: € 87.7 million) and of the deferred tax liabilities € 11.3 million (previous year: € 17.6 million) are short term.

As of December 31, 2016, tax losses carried forward amounted to a total of € 596.9 million (previous year: € 675.0 million). This results in a deferred tax asset of € 171.8 million (previous year: € 192.1 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 losses carried forward of € 61.5 million (previous year: € 73.0 million) have not been recognized; of this amount, € 59.3 million (previous year: € 73.0 million) are non-forfeitable; however, € 13.4 million can never be used due to the absence of future expectations.

In addition, no deferred taxes were recognized for deductible temporary differences amounting to € 5.0 million (previous year: € 5.9 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:

	2016 € million	2015 € million
Deferred tax assets	229.5	219.8
Deferred tax liabilities	63.1	64.2
Deferred tax assets, net	**166.4**	**155.6**

The changes in deferred tax assets were as follows:

	2016 € million	2015 € million
Deferred tax assets, previous year	219.8	178.8
Recognition in the income statement	4.2	30.9
Adjustment against Other Comprehensive Income	5.4	10.1
Deferred tax assets	**229.5**	**219.8**

The changes in deferred tax liabilities were as follows:

	2016 € million	2015 € million
Deferred tax liabilities, previous year	64.2	54.5
Recognition in the income statement	-3.6	3.0
Adjustment against Other Comprehensive Income	2.4	6.7
Deferred tax liabilities	**63.1**	**64.2**

9. Property, Plant and Equipment

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

	2016 € million	2015 € million
Land and buildings, including buildings on third-party land	108.4	111.6
Technical equipment and machinery	10.4	11.9
Other equipment, factory and office equipment	116.1	105.1
Assets under construction	17.3	4.0
Total	**252.1**	**232.6**

The carrying amount of property, plant, and equipment is derived from the acquisition costs. Accumulated depreciation of property, plant, and equipment amounted to € 307.5 million (previous year: € 280.6 million).

Property, plant, and equipment include leased assets (finance leasing) in the amount of € 0.8 million (previous year: € 0.7 million).

The changes in property, plant, and equipment in the 2016 financial year are shown in "Changes in Fixed Assets". As in the previous year, there were no impairment expenses that exceeded current depreciation during the reporting year.

10. Intangible Assets

This item mainly includes goodwill, intangible assets with indefinite useful lives, and assets associated with the Company's own retail activities.

Goodwill and intangible assets with indefinite useful lives are not amortized according to schedule. Impairment tests were performed in the past financial year using the discounted cash flow method. This was 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.

The cash-generating unit 'CPG – Cobra PUMA Golf' includes the Cobra brand as an intangible asset, with an indefinite useful life, at € 134.9 million (previous year: € 130.6 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. This is allocated to the Central Unit segment. The recoverable amount of the Cobra brand (Level 3) was determined on the basis of the "relief from royalty" method. As in the previous year, this calculation assumed a royalty rate of 8%, a 3% growth rate and a discount rate of 6.8% p.a..

In 2016, development costs related to COBRA brand golf clubs were capitalized for the first time in the amount of € 1.9 million. The development costs are allocated to other intangible assets in the "Changes in fixed assets" item. Current depreciation related to development costs amounted to € 0.0 million in 2016.

The changes in intangible assets in the 2016 financial year are shown in "Changes in Fixed Assets". Other intangible assets include advance payments in the amount of € 2.0 million (previous year: € 0.5 million). As in the previous year, there were no impairment expenses that exceeded 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 region, goodwill is allocated as follows:

	2016 € million	2015 € million
PUMA UK	1.7	1.9
PUMA South Africa	2.5	2.1
Dobotex	139.4	139.4
Genesis	7.1	0.0
Sub-total EMEA	150.6	143.4
PUMA Canada	10.0	9.4
PUMA Argentina	16.6	16.0
PUMA Chile	0.5	0.5
PUMA Mexico	10.5	12.0
Janed	2.1	2.0
Sub-total Americas	39.7	40.0
PUMA Japan	44.4	41.8
PUMA China	2.5	2.5
PUMA Taiwan	13.2	12.6
Sub-total Asia/Pacific	60.1	56.9
Total	**250.4**	**240.3**

Assumptions used in conducting the impairment test in 2016:

	Tax rate (range)	WACC before tax (range)	WACC after tax (range)
EEA	17.0%-25.0%	8.0%-8.1%	6.5%-7.0%
EEMEA*	28.0%	16.6%	12.7%
EMEA	**17.0%-28.0%**	**8.0%-16.6%**	**6.5%-12.7%**
North America*	26.4%	8.1%	6.5%
Latin America	25.5%-35.0%	10.3%-26.9%	8.3%-23.3%
Americas	**25.5%-35.0%**	**8.1%-26.9%**	**6.5%-23.3%**
Asia/Pacific	**16.5%-30.0%**	**8.5%-9.5%**	**7.0%-8.3%**

* The figures for the EEMEA and North America regions concern only one cash-generating unit (CGU) each.

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, as a rule, a growth rate of 3% is assumed. A growth rate of less than 3% was used only in justified exceptional cases.

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 cash-generating unit corresponds to a Business Unit of PUMA which is allocated to the Central Unit. The recoverable amount was determined by calculating value in use, using a discount rate of 6.5% p.a. (previous year: 6.3% p.a.) and a growth rate of 2% (previous year: 2%).

Sensitivity analyses related to the impairment tests carried out indicate that an increase in each discount rate of one percentage point and a simultaneous decrease in each growth rate of one percentage point result in an impairment indication in relation to goodwill and intangible assets with unlimited or indefinite useful lives in the total amount of € 19.3 million. Sensitivity analyses with an increase in the discount rate of one percentage point result in a total impairment indication of € 5.6 million and sensitivity analyses with a decrease in the growth rate of one percentage point result in a total impairment indication of € 2.6 million.

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)
EEA	24.5%-25.0%	7.8%-8.4%	6.3%-6.8%
EEMEA*	28.0%	16.2%	12.3%
EMEA	**24.5%-28.0%**	**7.8%-16.2%**	**6.3%-12.3%**
North America*	28.3%	8.1%	6.5%
Latin America	18.5%-35.0%	9.4%-27.2%	8.1%-25.6%
Americas	**18.5%-35.0%**	**8.1%-27.2%**	**6.5%-25.6%**
Asia/Pacific	**17.0%-30.0%**	**8.0%-10.3%**	**6.7%-8.1%**

* The figures for the EEMEA and North America regions concern only one cash-generating unit (CGU) each.

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. Investments in associated companies

The 20.02% interest in Wilderness Holdings Ltd. is shown under investments in associated companies. The carrying amount of the shares is € 16.5 million (previous year: € 15.2 million).

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.

	2016 € million	2015 € million
Gains relating to continuing operations	5.9	4.8
Other result	-0.3	0.0
Comprehensive income	5.6	4.8

PUMA's share of the net earnings of Wilderness Holdings Ltd. amounts to € 1.2 million (previous year: € 1.0 million).

The reporting date of Wilderness Holdings Ltd. is February 28, 2017. The above information relates to the company's financial information as of December 31.

12. Other Non-current Assets

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

	2016 € million	2015 € million
Non-current investments	24.2	18.5
Fair value of derivative financial instruments	12.9	0.0
Other financial assets	22.6	20.8
Total of other non-current financial assets	**59.8**	**39.3**
Other non-current non-financial assets	18.7	25.2
Other non-current assets, total	**78.5**	**64.5**

The non-current investments relate to the 5.0% share in Borussia Dortmund GmbH & Co. Kommanditgesellschaft auf Aktien (BVB), which has its headquarters in Dortmund, Germany.

Other financial assets mainly include rental deposits in the amount of € 19.9 million (previous year: € 18.8 million). The other non-current non-financial assets mainly include deferrals in connection with promotional and advertising agreements.

In the 2016 financial year, there were no indicators of impairment of other non-current assets.

13. Liabilities

The residual terms of liabilities are as follows:

	2016				2015			
		Residual term of				Residual term of		
	Total **€ million**	up to 1 year € million	1 to 5 years € million	over 5 years € million	**Total** **€ million**	up to 1 year € million	1 to 5 years € million	over 5 years € million
Financial liabilities	**40.1**	25.3	14.8		**14.0**	14.0		
Trade payables	**580.6**	580.6			**519.7**	519.7		
Liabilities from acquisitions	**5.0**		5.0		**3.0**	3.0		
Other liabilities								
Liabilities from other taxes	**33.8**	33.8			**33.9**	33.9		
Liabilities relating to social security	**6.7**	6.7			**6.3**	6.3		
Liabilities to employees	**74.3**	74.3			**70.7**	70.7		
Liabilities from market valuation of forward exchange transactions	**25.8**	24.7	1.1		**18.7**	18.7		
Liabilities from finance leases	**0.7**	0.4	0.2		**0.5**	0.5		
Other liabilities	**53.9**	51.5	2.1	0.3	**120.2**	110.8	9.4	
Total	**820.8**	797.4	23.2	0.3	**787.0**	777.6	9.4	0.0

PUMA has confirmed credit facilities amounting to a total of € 487.6 million (previous year: € 401.7 million). Of the financial liabilities, € 4.6 million (previous year: € 0.0 million) were claimed from credit facilities only granted until further notice. Unutilized confirmed credit facilities totaled € 433.1 million on December 31, 2016, compared to € 306.0 million the previous year.

The effective interest rate of the financial liabilities ranged between 1.0% and 12.25% (previous year: 0.6% to 12.2%).

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

Cash flows from non-derivative and derivative financial liabilities	Carrying Amount 2016 € million	Cashflow Interest € million	2017 Repayment € million	Cashflow Interest € million	2018 Repayment € million	Cashflow Interest € million	2019 et seq. Repayment € million
Non-derivative financial liabilities							
Financial liabilities	40.1	0.2	25.3	0.1	11.8	0.0	3.0
Trade payables	580.6		580.6				
Liabilities from finance leases	0.7		0.4		0.1		0.1
Liabilities from acquisitions	5.0						5.0
Other liabilities	44.9	0.3	44.8		0.0		0.1
Derivative financial liabilities and assets							
Forward exchange transactions with cash flow hedges – inflow			1,886.5		345.5		
Forward exchange transactions with cash flow hedges – outflow			1,835.6		332.1		

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 2015 € million	Cashflow Interest € million	2016 Repayment € million	Cashflow Interest € million	2017 Repayment € million	Cashflow Interest € million	2018 et seq. Repayment € million
Non-derivative financial liabilities							
Financial liabilities	14.0		14.0				
Trade payables	519.7		519.7				
Liabilities from finance leases	0.5		0.5				
Liabilities from acquisitions	3.0		3.0				
Other liabilities	104.2		104.2				7.0
Derivative financial liabilities and assets							
Forward exchange transactions with cash flow hedges – inflow			1,491.2		264.8		
Forward exchange transactions with cash flow hedges – outflow			1,465.1		260.0		

14. Additional Disclosures on Financial Instruments

	Measurement Categories under IAS 39	Carrying amount 2016 € million	Fair value 2016 € million	Carrying amount 2015 € million	Fair value 2015 € million
Assets					
Cash and cash equivalents	[1]LAR	326.7	326.7	338.8	338.8
Trade receivables	LAR	499.2	499.2	483.1	483.1
Other current financial assets	LAR	35.2	35.2	25.9	25.9
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	91.8	91.8	46.5	46.5
Derivatives without hedging relationship (fair value)	HfT	0	0	4.5	4.5
Other non-current financial assets	LAR	22.6	22.6	20.8	20.8
Non-current investments	[3] AfS	24.2	24.2	18.5	18.5
Liabilities					
Financial liabilities	[2] OL	40.1	40.1	14.0	14.0
Trade payables	OL	580.6	580.6	519.7	519.7
Liabilities from acquisitions	OL	5.0	5.0	3.0	3.0
Liabilities from finance leases	n.a.	0.7	0.7	0.5	0.5
Other financial liabilities	OL	44.9	44.9	104.2	104.2
Derivatives with hedging relationship (fair value) (current and non-current)	n.a.	25.6	25.6	16.1	16.1
Derivatives without hedging relationship (fair value)	[4] HfT	0.3	0.3	2.7	2.7
Total LAR		**883.7**	**883.7**	**868.6**	**868.6**
Total OL		**670.6**	**670.6**	**640.9**	**640.9**
Total AfS		**24.2**	**24.2**	**18.5**	**18.5**

[1] LAR: Loans and Receivables; [2] OL: Other Liabilities; [3] AfS: Available for Sale; [4] HfT: Held for Trading

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 "available-for-sale" financial assets (AfS) was determined according to 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.

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

The fair values of other financial assets correspond to their carrying amount, taking into account prevailing market interest rates. Other financial assets include € 22.6 million (previous year: € 25.1 million) that were pledged as rental deposits at usual market rates.

Liabilities to banks can be terminated at any time and thus have a short maturity. Accordingly, as of the reporting date, the carrying amount approximates fair value.

Trade payables have a short residual maturity. The recognized values approximate fair value.

Pursuant to the contracts entered into, liabilities from acquisitions 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 0.4%.

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 hedging relationships as of the balance sheet date are determined taking into account the prevailing market parameters. 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.

Net income by measurement categories:

	2016 € million	2015 € million
Loans and receivables (LAR)	-8.1	25.6
Other liabilities (OL)	-20.8	-43.9
Derivatives without hedging relationship	1.3	2.1
Assets held for sale (AfS)	5.7	0.6
Total	**-21.9**	**-15.6**

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

General administrative expenses include 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 obligations and include both obligations from current pensions and rights to pensions payable in the future. The pension obligations are financed by both provisions and funds.

The risks associated with the pension obligations 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 salary-based obligations is low within the PUMA Group. The introduction in 2016 of an annual ceiling for pensionable salary in the UK plan ensures that this risk is now covered for the highest obligations. Unlike the previous year, the UK Plan has therefore been classified as a non-salary obligation.

	Germany € million	UK € million	Other Companies € million	PUMA Group € million
Present Value of Pension Claims 12/31/2016				
Salary-based obligations				
Annuity	0.0	0.0	6.9	6.9
One-off payment	0.0	0.0	5.9	5.9
Non-salary-based obligations				
Annuity	19.3	41.6	0.0	60.9
One-off payment	6.6	0.0	0.0	6.6

The following values were determined in the previous year:

	Germany € million	UK € million	Other Companies € million	PUMA Group € million
Present Value of Pension Claims 12/31/2015				
Salary-based obligations				
Annuity	0.0	37.9	6.9	44.8
One-off payment	0.0	0.0	5.3	5.3
Non-salary-based obligations				
Annuity	17.8	0.0	0.0	17.8
One-off payment	6.4	0.0	0.0	6.4

The main pension regulations are described below:

The general pension regulations of PUMA SE generally provide for pension payments to a maximum amount of € 127.82 per month and per eligible employee. They have been in place for new hires since 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 the obligations attributable to domestic pension claims (PUMA SE) at the end of 2016 amounts to € 25.9 million and thus accounts for 32.2% of the total obligation. The fair value of the plan assets relative to domestic obligations amounts to € 14.1 million. The corresponding pension provision amounts to € 11.7 million.
The defined benefit plan in the UK has been closed to new hires since 2006. This defined benefit plan includes salary and length of service-based commitments to provide retirement, invalidity and surviving dependents' pension benefits. In 2016, a growth ceiling of 1% p.a. on pensionable salary was introduced. Partial capitalization of the retirement pension is permitted. There are statutory minimum funding requirements. The obligations regarding pension claims under the defined benefit plan in the UK amount to € 41.6 million at the

end of 2016 and thus account for 51.8% of the total obligation. The obligation is covered by assets amounting to € 31.4 million. The provision amounts to € 10.3 million.

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

	2016 € million	2015 € million
Present Value of Pension Claims January 1	**74.3**	**70.9**
Cost of the pension claims earned in the reporting year	2.3	2.7
Past service costs	-2.3	-0.1
(Profits) and losses from settlements	0.0	0.0
Interest expense on pension claims	2.1	2.3
Employee contributions	0.2	0.3
Benefits paid	-3.0	-2.3
Effects from transfers	-0.4	-1.2
Actuarial (gains) and losses	13.1	-1.0
Currency exchange effects	-6.0	2.7
Present Value of Pension Claims December 31	**80.3**	**74.3**

The changes in the plan assets are as follows:

	2016 € million	2015 € million
Plan Assets January 1	**50.7**	**45.0**
Interest income on plan assets	1.5	1.6
Actuarial gains and (losses)	1.7	0.8
Employer contributions	1.9	2.3
Employee contributions	0.2	0.3
Benefits paid	-2.0	-1.6
Effects from transfers	-0.3	0.0
Currency exchange effects	-5.0	2.3
Plan Assets December 31	**48.7**	**50.7**

The pension provision for the Group is derived as follows:

	2016 € million	2015 € million
Present value of pension claims from benefit plans	80.3	74.3
Fair value of plan assets	-48.7	-50.7
Financing Status	**31.6**	**23.6**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Pension Provision December 31	**31.6**	**23.6**

In 2016, benefits paid amounted to € 3.0 million (previous year: € 2.3 million). Payments in 2017 are expected to amount to € 1.8 million. Of this amount, € 1.0 million is expected to be paid directly by the employer. In 2016, contributions to external plan assets amounted to € 1.9 million (previous year: € 2.3 million). Contributions in 2017 are expected to amount to € 1.7 million.

The changes in pension provisions are as follows:

	2016 € million	2015 € million
Pension Provision January 1	**23.6**	**25.9**
Pension expense	0.6	3.4
Actuarial (gains) and losses recorded in Other Comprehensive Income:	11.4	-1.7
Employer contributions	-1.9	-2.3
Direct pension payments made by the employer	-0.9	-0.9
Transfer values	-0.2	-1.2
Currency exchange differences	-1.0	0.4
Pension Provision December 31	**31.6**	**23.6**
of which assets	0.0	0.2
of which liabilities	31.6	23.8

The expenses in the 2016 financial year are structured as follows:

	2016 € million	2015 € million
Cost of the pension claims earned in the reporting year	2.3	2.7
Past service costs	-2.3	-0.1
Income (-) and expense from plan settlements	0.0	0.0
Interest expense on pension claims	2.1	2.3
Interest income on plan assets	-1.5	-1.6
Administration costs	0.1	0.1
Expenses for Defined Benefit Plans	**0.7**	**3.4**
of which personnel costs	0.1	2.7
of which financial costs	0.6	0.7

Actuarial gains and losses recorded in Other Comprehensive Income:

	2016 € million	2015 € million
Revaluation of Pension Commitments	**0.0**	**-1.0**
Actuarial gains (-) and losses resulting from changes in demographic assumptions	-0.7	-2.2
Actuarial gains (-) and losses resulting from changes in financial assumptions	13.3	0.8
Actuarial gains (-) and losses due to adjustments based on experience	0.5	0.4
Revaluation of Plan Assets	**-1.7**	**-0.8**
Amounts not recorded due to the maximum limit applicable to assets	0.0	0.0
Adjustment of administration costs	0.0	0.1
Total Revaluation Amounts Recorded Directly in Other Comprehensive Income	**11.4**	**-1.7**

Plan asset investment classes:

	2016 € million	2015 € million
Cash and cash equivalents	0.1	0.1
Equity instruments	0.1	0.1
Bonds	12.4	12.4
Investment funds	17.2	19.6
Real estate	3.7	4.2
Insurance	14.2	13.1
Other	1.0	1.2
Total Plan Assets	**48.7**	**50.7**

Of which investment classes with a quoted market price:

	2016 € million	2015 € million
Cash and cash equivalents	0.2	0.1
Equity instruments	0.1	0.1
Bonds	12.4	12.4
Investment funds	16.9	19.4
Real estate	3.4	3.9
Insurance	0.0	0.0
Other	1.0	0.0
Plan Assets with a Quoted Market Price	**34.0**	**35.9**

As in previous years, plan assets 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.

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

	2016	2015
Discount rate	2.18%	3.11%
Future pension increases	2.46%	2.35%
Future salary increases	1.50%	4.00%

The indicated values are weighted average values. A standard interest rate of 1.25% was applied for the euro zone (previous year: 2.00%).

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

	2016 € million	2015 € million
Effect on present value of pension claims if		
the discount rate were 50 basis points higher	-7.4	-6.4
the discount rate were 50 basis points lower	6.3	5.6

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 20 years.

16. Other Provisions

	2015					2016
		Currency adjustments, retransfers	Addition	Utilization	Reversal	
	€ million	€ million	€ million	€ million	€ million	**€ million**
Provisions for:						
Warranties	**8.5**	0.2	7.9	-3.9	-0.2	**12.6**
Purchasing risks	**7.5**	0.0	8.3	-7.0	-0.4	**8.5**
Other	**60.2**	4.1	26.2	-23.3	-2.5	**64.8**
Total	**76.2**	**4.4**	**42.5**	**-34.1**	**-3.0**	**85.9**

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. The warranty provision includes € 1.9 million in non-current provisions (previous year: € 3.7 million).

Purchasing risks relate primarily to materials and molds that are required for the manufacturing of shoes. The provision will probably result in a payment in the following year.

Other provisions consist of risks associated with legal disputes in the amount of € 28.7 million (previous year: € 27.8 million) and provisions for anticipated losses from pending business and other risks in the amount of € 36.1 million (previous year: € 32.4 million). Non-current provisions totaling € 27.9 million (previous year: € 19.8 million) are included in other provisions.

17. Liabilities from the Acquisition of Business Entities

Pursuant to the contracts entered into, liabilities from acquisitions 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 liabilities from acquistions relate to the acquisition of Genesis Group International Ltd. (previous year: PUMA Taiwan Sports Ltd.) and consist of:

	2016 € million	2015 € million
Due within one year	0.0	3.0
Due in more than one year	5.0	0.0
Total	**5.0**	**3.0**

18. Shareholders' 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:

		2016	2015
Circulating Shares as of January 1	**Shares**	**14,939,913**	**14,939,913**
Conversion from Management Incentive Program	Shares	0	0
Share buy-back	Shares	0	0
Circulating Shares as of December 31	**Shares**	**14,939,913**	**14,939,913**

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 totaling € 54.3 million (previous year: € 21.2 million) is adjusted for deferred taxes in the amount of € -0.5 million (previous year: € -5.3 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 ten percent 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 continues to hold a total of 142,551 PUMA shares in its own portfolio, which corresponds to 0.95% of the subscribed capital.

Authorized Capital
Pursuant to the resolution of the Annual General Meeting dated April 24, 2012, the Administrative Board is authorized to increase the share capital by April 23, 2017 as follows:

A) By issuing up to € 7.5 million worth of up to 2,929,687 new no-par bearer shares on one or more occasions with a pro-rata amount of the share capital of € 2.56 per share in exchange for cash contributions. The new shares can also be acquired by one or several banks as determined by the Administrative Board, subject to the obligation to offer these to the shareholders for subscription (indirect subscription right). The shareholders are basically entitled to a subscription right, whereby the shareholders' subscription rights may be excluded to prevent fractional amounts (Authorized Capital I).

B) By issuing up to € 7.5 million worth of up to 2,929,687 new no-par bearer shares on one or more occasions with a pro-rata amount of the share capital of € 2.56 per share in exchange for cash contributions or contributions in kind. The new shares can also be acquired by one or several banks as determined by the Administrative Board, subject to the obligation to offer these to the shareholders for subscription (indirect subscription right). Shareholders have in principle subscription rights whereby the shareholders' subscription rights may be wholly or partially excluded to avoid fractional shares (Subscribed Capital II).

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

The Managing Directors recommend to the Administrative Board and the Annual General Meeting that a dividend of € 0.75 per circulating share, or a total of € 11.2 million (with respect to the circulating shares as of December 31), be distributed to the shareholders from the net income of PUMA SE for the 2016 financial year. This corresponds to a payout ratio of 18.0% relative to consolidated net income compared to 20.2% in the previous year.

Appropriation of the Net Income of PUMA SE:

		2016	2015
Net income of PUMA SE as of December 31	€ million	205.5	134.3
Net income eligible for distribution	€ million	205.5	134.3
Dividends per share	€	0.75	0.50
Number of circulating shares *	Shares	14,939,913	14,939,913
Total dividend *	€ million	11.2	7.5
Carried forward to the new accounting period *	€ million	194.3	126.8

* 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 (formerly: PUMA Wheat Accessories, Ltd) at € 1.1 million (previous year: € -0.5 million) and Janed, LLC at € 11.9 million (previous year: € 7.2 million), PUMA Kids Apparel North America, LLC at € 0.6 million (previous year: € 1.3 million), Janed Canada, LLC at € 0.8 million and PUMA Kids Apparel Canada, LLC at € 0.9 million.

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 equity of PUMA. This is shown in the consolidated balance sheet as well as the reconciliation statement concerning "Changes in Equity."

19. Equity Compensation Plans/Management Incentive Program

In order to provide long-term incentives and thereby retain the management staff in the Company, PUMA uses share-based compensation systems in the form of stock option programs (SOP) and in the form of virtual shares with cash compensation.

The current programs are described below:

Explanation of "SOP"

Pursuant to the resolution of the Annual General Meeting of April 22, 2008, a stock option program, "SOP 2008", was accepted in the form of a "Performance Share Program". Conditional capital was created for this purpose and the Supervisory Board and the Board of Management of PUMA AG (as of July 25, 2011 change of form into SE) were authorized to grant subscription rights to the members of the Board of Management and other executives of the Company and of affiliated subsidiary companies for five years (after the registration of the conditional capital in the commercial register), but for at least three months after the end of the Annual General Meeting in 2013.

The term of the subscription rights issued and to be issued is five years and these subscription rights can be exercised after two years at the earliest, provided, however, that the price of the PUMA share has increased by at least 20% as of the date granted. In contrast to traditional stock option programs, the equivalent amount of the increase in value of the PUMA share since the date granted is serviced with shares, whereby the beneficiary pays an option price of € 2.56 per share granted if the share was issued as part of a capital increase. If employees leave the company, then their options rights expire.

Furthermore, pursuant to the authorization, the Administrative Board, in accordance with the recommendations of the Corporate Governance Code, may limit, fully or partially, the scope and contents of subscription rights issued to the company's managing directors in the event of extraordinary unforeseen developments. This option is also available to the Board of Management with respect to the other executives concerned.

The programs were valued using a binomial model or a Monte Carlo simulation.

The following parameters were used to determine the fair value:

SOP	2008 Tranche I	2008 Tranche II	2008 Tranche III	2008 Tranche IV	2008 Tranche V
Share price as of the date granted	€ 199.27	€ 147.27	€ 250.50	€ 199.95	€ 265.00
Expected volatility	29.1%	47.7%	34.5%	29.2%	26.8%
Expected dividend payment	1.50%	2.31%	1.30%	1.30%	0.8%
Risk-free interest rate, former members of the Board of Management/current Managing Directors	4.60%	1.97%	1.60%	2.40%	0.3%
Risk-free interest rate, executive staff	4.60%	1.97%	1.60%	2.40%	0.3%

The historical volatility during the year prior to the date of valuation was used to determine the expected volatility.

Changes in the "SOP" during the financial year:

SOP	2008 Tranche I	2008 Tranche II	2008 Tranche III	2008 Tranche IV	2008 Tranche V
Issue date	7/21/2008	4/14/2009	4/22/2010	4/15/2011	4/30/2012
Amount issued	113,000	139,002	126,184	151,290	145,375
Exercise price	€ 0.00	€ 0.00	€ 2.56	€ 2.56	€ 2.56
Residual term	0.00 years	0.00 years	0.00 years	0.00 years	0.33 years
Circulating as of 1/1/2016	**0**	**0**	**0**	**101,463**	**106,969**
Exercised	0	0	0	0	0
Ø Share price when exercised	€ 220.83	€ 214.57	n.a.	n.a.	n.a.
Expired	0	0	0	-101,463	-8,485
Circulating as of 12/31/2016	**0**	**0**	**0**	**0**	**98,484**
Exercisable options as of the reporting date	0	0	0	0	0

Pursuant to Section 5 of the Option Terms and Conditions, every year the options are subject to a vesting period from December 15 for up to ten trading days after the Annual General Meeting. Accordingly, no options can be exercised as of the reporting date.

As of the date of allocation, the average fair value per option is € 49.44 for "Tranche I -2008". Taking into account the vesting period, there are no expenses for the current financial year. Of the options in circulation, 0 options belong to the previous members of the Board of Management of PUMA AG or the current Managing Directors.

Pursuant to the allocation, the average fair value per option was € 53.49 for "Tranche II – 2008". Taking into account the vesting period, there are no expenses for the current financial year. Of the options in circulation, 0 options belong to the previous members of the Board of Management of PUMA AG or the current Managing Directors.

Pursuant to the allocation, the average fair value per option was € 61.81 for "Tranche III – 2008". Taking into account the vesting period, there are no expenses for the current financial year. Of the options in circulation, 0 options belong to the previous members of the Board of Management of PUMA AG or the current Managing Directors.

Pursuant to the allocation, the average fair value per option was € 40.14 for "Tranche IV – 2008". Taking into account the vesting period and the forfeitures, there are no expenses for the current financial year. A total of 0 options belong to the previous members of the Board of Management of PUMA AG or the current Managing Directors at the end of the year.

Pursuant to the allocation, the average fair value per option was € 44.59 for "Tranche V – 2008". Taking into account the vesting period and the forfeitures, there are no expenses for the current financial year. A total of 4,484 options belong to the current Managing Directors at the end of the year.

Explanation of "virtual shares" (monetary units)

In the 2013 financial year, the Company began to grant "monetary units" on an annual basis as part of a management incentive program. In this context, monetary units are based on the performance of the PUMA and Kering shares. Each of these monetary units entitles the bearer to a cash payment at the end of the term. This payment depends on the year-end price of the PUMA share that is determined (component 1), which has a 70% weighting, and on the year-end price of the Kering share (component 2), which has a 30% weighting. Component 1 compares success with the rights to the average virtual value increase of the last 30 days of the previous year. Component 2, on the other hand, measures the success by comparing the development of the Kering share with the average development of a reference portfolio of the luxury and sports sector over the same period. Monetary units are subject to a vesting period of three years. After that, there is an exercise period of two years (in the period from April to 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.

In the 2016 financial year, an expense of € 2.1 million was formed for this purpose on the basis of the contractual commitments to the Managing Directors.

Virtual Shares (Monetary Units)					
Issue date	1/1/2013	1/1/2014	1/1/2015	1/1/2016	
Term	5	5	5	5	Years
Vesting period	3	3	3	3	Years
Base price of Component 1	224.00	173.86	199.47	200.00	EUR/share
Base price of Component 2	152.00	144.00	167.00	166.00	EUR/share
Benchmark component 1 as of the end of the financial year	240.20	240.20	240.20	240.20	EUR/share
Benchmark component 2 as of the end of the financial year	200.00	200.00	125.30	114.70	EUR/share
Participants in year of issue	4	3	3	3	People
Participants as of the end of the financial year	2	3	3	3	People
Number of component 1 monetary units as of January 1, 2016	1,915	3,799	3,556	3,252	Shares
Number of component 1 monetary units exercised in the financial year	-395	0	0	0	Shares
Final number of component 1 monetary units as of December 31, 2016	1,520	3,799	3,556	3,252	Shares
Number of component 2 monetary units as of January 1, 2016	3,031	5,501	7,965	6,300	Shares
Number of component 2 monetary units exercised in the financial year	-625	0	0	0	Shares
Final number of component 2 monetary units as of December 31, 2016	2,406	5,501	7,965	6,300	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 the two programs amounted to a total of € 4.9 million at the end of the financial year.

Explanation of the "Game Changer 2017" program
In addition, another long-term incentive program called "Game Changer 2017" was launched in 2014. Participants in this program consist mainly of top executives who report to the Managing Directors, as well as individual key functions in the PUMA Group. The goal of this program is to bind this group of employees to the Company in the long term and to allow them to participate in the medium-term success of the Company.

The duration of the program is three years and is based on the medium-term objectives of the PUMA Group in terms of EBIT (70%), working capital (15%), and gross profit margin (15%). For the program, a corresponding provision is recognized each year when the respective currency-adjusted targets are met. The credits accumulated in this way will then be paid out to the participants in March 2017. The payment is subject to the condition that the participant is in an unterminated employment relationship with a company of the PUMA Group as of December 31, 2016. In the reporting year, € 0.5 million was allocated for this program.

Explanation of the "Game Changer 2018" program
In 2015, the "Game Changer 2018" program was launched, which is subject to the same parameters as the "Game Changer 2017" program. In the reporting year, € 0.8 million was allocated for this program.

Explanation of the "Game Changer 2019" program
In 2016, the "Game Changer 2019" program was launched, which is subject to the same parameters as the "Game Changer 2017" program. In the reporting year, € 1.0 million was allocated for this program.

20. 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:

	2016 € million	2015 € million
Sales and distribution expenses	1,182.4	1,140.4
Product management/merchandising	41.7	37.5
Research and development	52.0	56.7
Administrative and general expenses	269.3	249.8
Other operating expenses	**1,545.4**	**1,484.4**
Other operating income	**0.9**	**23.9**
Total	**1,544.5**	**1,460.5**
Of which scheduled depreciation	59.9	57.5
Of which impairment expenses	0.0	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 own retail activities. Other sales and distribution expenses include warehousing expenses and other variable sales and distribution expenses.

Administrative and general expenses include expenses for the statutory auditor of PUMA SE in the amount of € 0.9 million (previous year: € 0.8 million). Of this, € 0.8 million is allocated to auditing expenses (previous year: € 0.7 million) and € 0.1 million to tax advisory services (previous year: € 0.1 million).

Other operating income includes income from the allocation of development costs in the amount of € 0.7 million (previous year: € 6.1 million) and other income in the amount of € 0.2 million (previous year: € 17.8 million).

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

	2016 € million	2015 € million
Wages and salaries	398.9	387.1
Social security contributions	50.7	50.2
Expenses from share-based remuneration with compensation in shares	0.0	0.0
Expenses from share-based remuneration with compensation in cash	2.1	1.9
Expenses for retirement pension and other personnel expenses	41.3	44.6
Total	**493.1**	**483.8**

In addition, cost of sales includes personnel costs in the amount of € 15.3 million (previous year: € 20.7 million).

The annual average number of employees was as follows:

	2016	2015
Marketing/retail/sales	7,527	7,367
Product development/design	882	866
Administrative and general units	2,719	2,755
Total annual average	**11,128**	**10,988**

As of the end of the year, a total of 11,495 individuals were employed (previous year: 11,351).

21. Financial Result

This financial result consists of:

	2016 € million	2015 € million
Income from Associated Companies	**1.2**	**1.0**
Financial Income	**10.5**	**11.2**
Interest expense	-13.4	-14.4
Interest accrued on liabilities from acquisitions	0.0	-0.1
Valuation of pension plans	-0.6	-0.7
Expenses from currency conversion differences, net	-6.4	-8.2
Financial Expenses	**-20.4**	**-23.4**
Financial Result	**-8.7**	**-11.2**

Income from associated companies results exclusively from the shareholding in Wilderness Holdings Ltd. (see also paragraph 11).

Financial income includes exclusively interest income.

Interest expenses result from financial liabilities as well as financial instruments.

Moreover, the financial result includes a total of € 6.4 million in expenses from currency conversion differences (previous year: income of € 8.2 million), which are attributable to financing activities.

22. Income Taxes

	2016 € million	2015 € million
Current income taxes		
Germany	3.5	26.5
Other countries	34.8	25.0
Total current income taxes	**38.3**	**51.5**
Deferred taxes	**-7.8**	**-28.2**
Total	**30.5**	**23.3**

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:

	2016 € million	2015 € million
Earnings Before Income Tax	**118.9**	**85.0**
Theoretical tax expense		
Tax rate of the SE = 27.22% (previous year: 27.22%)	32.4	23.1
Taxation difference with respect to other countries	-8.1	-12.6
Other tax effects:		
Income tax for previous years	1.9	4.9
Losses and temporary differences for which no tax claims were recognized	5.0	9.8
Changes in tax rate	0.1	0.3
Non-deductible expenses and non-taxable income and other effects	-0.8	-2.2
Effective Tax Expense	**30.5**	**23.3**
Effective tax rate	25.7%	27.5%

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 includes withholding tax expenses of € 11.0 million (previous year: € 11.4 million).

23. 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. Potential shares from the management incentive program may lead to a dilution of this indicator (see paragraph 19).

The calculation is shown in the table below:

	2016	2015
Net earnings € million	62.4	37.1
Average number of circulating shares	14,939,913	14,939,913
Diluted number of shares	14,939,913	14,939,913
Earnings per share €	4.17	2.48
Earnings per share, diluted €	4.17	2.48

24. Management of the Currency Risk

In the 2016 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 € 1,850.6 million (previous year: € 1,491.2 million). Cash flows for these underlying transactions are expected in 2017 and 2018. For further details, please refer to the explanatory note under paragraph 13.

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

	2016 € million	2015 € million
Forward currency contracts, liabilities (see paragraphs 6 and 12)	91.8	51.0
Forward currency contracts, liabilities (see paragraphs 13 and 14)	-25.8	-18.7
Net	66.0	32.3

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, 2016, 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 € 106.2 million higher (lower) (December 31, 2015: € 105.5 million higher (lower)).

Currency risks are discussed in greater detail in the Group Management Report under the Risk Management section.

25. Segment Reporting

Segment reporting is based on geographical regions in accordance with our internal reporting structure. Sales revenues and operating results (EBIT) are shown according to the head office of the respective Group company of the corresponding region. The inter-company sales of the respective region are eliminated. The allocation of the remaining segment information is also determined on the basis of the respective Group company's head office. The totals equal the amounts at the time in the income statement and the balance sheet.

The regions are subdivided into EMEA (Europe, Middle East and Africa), Americas (North and Latin America), and Asia/Pacific.

The segments' internal sales are generated on the basis of market prices. They are not considered in the representation, as they are not relevant for controlling.

Due to a change in internal reporting in connection with the presentation of intercompany allocations, there has been a shift in profitability between the individual regions and the Central Unit. The previous year's figures for the operating result (EBIT) have been adjusted accordingly. The remaining segment figures are not affected by the change.

Investments and depreciation/amortization relate to additions and depreciation/amortization of property, plant and equipment and intangible assets during the current financial year. As in the previous year, no total impairment expenses were taken into account in the segments.

Since PUMA is active in only one business area, the sports equipment industry, products are allocated according to the footwear, apparel and accessories product segments in accordance with the internal reporting structure. According to this reporting structure, except the allocation of sales revenue and of the gross profit there is no other allocation of the operating result as well as of the asset and liability items.

Business segments 1-12/2016

Region

	External Sales		EBIT		Investments	
	1-12/2016 € million	1-12/2015 € million	1-12/2016 € million	1-12/2015 € million	1-12/2016 € million	1-12/2015 € million
EMEA	**1,281.4**	1,165.8	**145.7**	118.6	**27.2**	30.8
Americas	**1,218.5**	1,191.4	**166.0**	137.4	**20.1**	25.4
Asia/Pacific	**733.7**	652.6	**113.7**	105.6	**17.3**	12.5
Central units/consolidation*	**393.0**	377.6	**-297.7**	-265.4	**19.7**	10.5
Total	**3,626.7**	3,387.4	**127.6**	96.3	**84.3**	79.2

	Depreciation		Inventories		Trade Receivables	
	1-12/2016 € million	1-12/2015 € million	1-12/2016 € million	1-12/2015 € million	1-12/2016 € million	1-12/2015 € million
EMEA	**13.3**	12.1	**281.9**	280.0	**173.0**	159.7
Americas	**15.5**	15.8	**247.1**	201.8	**176.1**	160.9
Asia/Pacific	**12.8**	10.7	**115.1**	97.7	**79.5**	91.5
Central units/consolidation*	**18.2**	18.9	**74.8**	77.5	**70.5**	71.0
Total	**59.9**	57.5	**718.9**	657.0	**499.2**	483.1

Product

	External Sales		Gross Profit Margin	
	1-12/2016 € million	1-12/2015 € million	1-12/2016 € million	1-12/2015 € million
Footwear	**1,627.0**	1,506.1	**42.5%**	41.2%
Apparel	**1,333.2**	1,244.8	**48.4%**	49.3%
Accessories	**666.5**	636.4	**47.9%**	48.0%
Total	**3,626.7**	3,387.4	**45.7%**	45.5%

Transition to EBT

	1-12/2016 € million	1-12/2015 € million
EBIT	**127.6**	96.3
Financial Result	**-8.7**	-11.2
EBT	**118.9**	85.0

* includes CPG (Cobra PUMA Golf Business), Brandon, Dobotex, sports merchandising, sourcing and central office functions

26. 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 ongoing operating activities. The gross cash flow, derived from earnings before income tax and adjusted for non-cash income and expense items, is determined within the cash flow from ongoing operating activities. Cash inflows/outflows from operating activities, reduced by investments in property, plant and equipment as well as intangible assets is referred to as "free cash flow".

The financial resource fund reported in the cash flow statement includes all payment methods and equivalent payment methods shown under "Cash and cash equivalents", i.e. cash in hand, checks, and current bank balances.

27. 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.

28. Other Financial Obligations

Obligations from Operating Leases
The Group rents and leases offices, warehouses, facilities, 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 of renewal and price adjustment clauses.

Total expenses resulting from these agreements amounted in 2016 to € 149.9 million (previous year: € 143.3 million) of which € 16.2 million (previous year: € 15.9 million) were dependent on sales.

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

	2016 € million	2015 € million
Under rental and lease agreements:		
2017 (2016)	124.3	119.6
2018 – 2021 (2017 – 2020)	267.5	253.4
from 2022 (from 2021)	117.3	124.9

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:

	2016 € million	2015 € million
Under license, promotional and advertising agreements:		
2017 (2016)	155.4	157.4
2018 – 2021 (2017 – 2020)	295.5	366.3
from 2022 (from 2021)	34.2	68.4

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 € 7.2 million, of which € 3.0 million relate to the years from 2017. These include service agreements of € 6.6 million and other obligations of € 0.6 million.

29. Managing Directors and Administrative Board

Disclosures pursuant to Section 314 (1)(6) of the HGB (German Commercial Code)

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 Board of Management and Managing Directors may be dispensed with for a period of 5 years pursuant to Section 286 (5); Section 285(9)(a) sentences 5 - 8; Section 314 (2)(2); Section 314 (1)(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 May 7, 2013, the Company was authorized to refrain from disclosures pursuant to Section 285(9)(a) sentences 5 - 8 and Section 314 (1)(6)(a) sentences 5-8 of the HGB with respect to the financial year beginning on January 1, 2013 and all subsequent financial years ending December 31, 2017 at the latest.

The Managing Directors and the Administrative 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 Managing Directors. The Administrative Board will ensure that individual compensation is appropriate in accordance with its statutory duties.

The Managing Directors

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

A fixed salary is paid out monthly as non-performance-based basic compensation. In addition, the Managing Directors receive non-cash compensation, such as company cars, pension contributions and insurance premiums. In principle, these benefits are granted to all Managing Directors in an equal manner and are included in the non-performance-based compensation.

The bonus component of performance-related compensation is mainly based on the PUMA Group's operating income (EBIT) and free cash flow and is staggered according to the degree to which targets are met. In addition, qualitative individual goals are set. An upper limit is also agreed.

The previous performance-based compensation component with a long-term incentive effect (stock appreciation rights) as part of a stock option plan was not granted beyond the 2012 financial year. The existing options can be exercised until the end of April 2017 if the exercise criteria are met. Details on the parameters used for the respective programs are provided in Section 19 of the Notes to the Consolidated Financial Statements.

Pro-rata provisions totaling € 2.1 million (previous year: € 1.9 million) were set up for the compensation program in place in the 2016 financial year (virtual shares/monetary units) with long-term incentives (from the years 2013 to 2016) for Managing Directors. Under the performance-based program, 70% of the compensation will be based on the medium-term performance of PUMA SE's share and 30% will be based on the medium-term performance of Kering SA's share in relation to benchmark companies. Further information on this program can be found in Section 19 of the Notes to the Consolidated Financial Statements.

The fixed compensation for the three Managing Directors amounted to € 1.9 million in the financial year (previous year: € 1.9 million) and variable bonuses came to € 2.5 million (previous year: € 1.5 million). Non-cash compensation totaled € 0.1 million (previous year: € 0.1 million).

The Managing Directors receive pension benefits, for which the Company took out a pension liability insurance policy. The proportion of the pension capital that is already financed through contributions to the pension liability insurance is deemed to be vested. During the financial year, € 0.4 million was allocated for Managing Directors (previous year: € 0.4 million). The present value of the pension benefits granted to active Managing Directors in the amount of € 2.6 million as of December 31, 2016 (previous year: € 1.7 million) was offset against the pledged asset value of the pension liability insurance policy, which was of an equal amount.

Pension obligations to former members of the Board of Management, their widows and Managing Directors amounted to € 13.6 million (previous year: € 13.3 million) and are accordingly recognized as liabilities under pension provisions, unless they are offset against asset values of an equal amount. Pensions paid totaled € 0.2 million (previous year: € 0.2 million).

In 2016, a long-term incentive program, Game Changer 2019, was introduced for senior management and strategically important employee that will allow this group of employees to participate in PUMA SE's earnings over the medium term. € 1.2 million has been set aside for this program. An additional € 1.0 million was set aside for the predecessor program Game Changer 2018 (Tranche 2) (previous year: € 1.0 million) and an additional € 0.7 million was set aside for the program Game Changer 2017 (Tranche 3) (previous year: € 0.8 million) in the reporting period. Further information on this program can be found in Section 19 of the Notes to the Consolidated Financial Statements.

Administrative Board

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

In accordance with the Articles of Association, each member of the Administrative Board receives a fixed annual compensation in the amount of € 25.0 thousand. The fixed compensation is increased by an additional fixed annual amount of € 25.0 thousand for the Chairman of the Administrative Board, € 12.5 thousand for the Vice-Chairman of the Administrative Board, € 10.0 thousand for each committee chairman (excluding the Nominating Committee) and € 5.0 thousand for each committee member (excluding the Nominating Committee).

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

30. 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.

SAPARDIS SE, Paris, a wholly owned subsidiary of Kering S.A., Paris, presently holds over 75% of the subscribed capital of PUMA SE. Kering S.A. is controlled by Artémis S.A., Paris, which in turn is a wholly-owned subsidiary of Financière Pinault S.C.A., Paris. 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 defined as 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	
	2016 € Mio.	2015 € Mio.	2016 € Mio.	2015 € Mio.
Artémis-Group consolidated companies	0.0	0.0	0.0	0.1
Kering-Group consolidated companies	3.3	1.8	6.7	4.8
Other related parties	0.1	25.2	16.5	18.2
Total	**3.4**	**27.0**	**23.2**	**23.1**

	Net receivables from		Payables to	
	2016 € Mio.	2015 € Mio.	2016 € Mio.	2015 € Mio.
Artémis-Group consolidated companies	0.0	0.0	0.0	0.0
Kering-Group consolidated companies	1.3	2.2	19.7	75.3
Other related parties	0.0	1.9	0.1	1.8
Total	**1.3**	**4.1**	**19.8**	**77.1**

In addition, dividend payments to non-controlling shareholders were made in the amount of € 19.3 million in 2016 (previous year: € 42.0 million).

Excluding dividend income of more than € 0.7 million (previous year: € 0.7 million), there were no other 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, 2016 (previous year: € 52.2 million). As in the previous year, no expenses were recorded in the 2016 financial year in this connection.

Liabilities to companies included in the Kering Group include € 19.0 million (previous year: € 74.7 million) in current financial liabilities, which were taken out as part of the financing activities. They are shown under other current financial liabilities.

The Managing Directors as well as the members of the Administrative 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 paragraph 29.

As part of consulting, service and employment contracts, members of the Administrative Board received compensation from PUMA in the amount of € 0.3 million (previous year: € 0.3 million).

31. Corporate Governance

In November 2016, the Managing Directors and the Administrative 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 Management Report of PUMA SE.

32. Events after the Balance Sheet Date

There were no events after the balance sheet date that had any material impact on the net assets, financial and results of operations.

33. 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 combined management report including the management report of the parent company 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.

Date of Release
The Managing Directors of PUMA SE released the consolidated financial statements on January 30, 2017 for distribution to the Administrative Board. The task of the Administrative Board is to review the consolidated financial statements and state whether it approves them.

Herzogenaurach, January 30, 2017

The Managing Directors

Gulden **Lämmermann** **Sørensen**

The Managing Directors

Björn Gulden
Chief Executive Officer (CEO)

Membership of other supervisory boards and controlling bodies:

- Tchibo GmbH, Hamburg, Germany
- Borussia Dortmund GmbH & Co. KGaA, Dortmund, Germany
- Dansk Supermarked A/S, Højbjerg, Denmark
- Pandora A/S, Copenhagen, Denmark

Michael Lämmermann
Chief Financial Officer (CFO)

Lars Radoor Sørensen
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 (from January 1, 2017)

Administrative Board of PUMA SE, Herzogenaurach

Jean-François Palus
(Chairman)
London, United Kingdom
Group Managing Director and Member of the Board of Directors 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, Inc., Costa Mesa, USA
- Kering Luxembourg S.A., Luxembourg, Luxembourg
- Kering Tokyo Investment Ltd., Tokyo, Japan
- Pomellato S.p.A., Milan, Italy
- Volcom Luxembourg Holding S.A., Luxembourg, Luxembourg
- Sowind Group S.A., La Chaux-de-Fonds, Switzerland
- Guccio Gucci S.p.A., Florence, Italy
- Gucci America, Inc., New York, USA
- Christopher Kane Ltd., London, United Kingdom
- Manufacture et fabrique de montres et chronomètres Ulysse Nardin 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

François-Henri Pinault
(Vice Chairman)
Paris, France
CEO and Chairman of the Board of Directors of Kering S.A., Paris, France

Membership of other supervisory boards and controlling bodies:
- Artémis S.A., Paris, France
- Financière Pinault S.C.A., Paris, France
- Société Civile du Vignoble de Château Latour S.C., Pauillac, France
- Christie's International Ltd., London, United Kingdom
- Soft Computing S.A., Paris, France
- Yves Saint Laurent S.A.S., Paris, France
- Sapardis SE, Paris, France
- Volcom, Inc., Costa Mesa, USA
- Stella McCartney Ltd., Haywards Heath, West Sussex, United Kingdom
- Kering International Ltd., London, United Kingdom
- Manufacture et fabrique de montres et chronomètres Ulysse Nardin S.A., Le Locle, Switzerland
- Kering Eyewear S.p.A., Padua, Italy
- Kering UK Services Ltd., London, United Kingdom

Thore Ohlsson
Falsterbo, Sweden
President of Elimexo AB, Falsterbo, Sweden

Membership of other supervisory boards and controlling bodies:

- Nobia AB, Stockholm, Sweden
- Elite Hotels AB, Stockholm, Sweden
- Tomas Frick AB, Vellinge, Sweden
- TJugonde AB, Malmo, Sweden
- Dahlqvists Fastighetsförvaltning AB, Kristianstad, Sweden (from 1 January 2017)

Todd Hymel
Santa Ana, USA
Chief Executive Officer (CEO) of Volcom, Inc., Costa Mesa, USA

Membership of other supervisory boards and controlling bodies:

- Electric Visual Evolution LLC, Costa Mesa, USA

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

Membership of other supervisory boards and controlling bodies:

- Sapardis SE, Paris, France
- Redcats S.A., Paris, France
- E_lite S.p.A., Milan, Italy
- Kering Italia S.p.A., Florence, 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
- Gucci Immobiliare Leccio Srl, Florence, Italy
- 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
- REF Bresil S.A., Paris, France
- Redcats International Holding S.A.S., Paris, France
- Redcats Management Services S.A.S., Paris, France
- Balenciaga S.A., Paris, France
- Kering Investments Europe B.V., Amsterdam, Netherlands

Belén Essioux-Trujillo
Paris, France
Senior Vice-President Human Resources, Kering S.A., Paris, France

Member until April 11, 2016

Membership of other supervisory boards and controlling bodies:
- Sapardis SE, Paris, France
- Castera S.A.R.L., Luxembourg, Luxembourg
- Luxury Goods Services S.A., Cadempino, Switzerland

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

Member since May 4, 2016

Membership of other supervisory boards and controlling bodies:

- Sapardis SE, Paris, France
- 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

Bernd Illig
(Employee Representative)
Bechhofen, Germany
Administrator IT Systems of PUMA SE

Martin Köppel
(Employee Representative)
Weisendorf, Germany
Chairman of the Works Council of PUMA SE

Guy Buzzard
(Employee Representative)
West Kirby, United Kingdom
Key Account Manager (Sales) of PUMA United Kingdom Ltd.

Administrative Board Committees

Executive Committee

- Thore Ohlsson (Chairman)
- Jean-Marc Duplaix
- Martin Koeppel

Personnel Committee

- François-Henri Pinault (Chairman)
- Jean-François Palus
- Bernd Illig

Audit Committee

- Thore Ohlsson (Chairman)
- Jean-Marc Duplaix
- Guy Buzzard

Sustainability Committee

- Jean-François Palus (Chairman)
- François-Henri Pinault
- Martin Koeppel

Nominating Committee

- François-Henri Pinault (Chairman)
- Jean-François Palus
- Todd Hymel

Auditor's Opinion

We have audited the consolidated financial statements prepared by PUMA SE, Herzogenaurach, comprising the balance sheet, the income statement and the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements, as well as the combined management report for the period from January 1 through December 31, 2016. The Company's Managing Directors are responsible for preparing the consolidated financial statements and the combined management report in accordance with the International Financial Reporting Standards (IFRS), as applicable in the EU, as well as in accordance with the supplementary regulations under commercial law pursuant to Section 315a (1) HGB. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements pursuant to Section 317 HGB in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the combined management report are detected with reasonable assurance. Knowledge of the business activities and the Group's economic and legal environment as well as expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system as well as evidence supporting the disclosures in the consolidated financial statements and the combined management report are examined primarily on a sample basis within the framework of the audit. The audit includes assessing the financial statements of the companies included in consolidation, the determination of those companies to be included in consolidation, the accounting and consolidation principles applied and significant estimates made by the Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of PUMA SE, Herzogenaurach, comply with the IFRS, as applicable in the EU, as well as with the supplementary regulations under commercial law pursuant to Section 315a(1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group. The combined management report is consistent with the consolidated financial statements, complies with the legal provisions, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, January 30, 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Stadter	Otto
Wirtschaftsprüfer	Wirtschaftsprüfer
[Public Auditor]	[Public Auditor]

Report by the Administrative Board

Dear Shareholders,

In financial year 2016, the Administrative Board has exercised all its duties under the law, statutes and company rules. It has managed the Company, determined the basic business strategies and monitored their implementation by the Managing Directors.

In this regard, the Administrative 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 Managing Directors have informed the Administrative 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.

The Administrative Board discussed in detail all of the Company's key business transactions, based on the reports by the Managing Directors and the committees, and presented its own ideas. The Managing Directors has provided the Administrative Board with information on any deviations from business performance based on the specifications that have been given to the Managing Directors by the Administrative Board. The Administrative Board verified all of these explanations using the supporting documents submitted. The Administrative Board was involved in all key decisions at an early stage. In addition, the Chairman of the Administrative Board and other members of the Administrative Board maintained, and continue to maintain, regular verbal or written contact with the Managing Directors and keep themselves informed of all major developments. Overall, these discussions did not give rise to any doubts that the Managing Directors were managing the Group in anything other than a lawful and proper manner.

Main advisory focus

In the financial year 2016, the focus was primarily on the following topics: Audit and approval of the 2015 financial statements, dividend policy, setting the agenda for the Annual General Meeting of May 4, 2016, ongoing business development, the Group's financial position, business planning for 2017 and medium-term planning, including investments, compliance and internal control system, material litigation in the Group, determination of new sustainability goals, corporate governance, including amendment of the Rules of the Procedure for the Administrative Board and of the Rules of Procedure for the Managing Directors to meet the requirements of the Market Abuse Regulation regarding managers' transactions.

To address these topics, the Administrative Board reviewed the Company's financial reports and records.

Conflicts of interest

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

Committees

The Administrative Board has established five committees to perform its duties and receives regular reports on their work. The members of the committees are listed in the Notes to the Consolidated Financial Statements of the Annual Report.

Executive Committee

The Executive Committee organizes the Administrative Board meetings and makes decisions when instructed by the Administrative Board to do so on its behalf. This committee did not meet in 2016.

Personnel Committee

The Personnel Committee is responsible for entering into and making changes to Managing Directors' employment contracts and for establishing policies for Human Resources and personnel development. It met once in 2016. Discussions focused on recommendations for setting bonus payments for the Managing Directors. The Administrative Board was given a respective recommendation for a resolution.

Audit Committee

The Audit Committee held four regular meetings in financial year 2016. 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 Committee is responsible for promoting corporate sustainability and an awareness of the need to act fairly, honestly, positively and creatively in every decision made and every action taken. One meeting was held in 2016. The close cooperation and regular exchange between Kering and PUMA, e. g. in the field of E P&L as well as the targets to be achieved by PUMA by 2020, were the main focus during the discussions. PUMA's targets and action plan aim for maximum benefits and efficiency through the collaboration between NGOs and the achievement of common standards within the industry. This approach is also further developed in the Talks at Banz.

Nominating Committee

The Nominating Committee proposes suitable shareholder candidates to the Administrative Board for its voting recommendations to the Annual General Meeting. It held one meeting in the last financial year. The discussions focused on the elections to the Administrative Board after Ms. Belén Essioux-Trujillo (Senior Vice-President Human Resources, Kering S.A., Paris, France) resigned from her position as member of the Administrative Board effective April 11, 2016. The Nominating Committee recommended to the Administrative Board that the Administrative Board proposes the election of Ms. Béatrice Lazat (Human Resources Director, Kering S.A., Paris, France) at the Annual General Meeting on May 4, 2016.

Corporate Governance

As in previous years, the Administrative Board addressed current developments in the German Corporate Governance Code (GCGC) in the financial year 2016 and adjusted its objectives for the composition of the Administrative Board. 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. None of this is changed in the single-tier corporate governance system now in place at PUMA.

Pursuant to Paragraph 3.10 of the GCGC, the Administrative 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, as well as deviations from the GCGC resulting from PUMA's single-tier system, in the Statement of Compliance. The Statement of Compliance of November 9, 2016 is available to our shareholders at any time on the Company's website under http://about.puma.com/de/investor-relations/corporate-governance/declaration-of-compliance/.

Annual financial statements adopted

The annual financial statements for PUMA SE prepared by the Managing Directors 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 2016, 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 May 4, 2016 and commissioned by the Administrative 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 Administrative Board has been updated by the Managing Directors 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 Managing Directors' recommendation on the appropriation of net profit were made available to all members of the Administrative Board in a timely manner. At the meeting of the Audit Committee on February 8, 2017 and at the subsequent Administrative 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 Managing Directors and the members of the Administrative Board. No discrepancies were detected. Further, the Managing Directors explained to the Administrative Board the disclosures made in the management report, pursuant to Sections 289(4) and (5) and Section 315(4) of German Commercial Code (HGB).

The Administrative Board reviewed in detail the annual financial statements, the combined management report for PUMA SE and the PUMA Group, the Managing Directors' 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 Administrative 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 2016 financial year. The 2016 annual financial statements have thus been adopted.

The Administrative Board likewise agrees with the Managing Directors' proposal to distribute a dividend of € 0.75 per dividend entitled share to the shareholders for financial year 2016. The dividend will be funded from cash and cash equivalents, which will not jeopardize the Company's liquidity. A total amount of € 11.2 million will be paid out in dividends from PUMA SE's net income. The remaining net income of € 194.3 million will be carried forward.

Report on relationships with affiliated companies

Since April 10, 2007, PUMA SE has been a dependent company of Sapardis SE, a wholly owned subsidiary 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 Managing Directors on relations with affiliated companies (Dependent Company Report) specified in Section 312 AktG has been made available to the Administrative 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."

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

Personnel changes in the Administrative Board

There was one change in personnel on the part of the shareholder representatives. The Administrative Board elected Ms. Béatrice Lazat (Human Resources Director, Kering S.A., Paris, France) as shareholder representative at the Annual General Meeting on May 4, 2016. Her term of office ends with the close of the Annual General Meeting that adopts the resolutions approving the actions of the Board for the financial year 2016.

Thanks

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

Herzogenaurach, February 8, 2017

On behalf of the Administrative Board

Jean-François Palus
Chairman