

# Puma SE

EANS-News: PUMA AG Rudolf Dassler Sport  
PUMA AG announces its consolidated  
financial results for the second quarter and first half of 2010

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Figures/Balance Sheet

Herzogenaurach (euro adhoc) - Highlights Second Quarter:

- Consolidated sales up by 2.5%
- Gross profit margin improved to a strong 50.3%
- Overall cost structure continues to improve
- Operating result at EUR 64.1 million, up 1.7%
- EPS rise 16.4% from EUR 2.55 to EUR 2.97
- Integration of Cobra Golf according to schedule
- Share-buyback program initiated

Highlights January-June:

- Consolidated sales post a slight increase of 0.1%
- Gross profit margin up versus last year at 51.3%
- Strong improvement in cost structure as a result of the cost reduction program
- Operating result before special items improved to EUR 183.2 million , up 3.4% versus last year
- EBT increase by 185,5% to 181 million with EPS jumping to EUR 8.48 from EUR 2.92 last year
- Working Capital and Cash position continue to improve

Outlook 2010:

- Management confirms expected sales growth in the low to mid single-digits due to a strong improvement in the overall outlook
- EBIT before special items is expected to increase compared to last year
- Phase 4 Revisited (2011-2015): New refined strategy to unfold PUMA's long-term potential will be presented with Q3 results Jochen Zeitz, CEO: "PUMA performed according to plan in the second quarter and we are gearing up for solid growth in the second half of the year based on a strong outlook. Given an overall improvement of the global economies as well as our decisive measures taken in the past 18 months to adjust our organization and processes to the new market realities, we feel ready to re-engage with our long-term expansion plan as of next year. "Phase IV revisited 2011-2015" shall enable us to significantly tap into PUMA's long-term sales potential of 4 billion Euros and beyond."

Sales and Earnings Development

Global Brand Sales

PUMA's brand sales in the second quarter - comprised of consolidated and license sales - increased by 1.3% in Euro terms.

Consolidated Sales

Consolidated sales in the second quarter increased by 2.5% in Euro terms to EUR 615.4 million. Currency neutral, consolidated sales softened by 4.8% on high comparables after closeout sales and a high inventory availability last year. Deliveries in June were impacted by late product deliveries and there were no pre-shipments unlike last year. On a currency-neutral basis, Footwear sales were down by 9.7% at EUR 321.2 million and Apparel sales fell by 5.3% to EUR 208.6 million. Due to first time consolidations, Accessories sales improved significantly by 20.6% to EUR 85.6 million.

After the first six months, consolidated sales were down by 3.7% currency-neutral but increased by 0.1% in reported terms to EUR 1,298.5 million. Sales in EMEA and Asia/Pacific were below last year's levels. Sales in the

Americas region, however, increased 12.7% currency-neutral despite of the overall challenging market environment after both sub regions - North America and Latin America - sustained their positive performances from the first quarter. Footwear sales declined currency-neutral by 7.2% to EUR 700.1 million. Apparel sales decreased by 2.0% to EUR 435.4 million. Accessories sales, however, advanced by 8.9% to EUR 163.1 million.

#### Gross Profit Margin

In the second quarter, the gross profit margin improved by 30 basis points from 50.0% last year to 50.3%. This increase mainly results from a lower share of closeout sales that more than offset negative impacts from currency hedging, the regional mix and higher raw material costs. After the first six months, PUMA's gross profit margin reached 51.3% after 51.1% last year. Footwear reported 50.6% compared to 49.7% and Apparel 52.7% versus 52.3%. Accessories declined to 50.7% from 54.9% last year, which is mainly due to the increase in the scope of consolidation with the inclusion of Cobra Golf.

**Operating Expenses** Operating expenses increased by 3.4% to EUR 250.5 million in the second quarter due to the inclusion of the Cobra Golf business into the consolidation as well as currency effects. Omitting these two factors, OPEX would be below last year. In the first six months operating expenses declined by 0.7% to EUR 492.8 million, which translates into a cost ratio of 37.9% after 38.2%.

#### EBIT

The operating result came in at EUR 64.1 million in the quarter after EUR 63.1 million last year. As a percentage of sales, the EBIT ratio dropped slightly to 10.4% from 10.5%. Adjusted by costs stemming from the Cobra integration, the EBIT margin would have improved compared to last year.

After six months, the operating result before special items increased by 3.4% to EUR 183.2 million from EUR 177.1 million, which translates into an operating margin of 14.1% versus 13.6% last year.

#### Financial Result/Income from associated companies

Due to lower interest rates and lower accumulation of interest on purchase price liabilities from acquisitions, the financial result in the second quarter was at EUR -1.5 million versus EUR -2.1 million last year. After six months, the financial result stood at EUR -2.7 million compared to EUR -3.7 million last year. An income of EUR 0.4 million was generated from associated companies in the quarter.

#### Net Earnings

The company's pre-tax profit (EBT) was EUR 63.1 million in the second quarter versus EUR 61.0 million last year. Net earnings totaled EUR 44.8 million versus EUR 38.5 million, representing an increase of 16.4%. This translates into earnings per share of EUR 2.97 compared to EUR 2.55 last year.

In the first half, EBT rose significantly to EUR 180.9 million from EUR 63.4 million last year. As a result, net earnings improved by 190.4% to EUR 127.9 million from EUR 44.0 million. Earnings per share were at EUR 8.48 compared to EUR 2.92. The operational tax ratio was calculated at 29.3% versus last year's 26.5%.

#### Net Assets and Financial Position

##### Equity

As of June 30, 2010, total assets were up by 16.1% to EUR 2,377.6 million. The equity ratio improved from 56.6% in last year to 61.7% in spite of a higher balance sheet total.

##### Working Capital

Net inventory increased by 5.7% to EUR 456.8 million but decreased 5.7% on a currency-adjusted basis. Accounts receivable increased by 8.1% from EUR 502.8 million to EUR 543.4 million, which compares to a currency-adjusted decrease of 0.7%. Working capital improved to EUR 521.7 million from EUR 540.6 million last year - showing again a significant improvement compared to previous quarters and thus underpinning our strong focus on managing working capital.

##### Capex/Cashflow

In the first six months, the company invested EUR 23.3 million versus EUR 27.4 million last year. The reduction in capital expenditure together with a solid improvement in working capital led to a strong increase in PUMA's free cashflow before acquisitions of EUR 77.3 million from EUR 45.1 million last year. An outflow of EUR 101.9 million versus EUR 61.0 million last year related to acquisitions.

##### Cash Position

Given the strong focus on cash management, total cash at the end of June rose by 49.8% from EUR 302.7 million to EUR 453.4 million and bank debts declined by 28.8% from EUR 44.8 million to EUR 31.9 million this year. As a

result, net cash was up from EUR 257.9 million to EUR 421.5 million this year, representing a remarkable increase of 63.4%.

#### Share Repurchase

PUMA AG started its share buyback program and purchased 55,892 of its own shares during the second quarter, which equals 0.4% of the share capital and reflects an investment of EUR 12.9 million. Other Events

Spain Arbitration Ruling According to an arbitration ruling the former Spanish license holder Estudio 2000 S.A., which owned several PUMA trademark rights, has been obliged to vest these to PUMA AG. Through the vesting of all of the word, image and combined PUMA trademark rights in Spain, PUMA AG would ultimately own all trademark rights and take over the operational business in Spain, hence ensuring a consistent brand management strategy. According to the arbitration ruling, the vesting of the trademark rights is subject to a one-time payment of up to 98 million Euros to Estudio 2000 S.A. However, after a thorough legal assessment, PUMA AG will challenge the ruling and believes that a favourable outcome is more likely than not. PUMA now confirms that a cancellation recourse will be filed within the next days. This potential is classified as a contingent liability which has not been recognized as a liability in the financial statements.

PHASE IV Revisited (2011-2015) - New refined strategy to unfold PUMA's long-term potential PUMA's initial Phase IV expansion plan was slowed down by the global economic crisis that curbed PUMA's sales progress. With an improved outlook of the global economy, which should lead to a reasonable market recovery, PUMA's management is revisiting its long term development plan, leading to a refined strategy, aligned with today's market realities, to unfold PUMA's long-term potential. The strategy and impact of "Phase IV Revisited 2011-2015" will be laid out in detail - together with the release of PUMA's third quarter results - on October 26th at the Brand Center of PUMAVision Headquarters in Herzogenaurach, Germany.

#### Outlook 2010

Given a strong outlook in sales for the second half, we continue to expect sales growth in the low to mid single digits for the full year 2010. Gross profit margins should remain unchanged to last year's level. EBIT before special items is expected to improve compared to last year.

end of announcement

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inquiry note:

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