

# **TRANSLATION**

## **Records on Item 6 of the Agenda**

**(Resolution on the authorisation to acquire and appropriate treasury shares)**

**Resolution of the company's shareholders' meeting,  
22. April '09, on item 7**

**7. Creation of conditional capital for the issuance of subscription rights on the basis of an authorising resolution to members of the Management Board and to managerial staff of the Company and its group companies under a Performance Share Programme and amendment of the articles of association**

The authorisation granted by the General Meeting on 10 May 2001, for the issuance of subscription rights to members of the Management Board and other managerial staff of the Company and of group companies has been almost fully utilised.

In order to continuously commit the management of the Company and its group companies to the Puma Group by means of variable remuneration with long-term incentive effect and risk character based on a share bonus, the Company shall be enabled to issue subscription rights with respect to shares of the Company to members of the Management Board of the Company and further managerial staff of the Company and subordinate affiliated entities.

The specific proposal for resolution submitted hereafter follows the concept of a *Performance Share Programme*. The characteristic feature of the new programme is that the managerial staff participating shall be entitled to a variable remuneration in shares if performance targets have been achieved. In contrast to a conventional stock option programme like the 2001 stock option programme of the Company, the shares will, when the performance targets have been achieved, not be issued at an issue price which corresponds to the stock market price of the Company share at the time at which the subscription rights were granted (plus surcharge – if any), but at the lowest issue price of currently 2.56 euros. The principal reason for this is that in case of a Performance Share Programme the value of the respective share replaces a cash remuneration so that ideally the shares should be issued without further consideration, but must actually be issued at the statutorily provided lowest issue price. The fixing of an issue price of presently 2.56 euros is mandatory, the issuance of new shares below par being inadmissible.

This concept of the Performance Share Programme is in the interest of the Company and its shareholders because of its inherent advantages which are explained in detail in the Management Board report with respect to this agenda item 7 as fully set out below. Participants in the programme do not receive a special economic advantage out of the programme in comparison to a conventional stock option programme, because, it is considered per se that participants receive the full value of the shares (less 2.56 euros exercise price) and not merely the difference between the stock market price at the time of the granting of the subscription rights (plus surcharge – if any) and the stock market price at the time of issuance of the shares, as would be the case in a conventional stock option programme. In contrast to a conventional stock option programme, therefore, a subscription right (a stock option) does not entitle to the subscription of one share per subscription right but the numbers of shares to be issued due to the exercise of the subscription rights shall be determined at the time of the exercise based on the inherent value of the subscription rights that will be converted into the respective number of shares to be issued.

The Management Board and the Supervisory Board therefore propose that it be resolved as follows:

- 1) The share capital shall be conditionally increased by up to 1,536,000 euros by the issuance of up to 600,000 new no-par value bearer shares with a pro-rata amount of the share capital attributable to each share of 2.56 euros (Conditional Capital 2008). The conditional capital increase is resolved solely for the purpose of granting subscription rights (stock options) to members of the Management Board of the Company and further managerial staff of the Company and subordinate affiliated entities, including members of management bodies, in Germany and abroad (hereinafter referred to as "Beneficiaries"). It shall be implemented only to the extent that subscription rights have been exercised in accordance with this conditional capital.

The issuance, form, structure and exercise of the subscription rights are subject to the following provisions:

#### **Authorisation period and volume**

The Management Board shall be authorised to issue subscription rights to Beneficiaries for a period of five years after this conditional capital becomes effective upon the registration in the commercial register but at least until three months after the close of the annual general meeting in 2013 (authorisation period). For members of the Management Board of the Company the responsibility shall lie solely with the Supervisory Board. In total up to 1,200,000 subscription rights may be issued. To the extent that subscription rights forfeit during the authorisation period because Beneficiaries left the Company or a subordinate affiliated entity, or because an affiliated entity ceased to be a member of the Puma Group, a corresponding number of subscription rights may be additionally issued.

#### **Beneficiaries and allocation**

The Beneficiaries shall include the members of the Management Board of the Company (group 1) and further managerial staff of the Company and subordinate affiliated entities, including members of management bodies, in Germany and abroad (group 2). The total volume of subscription rights to new shares arising from the conditional capital increase shall be divided between the individual groups of Beneficiaries as follows: Beneficiaries in group 1 shall in aggregate receive a maximum of 65 percent and those in group 2 in aggregate a maximum of 35 percent. If Beneficiaries belong to both groups, they shall receive subscription rights solely on the basis of their membership in group 1.

#### **Issuance periods (acquisition periods)**

The subscription rights may be issued in annual tranches within the authorisation period. The first tranche (2008) may be issued in the period from the registration of the Conditional Capital 2008 until the expiry of three months after the registration of the conditional capital in the Commercial Register. Further tranches may be issued in each case within a period of two months,

beginning on the 11<sup>th</sup> trading day on the Frankfurt Stock Exchange following the date of the press conference, at which the annual financial statements of the previous year were presented. No annual tranche must exceed a total volume of 30 % of the overall volume available hereunder.

### **Waiting period and term of subscription rights**

Subscription rights shall not be exercised prior to the expiry of the waiting period. The waiting period of a tranche of subscription rights shall commence in each case with the issuance of the subscription rights and end with the expiry of the second anniversary of the date of issuance. The date of issuance shall be the date on which the Company offers the subscription rights to the Beneficiaries, regardless of the time at which the Beneficiary becomes aware of or accepts the offer. A later time may be specified as the date of issuance in the offer.

The term of the subscription rights shall in each case be five years, calculated from the date of issuance. Subscription rights which were not exercised or could not be exercised by the expiry of the term shall forfeit without replacement or compensation. The above mentioned provisions on the authorisation to re-issue subscription rights which forfeited prematurely shall remain unaffected.

### **Performance targets**

Subscription rights may be exercised only if and to the extent the performance targets have been achieved.

The performance target for each annual tranche of the subscription rights shall be the stock price increase by 20 percent determined in accordance with the following provisions. The stock price increase shall be determined by comparison of the Initial Value and the Closing Value. Whereas, "Initial Value" shall be the unweighted, arithmetic average of the closing prices for the shares of the Company in the Xetra trading system (or an equivalent successor system) on the Frankfurt Stock Exchange in the period from the tenth until the first trading day (in each case including) before the date of issuance of the subscription rights less the amount of dividends distributed per share and less the value of statutory subscription rights for a share (in the event of a rights issue) – if any –, in each case during the period between the first date of the determination of the Initial Value (including) and the last date of the determination of the Closing Value (including); If the event occurs during the period for the determination of the Initial Value or the Closing Value, the consideration shall apply *pro rate temporis*. "Closing Value" shall be the unweighted, arithmetic average of the closing prices for the shares of the Company in the Xetra trading system (or an equivalent successor system) on the Frankfurt Stock Exchange in the period from the tenth until the first trading day (in each case including) before the relevant date of exercise. The provisions for the determination of the performance target based on conventional provisions on protection against dilution in order to preserve the value of the

subscription rights in case of stock splits, certain measures with respect to the share capital or measures with similar effects shall remain unaffected.

### **Exercise periods; Minimum of subscription rights to be exercised**

In each case, the subscription rights shall only be exercised within an exercise period. Exercise periods, in each case, commence on the 11<sup>th</sup> trading day in the Xetra trading system (or an equivalent successor system) on the Frankfurt Stock Exchange after the (last) day of the Annual General Meeting in a year and end on 15 December of the respective year.

The Company may lock-up certain periods for the exercise within such exercise period, if such lock-up is, in view of the Company, required for the protection of the Company and/or the shareholders and/or the capital market.

The Company may further decide at the time of the issuance of subscription rights of an annual tranche that in case of the exercise of subscription rights of such tranche a minimum number must be exercised at the same time.

### **Exercise price (issue price)**

When exercising the subscription rights, the exercise price must be paid for each subscribed share. The exercise price shall be equivalent to the statutorily provided lowest issue price, currently 2.56 euros.

### **Determination of shares to be issued per Exercise Tranche**

The number of shares to be issued after a due exercise of the Exercise Tranche of subscription rights shall be determined as follows: First, the difference between the Initial Value and the Closing Value shall be calculated. The calculated amount shall be multiplied with the number of subscription rights of the Exercise Tranche. The hereby calculated aggregate value of all subscription rights of the pertinent Exercise Tranche shall be divided by an amount equal to the amount of the Closing Value less the amount of the issue price. The result equals the number of shares that the beneficiary will receive due to the exercise of the Exercise Tranche against payment of the issue price per share. Fractional amounts resulting from the calculation of the number of the shares to be issued shall not be considered. They forfeit without any compensation.

### **Limitation of subscription rights**

In case of extraordinary, unforeseen developments the Supervisory Board can in whole or in part limit the subscription rights granted to members of the Management Board regarding their subject matter or number or provide for other limitations to the extent that such limitations correspond to the German Corporate Governance Kodex as amended, supplemented or novated from time to time. The Management Board shall be entitled to provide for pertinent limitations with respect to the Beneficiaries of group 2.

## **Substitution rights of the Company; group-wide application**

The terms and conditions of exercise may provide that the Company shall be entitled to pay out the value of the shares to be issued, less the exercise price, when individual or all subscription rights of individual tranches have been exercised, or to replace new shares by such shares that are held by the Company itself or were acquired for this purpose without obligation of the Beneficiary to pay the exercise price. The terms and conditions of exercise may further provide that in the event of a change of control the Beneficiaries shall exercise exercisable subscription rights or waive their subscription rights against the granting of a compensation per subscription right, less the Initial Value, that has been granted to the minority shareholders of the Company in a tender offer or a mandatory offer offered as a result of or in connection to the change of control. The same applies to the execution of an affiliation agreement with a compensation offer to the minority shareholders. Change of Control is the receipt of a notice by the company of another company that is neither a subsidiary nor a holding company of the PUMA AG, regarding the acquisition of at least 50 % of the voting rights in the Company.

In implementing this resolution vis-à-vis managerial staff of group companies abroad the Company shall have the right to deviate from this resolution to the extent that the subject matter of the resolution does not strictly need to be resolved by the General Meeting or to the extent the resolution goes beyond the minimum requirements of stock corporation law.

## **General provisions on exercise**

Subscription rights may only be exercised if the Beneficiary is employed with the Company or a subordinate affiliated entity at the time of exercise and the employment has not been terminated. If, in accordance with the foregoing provision, subscription rights can no longer be exercised, they shall expire without replacement or compensation. The authorisation to re-issue expired subscription rights shall remain unaffected. In the event of death, retirement and other specific instances of leaving the Company, including the leaving of subordinate affiliated entities, of operational units or parts of operational units from the PUMA Group, as well as in the event of a Change of Control, the execution of an affiliation agreement or a delisting as well as for purposes of compliance with statutory requirements, special arrangements may be made.

## **Other provisions, including no transferability and protection against dilution**

The subscription rights shall not be transferable except in cases of death. In case of hedging the Company has the right to withdraw the subscription rights without compensation.

Undertakings with respect to the granting of subscription rights in prospective exercise periods may be made any time during the authorisation period.

The details about the issuance of shares under the conditional capital increase and the further terms and conditions of exercise shall be determined by the Supervisory Board to the extent that the members of the Management Board of the Company are concerned. Apart from that, the Management Board of the Company shall be responsible to provide for these details.

Such details shall include, in particular, rules for the implementation and the process of granting and exercising subscription rights, the granting of subscription rights to individual Beneficiaries, the determination of the date of issuance within the relevant issuance period and provisions for the treatment of subscription rights in special cases, in particular in case of retirement, death, leaving the Puma Group by a company, an operational unit or parts thereof or in case of a change of control, the execution of an affiliation agreement or delisting and for compliance with statutory requirements.

The terms and conditions of exercise may furthermore include customary anti-dilution provisions by which the economic value of the subscription rights is generally preserved in accordance with Section 216 para. 3 of the German Stock Corporation Act, in particular by taking into account any share splits, capital increases by conversion of the capital reserves and revenues reserves of the Company or other measures with similar effect for the determination of the performance targets. The protection against dilution results from the corresponding adjustment of the number of shares that may be subscribed per subscription right. Rights for fractional amounts of shares, therefore, will be only established to the extent that they sum up to entire shares.

The new shares shall be entitled to profit participation from the beginning of the year in which they emanate from issuance.

2) In Section 4 of the articles of association the following new number 5 shall be inserted:

"5. The share capital is conditionally increased by up to 1,536,000 euros by the issuance of up to 600,000 new no-par value bearer shares with a pro-rata amount of the share capital attributable to each share of 2.56 euros (Conditional Capital 2008). The conditional capital increase is resolved solely for the purpose of granting subscription rights (stock options) to members of the Management Board of the Company and further managerial staff of the Company and subordinate affiliated entities, including members of management bodies, in Germany and abroad, in accordance with the provisions set forth in the authorising resolution of the General Meeting of 22 April 2008. It shall only be implemented if subscription rights have been exercised in accordance with the authorising resolution and the Company has not paid cash or granted shares held by itself in return. The new shares shall be entitled to participate in the profit from the beginning of the financial year in which they emanate from issuance."

## **Report of the Management Board to the General Meeting on item 7 of the agenda**

Under item 7 of the agenda we propose an incentive programme based on stock options to the General Meeting for passing a resolution. Today, it is essential for a company with international business activities to be able to offer an attractive, incentive-based remuneration package. Therefore, the incentive-programme is an inherent part of a competitive remuneration system.

In order to further keep or recruit qualified employees, as the case may be, and commit them to our enterprise, we intend to introduce a modern Performance Share Programme based on stock options. We already offered stock option programmes to our managerial staff in the past. By the new Performance Share Programme we use the opportunity to offer an incentive-based programme with a pro rata dilution of the holdings of the shareholders as low as possible.

The Performance Share Programme presented to the General Meeting for passing a resolution under item 7 of the agenda consists of a conditional capital amounting to approx. 3.7 percent of the current share capital of the Company and the authorisation of the Management Board and the Supervisory Board, respectively, to issue subscription rights for new shares in annual tranches for a total period of five years. The resolution proposal includes detailed terms and conditions of the material components of the Performance Share Programme. Therefore, only special features of the Performance Share Programme in contrast to a conventional stock option programme, like e.g. the stock option programme of Puma AG of the year 2001, and some individual aspects shall be explained in the following:

The essential feature of the resolution proposal is that under the proposed Performance Share Programme, the shares to be issued are used like a performance-related cash bonus. Subject to the achievement of the performance targets, the beneficiaries will therefore receive a certain number of shares without paying any further consideration (apart from the exercise price amounting to the statutorily provided lowest issue price, see below). Such a "share bonus" does not differ on a commercial and value-related basis from the payment of a cash bonus.

When having exercised their stock options, the participants of a conventional stock option programme receive typically "only" a value per share equal to the difference between the exercise price (usually equal to the stock market price at the time the stock options were granted or a slightly higher stock market price) and the stock market price at the time of issuance of the shares. In contrast, the Beneficiary of the Performance Share Programme receives the full value of each individual share (except for the statutorily provided lowest issue price). However, having achieved the performance targets the participants will receive no value beyond the value they would receive in case of a conventional stock option programme with essentially the same performance targets. This is accomplished by providing that only a multitude of subscription rights entitles to the subscription of one share at the lowest issue price. It would actually best serve the concept of a share bonus, if the shares were to be issued without any consideration upon achieving the performance targets. An exercise price corresponding to the lowest issue price of currently 2.56 euros is, however, mandatory under German Stock Corporation Law, because no new shares

must be issued below par value (Section 9 para. 1 of the German Stock Corporation Act).

In order to give the participants in case of the exercise of the subscription rights upon the achievement of the performance targets the value they are entitled to and that amounts to the price increase (after consideration of distributions or value increases to the shareholder – if any) at a number of shares as low as possible, the value of all subscription rights per exercise tranche the Beneficiary is entitled to, i.e. the price increase having occurred since the granting of the subscription rights multiplied with the number of subscription rights, shall be converted into shares under consideration of the lowest issue price of currently 2.56 euros. Any resulting fractional amount shall not be taken into account.

The mathematical formula is (without consideration of the rounding down to entire shares as provided above):

$$\Sigma A = \frac{\Sigma B (VC - VI)}{(VC - EP)}$$

Whereas,  $\Sigma A$  means the number of shares to be issued,  $\Sigma B$  means the number of subscription rights of the exercise tranche, VC means the Closing Value, VI means the Initial Value and EP means the exercise price (currently 2.56 euros).

However, the payment of the lowest issue price may not be required, if the Company exercises its substitution rights and uses shares held by the Company itself or compensates the subscription rights in cash instead of using new shares emanating from the conditional capital. In this regard, please refer to the management's resolution proposal under item 6 of the agenda including the option to use shares held by the Company itself to service the subscription rights. Whether the use of the substitution rights by means of shares held by the Company itself or by cash payment best serves the Company's interest in the individual case, shall be decided by the Management Board or by the Supervisory Board if members of the Management Board are affected, as the case may be.

The Company, its shareholders and the participants alike benefit from the fact that the Performance Share Programme operates with an evidently smaller number of shares. The first benefit is that the dilution of the holdings of the shareholders that inevitably occurs upon the issuance of new shares arising from the conditional capital, is significantly reduced compared to a conventional stock option programme of equal value. In contrast to conventional stock option programmes the participants are furthermore due to the very low exercise price only compelled to an insignificant degree, if at all, to sell shares at the stock exchange immediately after subscription in order to finance an eventually relatively high exercise price compared to an eventually small value benefit per issued share. Such sales lead in case of conventional programmes not infrequently to pressure on the share price and give other market participants additionally the opportunity to speculate on extraordinary price movements. Furthermore, the Performance Share Programme improves the possibility for the management to hold subscribed shares in the long term.

In compliance with the recommendation of the German Corporate Governance Code the Supervisory Board may in whole or in part limit the subject or the number of the subscription rights granted to members of the Management Board in case of extraordinary, unforeseen developments. The Management Board has the same rights with respect to the managerial staff of group 2.

Management Board and Supervisory Board are convinced that the Performance Share Programme proposed to the General Meeting is overall best suited to commit qualified managerial staff to the Puma Group, to motivate them and to recruit new qualified managerial staff. By aligning the remuneration of the management with the development of the stock market price of our Company an enduring and long-term increase of the company value shall be ensured. The Performance Share Programme is therefore as much in the interest of the Company as of its shareholders.