

PPR

Reference document 2004

GUCCI

BOTTEGA VENETA

YVES SAINT LAURENT

YSL BEAUTE

sergio rossi

BOUCHERON
PARIS

BEDAT & Cº
GENEVE

STELLA McCARTNEY

ALEXANDER
McQUEEN

BALENCIAGA

Table of Contents

02 PPR in 2004

68 PPR's activities

120 Financial Information

250 Legal and stock market information

316 Person responsible for the reference document and Statutory Auditors

318 Contents of the reference document

PRINTEMPS

REDCATS

fnac.com

Conforama

CFAO
cfaogroup.com

PPR

Profile

2005: Pinault-Printemps-Redoute changes its name to become PPR.

A new phase for the Group, marking the success of the strategic transformation begun in 2002. PPR confirms its position as a leading Retailer in Europe and the 3e third largest player worldwide in Luxury Goods.

A strong symbol for the Group, which, thanks to its portfolio of exceptional brands and its positions in the most buoyant markets, is now establishing a sound financial foundation while further building up its potential for performance, growth and profitability.

An ambitious goal for the Group, which aims to continue focusing on global expansion and innovation to better serve its customers in a spirit of conquest and innovation.

- 2004 sales: €24,213 million
  Luxury Goods and Retail 2004 sales: €17,754 million
- 82,150 employees as at December 31, 2004
- Active in 65 countries.

Table of Contents

PPR in 2004

4 HISTORY

6 KEY FIGURES – GROUP

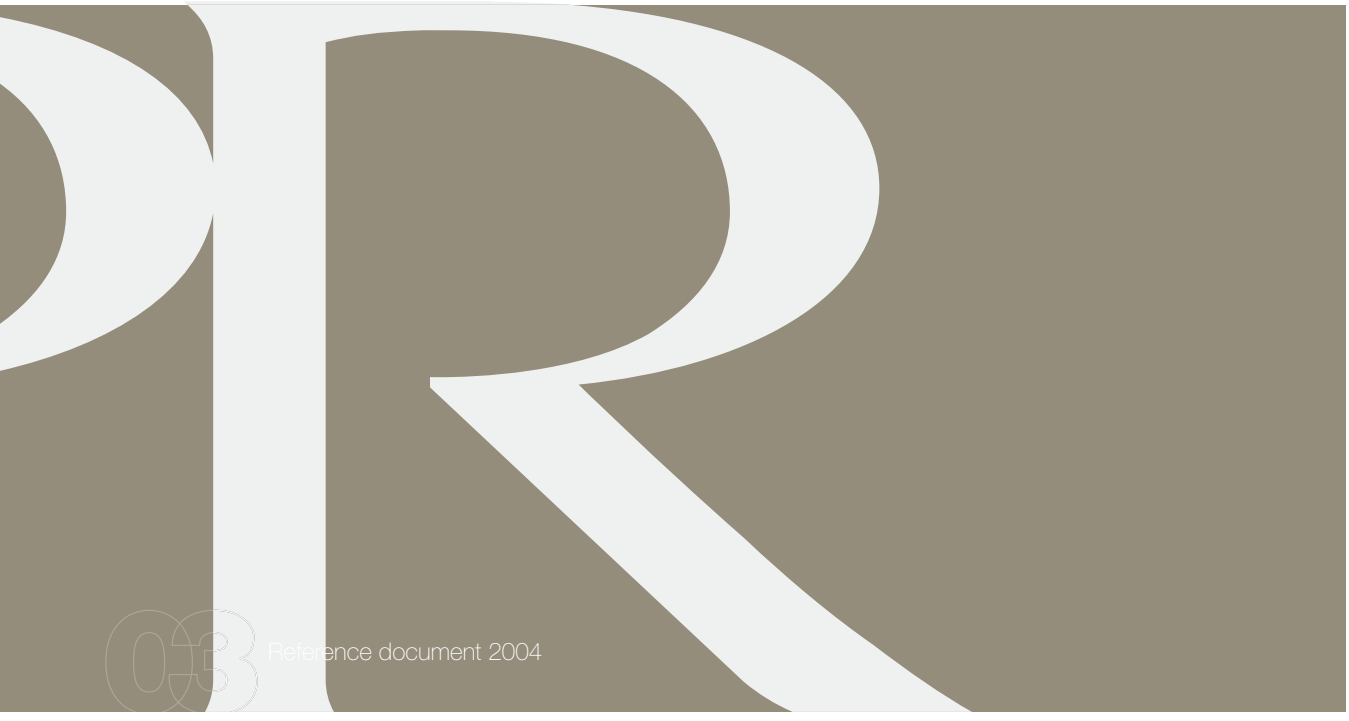
8 KEY FIGURES – LUXURY GOODS AND RETAIL

10 THE PPR GROUP

10 Organisation chart at 31/12/2004
11 General strategy, market and competitive environment
12 An undisputed presence worldwide
14 Highlights of 2004 and outlook

18 CORPORATE SOCIAL RESPONSIBILITY (CSR)

18 PPR's Corporate Social Responsibility Policy
20 The Group's commitments



History

Established in 1963 by François Pinault in the timber and building materials businesses, in the mid-1990s the Pinault-Printemps-Redoute group became one of Europe's leading companies in Retail and business-to-business distribution. In 1999, the Group invested in the luxury goods sector by purchasing a controlling stake in Gucci Group and established a multi-brand luxury group, representing a new step in the Group's growth. In 2002, Pinault-Printemps-Redoute began to focus on its most profitable businesses – Luxury Goods and Retail – and to withdraw from non-core businesses. This major shift was completed in 2004 with the operational takeover of Gucci Group, and the sale of Rexel in business-to-business distribution and of its remaining stakes in the Finaref consumer credit business.

1963
- François Pinault establishes the Pinault group, specialising in timber trading.

1988
- Flotation on the Paris Stock Market's *Second Marché* of Pinault SA, a company specialising in timber trading, distribution and processing.

1990
- Acquisition of CFAO, specialising in electrical equipment distribution (through CDME, which became Rexel in 1993) and in trading with Africa.

1991
- With the takeover of Conforama, the Company enters the retail business.

1992
- The Pinault-Printemps Group is born with the takeover of Au Printemps SA, which held 54% of La Redoute and Finaref.

1994
- Merger of La Redoute with the Group, which is renamed Pinault-Printemps-Redoute.
- Takeover of Fnac.

1995
- The Group launches its first website, redoute.fr.

1996
- Acquisition by CFAO of SCOA, the leading pharmaceutical distributor in West Africa through its Eurapharma subsidiary.
- Creation of Orcanta, a women's lingerie chain.
- Launch of fnac.com, the Fnac website.

1997
- Takeover by Redcats of Ellos, the leader in the Scandinavian mail-order market.
- Creation of Fnac Junior, a store concept for children under 12.

1998

- Takeover of Guilbert and its Niceday subsidiaries, Europe's leading distributor of office supplies and equipment.
- Acquisition by Redcats of 49.9% of Brylane, the fourth largest home shopping company in the United States.
- Creation of Made in Sport, a chain of stores dedicated to sports enthusiasts.

1999

- Purchase of the remaining stake in Brylane.
- The Group enter the Luxury Goods sector by acquiring 42% of Gucci Group NV.
- First steps toward building up a multi-brand luxury goods group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.

2000

- Acquisition of Surcouf, a specialised PC distributor.
- Acquisition by Gucci Group of Boucheron and BEDAT & CO.
- Conforama enters the Italian market by purchasing a 60% stake in Emmezeta, one of Italy's leading home furnishings companies.
- Launch of Citadium, a Printemps store focused on sporting goods and apparel.

2001

- Gucci Group acquires Bottega Veneta and Balenciaga, and signs a partnership agreement with Stella McCartney and Alexander McQueen.
- Pinault-Printemps-Redoute raises its stake in Gucci Group to 53.2%.

2002

- First steps in the strategic shift to focus on Luxury Goods and Retail with:
  - An increase in the stake held in Gucci Group to 54.4%;
  - The sale of the Guilbert mail-order business to Staples Inc;
  - The sale of part of the Credit and Financial Services business in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and BNP Paribas (90% of Facet).

2003

- Strategic shift continues with:
  - An increase in the stake held in Gucci Group to 67.6%;
  - The sale of Pinault Bois & Matériaux to Wolseley of the U.K.;
  - The sale of the Guilbert "contract" business to Office Depot of the U.S.;
  - Additional sale of 14.5% of Finaref.

2004

- Strategic transformation is finalised through:
  - Raising the stake in Gucci Group to 99.4% following the tender offer launched in April-May;
  - Sale of Rexel;
  - Divestment of the Group's remaining 24.5% stake in Finaref.

Key figures – Group

Main consolidated figures

(in € million)	2000	2001	2002	2003	2004[1]
Sales	24,761	27,799	27,375	24,361	24,213
of which sales generated outside of France	*13,010*	*15,200*	*14,733*	*13,325*	*13,645*
Gross margin	9,587	10,628	10,590	9,182	9,431
Operating income	1,887	1,978	1,827	1,297	1,467
Operating income before tax	1,625	1,561	1,412	983	1,118
Attributable net income[2]	767	753	1,589	645	941
Net cash from operating activities	1,496	1,448	1,287	1,148	1,258
Net operating investments	651	585	672	500	428
Debt-to-equity ratio at Dec. 31 *(net financial debt as a % of consolidated shareholders' equity)*	74%	75%	54%	58%	58%

[1] Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.

Per share data

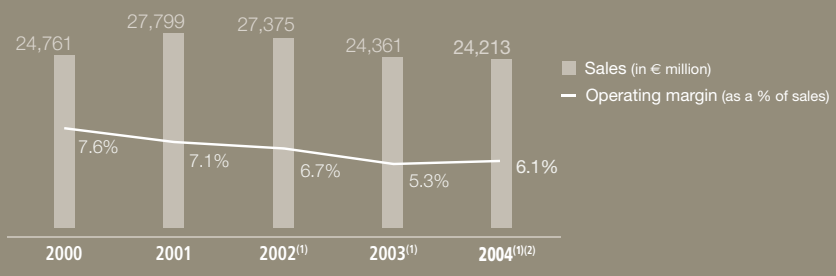
(in €)	2000	2001	2002	2003	2004[1]
Net earnings per share	6.46	6.32	13.04	5.34	7.74
Net dividend per share	2.18	2.30	2.30	2.40	2.52[2]

[1] Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.
[2] Subject to approval at the May 19, 2005 Annual General Meeting.

Excluding non-recurring items, the change in net income is as follows:

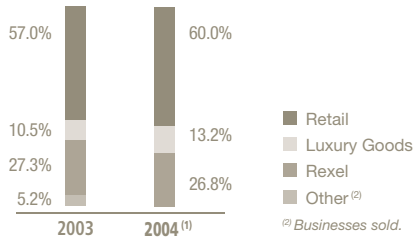
Net earnings (in € million)	774	672	574	630
Net earnings per share (in €)	6.50	5.52	4.75	5.19

Changes in sales and operating margin since 2000



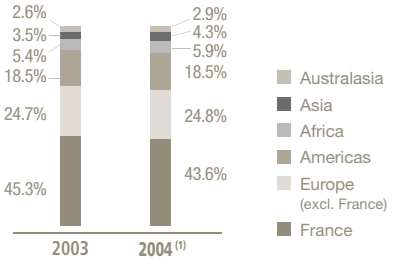
[1] Structural effects related to disposals.
[2] Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.

Changes in the breakdown of sales by activity

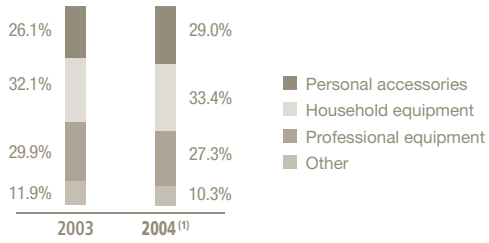


(2) Businesses sold.

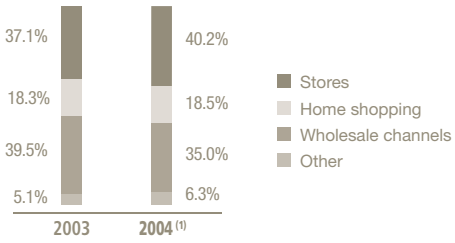
Changes in the breakdown of sales by geographical area



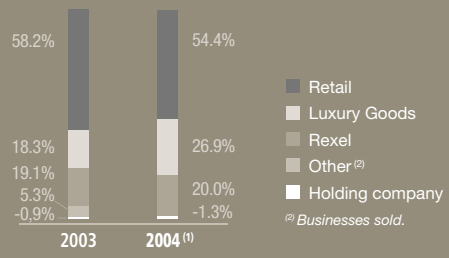
Changes in the breakdown of sales by product category



Changes in the breakdown of sales by selling format

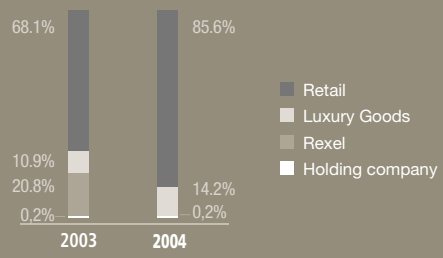


Changes in the breakdown of operating income by activity



(2) Businesses sold.

Changes in the breakdown of number of employees at December 31 by activity



(1) Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.

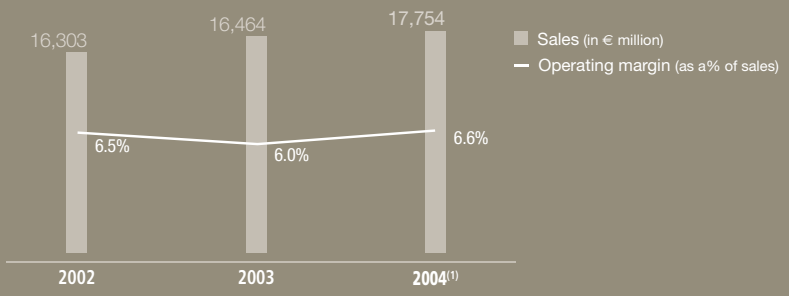
Key figures – Luxury Goods

Main consolidated figures

(in € million)	2002	2003	2004 [1]
Sales [2]	16,303	16,464	17,754
of which sales generated outside of France [2]	*8,282*	*8,219*	*9,007*
Gross margin [2]	7,178	7,149	7,812
Operating income	1,059	980	1,173

[1] Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.
[2] Before inter-company eliminations.

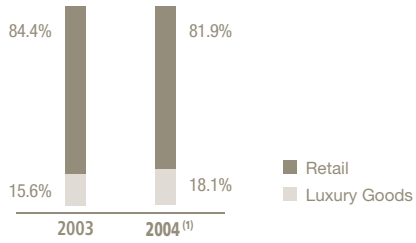
Changes in sales and operating margin since 2002



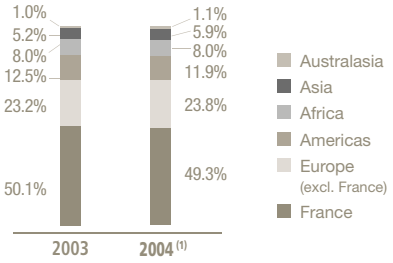
[1] Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.

and Retail

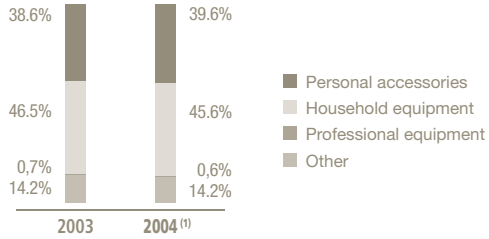
Changes in the breakdown of sales by activity



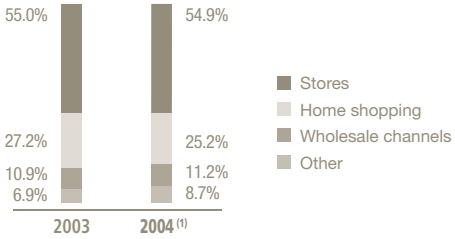
Changes in the breakdown of sales by geographical area



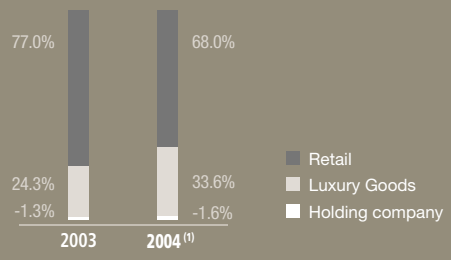
Changes in the breakdown of sales by product category



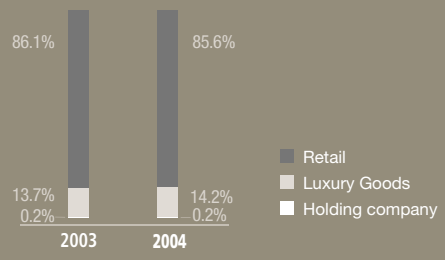
Changes in the breakdown of sales by selling format



Changes in the breakdown of operating income by activity



Changes in the breakdown of workforce at December 31 by activity



(1) Luxury division consolidated over 14 months from November 1, 2003 through December 31, 2004.

The PPR Group

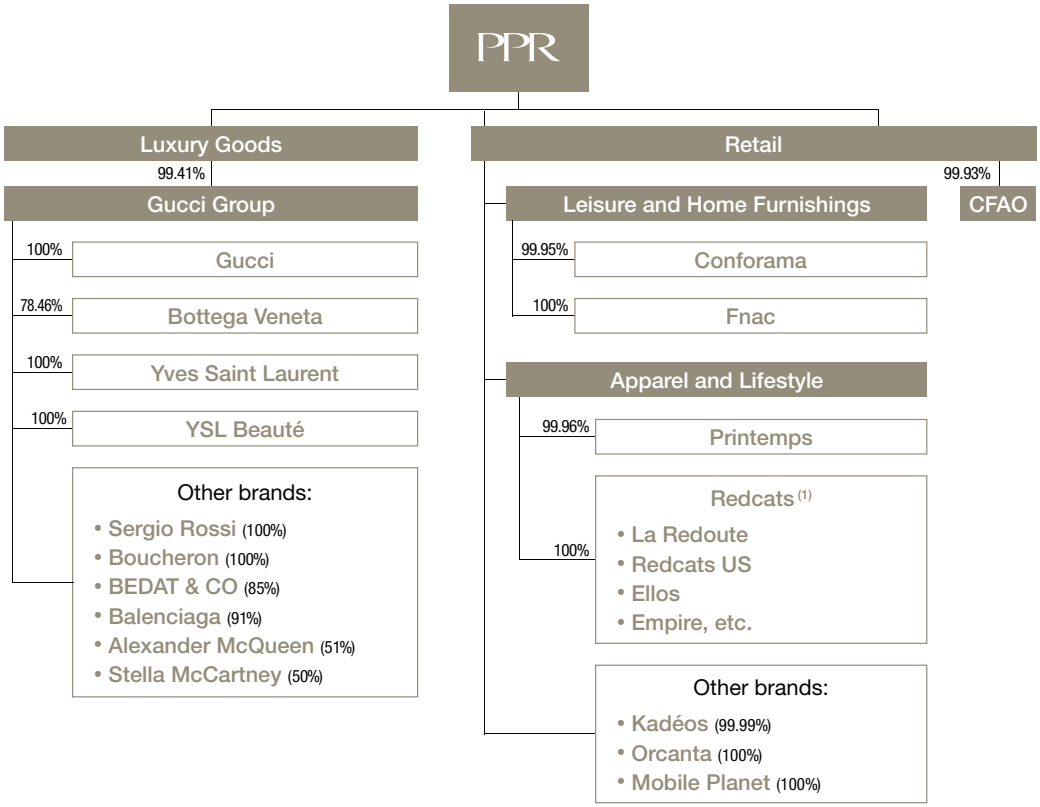
A major player

Pinault-Printemps-Redoute [1] is a group which has profoundly changed in recent years. With the integration of Luxury Goods, the Group now has outstanding potential for improving its performance. The Retail division continues on its profitable development while Luxury Goods, with its new management, new strategic priorities and new organisational structure, is poised to significantly improve long-term performance. After completing the strategic transformation, especially after the sale of Rexel, PPR's growth and profitability profile give it significant financial strength. In 2004, sales of the Retail and Luxury Goods divisions rose 7.8% to €17,754 million.

Given its diversity and size, there is no single competitor on the scale of PPR. Each company operates in its own unique competitive environment, as described in the section on the Group's activities.

[1] Called PPR in this document.

Organisation chart
at 31/12/2004



% stake at December 31, 2004.

[1] Including dedicated financial activity.

General strategy

PPR now aims to become one of the most admired companies in the world in terms of financial results and its corporate underlying principles. This ambitious goal is backed by PPR's positioning, which in many respects is unique:

Unique combination of businesses

PPR is one of the few groups of its size to combine Luxury Goods and Retail businesses. These complementary business lines, in which success is closely tied to brand management, quality customer service and control over distribution, are among the most dynamic. In most geographical areas of the world, a growing portion of the population aspires to the world of Luxury Goods. In the most developed countries, this trend is fuelled by economic growth; in the less developed countries, it reflects the emergence of some segments of the population which are still in the minority and benefiting from the economic boom. In retail sales of non-food consumer products, households are turning to specialised retail formats with a wide variety of products, expertise and quality of service appreciated by consumers.

A portfolio of exceptional brands

In Retail, PPR boasts an unrivalled range of brands. With their leading positions in France and growing share of the global market, as well as their highly positive image with consumers, they are comparable to independent brands. La Redoute, Fnac and Conforama launched advertising campaigns in 2004 aimed at capitalising on their brand recognition in order to increase sales. Brands are the very essence of the Luxury Goods division. The world's third largest Luxury Goods company, PPR has tremendous potential with its world-famous brands (Gucci, Yves Saint Laurent and Bottega Veneta) and emerging brands. Optimising brand value is a top priority for each of these businesses, and their strategies reflect the distinctive nature of each brand.

Creativity and innovation to serve the consumer

There is a strong connection between a luxury brand and the consumer, which must be nurtured through creativity. The new Gucci Group structure, which aims to reinforce the unique identity of each brand, is designed to create a climate where creativity can flourish. New, young and talented designers have been promoted at Gucci and Yves Saint Laurent. Finding innovative solutions for the consumer has always been inherent to the Group. In 2004, some novel programmes were put in place in Retail (Printemps beauty store, opening of Conforama stores in Italy, launch of CFAO's Quality Charter, etc.). These initiatives reflect both a strong customer focus and the ability to take a calculated risk.

Global expansion

For the past 10 years, the Retail division has focused unflaggingly on international expansion, opening up new territories and exporting its concepts. This strategy, which is fuelling growth and enhancing the companies' market share, is paying off. Nearly all of the countries are profitable. While Retail is an international business, Luxury Goods by definition are global. That said, within Gucci Group the various brands do not take the same approach to the global Luxury Goods market. Their strategy takes into account the brand's stage of development and the potential of a given country for a particular brand.

Decentralised management combined with pooled resources and know-how

In terms of organisation, PPR has long opted for decentralised operations based on proximity to the market and the customer; these are key to responsiveness and speedy adaptation. Under this type of organisation, an attempt is made to pool resources only if it can clearly have a positive impact on performance. There is, however, a systematic emphasis on sharing expertise, comparing experiences, and circulating information. This structure is at the core of the Retail business performance. A similar approach, entailing an overhaul of the Luxury Goods division's organisational structure, was implemented when PPR took operational control of Gucci Group; it is consistent with the enhancement of the Luxury Goods brands.

An undisputed presence worldwide

PPR's diversity of activities gives the Group strong market positions in most of the high-potential areas of the world. The Group's increased international activity is underpinning this profitable growth, with 50.7% of sales by the Luxury Goods and Retail divisions generated outside of France. The goal is to increase this to 60% within the next three years, through a combination of the buoyant economy of these countries and an investment policy mainly focusing on international operations.

fnac.com in number of stores excluding subsidiaries.

France 67
Spain 10
Portugal 7
Taiwan [1] 7
Belgium 6
Brazil 6
Italiy 5
Switzerland 4

[1] Stores in joint-venture.

GUCCI GROUP in number of stores.

Japan 128
Americas 74
Italiy 51
France [1] 31
South Korea 19
United Kingdom 17
Hong Kong 14
Germany 11
Taiwan 11
Switzerland 9
China 8
Spain 6
Belgium 4
Australia 4
Singapore 4
Guam 3
Malaysia 2
Austria 1
Netherlands 1

[1] Including Monaco.



REDCATS in number of catalogues.

France 14
United States 11
England 5
Belgium 5
Sweden 5
Norway 3
Finland 3
Germany 2
Austria 2
Switzerland 2
Denmark 1
Spain 1
Japan 1

Conforama

in number of stores.

France [1] 187
Italiy 19
Spain 13
Switzerland 9
Portugal 5
Poland 3
Croatia 3
Luxembourg 1

[1] Including 47 affiliates.

PRINTEMPS

in number of stores
excluding subsidiaries.

France [1] 25
Japan [1] 1
Saudi Arabia [1] 1

[1] Including 9 affiliates.



Highlights of 2004 and outlook

A decisive year

The year 2004 was particularly eventful for the Group. Not only did Pinault-Printemps-Redoute complete the strategic shift initiated in 2002, but a new team dedicated to new goals was hired in Luxury Goods while the Retail division successfully continued its expansion efforts.

Strategic transformation completed

From April 1 to May 20, 2004, PPR successfully launched a tender offer for outstanding common stock of Gucci Group NV ("the Offer") not yet held by the Group, at a price of USD 85.52 per share. As of June 30, 2004, Pinault-Printemps-Redoute held 99.39% of Gucci shares (versus 67.58% at December 31, 2003). The Group has petitioned the competent courts in the Netherlands to initiate a mandatory withdrawal process for shares not in its possession following the Offer.

Following completion of the Offer, Gucci stock was suspended from the New York Stock Exchange ("NYSE") on April 30, 2004, then officially delisted from the NYSE on June 14, 2004 and from Euronext on July 1, 2004.

In December 2004, PPR signed a final agreement to sell its 73.45% stake in Rexel, the world leader in the distribution of electrical parts and supplies, to a consortium of private equity funds including Clayton Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity. The price of €38.50 per share reflects an enterprise value (corresponding to the value of the company sold including net financial debt and securitization of unconsolidated trade receivables) of €3.8 billion for 100% of Rexel. The deal being subject to approval by various regulatory authorities, the relevant transactions should be completed before the end of the first quarter of 2005. With the divestment of Rexel, the transformation of the Group is complete and its financial structure has been improved.

Lastly, PPR sold in two stages (March and December) its remaining 24.5% stake in Finaref SA and Finaref Group AB (credit and financial services in Scandinavia) for a total of €637 million. This raises Crédit Agricole SA's stake in the two companies to 100%.

New teams and new goals in Luxury Goods

Following the operational takeover of Gucci Group in April-May, PPR brought in new teams and a new organisational structure for the Luxury Goods companies. The first collections by the new creative directors drew a very positive response. In December, new Gucci Group Chairman and CEO Robert Polet presented a three-year strategy for Luxury Goods. Excluding foreign exchange effects, the Group aims to generate average annual sales growth of at least 10% and even stronger growth in operating income. Gucci Group will continue to build on a solid foundation, developing a multi-brand group in which each brand will play a specific role.

Luxury Goods brands continued to expand in 2004, adding to their store networks and strengthening their product lines.

The Gucci brand's Cruise ready-to-wear collection was a great success, notably thanks to the new Flora line. Expanding its product offering, the brand launched a new collection of watches based on the G-shaped rectangular model. Gucci opened a new boutique in Milan - bringing the number of its stores to 198 - and launched the first on-line luxury fashion boutique in Europe, with the www.gucci.com site targeting the British market.

With 60 stores worldwide, including two new stores in Hiroshima and Chicago, Yves Saint Laurent extended its presence in the main luxury goods markets. The launch of *Cinema*, its sunny new floral fragrance, is helping to gain further market share in fragrances while the *Saint Tropez* and *Kahala* handbags are highly successful.

Bottega Veneta demonstrated remarkable growth over the year. Leather goods products in particular were a resounding success, thanks to the *Veneta* and *Baby Bag* handbag lines. The brand continued its international expansion, entering the German market (Munich, Berlin and Hamburg) and inaugurating its largest shop ever in the heart of New York City.

At Boucheron, the watches and jewellery segments posted strong growth at the end of the year, driven mainly by the launch of a new collection, *"les Symboliques de Boucheron"*.

Further developments in Retail

With €251.1 million invested in operations, the Retail companies continued to expand in France and abroad, opening a total of 22 sales outlets.

Conforama began implementing its sustainable development policy, defining quality standards for product design, the choice of raw materials, safety and the environment. In terms of logistics, the increased use of global sourcing entails a diversification of geographical areas. Conforama opened two new sourcing offices, including one in Eastern Europe and one in Vietnam, and expanded its platform in Tarragon, Spain. Adding to its store network in France, Conforama opened four sites, in Paris, Marne-la-Vallée, Colomiers and Toulouse. Outside of France, the company opened two new stores in Spain and its first under the "Conforama" banner in Italy. Conforama also continued its programme to renovate stores with the new format; at the end of 2004, 42 stores were in the new format, including stores converted and new openings.

Fnac enhanced its leadership position and expanded its market share in new technologies, driven by the most innovative products. The company launched a music downloading site, fnacmusic, and created new services on fnac.com. Fnac's international expansion policy resulted in the opening of three stores outside of France and the creation of a partnership with the Marinopoulos group to develop Fnac in Greece. In France, two new stores were opened, in Lorient and Perpignan, while Fnac stores in Lille, Tours and Nice were renovated and expanded. At Surcouf, highlights in 2004 included the launch of a new catalogue, a new version of the website and a loyalty card. In addition, this Fnac subsidiary opened a new store on Boulevard Haussmann in central Paris and strengthened its logistics system with a platform in Fresnes on the outskirts of Paris.

Le Printemps has applied its position as a trend-setter at the heart of the contemporary fashion scene to its product offering, concepts, events and services. This new image is reflected in a new advertising campaign and themed events, such as *Numéros de Charme* (Charming Numbers) and *Invasions Gourmandes* (Savory Invasions). The company pursued its store renovation policy, both at the Haussmann flagship and in the chain. Madélios, the menswear store in the "Madeleine" district of central Paris, was renovated and expanded. The Sports division was extremely dynamic, with Made in Sport opening three new French stores and signing more and more partnership agreements with major organisations in professional sports.

For Redcats, 2004 was characterised by continued strong growth in e-commerce, the success of the flagship brands, and measures to clarify the positioning and enhance the catalogues, product offering and customer files. Thanks to more targeted market segmentation, Redcats successfully launched two new brands: La Redoute's *Unité La Redoute* and Empire's *La Vie*. Redcats also expanded its non-apparel product offerings with the *So'Home* and *Brylane Home Essential* catalogues in the home furnishings and decorating sector. The Children & Family division had a very good year with continued strong growth at Vertbaudet and a very encouraging upturn for Cyrillus, especially in the French stores. In e-commerce, Redcats grew faster than the main players in the market. Outside of France, Redcats acquired Jotex, a Scandinavian home shopping company specialising in home textiles, and opened a new purchasing office in Brazil. In the U.S., the brands are recovering thanks to measures to strengthen the customer files and direct marketing operations.

To present a unified image in all of the countries where it operates, CFAO pursued its policy of improving customer service, modernising its property infrastructure and adapting its information systems. To boost customer loyalty, the company notably developed a "club" programme for pharmaceutical customers, while a quality charter was introduced in the automobile dealership network. In 2004, CFAO gained market share in all of its businesses in North Africa.

Strengthening the Group's financial structure

With its successful bond issues – the March 2004 bond issue of €650 million (5.25% coupon, maturity March 2011), which was increased in July to €800 million, and the October 2004 bond issue of €400 million (3-month Euribor + 0.50% coupon, maturity October 2007) – PPR succeeded in reinforcing the Group's financial strength while extending the maturity of its debt and diversifying its funding sources.

The sale of Rexel, confirmed at the end of 2004, resulted in a pre-tax reduction in the Group's debt of approximately €3 billion (reduction of €2.3 billion in consolidated debt and of €750 million in outstanding securitised receivables). Following this announcement, Standard & Poor's confirmed PPR's long-term "BBB-" and short-term "A-3" ratings. The "stable" outlook attached to the long-term rating was also confirmed.

The Group's financial structure improved further with the completion in two phases of the acquisition by Crédit Agricole SA of PPR's remaining stake in Finaref. The first sale of 14.5% of the equity capital was completed in March for €371.6 million. On February 1, 2005, in accordance with the final agreement signed on December 30, 2004, PPR announced the sale of the additional 10% for €265.1 million.

Pinault-Printemps-Redoute becomes PPR

Since January 20, 2005, the Group has adopted a new visual identity, replacing the "Pinault-Printemps-Redoute" logo with a simpler and more international "PPR" logo. This is a unique symbol for the "New PPR" and its two business divisions, which are Retail and Luxury Goods. Clear and focused, the new logotype makes the PPR stand out sharply, reflecting a powerful, attractive brand for the employees of the Group and its environment. At the May 19, 2005 Annual General Meeting, it will be proposed to change the official name of the Pinault-Printemps-Redoute group to PPR.

On March 21, 2005, François-Henri Pinault took over as Chairman of the Group. He succeeded Serge Weinberg, who spent 15 years with PPR, including 10 as Chairman of the Management Board.

Corporate Social Responsi

PPR'S Corporate Social Responsibility Policy

1. Incorporation of the CSR Policy into the Group's Structure and Strategy

While 2003 marked the first stage in the formalization of PPR's corporate social responsibility policy, 2004 was characterized by the incorporation of the policy into the Group's structure and strategy.

Under the decentralized structure that has underpinned PPR's business success, each company drew up its own corporate social responsibility agenda in 2004, identifying the challenges and establishing its priorities in these areas. A brief presentation of these agendas is provided in this document; a complete account will be published in a report and dedicated web site by June 2005. The agendas complement the structure introduced in 2003, with the creation of a network of "Corporate Social Responsibility" Managers responsible for promoting the policy in each company. Other networks based on themes such as human resources, the environment and supplier relations are intended to foster the sharing of ideas and resources with a view to achieving tangible and effective progress.

PPR's corporate social responsibility is also a key feature of the Group's global strategy.
The new Code of Business Practices was finalized in 2004 and is in the process of being implemented throughout the Group. It provides a clear view of the Group's commitments to its internal (employees, social partners) and external (customers and consumers, business partners, shareholders, local communities) stakeholders.
At the same time, a process was launched in order to establish best practices in each company with a view to enhancing day-to-day management and the Group's performance. New statistical examples illustrating the link between economic, social and environmental performance are contained in this document.
Lastly, PPR has made a significant effort to improve and expand its reporting base with respect to all of these challenges. New social indicators, a new corporate environmental performance reporting tool, and a detailed presentation of the social audit findings regarding PPR's direct suppliers now make it possible to give all internal and external stakeholders interested in this approach a comprehensive view of the Group's policies and performances in all of these areas.

2. The Code of Business Practices

The two years PPR has spent drawing up and implementing the new Code of Business Practices can be summarized as the Group's response to its different stakeholders' expectations and the demonstration of its convictions on the issue of business ethics.

From the Ethics Charter to the Code of Business Practices

PPR introduced its first Ethics Charter in 1996, so the topic of ethics is not a new one for the Group. The emergence of new ethical challenges, such as respect for suppliers' human rights, together with the absence of an active monitoring and advisory system for employees, however, made it necessary to overhaul the Ethics Charter to create a proper Code of Business Practices.

The Code of Business Practices is structured by stakeholder, or the internal and external publics concerned by the Group's activities. It provides a comprehensive and coherent view of PPR's commitments to each of its different stakeholders: employees, customers and consumers, financial markets, business partners, environment and local communities.

The document sets out the ethical principles which guide the actions and behavior of all PPR employees. More generally, the Code of Business Practices establishes a system for listening, advising and monitoring that is a genuine management tool and not merely a corporate statement.

The system operates at two levels:

- In each company, "Business ethics representatives" chosen for their knowledge of the company and their integrity have been specially trained to report any problems within the company or issues raised by employees on this subject. The representatives must respond to each request for advice and carry out their assignment in strict confidentiality, in the interests of employees and the Group. Based on its size and organizational structure, each company is entitled to appoint correspondants to these representatives (by region, subsidiary or business unit) in order to ensure proximity to all employees.

- At Group level, a Committee for Ethics and Social and Environmental Responsibility was set up in 2004. It consists of 10 members representing the companies, PPR headquarters and an outside expert. It is the Committee's role to ensure the Code is properly implemented within the companies, especially in terms of the listening, advisory and confidentiality aspects, and the ethical representatives' responses. Any employee or person outside of the Group who does not wish to deal with the companies' ethical representatives may contact the Committee. A confidential e-mail address has been set up specifically for this purpose. The Committee meets three or four times per year (once in 2004, the year in which it was set up) to monitor the different issues it has been asked to examine.

Top-down deployment strategy

Deployment of the Code of Business Practices began in October 2004 when it was presented to the top 650 executives in Lisbon at the management convention, which the Group organizes on average once every two years. This preview presentation highlighted the important role of these managers in ensuring the Code's successful implementation. A more detailed version of the Code was also prepared, aimed specifically at these top executives and covering issues such as: setting an example in terms of their behavior, their role in promoting the Code and ensuring it is applied by other PPR employees.

In addition, PPR put in place a series of meetings to inform and consult employee representatives: 70 meetings (including 42 in France) with Works Councils or equivalent entities abroad were held between Autumn 2004 and Spring 2005.

A top-down deployment strategy was introduced in 2005: 150 "Code Ambassadors" were designated (among operational managers or human resources staff from each company) and specially trained so that they, in turn, can train the Group's 2,000-3,000 managers who will ultimately be responsible for promoting the Code among their teams. Information kits in eight languages and a web-based working platform have been set up to help managers implement the Code. The goal is for all employees to have received a copy and be familiar with the Code of Business Practices by the end of 2005.

3. The Companies' Corporate Social Responsibility Agendas

The need to adapt the Group's corporate social responsibility policy to the decentralized business model underpinning PPR's business performance led to the creation in 2004 of corporate social responsibility agendas for Group companies.

These agendas are not only a tool for identifying the non-financial challenges facing each company. They also indicate each company's approach to determining the priority actions for dealing with these challenges, based on its corporate culture, best practices and its different stakeholders' expectations. In this sense, in 2004 the agendas consolidated and reinforced the coherence of PPR's approach after the appointment of corporate social responsibility managers in each company. The agendas have helped transform these actions into practical policies which provide a clear picture of each company's perspective on these challenges based on an assessment of the situation in 2003 presented in the Group's first social responsibility report.

To give even more consistency to this approach and demonstrate the close link between the Group's CSR policy, the Code of Business Practices and the companies' CSR agendas, the agendas all have the same structure as the Code of Business Practices, with commitments listed in terms of PPR's main stakeholders. The companies' CSR agendas will constitute one of the key elements of the report and new web site dedicated to the Group's corporate social responsibility, which will be published and launched on-line at the end of the first half of 2005.

The Group's Commitments

1. Employee

PPR's ambition over the next few years is to become one of the most respected and admired companies in the world and an employer of choice. The Group aims to achieve this through a human resources policy which fosters pride in being part of a common enterprise that is innovative and unique. The Group wants to set an example in its internal relations as well as in its relations with the outside world, whether this involves potential employees, customers, suppliers or shareholders.

Customer satisfaction and loyalty are constant challenges in the Retail and Luxury Goods businesses, which are now PPR's exclusive focus. Employees need to demonstrate a number of personal and professional qualities if they are to successfully deal with these challenges. Motivating employees and developing their skills and talent are key aspects of PPR's human resources policy. This policy is shared by all of the companies and has provided the Group with sound fundamentals and a common vision. The policy is described in detail in the *HR Imprints* brochure, which was published in Autumn 2004 and distributed to more than 13,000 employees worldwide at the end of the year. By increasing employees' awareness of PPR's HR policy and philosophy, *HR Imprints* is helping to strengthen PPR's "brand" as an employer internally. Launched in 2004, the "Employer Brand" concept epitomizes a corporate policy that determines the career opportunities the Group wishes to make available to its employees.

The Group had more than 82,000 employees [(1)] at the end of 2004, a 1% increase from 2003. Women account for 54% of the workforce and men for 46%, which is stable with 2003 figures. The percentage of women managers is 47.4% versus 52.6% for men, with managerial staff representing 17% of the workforce. In 2004, 5,743 employees were promoted (19% were managers and 81% non-managerial staff).

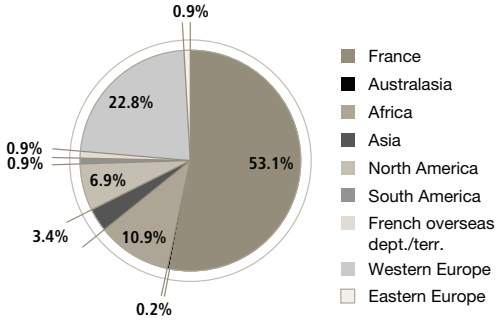
In geographic terms, 77% of the workforce is located in Europe (53% in France), 11% in Africa, 7% in North America, 4% in Australasia, and less than 1% in South America and the French overseas departments and territories.

On average, Group employees are less than 36 years old, with non-managers younger (35 years) than managers (39 years). The average length of service is 8.6 years, and slightly higher for managers (9.8 years) than for non-managers (8.3 years).

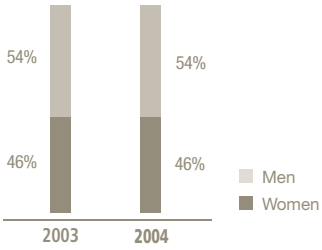
Lastly, the average work week was 37.1 hours long in 2004, with variations ranging from 35 hours in France to 43.9 hours in South America.

[(1)] All data based on a comparable Group scope (Retail and Luxury Goods divisions).

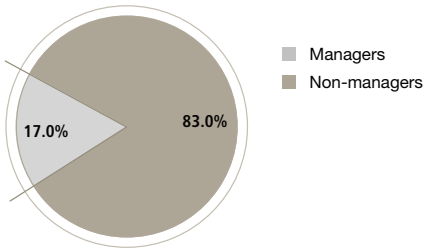
Geographical breakdown of the workforce at December 31, 2004 (all types of contract)



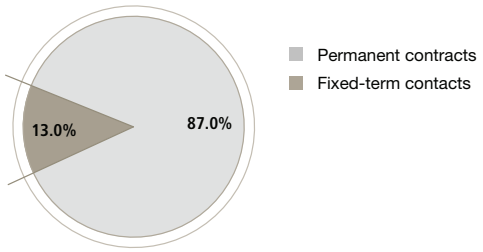
Breakdown of men and women employees at December 31



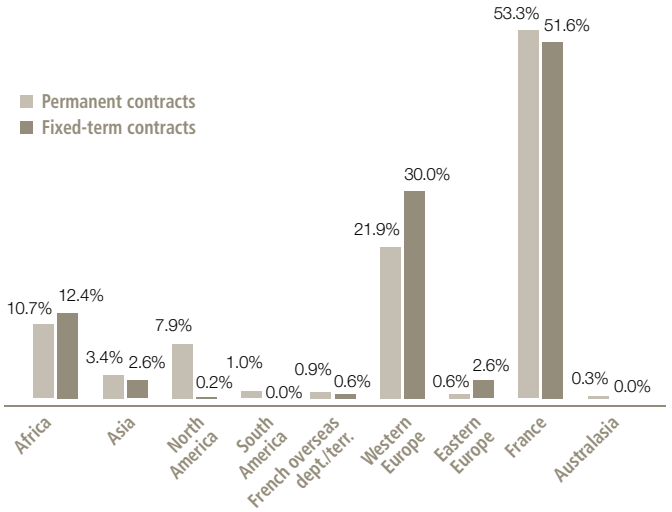
Breakdown of managerial and non-managerial staff at December 31, 2004



Breakdown of permanent and fixed-term contracts at December 31, 2004



Geographical breakdown of permanent and fixed-term contracts at December 31, 2004



1. Employment

a. Attracting and hiring

To attract and hire the best candidates, the Group and its companies are developing close links with schools and universities in and outside of France, with the help of a highly effective e-recruitment tool. They also ensure new employees are well integrated within the Group.

The ambition to become an employer of choice prompted a new "School Relations" communications campaign in January 2005, which is designed to distinguish PPR from other large companies. PPR has chosen the catch phrase, *Be Uniquely Different*, for its advertisements targeting future employees in France and abroad. It epitomizes PPR's philosophy of respecting differences (whether in terms of individuals or the Group companies) in order to capitalize on the wealth of talent.

Boasting a new visual identity as well, PPR is pursuing the initiatives underway to forge ever-closer links with schools. The inter-company School Relations Club is responsible for coordinating the Group's presence at recruitment forums and fairs (30 in 2004/2005), arranging presentations on the Group's businesses, establishing educational partnerships, etc. In 2004 and 2005, PPR participated in the "Equation" forum on corporate social and environmental responsibility held at *Ecole Polytechnique* and the HEC business school.
Group companies, and especially Redcats, are also forging long-term partnerships with French and foreign universities. After Paris business school ESSEC and its Chair of Social Entrepreneurship in 2003, Redcats Nordic and Redcats US established partnerships in 2004 with the University of Boras in Sweden and New York University (NYU), respectively, notably creating a direct marketing scholarship in the United States. More targeted partnerships have been established with French fashion school *Ecole Supérieure de Mode* (ESMOD) and the Fashion Institute of Technology (FIT) in the U.S. One of the goals of this policy is to offer 20 young graduates the opportunity of pursuing an international career within the company before returning to their home country.

Another focus of the Group's recruitment policy, traineeships and apprenticeship contracts, continue to prove highly popular. The different PPR companies offered more than 5,300 traineeships and nearly 900 apprenticeship contracts in 2004.

PPR has also revamped its recruitment web site (pprjob.com) to create a new human resources portal: people@ppr.com. The new site gives candidates a better understanding of PPR by taking them into the Group's day-to-day working environment. The web site offers regularly updated testimonials and "a day in the life" of employees to illustrate the Group's businesses and projects. A large section of the site focuses on junior positions with personalized information for this category of personnel. In 2004, more than 62,000 applications were submitted in France for entry-to-mid-level management positions on the pprjob.com web site, which is now a sub-link of people@ppr.com. The web site has also assumed an international dimension since the end if 2004, with job postings in Europe (Spain, United Kingdom, Sweden) and the U.S.. Other countries will be joining the system in 2005.

PPR remained a major recruiter with more than 37,000 new hires in 2004 (primarily in France, Western Europe and the U.S.). Of the new hires, 13,706 involved permanent staff while 23,342 involved fixed-term contracts. The number of fixed-term contracts converted to permanent contracts increased from 8% in 2003 to 9.1% in 2004 (data excluding Africa and French overseas departments and territories).

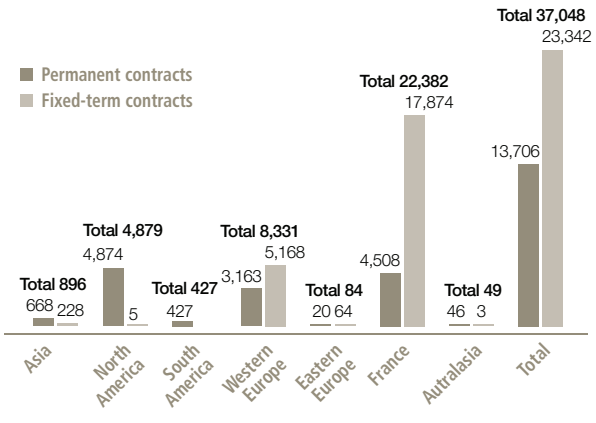
On a more qualitative level, Group companies have little difficulty in recruiting staff. The few remaining problems are related either to the recruitment of managers in certain areas and sites far from large towns or to the need for highly specific skills, such as the ability to speak several languages (for countries such as Switzerland, Belgium, Estonia and Korea), skills in technical or electronic products (Conforama in Italy, Fnac in Spain and Portugal) or specific expertise in the case of the Luxury Goods subsidiaries.

Lastly, the recruitment breakdown shows that while managers account for just 5% of new hires, almost 84% of them are on permanent contracts. In the case of non-managerial staff, nearly 35% are recruited on permanent contracts and 65% on fixed-term contracts.

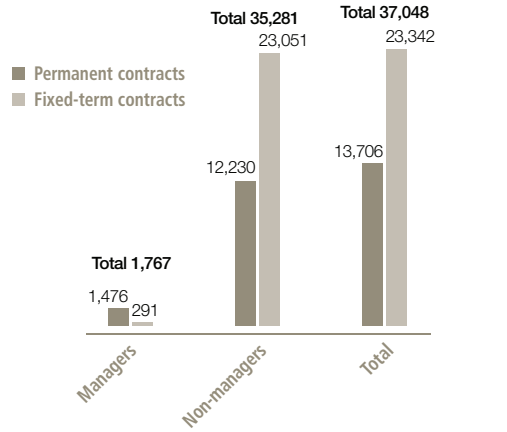
The average monthly number of temporary staff equated to 3,965 full-time staff in 2004, representing 5.1% of the average monthly workforce (fixed-term and permanent contracts and full-time equivalent temporary staff). Almost 86% of the total workforce is on permanent contracts, with fixed-term contracts accounting for slightly more than 9%.

In 2004, 14,118 part-time staff were on permanent contracts (data unavailable for Ghana and Nigeria). This included 506 managers (3.6%) and 13,612 non-managerial staff (96.4%). Nearly 20% of permanent contracts were for part-time personnel and women represented 80% of part-time staff versus 20% for men.

Geographical breakdown of new hires (permanent and fixed-term contracts) in 2004 (excl. Africa and French overseas departments and territories)



Breakdown of managerial and non-managerial new hires (permanent and fixed-term contracts) in 2004



In 2004, 15,592 employees on permanent contracts [1] left the Group, representing overall turnover of 23% of the average monthly permanent workforce. Excluding the U.S., which has a very specific labor market and contractual environment (with so-called "at will" contracts), the rate is 17.4% overall and 12% in France.

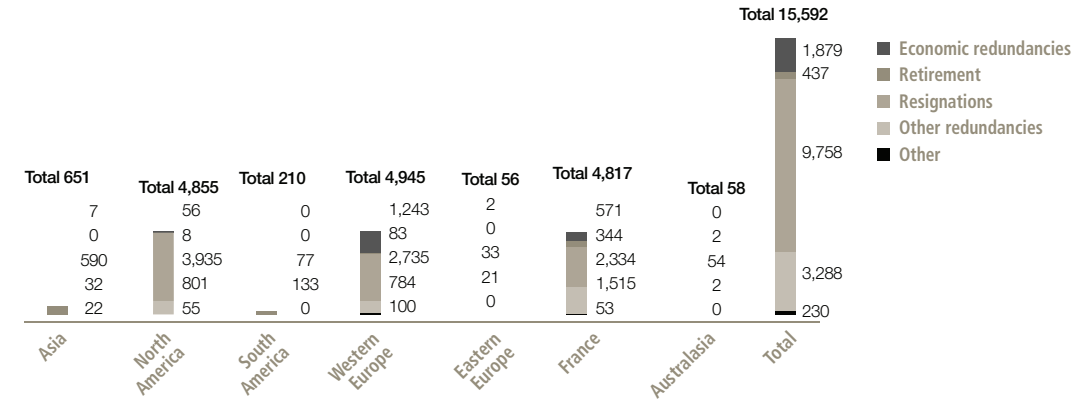
Resignations accounted for 9,758 of these departures, representing an average resignation rate of 14% of the average monthly workforce. Excluding the U.S., the rate is 9.4% overall and 6% in France.

Out of a total of 3,518 redundancies in 2004, 230 or 6.5% were job cuts for economic reasons. The number of job cuts for economic reasons was higher in 2003 (down 71% in 2004), due primarily to the decision of Redcats to reduce the workforce in the U.S., and to store restructuring in the Luxury Goods business, which also involved the U.S.

Lastly, 437 employees retired in 2004, accounting for 2.8% of all departures last year.

[1] Excluding Africa and French overseas departments and territories.

Breakdown of permanent staff departures in 2004
by reason and geographical region (excl. Africa and French overseas departments and territories)



b. Help with relocation

PPR's active recruitment policy is intended to attract and retain the candidates most suited to its activities, thereby ensuring the Group has the resources needed for its expansion. PPR has developed numerous training and career mobility policies specifically for this purpose.

A Group like PPR also needs to keep abreast of the economic situation in the countries where it operates and respond to customers' demands and competitors' developments.

There are also instances where the Group has to make adjustments to the workforce as a result of a restructuring or decline in activity. Since 1999 PPR's internal mobility programs have been supplemented by the Job Coordination task force. The role of this inter-company working group is to monitor and facilitate the relocation of employees affected by these changes in France: priority hiring, activation of internal networks, circulation of job vacancies, personalized follow-up, reconnaissance trips and help with relocation costs all contributed to the fact that 67.2% of employees affected by these changes found another job within or outside of the Group in 2004. Of these employees 53.9% were relocated within the Group (13.4% more than in 2003). This improvement is also reflected in the number of "valid" [1] relocation offers. 402 job offers were made to 390 employees on the relocation list, representing an average of one offer per employee.

[1] A valid offer is defined as:
"Any offer (in writing or otherwise) to an employee on the relocation list:
- proposing a position similar to his or her previous position (with no physical transfer involved; with or without a slight change in duties),
- or satisfying the employee's requirements as endorsed by the HR teams."

Since 2002 the Job Coordination task force has also been organizing "Employment and Mobility Days" in conjunction with the Human Resources Development Club. These one-day regional events allow operating managers and PPR companies' human resources managers to come together and strengthen the ties that will facilitate the process of inter-company mobility and combat the prejudices often associated with the relocation of employees affected by business closures or changes in job description. Two "Employment and Mobility Days" were held in 2004, in Strasbourg and Marseilles in France, and the events are expected to continue in 2005.
In a move aimed at expanding this concept and offering more opportunities to employees, plans to make the internal career mobility web site "Moovenet" available to non-managerial staff in France towards end-2005.

1.2 Work environment and personal development

One of the Group's main commitments to its employees and crucial to its collective success is the ability to offer employees a stimulating work environment and opportunities for personal development that will enable them to progress professionally: integration, training, mobility, performance reviews and compensation all represent concrete evidence of this commitment.

a. Integration and training

A fruitful career path begins with the employee's successful integration. At Group level, three one-day "Agora" seminars attended by 336 new managers from France and abroad were held in Paris in 2004. Sponsored by a PPR senior executive, the seminars provide the Group with a forum for presenting its fundamental principles, discussing the six attitudes and exchanging ideas.
However, integration begins first and foremost in each of the Group's companies. All of them have introduced induction days where new employees can learn about the company and its businesses. Some of the companies, such as Fnac, have introduced "induction programs" involving sponsorship or mentor systems with comprehensive training and induction kits for each type of business or department.

Once employees have been fully integrated into the company, they are offered a whole range of training programs through the Group's internal university, UniverCité. Courses in management, marketing and finance (Uknow), developing expertise in purchasing and project management (Uknow how), developing the leadership skills of highly promising managers (Unext – University for the next generation) with 20 managers participating in the program each year, a series of theme-based seminars (Umap - 4 on Europe in 2004) and on-line training (Ulearn) are designed to enhance the professionalism, creativity and expertise of PPR managers. A new program, Ugrow, was introduced at end-2004. Aimed at young, high-achieving managers, it will enable them to better identify their potential and build a customized career path within the Group. Five sessions, involving 10 participants each, are already scheduled for 2005. Lastly, in Spring 2005, a seminar on ethics and managerial responsibility will be introduced as part of the Uknow program and used to promote the deployment of the Code of Business Practices in Group companies.

Several Group companies have implemented additional training programs to:

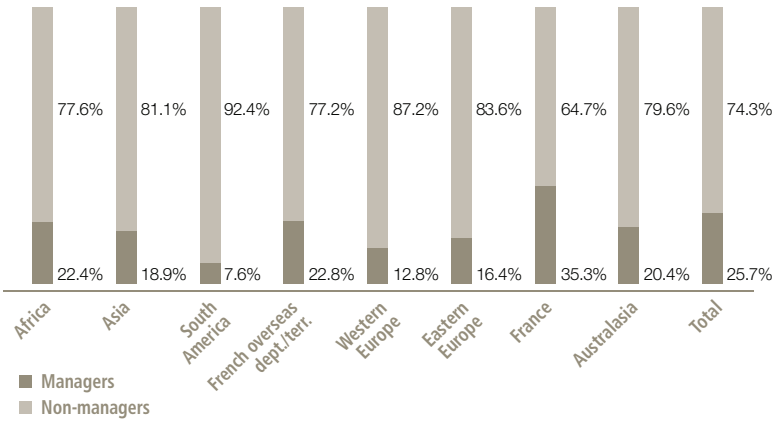
- develop new technical skills, as in the case of the home shopping businesses: the new Redcats Speed training school opened in 2004 has already provided training on several brand marketing and database system modules for 172 employees of different nationalities;
- help newly-promoted managers become familiar with their future duties in France or abroad: this is the purpose of Conforama's "*pépinières magasins*" (store nurturing) program which involved 19 managers in 2004; or
- in response to a shortage of qualified staff: CFAO has opened a school in Madagascar for training in automobile repair. Recognized by the national education system, the school trained a dozen students in 2004, 90% of whom were subsequently employed by CFAO, with excellent results in terms of the quality of service provided to customers.

To compensate for a shortage of professional trainers in Brazil for its sales and customers service staff, Fnac decided in 2004 to send a number of volunteers among its Portuguese managers to train their Brazilian colleagues.

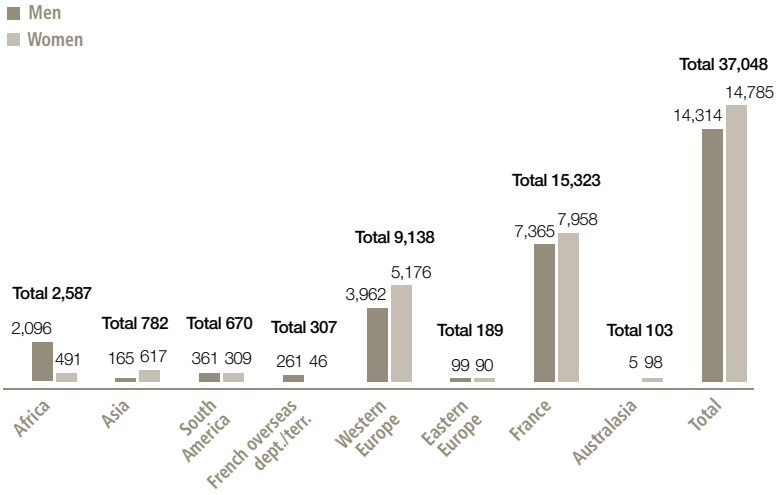
In addition, managers can develop their internal networks and skills in different ways, depending on their requirements. The "Between Us" days take place annually and bring together young managers under the age of 30 from all countries and Group companies. In June 2004, 250 of them met in Montigny near Paris to develop their inter-company and inter-business network and express their views and ideas to the Group's management. Conventions provide another discussion forum: these include annual company conventions for managers and Leadership Days for the Group's top executives, which were held in Chantilly in March 2004. A PPR management convention in Lisbon in October 2004 was attended by the Group's 650 top managers and provided an opportunity to discuss Group strategy, learn for the first time about PPR's new Code of Business Practices and see the showroom specially designed for the occasion to showcase the companies' creativity and innovative potential. Lastly, the network of business clubs plays a major role in spreading and fostering the exchange of information within PPR: Human Resources, Property, Purchasing, Marketing all have their specialist networks helping to promote the best practices developed within the Group.

Excluding safety training, PPR provided 840,787 hours of training in 2004, representing an average 11.6 hours per employee (permanent contracts). Nearly 37,000 employees were involved (excluding the U.S.) or 42% of the Group's average permanent workforce. Non-managerial staff accounted for 74.3% of those trained and women for 50.8%. The training budget of more than €34 million in 2004 represents an average 2.11% of total wages.

Geographical breakdown of managerial and non-managerial staff
who received training in 2004
(excl. safety training and excl. North America)



Geographical breakdown of training received
by male and female staff in 2004
(excl. safety training and excl.North America)



b. Career mobility and development

Opportunities to evolve, discover another business, another company, another country are a key aspect of a stimulating work environment and therefore a priority for PPR. More and more employees are experiencing this for themselves each year as a result of the facilities available within the Group.

Employees have access to two complementary tools aimed at fostering career mobility and personal development: the magazine, *Moove*, and the intranet site, *Moovenet*.
Moove, the Group's career mobility magazine in France, lists all entry- to mid-level managerial positions available in France. It is published 11 times per year, with 12,000 copies printed of each edition, representing a total 132,000 copies in 2004.
The same job offers can be viewed in real time on *Moovenet*, the intranet site dedicated to career mobility within the Group. Moovenet allows employees to apply for positions in complete confidentiality (the employee chooses the companies most likely to read his CV), manage e-mail notifications (of suitable positions), and monitor the progress of his or her application(s), given that the advertisements are published internally between 5 and 15 days before they are circulated externally. International positions are also advertised on the intranet (USA and Spain since end-2004; Sweden and the United Kingdom since April 2005; other countries are expected to be included during 2005) and the same rules apply regarding confidentiality and priority internal advertising. This international development coincides with the implementation of a number of national mobility policies and an "international moover" policy aimed at expanding the international policy already defined by the international mobility club (to include expatriates). The expansion of Moovenet in France in 2005 will give employees greater access to non-managerial positions within the Group as well as the managerial positions already advertised.

Each Group company is represented in the HR Development Club, which meets on a monthly basis for "Mobility reviews" and is intended to promote career mobility. Each company HR representative provides a list of job vacancies and the managers wishing to transfer jobs. A "Junior Mobility Review", for managers starting out in their careers, is held monthly and attended by a dedicated HR representative from each of the companies. Opportunities available to employees with more than 18 months of service in the Group are discussed and examined at the meeting.
Internal promotions helped fill 70% of the positions at Conforama and 80% of the managerial positions at Fnac in 2004, illustrating the effectiveness of this system.

The principle of internal promotion also applies to executives. Succession plans for executive positions are drawn up on an annual basis in order to prepare for career moves and potential news hires. Priority is given to internal candidates in each case.

More generally, career committees are set up at the beginning of each year to pinpoint talented employees (from young managers to those with the potential to become members of the Leadership Group) and identify the skills available in each company. The information is then consolidated at Group level in July, with reviews by business division conducted in the Autumn.

In 2004, 2,455 employees benefited from an intra-company career move (of which 61.6% were women and 38.4% men) and 84 from an inter-company career move.
At end-2004, more than 350 managers were living and working outside of their home country. Two managers, one Polish and the other Portuguese, joined Conforama's operations teams in France in 2004 after being spotted by the career committees.

c. Performance reviews and career development

Performance reviews and self-assessment play a key role in the career development process promoted by PPR.

The annual performance interview is by far the most widespread evaluation procedure. Although 65% of employees who responded to the 2003 survey confirmed that they had received an annual review, the aim is to rapidly achieve 100%, as is already the case in most Group companies. Printemps has set an example in this respect, having implemented intermediary reviews for its managers in 2004, a move that will be adopted throughout the company by end-2005.
For the 150 executive members of the Leadership Group a "360° Feedback" assessment tool was introduced in 2004. It provides executives with information on how they are perceived by their teams, colleagues, supervisors and external partners.

In 2004, PPR UniverCité launched the "Ugrow" program for highly promising young managers. It includes a Skills Development Center, which allows the Group to identify the young managers' potential based on the six PPR attitudes, but also gives these managers the opportunity to build their own career paths. In 2004, 10 managers participated in this program.

The review and recognition of employees' work are cross-functional elements of PPR's policy. When French legislation introduced university diplomas based on professional experience, Fnac was quick to react. At the beginning of 2004, it launched a program encouraging employees to seek recognition of their professional experience by helping them prepare for a diploma ("*Bac professionnel*" or "BTS"). Of the 22 employees participating in this program, 20 obtained their diploma at the end of the year. Fnac's hugely successful program will be expanded in 2005 and is likely to spur other Group companies into following its example.

d. Compensation and benefits

Although each company has its own compensation and benefits policies, several facilities are common to all Group companies.

"Value in Action" (VIA), a share ownership plan, was offered to employees in 2000; 37,337 employees subscribed. The plan provided the option of a traditional investment or the opportunity to invest in a fund offering a guaranteed minimum return for five years. With the plan due to expire in summer 2005, PPR's Human Resources Department has prepared an information program for employees which will begin in Spring 2005.

The PPR employee card is another highly appreciated benefit. It gives employees special conditions or discounts in all of the Group's Retail companies in France. In 2004, this facility was extended to retired employees, employees' spouses or any person chosen by employees. There are plans to make the card available outside of France in 2005. The Luxury Goods division also provides a staff card for Gucci Group brands, which can be used in all of the countries where the brands are present.

Most of the companies have profit-sharing agreements and company savings plans. In 2004, the Supervisory Board of the employee investment funds of Redcats in France decided that two of the funds invested mainly in equities would adopt a socially responsible investment approach in the future.
In terms of pension and supplemental healthcare benefits, PPR has introduced a private pension scheme (Art. 83) for the Group's senior managers in France to which Conforama, Fnac, Printemps and PPR holding have subscribed.

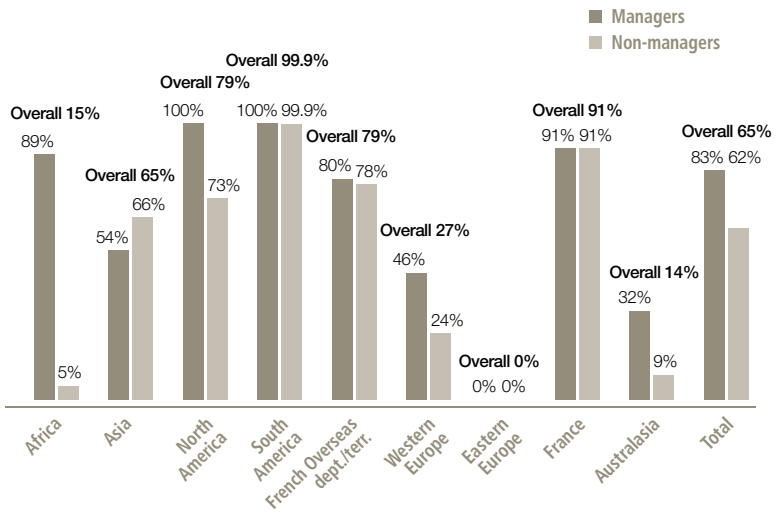
The compensation of executive members of the Leadership Group is based on common rules and close cooperation with the Group's Human Resources Department and the companies. The fixed salary is supplemented by a variable compensation representing 30% of the fixed salary, if targets are achieved, and up to 40% if they are exceeded. The variable compensation is governed by financial targets (maximum 60%) and non-financial targets (minimum 40%), such as innovation, management and leadership. The figure is then adjusted (by more or less than 20%) according to each manager's implementation of the six PPR attitudes.

Lastly, stock options are allocated to managers each year and approved by the Supervisory Board, based on the manager's contribution to the Group's results. In 2004, 847 managers received stock options and two stock options plans, representing 565,970 shares at a price of €85.57 and €84.17, were granted.

Approximately 65% of the workforce worldwide benefited from supplemental plans beyond legal requirements (insurance, health or pension), the cost of which is assumed in part by the employer. This coverage applies to 83% of managers and 62% of non-managerial staff of the Group.

Within the Group, women's salaries are on average 8% lower than men's salaries.

Geographical breakdown of managerial/non-managerial staff benefiting from supplemental coverage at December 31, 2004 (1)



Overall = Percentage of the workforce benefiting from supplemental coverage (health, insurance or pensions).
(1) Excludes 100% screening and treatment for HIV/AIDS in Africa.

1.3 Diversity and equal opportunities

Although the Group has made genuine efforts to integrate, promote and foster the social development of its employees (1 store manager out of 3 at Fnac is a former sales person), PPR and its companies need to be aware of the major role they can play in helping to integrate all of the different strands of society, regardless of educational qualifications, sex, age, race, or disability of the men and women that make up the Group.
Moreover, PPR recognizes that broadening its employee profile will not only make the Group more dynamic and innovative and help it to grow, but will also ensure it has a better understanding of the community and its customers.

PPR companies have already demonstrated their willingness to accept this aspect of their social responsibility through a number of action programs. In 2004, the Group took this a step further.
Perhaps the most symbolic event was the signing of the "Diversity Charter" in October 2004 by the former Chairman of PPR's Management Board, Serge Weinberg. Under the Charter, PPR is committed to promoting practices and implementing initiatives at all levels of the organization, which testify to its intention of creating an open and responsible group.
This is clearly reflected in the commitments made by the Group and set out in the new Code of Business Practices. The Code is expected to be widely deployed within the Group in 2005 and will make employees aware of how important it is for the Group and companies to reflect the diversity of society. The network of ethical representatives will ultimately be responsible for monitoring compliance with these commitments. It will also help identify any discrimination in the Group and initiate appropriate corrective action.
Lastly, in 2004, Group and company Human Resources Departments focused their actions on the internal constituencies most affected by this issue.

Another major focus, diversity and equal opportunity through social and professional integration, has become the central, unifying theme of SolidarCité. Founded in July 2001, SolidarCité is an association that unites employees and Group companies around initiatives in the area of solidarity and integration. Among other projects financed by SolidarCité, a film by Yamina Benguigui will be used to raise awareness within the Group about the diversity issue in 2005.

a. Equal opportunities for women and men

The issue of equal opportunities for women and men is one of the most complex to grasp, given the large number of female employees and different situations within the Group. For this reason, the main priority in 2004 was to prepare a specific report providing a comprehensive survey of this issue.

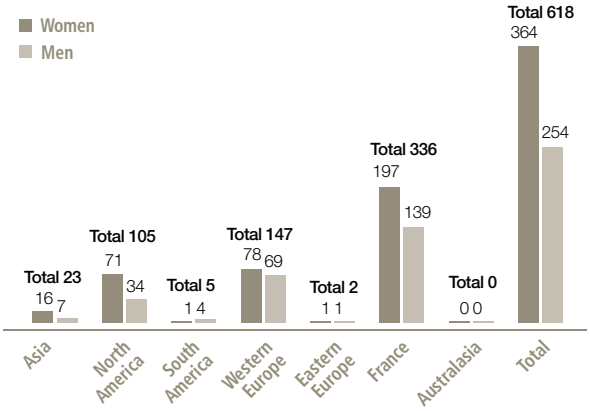
Women represent 54% of PPR's workforce, a figure that is stable with an unchanged Group scope. The 6-point increase compared with the 2003 data can be attributed to the removal of Rexel's workforce from the Group (reflecting the nature of its business, women represented 23% of Rexel's personnel). The proportion of women in the workforce varies substantially depending on the region: from 11% in Africa or 25% in French overseas departments and territories to more than 60% in Asia, North America, Europe and Australasia. In France, the proportion of women is 56%, a figure in line with the percentage of women among total new hires for 2004 (59%).

An analysis of the various positions shows that 47.4% of managers are women and 52.6% men. Of the 650 senior managers who attended the Lisbon Convention in 2004, 20% were women. Among the 173 executives (excluding Rexel) who participated in the Leadership Days in 2004, 12% were women. Lastly, seven women hold senior positions within the Group: Laurence Danon is Chairman of Printemps, Patricia Barbizet is Chairman of the Supervisory Board and of two of the Group's three Committees, Valérie Hermann is Chief Executive Officer of Yves Saint Laurent, Chantal Roos is President and Managing Director of YSL Beauté, Isabelle Guichot is Chief Executive Officer of Sergio Rossi, Carole Balas is Chairman and Chief Executive Officer of Orcanta, and Sylvie Robin-Romet is Chairman and Chief Executive Officer of Kadeos.

Beyond these initial observations, it is clear from the efforts made to promote women in general and to enable women who are not managers to assume managerial positions in particular, that PPR is determined to make progress in this area. It is worth noting that 55% of employees promoted in 2004 were women: 3,131 women compared with 2,612 men, representing a total of 5,743 employees. This trend is also reflected in the promotion of non-managers to managerial positions (59% were women and 41% men).

Another useful evaluation tool is an analysis of the measures introduced to ensure that today's young female managers have the opportunity to assume departmental or strategic management positions in a few years time. For example, in 2004, 40% of the highly promising managers on the Unext program were women, compared to 12% two years earlier.

Geographical breakdown of male and female non-managerial staff who became managers in 2004 (excl. Africa and French overseas departments and territories)



b. Disabled employees

Until 2004, the employment of disabled workers was usually the result of random, uncoordinated local initiatives. As part of its commitment to diversity, the Group decided to establish a policy for the employment of disabled workers and to provide resources, tools and framework necessary for implementing it, initially in France.

"Mission Handicap" was created in 2004 with the support of the Group's Executive Committee. It is a working group comprising a full-time project manager and representatives of the companies and various activities within PPR (occupational therapists, human resources staff, operations managers, etc.).
Thanks to a separate operating budget and partnership with Agefiph, an organization that champions the cause of the disabled in the workplace in France, Mission Handicap was able to conduct a statistical and qualitative disability survey in two test regions representative of the Group's different businesses and companies (socio-demographic data, interviews). Alongside the survey, Mission Handicap published a brochure presenting its activities and put together an information kit to help managers organize meetings and raise employee awareness about this issue. Interviews with employees revealed a lack of information about the project and what it means to be disabled in the workplace, and raised numerous questions. The interviews also highlighted a number of positive experiences and a willingness to listen and support the initiative, which has now prompted Mission Handicap to expand its field of action.

PPR has set a target for disabled workers to represent 6% of its workforce in France by end-2008, versus 3.2% in 2003. In order to achieve this, Mission Handicap has drafted an employment policy for disabled workers based on the survey results. The policy, in the form of action plans, focuses on four key areas: recruitment, training, keeping disabled employees in the workplace, and raising awareness among the Group's internal and external stakeholders. In 2005, the policy will be deployed throughout France, with new tools and resources being made available, and the start of a two-year partnership with Agefiph.

In 2004, there were 1,027 disabled workers in the Group (excluding the U.S. for which data is not available), a 14.7% increase on 2003.

Another observation that highlights PPR's efforts to retain the expertise and talents of employees who have become disabled: 75% of disabled workers in France have more than 10 years service.

The Martinoire site of La Redoute, a Redcats' brand, has two packaging workshops that have been specifically adapted for disabled employees. YSL Beauté was awarded a prize during the National Week for the Employment of Disabled Workers at end-2004. The 38 disabled workers at YSL Beauté's Bernay factory all receive special training and supervision and use equipment that is suited to their disability.

c. "Senior" employees

The need to pass on experience and skills, to respond to demographic changes and to acknowledge the professional assets of the most experienced staff, are all reasons for attempting to change attitudes and behavior towards older employees.

In 2004, the Group carried out a study to identify the needs of older employees in the company. The study was conducted by a specialist in these issues at the French national research and training organization *Conservatoire National des Arts et Métiers* (CNAM). The findings will help the Group determine the priority actions to be implemented as of 2005 to help employees adjust to the prospect of a longer working life and ensuring older employees remain motivated.

d. Diversity of origins

Combating discrimination linked to origins begins with the commitments made at the highest level. PPR's decision in 2004 to sign the Diversity Charter and to incorporate it in the Code of Business Practices is clear evidence of its commitment in this area. PPR also conducted an audit with the non governmental organization *IMS/Entreprendre pour la Cité* at end-2004 to understand the situation in terms of diversity within each company.

Once again, it is culture, prejudice and behavior that need to change.
Redcats is one of the most active companies in this respect. Each year in France, it organizes the "one student, one day, one job" campaign with Fnac and Printemps, and in partnership with the Alma school in Roubaix. There are 29 different nationalities represented in the school, 96% of the students are on scholarships and 50% of the families live below the poverty threshold. The initiative offers young students the opportunity to learn about a business world that many consider to be beyond their reach and at the same time makes company employees aware of the need to integrate this section of the population.

Redcats also signed a partnership with the association, Alliances for the Integration of Managers from Minority Backgrounds (*Alliances pour l'intégration de managers issus de minorités*) in 2004. The aim is to make 15 traineeships available in 2005, 5 of which will eventually be converted into permanent contracts. Redcats UK has also joined forces with the Equal Opportunities Commission in the U.K. at Bradford to develop training programs on the subject of cultural diversity for the company's senior managers. The training programs will be put in place in 2005. Lastly, Redcats US is offering Spanish lessons to English-speaking managers and English lessons to Spanish-speaking employees, in partnership with two non-governmental organizations: the Urban League and the National Association for the Advancement of Colored People (NAACP).

1.4 Freedom of expression and employee relations

Speaking honestly is one of the six attitudes underpinning PPR's management approach. It is therefore important for employees to be kept informed of key events affecting the Group and to have the opportunity of voicing their opinions and exchanging views with other managers or business experts within the company or even with the senior executives who determine company strategy.

a. Sharing information

There are numerous channels for disseminating information within the Group. Each employee has access to more or less detailed information on the day-to-day work environment of the Group and individual companies through a quarterly in-house magazine published in French and English and distributed to 20,000 employees, a managers' newsletter, an intranet site offering an internal telephone directory, real time information and access to business or project platforms. This facility is supplemented by a series of internal support systems specific to each company and by annual conventions for managerial staff.

Employees can also express their views in many different ways. The employee survey conducted every two years ("What's the weather like?") is the most widespread. In 2003, 77,000 questionnaires in 13 languages were distributed in 21 countries. The 55,000 responses helped the Group draw up a list of its strengths and areas on which it still needed to focus and make progress. The year 2004 was devoted to informing employees about the survey findings and establishing action plans to improve employee satisfaction and the quality of managers. The findings, in terms of the Group and individual companies, were communicated to all employees. The companies also organized information meetings in all of the countries where they are present and published articles in their in-house newsletters. Information on the action plans was first made available in 2004 and will continue in 2005 prior to the new survey in the Autumn. The Group's commitment to reviewing the findings and the subsequent action plans are essential for the continued success of the survey. Printemps, which has increased the number of information and consultation meetings with its employees, has seen the rate of employee satisfaction with internal communications rise from 43% to 51% in the space of two years.

The "Shadow Comex" provides another opportunity for sharing and exchanging information. Meeting four times per year, this think-tank brings together 15 French and international managers around the age of 30 to discuss strategic subjects for the Group with PPR's Chairman.

The senior management convention held every two years provides a forum for inter-company exchanges. This was the case in Lisbon in October 2004 where the showroom was used to promote the creativity of the companies and to award prizes for innovation (featured for the first time at this convention).

Lastly, the first "Social Affairs Forums" were held in 2004. The forums provided an opportunity for more than 80 social affairs managers to compare experiences and examine case studies from all of the Group companies. The forums will be broadened to encompass all human resources functions at the Human Resources Convention to be held in May 2005.

b. Employee relations

Employees can also express their opinions through more formal channels within the Group.

In 2004, more than 275 works councils in the companies in France, with 1,868 elected representatives, participated in the social dialogue. In Belgium, Spain, the U.K., Italy and Sweden, 227 employee representatives from PPR's Retail division were involved in the dialogue process. In 2004, 302 collective company agreements were signed in the Group, compared with 166 in 2003. This sharp increase is mainly due to the fact that 2004 was an election year in several companies. This necessitated the signing of numerous pre-electoral agreements and the renegotiation of agreements that had expired.

Social dialogue is conducted at Group level through two Works Councils covering France and Europe.
The French Works Council was formed in 1993. It consists of 30 members representing the different French companies and meets twice each year. Group and company strategy and the integration of disabled workers were the main issues discussed in 2004. On a broader scale, PPR set up a European Works Council in 2000 consisting of 19 members and observers from 14 countries. This has now been increased to 24 members and one observer from 20 countries, following the integration in 2004 of new European Union countries and the arrival of new members from Estonia, Hungary, Poland, the Czech Republic, Slovenia and Cyprus. A four-member Board, representing Council members, meets six times per year, while a plenary Council meeting is held twice yearly. The Council is informed of any cross-border projects and consulted on projects that might have a negative impact on employment. It has an annual budget of €100,000 to spend on investigations or independent experts' reports. In 2004, it carried out an investigation to examine and analyze PPR's accounts and another on the Group's social indicators. New topics discussed included a presentation on the Group's corporate social responsibility policy and the Code of Business Practices during plenary sessions. Following these presentations, the European Works Council Secretary took part in a study trip to India to verify that the Group's suppliers were complying with its social rights policy. A report on this trip was presented to the Council Board at the beginning of 2005.
The Luxury Goods business was integrated for operating purposes in 2004 but will retain its European Works Council. The PPR Council is due to be re-elected in 2005 and may well include members of the Luxury Goods business.

The Gucci brand is also involved in an innovative process after the company set up a joint management and worker representative Commitee on corporate Social and Environmental Responsibility in September 2004. Consisting of an equal number of company managers and representatives from the main trade unions, the purpose of the Committee is to help Gucci secure a double social (SA 8000) and environmental (ISO 14001) certification in partnership with the Tuscany region and the BVQI certification body.

The number of hours lost through strikes was more than halved in 2004 (reduced from 31,774 to 15,164 hours), with France, Italy and Belgium the main countries affected. Most of the strikes were part of national solidarity movements and not directly related to the company. The main cause of industrial unrest (linked to pay or working conditions in the company) affected primarily a Conforama store in France, which experienced a 5-week strike (more than 5,000 hours) in 2004.

1.5 Health and safety

Ensuring the health and safety of employees in the workplace is one of the fundamental duties of PPR and its companies. PPR aims to introduce measures at grass roots level in the companies, with areas posing the greatest risks taking priority.

Protection and prevention

At the end of 2002, Conforama put in place a five-year investment plan aimed at improving safety and working conditions on its premises, particularly in its warehouses. An initial investment outlay of €2.5 million in 2003, primarily to prevent accidents by falling and back problems and to provide training in connection with electrical and fire risks, helped reduce work-related accidents by more than 20% in France.

Investment continued and was increased by 10% in 2004, with working conditions and the renovation of company premises taking priority (55% of the budget). Improvements in ventilation, heating and lighting, and the renovation of cloakrooms and break rooms helped reduce work-related accidents in the company by a further 4.8%. The specific reporting system that Conforama introduced in 2004 is designed to increase managers' awareness of these issues. It includes visits to poorly performing stores and the implementation of specific action plans.
Redcats adopted a similar strategy in La Redoute's logistics center in northern France, which prepares all of the parcels for dispatch to the company's customers.

A Prevention Management System was implemented in the shipping department in 2003 following a detailed risk detection and assessment audit conducted in partnership with a specialized consulting firm. A dedicated notice board, briefings and prevention information updates, a sign-in book, a monitoring committee and a prevention steering committee all contributed to reduce the accident rate by one-third and the number of serious accidents by half in 2003.

The system was extended in 2004 to include the collection and packaging departments, and the initial results are promising. The inventory and returns departments are due to adopt the system in April 2005. All of these departments will be in Prevention Management System phase 1, which involves alerting employees to the risks of work-related accidents, occupational diseases and absenteeism. The shipping department, which pioneered the system, has been in phase 2 since end-2004. The second phase focuses on encouraging employees to take a more proactive role in accident prevention by helping to identify and anticipate the risks. The reporting systems discussed during the briefing sessions include measures covering both work-related accidents and absenteeism to avoid having two different action plans.

The production sites for the Luxury Goods businesses (Gucci and YSL Beauté) have a highly sophisticated system for managing risks in the workplace and their impact on employees. The system has been operational for several years.

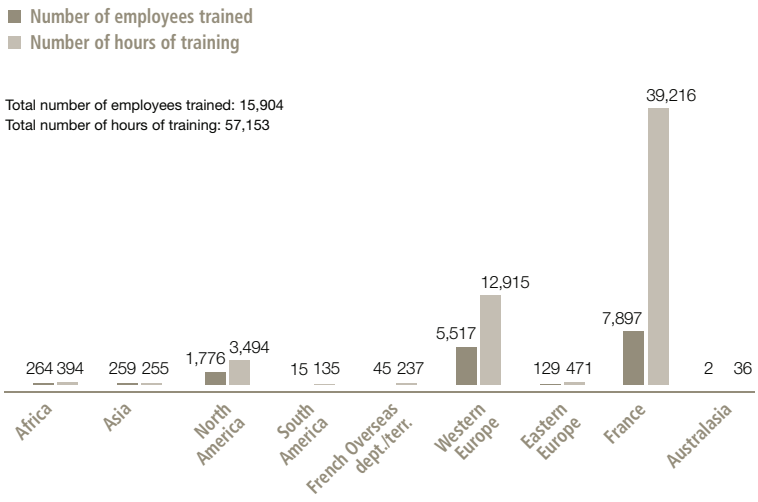
At YSL Beauté, the fragrance and cosmetics manufacturing sites in Bernay and Lassigny have adopted measures aimed at securing triple certification (Quality, Safety, Environment) for several years. In the case of the Bernay site, this culminated with OHSAS 18001 safety certification in mid-2004. The site had already obtained the two certifications, ISO 9001 (quality) and 14001 (environment), in 2002. The Lassigny site is expected to be awarded triple certification by 2006.
In 2004, particular emphasis was on improving work conditions. As a result of a partnership with the Regional Agency for Improving Work Conditions (*L'Agence Régionale d'Amélioration des Conditions de Travail*), an ergonomics specialist spent eight months examining all workstations and establishing improvement plans with the employees involved, which have gradually been implemented. YSL Beauté's initiative was rewarded in 2004 when it received two regional and national prizes by the National Agency for Improving Work Conditions (*L'Agence Nationale de l'Amélioration des Conditions de Travail* or ANACT).
At the Gucci division, a formal health and safety procedure has been in place since 2001. Each year, a dedicated team of four people assesses the risks for employees (including dangerous products, machines, noise and user-friendliness of workstations). All employees working on the production sites and in the brand's stores receive general training. Specialist training based on different types of risk is also provided: in 2004, for example, 300 employees participated in a training course on dangerous products and the associated pollution risks. The aim is to ensure all employees receive regular training every two years. In 2004 Gucci started to take steps to secure the OHSAS 18001 safety certification, which should be completed by 2006.

At Group level, a presentation on the measures introduced at Conforama in France regarding health, safety and working conditions was made during a meeting of the Social Observation Body (*Observatoire Social*), a network for social affairs managers to monitor and exchange information, in November 2004. The presentation highlighted the importance of implementing similar measures in each Group company.

For the whole Group, 15,904 employees received safety training in 2004 (representing 57,153 hours), while the number of work-related accidents totalled 3,054. There was one fatal accident (the death in a car accident of a CFAO employee in Morocco during a business trip).

The total workforce absenteeism rate is 5.4%, with illness accounting for 3.7% of the total and "other reasons" (maternity and/or paternity leave, unjustified absences) for 1.7%.

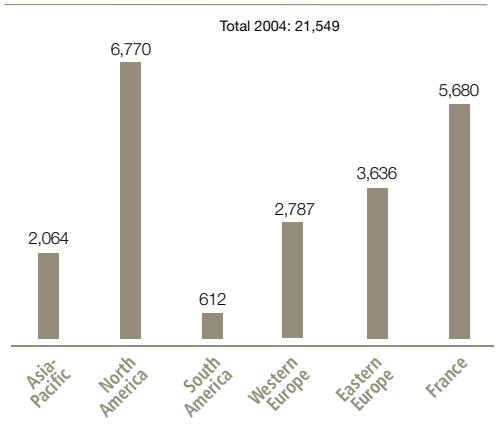
Health and safety training
by geographical region in 2004



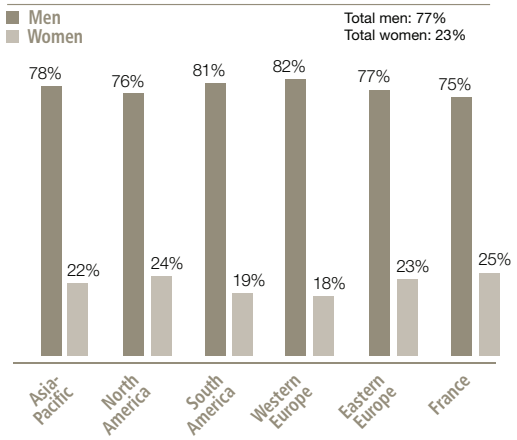
1.6 Rexel – social data

In view of PPR's decision to divest its stake in Rexel at end-2004, Rexel data have not been consolidated in PPR's social reporting included in the present document. As a listed company, Rexel has produced a reference document that includes all its social data.
PPR has nevertheless decided to publish Rexel's key social indicators for 2004, which are indicated below.

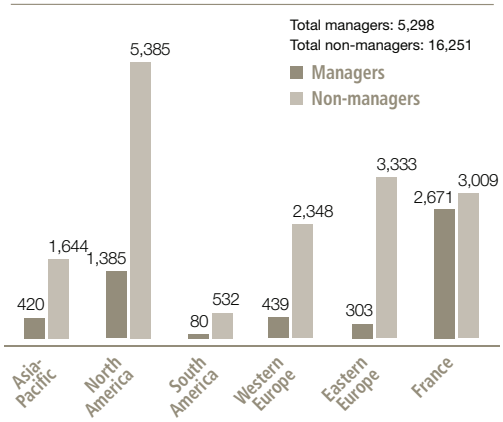
Breakdown of the workforce (all contracts) by geographical area in 2004



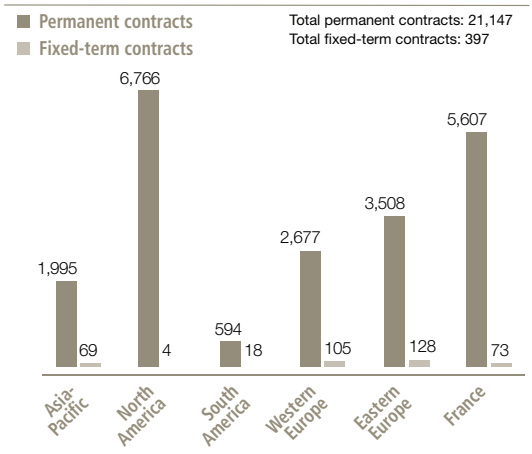
Proportion of male/women staff by geographical area in 2004



Breakdown of managerial and non-managerial staff at December 31, 2004 by geographical area



Breakdown of permanent and fixed-term contracts at December 31, 2004 by geographical area



2. The Environment

2.1. The Group's first in-depth reporting system

In 2004, PPR adopted a new environmental reporting system designed to bring about constant improvement in its environmental performance and to present results for the Group as a whole.

Definition of Indicators

Throughout 2004, a task force consisting of the members of the companies' environmental network worked to design this new reporting system. To define the most appropriate indicators for PPR, a reporting platform was designed and adopted by all of the companies. It covers seven themes:
- five quantitative themes (consumption of materials, transportation, waste production, energy consumption and water consumption);
- two qualitative themes (product policies and environmental management).

These topics are described in further detail below to present PPR's environmental performance.

Developing the reporting tool

After identifying the relevant indicators, the Group introduced a new reporting tool. It was developed and deployed to fulfill a dual purpose: on the one hand, to consolidate the data from PPR sites at Group level, and on the other hand, to give the companies the means to manage their own environmental performance at all organizational levels (store, warehouse, region, country, etc.).

Testing and deploying the system

To verify the tool's reliability, a test was conducted on a limited scope in September and October 2004. The results proved satisfactory and the system was deployed throughout the Group at the end of 2004. The 2004 data were gathered in January 2005 from all of the companies involved in this reporting process.

2.2. Actual reporting scope

Thanks to this new reporting system, PPR can communicate data on all of these environmental challenges representing the Group as a whole. The actual scope for which the data are presented covers more than 80% of PPR's sales (excluding Rexel and the Luxury Goods division other than YSL Beauté). It can therefore be considered truly representative.
Because this system is new, the scope can vary for some of the indicators considered. In such cases, the modified scope is explained in the text.
The data entered into the system and presented in this document apply to the following companies:

Company/Brand	Scope
Conforama	62% of store sales (indicators/stores).
Fnac	Fnac Europe, or 97% of sales (except on some structures).
Printemps	95% of sales by France Printemps (excluding Made In Sport and Madelios).
Redcats	100% of sales.
CFAO	51% of sales including sales between the CFAO head office and its subsidiaries. The data apply to Burkina Faso, Congo, Cameroon, the French overseas departments and territories, continental France and Morocco.
YSL Beauté	The Lassigny and Bernay plants (France): 100% of sales related to product manufacturing.

For each company included within the structure of this report, 100% of the value of an indicator is consolidated for the PPR group.

2.3. Consumption of materials

a. Consumption of paper and wood

PPR is a major consumer of paper worldwide, namely for printing its catalogues. Therefore, PPR pays close attention to the origin of the wood used to manufacture the paper. PPR's supply policy is based on centralized tracking of purchases and consumption, with the top priorities being the principle of forest certification and maximum traceability of the origin of the wood used. The Group is supported in this effort by partnerships with its suppliers, who share the goal of increasing the amount of paper made from wood from certified forests.

2004 report

Within the scope covered by this report, PPR consumed more than 257,000 tons of **paper** in 2004.

This consumption can be broken down as follows:
- direct purchases for business activities, mainly printing catalogues, magazines and business forms (77%),
- indirect purchases (through printers) for printing catalogues, magazines and business forms (21%),
- office paper (2%).

Paper consumption in 2004 (in tons)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Direct purchases	28,045	2,382	1,527	181,909	-	-	213,863
Indirect purchases	19	838	-	33,769	315	-	34,941
Office paper	3,603	809	28	2,316	2,308	79	9,143
Total excluding packaging	**31,667**	**4,022**	**1,555**	**217,995**	**2,623**	**79**	**257,941**

Redcats is the main consumer of paper with 79% of total consumption, or 218,000 tons (more than half of which outside of France for Redcats US, Nordic and UK), and 85% of direct consumption. That is why the responsibility for paper purchasing for the Group's Retail companies was centralized at Redcats.
The other two major consumers are Conforama and Fnac. Conforama consumed 31,667 tons of paper (more than 90% in the form of indirect purchases). Fnac consumed 4,022 tons of paper (2,382 of which in direct purchases).
Around 53% of direct paper purchases came from forests with management certified for its sustainable development practices, by the Forest Stewardship Council (FSC), Pan European Forest Certification (PEFC) and other official certification agencies.

	Conforama	Fnac	Printemps	Redcats	CFAO [2]	YSL Beauté [2]	PPR [1]
Consumption of paper from FSC - or PEFC - certified forest/total consumption in 2004	57%	57%	57%	53%	-	-	53%

[1] For the PPR group, the percentage indicated is the sum of percentages by company, weighted for paper consumption.

[2] These two companies were not involved in the policy adopted by the Group (low consumption in the case of CFAO, and consolidation too recent in the case of YSL Beauté).

Action plans

In the interest of responsible paper consumption, in 2003 Redcats introduced for Europe a three-year plan with its catalogue and form suppliers for direct marketing (brochure, prospectus, etc.).
By 2004, the effects of this plan were already visible: 56.7% of the paper consumed by Redcats in Europe and 48.6% of the paper in the United States came from FSC- or PEFC-certified forests. The goal by the end of 2007 is to raise this percentage so that 65% to 70% of the paper consumed by Redcats is from fiber from certified forests -- that is, forests managed in accordance with sustainable development principles.

In addition, recycled paper is being used increasingly by the companies in the Group. In 2005, two companies plan to carry this practice further. Printemps now plans to have all of the brochures distributed to tourists in hotels printed on recycled paper. For its part, Fnac plans to publish all of its product guides and "*Contact*" customer magazine on recycled paper (nearly 10 million copies per year).

PPR Buyco, the centralized purchasing division for "indirect" goods (i.e. those used by the companies in the Group for their own needs, not for retail to customers), initiated with La Redoute, a Redcats brand, a project called "Print" designed to cut printing costs (fax, copiers and printers) and paper consumption by La Redoute.

In 2004, an audit on consumption by 2,300 La Redoute employees showed that each employee consumed an average of 6,000 sheets of paper a year (or 12 reams).
A three-year action plan was developed with three areas targeted for improvement:
- equipment - by moving towards multi-function equipment (printer, copier, scanner and fax),
- organizational structure – by improving the supply chain,
- users – through training and awareness of different kinds of printing and by introducing a "printing policy" (front/back, 2 pages per sheet, etc.).

The objective for the end of 2007 is to cut consumption by 20% for expected savings of nearly €380,000.

Regarding the wood used to manufacture the furniture sold by the Redcats brands, the Group's policy emphasizes local certification and wood traceability.

Furthermore, Redcats uses plantation pine in Brazil, thus contributing locally to reforestation. In 2002, Redcats signed a joint venture agreement with non-governmental organization ESSOR, which was renewed in 2004. The agreement stipulates that Redcats brands and their Brazilian suppliers pay back 0.1% of all purchases made in the country into a reforestation program, which calls for replanting 50,000 trees (fruit and forest tree species) over two years in northeastern Brazil. The results exceeded objectives: 130,000 trees have been planted since 2003, providing a living for approximately 1,100 families.

b. Consumption of packaging

This topic is also important for PPR because the various companies in the Group use substantial amounts of cardboard boxes and plastic to package products sold their stores or home-shopping operations.

Within the reporting scope, PPR consumed approximately 2,000 tons of **store carrier bags** in 2004 (84% plastic and 16% paper). Out of this total, Fnac accounted for 70% of the plastic store bags, with Conforama, Printemps and Redcats consuming the remaining 30%. Printemps accounted for 99% of the paper store bag consumption.
Fnac and Conforama have begun a research project to study possible alternatives to plastic bags. Initial results are expected in 2005.

Within the reporting scope, PPR also consumed 21,587 tons of **plastic packaging** and 32,800 tons of **cardboard** in 2004. Regarding plastic packaging, 64.2% is consumed by Conforama and 20.6% by Redcats. Conforama consumes 60% of the cardboard and Redcats 29%.
Several companies in the Group already have highly organized sorting and recycling policies. Conforama, which completely reorganized its waste management three years ago, sorts and recycles nearly 82% of the cardboard it uses. Redcats recycles not only its own cardboard but also the cardboard received by its suppliers before preparation of the packages ordered via catalogue or the Internet by customers.

Consumption of packaging in 2004 (in tons)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Plastic store carrier bags	78	1,170	113	305	NC	NA	1,666
Paper store carrier bags	-	-	309	3	-	NA	312
Plastic packaging (polyethylene, polypropylene, etc.)	13,871	233	2,207	4,463	479	334	21,587
Cardboard	19,678	1,225	251	9,640	81	1,925	32,800

NA: data not available.
NC: company not concerned.

c. Consumption of industrial raw materials

For PPR, consumption of industrial raw materials involves only those companies manufacturing facilities, such as YSL Beauté, which produces glass and plastic bottles for its cosmetics and fragrance business, and CFAO, which products ballpoint pens, plastic packaging and crates for citrus fruit, and beer and soft drink bottles.

PPR's consumption of **metals** within the reporting scope amounted to 1,934 tons in 2004. This corresponds, for example, to purchases of aluminum by YSL Beauté for spray bottles or purchases of steel by CFAO for cases and bottle caps. Together, these two companies account for all of the Group's metal consumption (with CFAO accounting for 75% and YSL Beauté 25%).

With regard to **plastic**, (excluding carrier bags and film), YSL Beauté and CFAO are also the Group's only consumers, accounting for a total of 2,380 tons (56% consumed by YSL Beauté and 44% by CFAO), once again for bottles.

The Group also consumed (through CFAO and YSL Beauté) 4,290 tons of **glass** in 2004. The YSL Beauté bottles accounted for 80% of the Group's consumption.

Lastly, 100% of PPR's consumption of **wood** (38,800 tons) is attributable to CFAO for its production of crates in a plant owned by the company in Morocco.

Consumption of industrial raw materials in 2004 (in tons)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Metal (steel, aluminum, etc.)	NC	NC	NC	NC	1,446	488	1,934
Plastic (excluding carrier bags and film)	NC	NC	NC	NC	1,103	1,377	2,480
Glass (bottles)	NC	NC	NC	NC	860	3,426	4,286
Wood	NC	NC	NC	NC	38,808	0.4	38,808

NC: company not concerned.

2.4. Transportation

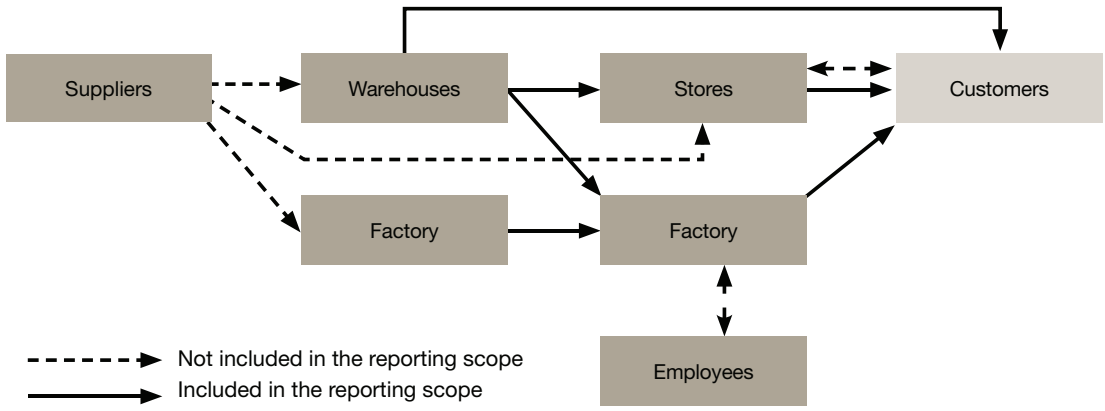
Reporting scope

Like raw materials consumption, transportation poses a major environmental challenge for PPR, given its effect on the production of greenhouse gases. This is a highly complex area to define for the purposes of a precise and relevant report on the Group's impact, however.

To do so, a precise scope was defined to determine which itineraries to take into account. The data shown below apply to PPR sales-related transportation. Taken together, the flows listed below are referred to as "downstream transportation":
- transportation by in-house fleets (SOGEP at Redcats, Fnac, etc.),
- transportation between plants (CFAO),
- transportation between warehouses and stores,
- transportation to supply warehouses and stores,
- transportation for deliveries to end customers (home shopping sales, CFAO).

This transportation can be done:
- either by fleets of trucks belonging to the companies (i.e. in France – Redcats with highway transport company SOGEP,
- or by outside service providers, in which case the companies gather data from these providers.

The following transportation was excluded from the reporting scope:
- supply of products,
- employee travel and transportation (daily travel to and from work; business trips via rental car, plane or train),
- customer travel, including vehicles rented by customers to transport their merchandise.



2004 report

• *Road transportation*

Within the reporting scope defined above, in 2004 the vehicles used by PPR (excluding Redcats UK) covered slightly more than 74 million kilometers by road. This led to consumption (partly estimated) of more than 25 million liters of fuel, emitting around 66,900 tons of CO_2.

Out of that total, 42% came from SOGEP, a Redcats trucking company in France that delivers packages to its home-shopping customers. To reduce its environmental impact in this area, Redcats, in partnership with its suppliers, developed an innovative plan designed for more efficient management of the flows linked to the different stages involved in producing its catalogues in Europe. The company reorganized its delivery policy, providing incentives to its Finnish paper suppliers to work on the shortest itineraries, with the savings being equally shared between Redcats and the suppliers. In two years, Redcats managed to cut the distances covered by 18% (more than 450,000 kilometers), resulting in a reduction in CO_2 emissions of more than 300 tons annually and savings of more than €1 million.

• *Other means of transportation*

In a reporting scope including Conforama, Redcats, CFAO and YSL Beauté, in 2004 more than 452,000 tons were transported by boat, 16,626 tons by plane and more than 11,600 tons by train. Conforama accounted for 66% of maritime and river transport and Redcats for 19%, while Redcats accounted for 91% of air transport and YSL Beauté for 6.5%.

"Downstream" road transportation	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Distance covered (road) (km)	14,218,500	8,331,454	4,595,412	45,279,667	16,497,219	227,264	74,301,516
Consumption of fuel (m3) for road transportation	4,920	2,007	1,492	11,055	5,774	48	25,240
Greenhouse gas emissions (t.CO_2) (road transportation)	13,037 (3)	5,320 (2)	3,953 (4)	29,295 (5)	15,301 (1)	126 (6)	66,883 (7)
Consumption of diesel fuel (l/100 km) for road transportation	35 (9)	24	32	24	35 (8)	21	29

(1) (2) (3) (4) (5) (6) For all companies, the figure was recalculated based on the emissions factors provided.
(7) For the PPR Group, the figure was recalculated based on the emissions factors provided.
(8) (9) For CFAO and Conforama, the figure is based on estimated consumption.

Other "downstream" transportation	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Use of rail transport (t)	1,350	-	-	-	9,575	713	11,638
Use of boat transport (t)	299,052	-	-	85,300	63,000	4,548	451,600
Use of air transport (t)	-	-	-	15,110	438	1,078	16,626

Emissions factors

Fuel	280 geq CO_2 = 1 kWh
Natural gas	200 geq CO_2 = 1 kWh
Steam	
from natural gas	260 geq CO_2 = 1 kWh
from fuel	350 geq CO_2 = 1 kWh
from coal	425 geq CO_2 = 1 kWh
from household waste	360 geq CO_2 = 1 kWh
road transportation	2,650 geq CO_2 = 1 Liter

geq = gram equivalent of CO_2 .

Action plans

From a qualitative standpoint, the companies are attempting to shorten transportation distances using various methods, including:
- Conforama – Introducing criteria making rail delivery mandatory in choosing warehouse locations,
- Fnac Service and the Redcats subsidiary SOGEP - Joint delivery of several stores using the same truck ("multi-drop" deliveries),
- YSL Beauté and SOGEP – Piggy-backing trucks by rail,
- YSL Beauté – Coordinating shipping policies between the Bernay and Lassigny plants (such as combining export shipments),
- Printemps – Combining customer deliveries by destination,
- Printemps and Fnac Switzerland – Reducing the number of warehouse-store shuttles,
- Fnac's Paris stores – Using more messengers with electric vehicles from service provider Lungta.

In the area of river transport, Conforama has made a great many changes. Between the port of Fos Sur Mer near Marseilles and its Vénissieux warehouse near Lyons, Conforama quadrupled the number of containers transported by barge instead of

truck in four years. Thus in 2004, with 4,000 containers transported, Conforama became the leading freight company in Lyons' Edouard Herriot Port. The percentage of highway transport by Conforama on this route dropped from 100% at year-end 2000 to 2% four years later. In 2004, Conforama's transportation department estimated the change in means of transportation had lowered the company's costs by 20%, saving the company €500,000. At the same time, it avoided the production of more than 800 tons of CO_2.

Given these results, in late 2004 Conforama decided to introduce a second river route between the ports of Rouen in Normandy and Gennevilliers near Paris to supply its Brétigny-sur-Orge (near Paris) warehouse, which in turn supplies the company's stores in and around Paris.

2.5. Waste production

Even though the companies in the PPR group produce only small quantities of hazardous waste compared with the industrial sector, because of the regulations on recycling of industrial packaging, batteries and in 2005 on waste from electrical and electronic equipment, PPR now issues a detailed report in that area. In addition, waste recovery leads to substantial cost savings.

2004 report

Within the scope of this report, PPR generated 6.1 million tons of waste in various forms in 2004, including the following:
- less than 0.2% is special industrial waste (11,500 tons) – otherwise known as hazardous waste,
- more than 90% is spent grain (consisting of malt grain hulls) from a CFAO brewery in Congo,
- the remaining waste is primarily cardboard.

YSL Beauté plants, which generate laboratory solvents, aerosol sprays and neon tubes, account for 78% of hazardous waste, or 1,090 tons. Of this amount, 90% consists of production leavings, obsolete products or defective products. Lastly, a small percentage (300 tons) represents the hazardous waste produced by the other companies, consisting of neon tubes and batteries.

Waste production in tons	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Non-hazardous industrial waste	19,893	8,462 [1]	3,675 [2]	21,897	6,019,816	1,812	6,075,555
- of which cardboard sent to recovery facilities (reuse, reclaiming, recycling)	16,136	180 [4]	831	11,457	309	887	29,800
- of which pallets sent to recovery facilities (reuse, reclaiming, recycling)	1,200	700	102	493	170	129	2,794
Hazardous industrial waste	9 [3]	278	7	23	1	1,086	1,404
- of which electrical and electronic waste sent to recycling facilities	7 [5]	7	3	5	-	3	25
- of which batteries collected and sent to recycling facilities	1	25 [6]	-	4	1	-	31
- of which ink cartridges sent to recycling and reprocessing facilities	1	4	1	1	-	1	7

[1] For Fnac, the figure was calculated based on extrapolation of per store averages (selling space and sales).

[2] For Printemps, the figure represents the sum of the non-hazardous industrial waste of France Printemps (data from 4 out of 17 stores were extrapolated).

[3] For Conforama, the figure represents the sum of electrical and electronic waste, batteries and ink cartridges.

[4] For Fnac, the scope only includes Fnac France.

[5] For Conforama, the scope does not include Conforama Switzerland.

[6] For Fnac, the figure does not include 4 stores in France for which data was not available.

Action plans

All PPR Group companies have active waste sorting and recycling policies.

• *Managing ordinary industrial waste*

Among ordinary industrial waste, nearly 30,000 tons of cardboard and 900 tons of pallets are sent to recycling facilities.

The 5.5 million spent grains produced in 2004 by the two breweries operated by Congo BRASCO, a unit of CFAO Congo Industries Trading and Heineken, were completely recycled into livestock feed.

At Fnac, more than 30 stores (whose recycled waste was not included in the total above) sort their waste (cardboard, plastic, packaging, wood, scrap metal) through the shopping centers to which they belong. In Switzerland, a study conducted in 2004 shows this active sorting and recycling policy led to savings of 83,000 Swiss francs (or more than €53,500) in one year.

Conforama has also had a formal waste management policy in place for several years. This policy is based mainly on the efficient use of dump trucks, the streamlining of truck rotations and negotiating recycling prices with recycling companies. This process generated savings in 2004 of €140,000 in France and €60,000 in Switzerland. Lastly, in 2004 progress in raising employee awareness, notably by training warehouse supervisors, will lead to long-term improvements in the management of this waste.

For their part, the Scandinavian subsidiaries of Redcats collect nearly 90% of their waste to be sent to recycling facilities. In addition, in France in the process of packaging the different items ordered via catalogue or the Internet, all cardboard from suppliers (nearly 5,000 tons) is recycled.

• *Managing specific industrial waste*

- Waste Electrical and Electronic Equipment (WEEE)

Electrical and electronic waste is considered hazardous waste because it contains heavy metals. PPR has already taken a number of steps to see that it is properly managed in the Group, thus acting in advance of the EU directive on hazardous waste, which will go into effect only in late 2005.

In France, at least seven Fnac stores have a specific procedure for WEEE. Fnac Logistique, Fnac Switzerland and Fnac Belgium also sort this kind of waste.

Conforama is already sorting and recycling this kind of waste in Switzerland, with 428 tons of WEEE recycled in 2004. In July 2004, during Sustainable Development Week, the company launched a promotional recovery program for used household appliances by agreeing to pay to have them recycled. Nearly 400 refrigerators – equivalent to seven tons of waste -- were collected and recycled.

Lastly, the Redcats subsidiaries in Northern Europe also collect this kind of waste under a national waste management system.

- Other hazardous industrial waste

Within the scope of this report, Fnac collected at least 25 tons of batteries and sent them to recycling facilities (57 stores provided the relevant information in Europe).

Ink cartridges are also recovered in nearly all Fnac stores. Thus, in 2004, more than four tons of batteries were sent for recycling through various agencies. Starting in 2005, Fnac has decided to turn over the collection and recycling of its ink cartridges to the Emmaüs Association as a gesture of community support.

For its part, in 2004 CFAO recycled nearly one ton of used oils produced by Brasco in Congo, by using it in the factory's heating system to produce steam.

2.6. Consumption of energy

Scope of the report

Energy consumption is a key component of a company's environmental impact. It is also a vital factor in the success of the Group's stores and value of the products sold by its companies. Energy also accounts for a significant portion of the structural costs incurred by stores.

The report does not take into account fuel and natural gas consumption by Fnac stores, for which data were not available at the time of the report, however, this is considered minor compared with the Group's total energy consumption.

2004 report

Within the scope of this report, total energy consumption by PPR in 2004 amounted to 623 GWh (431 GWh of electricity, 90 GWh of natural gas, 71 GWh of fuel and 30 KWh of steam (urban heating)).
All of the companies consumed electricity, especially for lighting selling areas. The main consumers are Fnac (32% of the Group's consumption), Conforama (23%), Redcats (21%) and Printemps (18%). Average electricity consumption amounted to 411 KWh per square meter of selling space (not including YSL Beauté and CFAO).
The main consumer of natural gas is Conforama, with 43 GWh, or nearly half of the Group's consumption.
The main consumer of fuel is CFAO, which consumed 54 GWh in 2004, mainly in its manufacturing operations.
Energy consumed by the Group in the form of fuel, natural gas and steam resulted in direct emissions of 48,000 tons of CO_2, more than 15,000 tons of which involve CFAO and Redcats, and approximately 10,000 tons Conforama.

Energy consumption in 2004 (in KWh)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Electricity	96,489,128	133,119,391	73,575,707	90,037,330	25,932,000	12,201,883	431,355,439
Fuel	3,263,484	NA	3,649,693	9,535,018	54,147,443	99,522	70,695,160
Natural gas	43,305,044	NA	5,370,801	24,771,227	79,991	16,306,516	89,833,579
Steam (heating system)	NA	NA	7,684,425	22,355,821	-	-	30,040,246
Total energy consumption	143,057,656	133,119,391	90,280,626	146,699,396	80,159,435	28,607,921	621,924,425

Consumption per sq.m. of selling space (in KWh/sq.m.)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Energy	304	567	533	301	519	-	572 [1]
Electricity	205	567	434	437	2,389	-	384
Fuel	7	-	22	46	4,989	-	65
Natural gas	92	-	32	120	7	-	82
Steam	-	-	45	108	-	-	28

(in $t.CO_2$)	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Greenhouse gas emission (total energy consumption excluding electricity)	9,575 [2]	NA [3]	4,786 [4]	15,449 [5]	15,177 [6]	3,289 [7]	48,279 [8]

NA: data not available

[1] For the PPR Group, the figure represents total energy consumption (excluding YSL Beauté which has no directly operated stores) divided by total selling space.

[2] [3] [4] [5] [6] [7] For CFAO, Conforama, Printemps and Redcats, the figure was recalculated based on emissions factors provided in the table below: use of steam from fuel given the absence of data; for YSL Beauté, the figure was recalculated based on the emissions factors provided.

[8] For the PPR Group, the figure was recalculated based on the emission factors provided: use of steam from fuel given the absence of data.

Emissions factor	
Fuel	280 geq CO_2 = 1 KWh
Natural gas	200 geq CO_2 = 1 KWh
Steam	
from natural gas	260 geq CO_2 = 1 KWh
from fuel	350 geq CO_2 = 1 KWh
from coal	425 geq CO_2 = 1 KWh
from household waste	360 geq CO_2 = 1 KWh
Road transportation	2,650 geq CO_2 = 1 Liter

geq = gram equivalent of CO_2.

Action plans

In 2004, the companies put in place different kinds of projects aimed at reducing their energy consumption.

At Fnac, around 20 stores replaced or upgraded their air conditioning systems, while around 50 stores in France and Belgium and 15 stores in Portugal and Spain are using low energy light bulbs. This practice was also introduced by Redcats US and Redcats Nordic.

In 2004, Conforama began studying the concept of "sustainable construction." Two new stores have been provided with a free cooling air-conditioning system, which uses outside air when the temperature is lower. In addition, the Toulouse store in France was built with a plant-based roof that cools naturally in the summer. Research is now being done to emphasize natural lighting, using "sky domes" (Plexiglas bubbles) for example, and to make the most efficient use of artificial lighting.

Redcats Nordic uses wind power (not quantified) and is participating in a project with a Swedish university to reduce electricity consumption.
In France in late 2004, Redcats asked French electric utility EDF to conduct an energy audit of La Redoute sites to identify areas of excessive consumption and determine action plans to be implemented in 2005.

Lastly, all of the Group's companies committed to "green" contracts starting in 2005, guaranteeing that a minimum 10% of the electricity consumed in the Group's stores will come from renewable energy sources, such as windmills, dams and the like.

2.7. Consumption of Water

Scope of the Report

Water consumption is not a very representative indicator of PPR's activities, except for the CFAO brewery business and the YSL Beauté cosmetics business. Nevertheless, it is one of the fundamental indicators of the environmental report and will contribute to raising awareness among PPR's employees in this area.
Water consumption for 2004 is measured within the reporting scope, excluding Fnac (many of its stores being located in shopping centers, water consumption is included in a flat fee for rental charges and therefore not available for the report).

2004 Report

Within the reporting scope, PPR consumed 1.4 million cubic meters of water in 2004. Out of this total, 55% involved CFAO, including 683,000 cubic meters consumed by the brewery jointly operated by CFAO and Heineken in Congo.

Water consumption in 2004	Conforama	Fnac	Printemps	Redcats	CFAO	YSL Beauté	PPR
Water consumption (m^3)	133,216	56,748 [1]	137,629	247,275	786,417	136,557	1,497,842
Water consumption/usable surface area (m^3/m^2)	0.28	0.14	0.40	0.21	4.37	1.88	**0.56**

[1] For Fnac, the scope covers France and Spain.

Action plan

- Water consumption savings

At the YSL Beauté production plants, substantial investments in 2004 led to significant savings in water consumption.
The Bernay production site consumed 25,000 cubic meters of water, or 20% less than in 2003. This decrease reflects the elimination of an outdated refrigeration tower, the addition of timers on washing cycles to use only the amount of water necessary, and the installation of a remote meter reading system which analyses water consumption every 15 minutes and which detected three leaks in 2004.

At the company's second site in Lassigny, in 2004, €300,000 were invested to place ice water in a closed circuit to cool the premises, resulting in savings of 200,000 cubic meters of water.
CFAO's BRASCO subsidiary in Congo has also made substantial efforts to reduce its water consumption by improving its production processes. It has divided its water consumption by three (from 20 to 7 hectoliters of water for 1 hectoliter of beer) in five years.

- Managing releases from runoff

The other area slated for improvement involves releases from runoff, an area in which several companies also invested a great deal in 2004.

In Congo, CFAO Industries Trading is in the process of building a waste water processing facility at the factory it operates with Heineken. The facility represents a €3 million investment and is scheduled to begin operations in September 2005. The facility is designed to process 5 million hectoliters of waste water per year, making it possible to filter and regulate the PH balance of the water before it is returned to the environment. Systems to fight odors have also been installed.

At the YSL Beauté plant in Bernay, bins have been put in place to recover the production residue at the bottom of the vats before washing. A total of €112,000 was invested in 2003 and 2004 to install scrubbers and oil traps and to install an electric sluice gate for damming rain water. Together, the systems guarantee the quality of the water returned to the environment while preventing any pollution stemming from a possible accident.

In France and Spain, 11 Fnac stores are equipped with photo labs, with waste water processed in-house or sub-contracted.

Lastly, Redcats Nordic has water purification equipment for a restaurant kitchen and for the workshops.

2.8. PPR's "products" policy

PPR's "products" policy is organized at the level of its companies. The policy covers areas from purchasing fair trade products to developing product specifications that include environmental criteria.

Conforama

Conforama is a pioneer among PPR companies in implementing a products policy that includes sustainable development criteria. The company has defined a certain number of mandatory minimum standards to be applied from 2005 (or some cases), which are related to quality, safety and the environment (QSE). The minimum quality standards apply to all of the company's products and serve as a basis for drafting all specifications. They are based on EU directives or on the regulations of the countries involved if they are more stringent in terms of the environment. If there are no specific regulations, then they are based on standard industry practice. They also attest to Conforama's desire to anticipate regulations and act at an early stage to limit its environmental impact. These minimum quality standards address all aspects of the product: the way it works, the raw materials composing it and "peripheral" items such as packaging, instructions and product labelling.

As overall objectives of the Conforama company, the QSE minimum standards are distributed to a wide range of players, both externally (all suppliers) and internally (quality and sales departments, purchasing and supply offices, and the like). These standards include the following:
- prohibitions on certain substances, such as PVC packaging, copper or zinc in food products, asbestos, CFC (chlorofluorocarbon gas), halon (CFC gas) and protected wood in all products,
- use of substances within specific limits (Teflon, cadmium, lead, chrome, formaldehyde, etc.).

Conforama has also developed a product specification and design check-list (choice of materials, packaging, traceability of materials, weight and size of packages, etc.).

Lastly, Conforama uses the Internet to make its suppliers aware of its overall commitment to the environment and of the minimum QSE standards underlying the product policy including the required environmental commitments. The QSE minimum standards are based mainly on European Union directives and incite suppliers located outside of the EU to apply measures that are often more stringent than local laws. The company also plans to promote further awareness of environmental issues with a "Supplier Handbook," to be distributed in 2005. Lastly, events such as "Supplier Day," which brought together 600 suppliers from around the world in 2003, are an opportunity to promote Conforama's environmental policy and make suppliers aware of it.

Redcats

Redcats has also introduced a products policy.

Recats Nordic follows the recommendations of the Swedish Consumers' Authority on the use of non-hazardous textile dyes.

In late 2004, Redcats also entered into a partnership with fair trade association Max Havelaar to establish an apparel sector using fair trade cotton from Central and West Africa. More than 200,000 T-shirts in a line of 12 items will be offered in La Redoute's Autumn-Winter 2005-06 catalogue. Max Havelaar pays in average 20% to 30% more than the traditional apparel sector to small cotton producers.

In the same spirit, French brand "Somewhere" is offering a new line of organic cotton underwear called B.I.O. (Believe In Origins) in its 2005 Spring-Summer catalogue. Coming from Mali, Senegal and Cameroon, the cotton is guaranteed chemical-free and uses only dyes without heavy metals. It is certified by the independent Swiss label IMO. A special description, explaining organicl cotton's characteristics, origins and certification is included in the brand's catalogue.

Citadium (Printemps)

For its part, Citadium, a company in the Printemps Sports division, entered into a retail partnership with the VEJA company to sell in 2005 sneakers produced in Brazil using rubber and natural materials, and produced in accordance with fair trade rules. Thanks to this partnership, Citadium helps add value to production from the forest by purchasing rubber from small producers at prices guaranteeing decent living conditions. VEJA also invests in health education programs and is working with EcoAmazon, a local non-governmental organization, in the area of sustainable agriculture.

2.9. Managing the environment and managing risks throughout the supply chain

In addition to annual reporting, environmental management involves global initiatives carried out by the PPR group of companies aimed at improving their environmental performance.

Managing Electrical and Electronic Waste

Following the creation of a "PPR environment network" in late 2003, which enabled the production of a structured, in-depth environmental annual report for the first time, in 2004 PPR chose to focus on a major issue facing the Group: managing electrical and electronic waste.

Implementing the European Directive on managing this kind of waste by late 2005 will have a major impact on PPR in terms of:
- information systems (stock lists, receipts, etc.) to take into account the new tax, which must be visible to the consumer,
- organizing collection and sorting systems, which must be optimized to generate economies of scale among the companies.

To take this issue into account sufficiently early and prepare an optimal organizational and cost structure, a dedicated inter-company Steering Committee coordinated at the Group level was created in 2004. Nine working groups were established to define the main challenges involved in managing this kind of waste. PPR also joined the Strategic Committee composed of the Retail and Trade Federation (*Fédération du Commerce et de la Distribution*) and relevant trade bodies, which helped design the eco-agency that will coordinate management of this waste in France.
A Europe-wide analysis was also conducted, including an assessment of the management systems already in place in some countries where the Group is active (notably Switzerland and Belgium), to gain a proper perspective on this issue in all of the countries where PPR companies have operations.

Environmental management systems in the individual companies

The environmental management systems in the companies have also improved significantly.

At YSL Beauté, the Bernay plant received its OHSAS 18001 safety certification, after receiving ISO 9001/2000 and ISO 14001 certifications on quality and the environment in 2002. This overall QSE (quality, safety, and environment) policy was implemented at the Lassigny plant with the aim of certification in all three areas. The employees are aware of this and have been trained in proper QSE management. In addition, at the two plants involved in environmental reporting, all suppliers receive a questionnaire and are evaluated on environmental, safety and quality topics.

Fnac began a program in 2004 aimed at making staff members aware of the environmental issues facing the company. A network of environmental representatives was formed in all of the company's stores, and made a first presentation to the Management Committee. In 2005, these internal briefings on the environment will be expanded to include all managers and all regions.

At Conforama, an Intranet site devoted to the company's sustainable development policy was created in 2004 and posted on-line for all employees in January 2005. It provides information in the form of news and feature articles, not only on projects conducted in these areas by the company and the Group, but also on general challenges related to sustainable development. In addition, every employee has received a copy of a manual entitled, "For A More Sustainable Consumption," which was produced in 2004 with the French Environment and Energy Management Agency ADEME (*Agence de l'Environnement et de la Maîtrise de l'Energie*). The manual aims to promote behavior that respects the environment, at home and at the office.
In broader terms, a master agreement was signed with ADEME in 2004. The agreement calls for developing projects in energy consumption and environmental protection (waste management, environmentally friendly building design, etc.).

The Supplier Charter and Extensions

All of the Group's companies have a Supplier Charter. Compliance with this charter is a major criterion for inclusion or removal as a supplier. In terms of the environment, the issues raised by the charter concern the following:
- compliance with local and national health and safety regulations,
- inclusion of health and safety in the maintenance and management of production plants (such as evacuation routes posted in the local language),
- implementation of adequate safety measures to prevent accidents,
- the existence of safety training programs,
- health and hygiene conditions of housing adjacent to the plant, etc.

In 2004, an average 70% of the Group's direct suppliers signed this charter.

PPR has also instituted a policy of verifying its suppliers, including social compliance audits by specialized, independent firms. In 2004, more than 250 audits were conducted.
Most of the violations noted during the site visits done in 2004 were in the area of health and safety. Following these audits, corrective measures were taken in the area of equipment safety and exposure to dust and noise.

By establishing local purchasing offices (13 in 2004) in all of the main supply areas, the Group can follow up on these measures through the quality auditors who regularly visit the production sites.

Conforama has gone even further by incorporating environmental criteria into its contracts (*Conforama General Purchasing and Supply Conditions*): each of the company's suppliers must comply strictly with local production regulations and must inform Conforama of any item raising environmental concerns at the production location. Suppliers must pay special attention to the management of water, raw materials and energy. Steps to improve energy efficiency and to promote renewable energy are strongly encouraged, as are measures to respect bio-diversity and to establish environmental management units.

Lastly, PPR Buyco, a procurement entity that centralizes a major portion of the Group's "indirect" purchases, produced a transportation Ethics Charter in 2004. This charter reflects the Group's policy regarding its suppliers' compliance with social and environmental regulations and will be introduced in 2005. It outlines the commitments to be met by suppliers, particularly in terms of CO_2 emissions standards (Euro 3 European standard), and encourages all energy savings measures. The Charter also states that independent audits may be conducted at the request of PPR to check whether commitments are met. This charter will be automatically attached to all contracts managed by PPR Buyco in 2005 and must be signed and returned by suppliers.

3. Customers and consumers

Satisfied customers are loyal customers. PPR has always borne in mind this simple principle, making customers the focus of its strategy and initiatives.
From a social and environmental responsibility perspective, this means guaranteeing customers safe, quality products, providing information and advice on PPR products and services, and ensuring complete confidentiality regarding any information customers communicate to the Group.
In 2004, Group companies introduced several product ranges and services as part of their approach to raising customer awareness about the challenges of sustainable development.

3.1 Guaranteeing safe, quality products

Product quality and safety is a fundamental commitment of the Group and is ensured through a highly sophisticated organizational structure within the companies.

PPR Purchasing and Private Label Brands

Established in 2001, PPR Purchasing's purpose consists in particular in purchasing the private label household electrical appliances and electronic/computer products distributed by Conforama, Fnac and Redcats.
The introduction of a Quality Control department at the beginning of 2003 enabled the Group to finish setting up in 2004 the particularly rigorous quality control process applicable to all of the products stocked by the Group.
The quality control process occurs at several stages in the product purchasing chain. In the first stage, the prototypes selected by PPR Purchasing buyers in Asia or Europe are sent to the Group's test and analysis laboratories. In the case of home electrical and electronic products, PPR Purchasing sends two samples, one to La Redoute's laboratory (which tests the sample for safety, functionality, user friendliness, assembly qualities, and verifies the product's instructions manual) and the other to the Fnac laboratory (which tests the same product's technical performances). In the case of computer products, all of the tests are carried out by Conforama's laboratory. Only half of the 1,000 samples tested in 2004 qualified to be stocked by the Group. Once the selection has been made, a second, similar test is carried out before the first batch is dispatched to the company. Lastly, special independent auditors carry out quality control inspections in the suppliers' manufacturing plants. In 2004, 212 inspections were carried out. This whole process helped the Group achieve nearly a quality compliance rate of nearly 100%. Similarly, the 92 containers of products inspected by Conforama were all satisfactory.

PPR also introduced a dedicated intranet site in 2004 aimed at fostering a quality and safety culture. The site gives each company access to a database of information on all of the quality standards and references relating to its products. The site is clearly appreciated since it registered more than 7,000 hits in 2004.

The goal for 2005 is to improve the company satisfaction rate, which includes delivery times as well as product quality, to 95% from 91% in 2004.

Printemps and product conformity

One of Printemps' main strengths lies in its ability to offer customers a wide range of products with a high renewal rate based on changing trends and fashions. Guaranteeing the conformity in terms of quality and safety of all products, from clothing and leather goods to cosmetics and jewelry, requires a highly sophisticated organizational structure.
To achieve this, Printemps has introduced a central purchasing office employing approximately 120 staff, comprising paired teams of product managers and purchasing officers.
The product managers are responsible for finding and selecting suppliers, while the purchasing officers approve orders and handle logistics and tracking.
The products are then referred to the company's Import Department, which verifies the existence and conformity of all legal documents (customs certificate, information note, labeling, etc.) and ensures that product tests have been performed. If this is not the case, it will arrange for tests to be carried out by accredited laboratories. In 2004, 27 such tests were carried out directly by the company.
The other challenge lies in the ability of product managers and purchasing officers to be well versed in all of the regulations with which they must comply, and any changes to them.
A training policy was introduced in 2002 specifically for this purpose. All employees of the central purchasing office receive initial training on the different standards and regulations, and additional follow-up training is made available each year. All new central purchasing employees are obliged to attend the training program. In 2004, 32 employees received training.
In addition, the Printemps Import Department has published a series of theme-based documents (clothing, precious metals, cosmetics, etc.), which are updated on a regular basis. In 2004, these and all documents concerning the organization of control and monitoring procedures were incorporated into the documentation management system and have been available for consultation on the company's intranet site since February 2005. The system is supplemented by a dedicated hotline within the Import Department.

CFAO and the CLIO program

The CLIO "Client Obsession" program was launched in PPR companies in 2002. At CFAO, it took the form of a "quality standards guide," which was introduced at the beginning of 2003 for all of the company's automobile concessions. The guide lists 238 criteria to meet, which represent CFAO's commitments to its customers.
Among these criteria, 161 have been defined as minimum requirements and are expected to be met before end-2004. The remaining 77 are considered "advanced" criteria and should be reached before end-2006. The situation at end-February 2005 indicates that 74% of the sites involved have achieved more than 90% of the minimum requirements and 96% have fulfilled more than three-quarters of the criteria.
The system was reinforced in 2003 with the unveiling of an "Automobile Quality Charter" focused on four of CFAO's commitments: guaranteeing the best possible reception to all customers, listening closely to customers, adhering to the prices and delivery times announced, and high-quality service.
Following the introduction of this charter, in January 2004 a major telephone satisfaction survey was conducted among 2,139 customers in Africa and French overseas departments and territories. The overall satisfaction rate was 68%, with some areas of excellence, since 92% of those interviewed think CFAO's premises and equipment convey a professional image, while 90% would recommend CFAO to their friends. Nine areas of progress were also identified, notably adhering to the order deadline and the quality of the reception for after-sales service. Geographically, Cameroon, Malawi, Kenya and New Caledonia topped the list of countries for customer satisfaction.
Operating action plans based on the survey's findings are to be introduced in each country in 2005.
There are plans to merge CFAO's CLIO quality program with that of the auto manufacturers to create an even more coherent approach. Peugeot and Toyota will be the first to be involved in 2005.

Quality is synonymous with YSL Beauté

A skincare cream that is both effective and non-toxic, the quality of a perfume's fragrance and its lasting intensity, are all fundamental challenges for maintaining the level of excellence that makes YSL Beauté products internationally famous.
To achieve this, the brand has put in place a highly efficient measurement and testing organization, with a total of four laboratories at YSL Beauté's two production sites carrying out these functions. The labs are staffed by 31 scientists, lab technicians and quality managers.
The bacteriology and microbiology laboratory ensures there are no bacteria in any of the skincare products. A second laboratory tests the compatibility of the "juices" used in perfumes or cosmetic formulas, particularly in terms of allergens, with tests performed not only on the product itself but also on the possible interactions between products, and the glass or plastic containers used for packaging. A third "olfaction" laboratory carries out analyses using both scientific tests and human "nose" tests to guarantee that products meet defined standards. Lastly, a fourth "analytical" laboratory is involved in developing ever more refined and faster methods for correctly measuring out the substances and identifying the raw materials used.
To achieve this, the laboratories have access to highly sophisticated technological equipment, notably various types of chromatographs (which help identify and "trace" the different molecules present in each product) and an image analyzer capable of detecting micro leaks from defective packaging.
For many years now, YSL Beauté has been able to eliminate animal testing thanks to this advanced scientific equipment. All tests are carried out in vitro before being carried out in vivo, with volunteers from among the brand's personnel and then finally with a panel of approximately 100 consumers, before products are made available in the stores.
In 2004, the laboratories conducted more than 58,000 analysis and verification tests on raw materials, formulas and "juices," as well as on semi-finished and finished products.
The verification chain also applies to suppliers, who are primarily responsible for producing the concentrates used in the perfume industry. More than 500 quality control procedures in 2004 made it possible to systematically verify suppliers' data and the conformity of labelling.
This approach is intended to guarantee impeccable product quality. It also applies to the entire manufacturing process since the Bernay site was awarded triple certification (quality, safety and environment) in June 2004, with the Lassigny site expected to follow suit by end-2006.

3.2 Clear information and quality advice on Group companies' products and services

Guaranteeing safe, quality products is a minimum requirement for PPR companies. Providing information and advice on the products and services offered to customers is the other pillar of trust on which the Group intends to build over the long term with its customers.
Whether they are called "service benefits" at Conforama, "services plus" at Redcats or "Commitments" at Fnac and Printemps, the companies' guarantees in these areas demonstrate the Group's intention to ensure its actions are customer-focused. CLIO (for "Client Obsession") is the major service program launched by PPR in 2002. It entered its second phase, CLIO2, in 2004.
At Printemps, this new phase of the program, entitled "Focus on Customers" (Clients au coeur), took the form of seven new projects on three major themes in 2004: making the act of purchasing easier (payment, purchasing in comfort), listening to customers' requirements (better understanding of foreign customers, customized loyalty program, more original product offering), and motivating the teams dealing with customers (sharing customer information, detailed analysis of the measurement of satisfaction). The program contributes to the variable compensation of the company's employees through an overall satisfaction rating derived from the quarterly customer satisfaction barometer. After achieving a rating of 7.25 our of 10 in 2004, the target for 2005 is to reach 7.4.
In a sensitive area such as toys, the new Fnac Eveil & Jeux brand (resulting from the merger in 2004 of Fnac Junior and Eveil & Jeux) has developed an original approach involving the "tested and approved by pilot parents" seal of quality. In addition to traditional tests guaranteeing product safety and reliability, Fnac Eveil & Jeux has built up a network of more than 1,500 pilot parents (parents, grandparents, daycare staff), all volunteers, to test two to three toys per year with their children. Based on the pilot parents' responses concerning the toy's interest, solidity, perceived quality, recommended age range and ideal price, the toy is included in the new catalogue (30% of which is updated for each edition). In 2004, only one-third of the 4,000 pre-selected products were finally included in the catalogue. Pilot parent "round tables" aimed at fostering the involvement of network members were supplemented by "On-line committees" set up in 2004 for parents with Internet access.

The confidentiality of data communicated by customers when purchasing items is the last "confidence factor." In general, all PPR companies are committed to respecting the confidentiality of customer data, particularly regarding the customer cards they offer. These guarantees are based essentially on trade association charters such as the charter of the French Association of Home Shopping Retailers (*Association française des entreprises de vente à distance or FEVAD*), of which Fnac and Redcats are members. On this particular issue, Printemps tested a new customer card with a confidential code in one of its stores in northern France in 2004. Following the very positive results, this system, which increases the security of customer transactions, is to be deployed in all of the company's stores in 2005.

3.3 Raising customer awareness and offering products which incorporate sustainable development issues

As part of its approach to corporate social and environmental responsibility, PPR has attempted to meet the expectations of several types of stakeholders regarding its role in raising customer awareness about sustainable development issues. Several Group companies have started to develop products and services that incorporate these issues.

Conforama and energy savings

Conforama has developed one of the most advanced initiatives in this area, with its range of products which consumer little energy. In 2004, for the second year running, the company led a sustainable development campaign as part of Sustainable Development Week in France. The campaign was promoted in partnership with France's Environment and Energy Management Agency (*L'Agence de l'Environnement et de la Maîtrise de l'Energie* or ADEME) and included a range of competitively priced, energy-efficient (A or A+ rated) household electrical appliances, training to make sales personnel aware of the issue, and distribution to employees and customers of a guide (600,000 copies) entitled "For More Sustainable Consumption." The campaign was very successful and demonstrates that even discounters can include environmental criteria in their product offering and influence the purchasing decisions of their customers.

Printemps and ethical fashion

In a very different area, related to the trendy fashion aspect of its business, Printemps developed several awareness initiatives on these themes in 2004, including: an exhibition and sale of arts and crafts to aid the Women of Jordan Foundation, an association chaired by Queen Rania which fights for the recognition of women's rights; sponsorship by its Citadium subsidiary of the first "Ethical Fashion Show," bringing together a dozen designers from Europe, Africa and Asia involved in promoting ethical fashion; promotion of fair trade products such as urban sports clothing under the Miséricordia brand, manufactured in Peru by former students of an orphanage.
The promotion of products incorporating social and environmental commitments is set to grow in 2005, with the renewal of Printemps' partnership with the Ethical Fashion Show (which will feature nearly 50 international designers), the creation of a space dedicated to fair trade products at Citadium during France's Fair Trade Fortnight in May and, especially, the "Year of Brazil" in France with, notably, the preview presentation of the Natura brand (whose products are made with raw materials from the Amazon forest and help maintain biodiversity in that region).

Redcats and fair trade cotton

Redcats has also chosen to promote the fair trade theme through two major initiatives involving cotton.
The most important concerns the development, in conjunction with fair trade association Max Havelaar, of a genuine fair trade cotton business. The company's 2005-2006 Autumn/Winter catalogue will include more than 200,000 T-shirts from Mali, Senegal, Burkina-Faso and Cameroon. The label offers a guaranteed minimum price that is 20% to 30% higher than international market rates to the 3,000 small producers involved, with a development premium paid to groups of producers to assist with general interest projects, such as drilling wells and paving roads.
The second initiative was the launch of a line of five products called "B.I.O." (Believe in Origins) in the Spring/Summer 2005 catalogue of the Redcats brand Somewhere. The products are made from organic cotton certified by the independent Swiss label IMO. The certification guarantees that no pesticides, chemical treatments or dyes containing heavy metals were used.

Fnac and cultural diversity

Since its founding 50 years ago; Fnac's commitment to promoting cultural diversity has never been called into question. From its wide-ranging cultural offering (300,000 books and 200,000 CDs in stores) to the promotion of young artists via its "Talents Worth Watching" ("*Attention Talents*") collection, the company has always played a major public role in demonstrating the importance and need for cultural diversity in society. To assist with this role, Fnac has started to create non-retail spaces or "Fnac Forums" within its stores specifically for this purpose. At end-2004, the forums covered an area of 6,400 square meters and the photo galleries in France and abroad 2,400 square meters. As part of its social and environmental responsibility policy, the company decided to broaden the themes of the forums in 2004. More than 150 meetings, seminars and debates on subjects such as fair trade, the effects of greenhouse gases and combating illiteracy, all demonstrated Fnac's ambition to continue to use its status as a recognized cultural medium to raise customer awareness about environmental and social issues.
This policy will continue in 2005, with the adoption of a more systematic approach, such as campaigns during France's Sustainable Development Week or Fair Trade Fortnight.

4. Business partners

4.1. A commitment to equity and respect

Along with its customers, PPR's suppliers are the population with which the Group's companies interact the most on a daily basis. The quality of the products they manufacture or of the transportation and delivery services they provide, as well as their compliance with regulatory standards, are essential to the Group's performance. For this reason, in 2004 PPR elected to describe in its Code of Business Practices its commitments towards those whom it considers as its business partners: impartiality and equal treatment among competitors, objectivity regarding the terms for awarding contracts, compliance with regulations governing industrial property or termination of a business relationship.
Furthermore, PPR has clearly announced the commitments and behavior its suppliers must adopt if they wish to remain genuine partners over the long term. The first rule concerns the willingness to eliminate the risk of any personal conflict of interest, either direct or indirect, with the Group's employees.
The second, which is equally important, concerns respect for the Supplier Charter, which was produced by the Group and its companies in 2001 and outlines the social rights that must be respected, regardless of the country where they are located.

4.2. Guaranteeing respect for human and social rights

In this area, more than four years ago the Group developed a policy that focuses on four complementary areas:

The Supplier Charter

Introduced at PPR in 2002, the Supplier Charter specifies all of the rules with which the Group's suppliers must comply. These rules are based on the main conventions of the International Labor Organization. They include the following:
- labor by children under 15 and force labor are prohibited (Conventions 29, 105, 138 and 182),
- compliance with health and safety rules (Convention 155),
- decent working conditions guaranteed (Convention 100),
- the right to establish a representative body and collective bargaining (Conventions 87 and 98),
- all forms of discrimination are prohibited (Convention 111),
- compliance with social and environmental laws and regulations.

The Group's Code of Business Practicies, which was finalized in 2004, also specifies the basic international texts whose spirit and implementation principles are shared by PPR and its companies. These are:

- the United Nations Declaration of Human Rights and the European Convention on Human Rights,
- OECD's "Guidelines for Multinational Enterprises,"
- the United Nations Convention on the Children's Rights.

Self-assessment questionnaire

The second component of this policy, a self-assessment questionnaire, is automatically sent to every supplier, who must fill it out, sign it and return it, agreeing in writing that he or she is fully aware of and will abide by the principles of the Supplier Charter. Answers to the questionnaire are initially used as guidelines for the social compliance audits conducted in direct suppliers' plants by independent, specialized and internationally recognized firms.

Social compliance audits

The social quality audits of the Group's suppliers are a vital component of PPR's policy in this area. The audits were launched in 2003 by all of the companies in the PPR Retail division; they doubled in number in 2004, with more than 250 audits conducted, and will increase again substantially in 2005. An initial in-depth report presented in this document enabled the PPR companies, meeting in a network of correspondents dedicated to these issues, to better analyze the main areas for improvement to work on in partnership with suppliers, to improve the working conditions of their employees wherever in the world they may be located.

Local purchasing and supply offices

The final focus of this approach entails establishing local purchasing and supply offices. At end-2004, the PPR companies had 13 purchasing offices and three inspection centers, mainly in Asia (China - three, India - two, Bangladesh, Vietnam, etc) and Eastern Europe (Romania, Poland), as well as Turkey and Brazil. This permanent presence of the Group's buyers, almost all of whom are natives of the countries where these offices are located, is important not only for product quality but also to ensure the social quality of the Group's suppliers.

To work with the Group companies, suppliers are evaluated through an accreditation process which includes the Charter's social criteria. Once the business relationship is established, the managers in charge of quality control follow up with the suppliers, particularly when a corrective action plan has been decided after a social compliance audit.

4.3. Raising awareness and training in the Charter's principles and their enforcement

To ensure the Group's Charter is enforced properly, in 2004 PPR and its companies introduced several forms of training for their buyers and suppliers.

Training sessions at all levels

At the Group level, training is provided systematically to buyers and product managers participating in the PPR UniverCité Purchasing seminar. Over the past three years, more than 200 specialized managers (buyers, product managers, etc.) have been trained in these sessions.

At the company level, two off-campus training sessions for more than 60 managers were held in 2004 in Switzerland and Italy for Conforama and Fnac buyers and product managers. At Redcats, three targeted seminars for the company's suppliers and buyers were held in 2004 in Turkey and China (Shenzhen and Shanghaï), in conjunction with CSCC, a company which conducts the Redcats social audits. For an entire day, the Redcats suppliers and buyers were made aware of the Group's requirements in these areas and were able to exchange impressions regarding implementation of the Charter's principles. Printemps also included a "social ethics" component in the training sessions for product managers and suppliers from its purchasing office. In 2004, 32 employees attended these training sessions.

PPR Purchasing, the Group organization which, in particular, oversees production of private label electronics products for several PPR companies, also holds an awareness seminar for its suppliers. In 2004, the seminar was held in Hong Kong and included approximately 20 suppliers.

New tools for raising awareness

Conforama inaugurated its new purchasing organization in 2003 with a Suppliers' Day, which drew more than 600 suppliers from around the world. On that occasion, a special presentation was made on the Supplier Charter and in broader terms on the social and environmental criteria required by the company.

In 2004, a "Supplier Handbook" was finalized which outlines the criteria for becoming an accredited Conforama supplier. This manual will be distributed in 2005 to all of the company's suppliers. This same year, the unit known as IHTM that serves as a clearing house for all direct purchases by Conforama for furnishings and small decorative items, hired a young manager specifically responsible for following up on the social and environmental requirements of accredited suppliers.

Lastly, in 2004 PPR Buyco, the service company that pools the Group's "indirect" purchases, drafted an Ethics Charter in the area of transportation. Aside from complying with certain environmental elements, this charter specifies the social commitments to be made by the Group's suppliers in the field of transportation, particularly those pertaining to drivers' work time and sub-contracting agreements. This sector-specific charter will apply to all PPR suppliers by mid-2005.

4.4. Pooling experience and knowledge

Since late 2002, PPR has been a member of the "Social Clause Initiative" (ICS), an organization consisting of 14 of the largest retailers in France. The purpose of this initiative is to pool the results of social audits conducted by ICS members of their direct suppliers which manufacture non-food products.

In 2004 a big step was taken in this pooling of knowledge and experience. All of the documents used to conduct the audits (questionnaires, guidelines, etc.) were fully revised to better take into account the complex realities in the field and fine-tune corrective measures which are implemented in response to non-compliance with the rules set by ICS.

This in-depth approach also provided an opportunity to compare the work of ICS with other French or international initiatives. The objective of ICS is to work on joint recognition at the European level and study the possibility of creating a platform that could serve as a basis for exchanging experience and knowledge in this area.
The new audit documents will be deployed from 2005 for all audits conducted by ICS's various members.

4.5. Social audits conducted by the Group in 2004 [2]

In 2004 a new step was taken in the Group's policy regarding the monitoring of direct suppliers, with a nearly 115% increase in one year in the number of audits conducted (263 audits conducted in 2004 compared to 123 in 2003). This increase resulted in the first follow-up audits: 11 in 2004, related to the establishment of corrective action plans among suppliers. These follow-up audits are generally conducted nine to 12 months after the initial audit. Nevertheless, in the case of corrective actions related to areas such as safety, the supplier must inform the company of the immediate measures undertaken.

Breakdown of audits by geographical area

These audits were conducted in 31 countries, of which more than three-quarters in Asia (89 audits in China, 29 in India, 17 in Bengladesh, 13 in Pakistan, etc.), nearly 10% in Western Europe, and 5% in Eastern Europe, with the rest shared between Turkey (3.4%), Morocco (2.2%) and Mauritius (1.5%).

This geographical breakdown reflects the Group's different purchasing and supply zones and also the desire to conduct audits in regions where there is a high probability of detecting cases of non-compliance with the Supplier Charter. The breakdown of non-compliance by country shows that China represents nearly half of the non-compliance cases reported, followed by India, Vietnam, Turkey and Romania. The highest average numbers of non-compliance cases by audit are also in the same countries, such as Turkey, China, Vietnam and Romania.

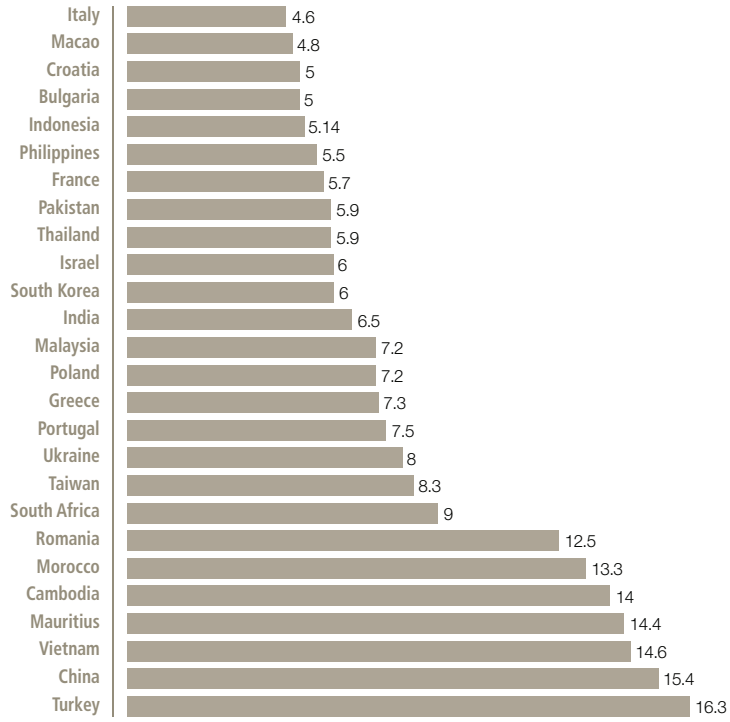
[2] The social audits described in this section involved the companies in PPR's Retail division. Furthermore, due to the events related to the Tsunami in Asia, some audits were completed in January 2005. For this reason, the reports covers audits conducted between January 1, 2004 and January 30, 2005.

Breakdown of non-compliance by country in 2004



(1) *Countries with instances of non-compliance below 1%.*

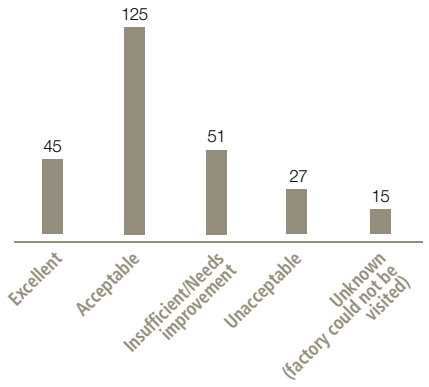
Average number of non-compliance cases by audit and by country in 2004



Evaluation of suppliers

The breakdown in suppliers' overall scores shows an improvement over 2003, when 60% of the audits were concluded with corrective action plans. In 2004, 17% of audits were excellent, 47.5% were acceptable, 19.4% needed improvement and 10.3% were deemed unacceptable. In the latter cases, immediate major corrective action plans were implemented. Four suppliers (two in China, one in India and one in Vietnam) were removed from the list of accredited suppliers after they refused to introduce corrective action plans. Lastly, 15 audits could not be completed due to the refusal by some suppliers to allow tours of their plants. These audits were all rescheduled.

Ranking of 2004 audits
in numbers of audits conducted



Breakdown of non-compliance by category

Three main types of non-compliance were observed when the audits were analyzed.

The most important one concerns health and safety, representing on average 54% of total non-compliance cases. This category includes emergency exits which were blocked or insufficient in number, the lack of or insufficient protection from machines (especially in the textile industry), or the lack of fire drills. On health in particular were cases of insufficient numbers of toilets, cafeterias or dormitories compared with the workforce.

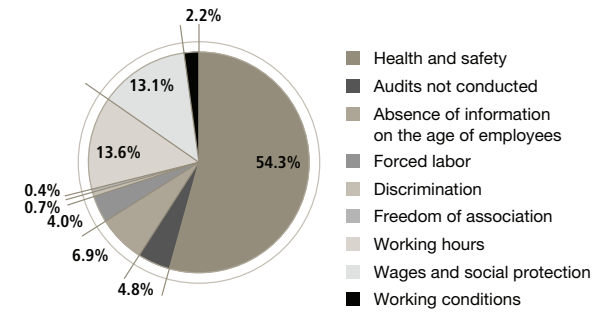
The two other most frequent instances of non-compliance, particularly in Asia, involve the following:
- working hours (average 14%) - no weekly day off, excessive overtime, etc.;
- and benefits and compensation (average 13%) - non-compliance with minimum wage, overtime either unpaid or paid below the legal rate; lack of legally required insurance or retirement contributions, etc.

Regarding major types of non-compliance such as child or forced labor, no cases of child labor were detected in 2004. The few cases of forced labor encountered involved a salary deposit and uniform fees withheld at hiring. Several audits also showed how difficult it is in some cases to determine the ages of the youngest employees (between 15 and 18 years old) in the absence of any identification papers (birth, medical or dental certificate).

In major cases of non-compliance, if doubt cannot be erased quickly or if the supplier does not agree to change the practices immediately and conclusively in a proven case of major non-compliance, the supplier is automatically removed from the roster of the Group's suppliers. In 2004, four suppliers (two in China, one in India and one in Vietnam) were removed from the Group's accredited list for that reason. The Chinese supplier terminated by PPR Purchasing was reinstated two months later, after proving with legal documents the age of all its employees and after making a firm commitment on that point for future audits.

In 2005, a new warning system was put in place. This system guarantees that in the event of a major case of non-compliance, the manager responsible for the social audits in each company will be warned no later than 48 hours after the case is discovered.

Breakdown of non-compliance by category in 2004



4.6. Outlook for 2005-2007

The Group aims to continue this partnership policy with suppliers, based on a common approach to progress.

With this in mind, three priorities have been set:
- continue deploying initial audits with an objective of more than 500 audits conducted by 2007,
- develop follow-up audits to ensure that corrective action plans have been implemented. Regarding this point, the Group decided that if suppliers are given notice of the initial audits, they may not be warned prior to follow-up audits if the quality of the initial audit proved inadequate,
- launch a pilot partnership with a local non-governmental organization to improve follow-up of suppliers' social policies.

In addition to these priorities a feasibility study has been added for a local economic development pilot project combining micro-credit, schooling or literacy training and vocational training, especially for women.

5. Corporate Citizenship

In its capacity as a player in the local economy, PPR is aware that, beyond its economic impact, its brands, stores, and the employees working in its companies give it a social role in the community. The Group plays this role by notably supporting and participating in the development of activities in the communities where its stores are located.
These activities have been grouped together for more than three years under "SolidarCité," an organization which encourages and supports employees' initiatives.

At the same time, PPR companies have developed programs and partnerships to demonstrate their commitment as citizens, whether in the fight against illiteracy, campaigning for social integration, health and education, or aid for development.
In this area, SolidarCité thus worked with each company to put in place programs and partnerships which reflect their corporate culture and values.
Thus, SolidarCité made it possible to develop new solidarity programs within the companies, such as the Printemps partnership with "*les Epiceries Solidaires*" (Solidarity Food Stores).

SolidarCité – Two integrated goals

SolidarCité, a non-profit organization run by PPR, was created in July 2001 to promote, support and encourage projects of general interest and social benefit.
SolidarCité's objective is to develop acts of citizenship, bring synergy to three spheres which share the same physical space but rarely build anything together: the Community, Business and the Individual. Better standards of living in cities, facilitating the social and economic integration of those in difficulty, and helping the most disadvantaged reclaim their dignity have become the association's priorities.

5.1 Helping Everyone to Get Involved

SolidarCité has chosen to act as a strong link between the Group's employees and the world of charitable associations.
Every PPR employee, regardless of his or her commitment, may receive support for a project for the common good, in the form of material, human or financial help from SolidarCité. Achieving this simply requires submitting the project to the SolidarCité Selection Committee, which meets every quarter.
In 2004, 47 projects involving more than 4,500 PPR Group employees were supported in this way, to the benefit of associations and institutions in France and abroad.
Implementation of these citizenship initiatives has been highly diverse, including: partnerships, rallies, sponsorship, equipment donations, selling subsidized goods, educational projects, learning support, shared resources, urban social integration, supported work placement and emergency relief.

To better integrate this involvement, and strengthen the Group's companies' volunteering capacity, SolidarCité has also created cross-company teams. In 2004, two regional groups were established: one in the greater Paris area and the other in northern France. This new method of structuring activities means social integration initiatives can be increased and the work of volunteers in each region is facilitated. Moreover, interaction with local community associations helped to identify the needs and available resources, which in turn led to the development of well-grounded local projects. Employees got involved in concrete projects, where they could see the benefits of their work straight away.
The SolidarCité North Group is an excellent example of this. For its "Take a Student to Work Day" ("*1 Jour, 1 Collégien, 1 Métier*"), which was held for the first time in 2004, volunteers from companies with operations in northern France (La Redoute and the Redcats specialist companies, Fnac and Printemps) spent several weeks preparing: conducting research into careers, organizing a welcome for the young people, attending meetings with the establishment, etc. On May 27, 2004, 104 young people of 27 nationalities were able to discover, by shadowing a PPR employee, 30 of the career options offered by the Group's companies (sales person, security guard, communications manager, etc.). To better target their initiatives, the SolidarCité team in the Paris region conducted a study of difficult neighborhoods in 2004. Based on the findings, and after analyzing store locations, areas where PPR employees live and economic and social data, four neighborhoods in four Paris suburbs were designated: Epinay/Saint Denis, Clichy/Montfermeil, Noisy le Grand and Gennevilliers. Projects to enhance social cohesion, in areas such as learning support and job placement, are starting to be developed in these neighborhoods in 2005.

For the first time, in 2004 SolidarCité became active at an international level. Meetings in Spain, Portugal and Italy made more employees aware of the association's role and commitments. It was in Portugal, after a meeting in January 2004, that SolidarCité's first international project saw the light of day, supported by Franclim Abreu, Human Resources Director for Fnac Portugal. An educational computer game for children, "*Uma Aventura no Circo*" ("An Adventure at the Circus"), developed by a Fnac employee who had decided to stop working to care for her severely disabled child, was sold in Fnac and Conforama stores and Redcats' Vertbaudet catalogue. The computer game was promoted in the companies' stores throughout July 2004; the profits were donated to a charity for the disabled that is recognized by the Portuguese Education Ministry.

In addition to interaction with employees, SolidarCité's other innovative feature is that it is simultaneously part of, and distinct from, the Group. This dual role enables it to act as a stimulus within the company to provide support regarding specific social themes. In 2004, SolidarCité was behind the production of a film about diversity called "*Les Défricheurs*" ("The Pioneers"). Directed by independent filmmaker Yamina Benguigui, the film will be used to raise awareness among the Group's employees on this subject in 2005. Similarly, SolidarCité played a very active role in the partnership negotiated with leading social responsibility association IMS/*Entreprendre pour la Cite* to create an in-house survey for use in the Group's companies to analyze their respective strengths and weaknesses in terms of diversity. Lastly, SolidarCité will assist "Mission Handicap" in implementing its initiatives for the disabled throughout France in 2005.

5.2 Promoting diversity and equal opportunities

At the end of 2003, the association and its volunteers decided to concentrate their activities on a single goal: integration through equal opportunities. This theme is more citizenship-based, more active and more cohesive than the previous theme of "Social cohesiveness." This new positioning is reflected in an ethic: respecting differences, an attitude: openness towards otherness, an action: participating in the creation of a more equal society. It can also be expressed through three key initiatives:
- employment: whether through integration of disabled people, fighting discrimination in the workplace, or the involvement of those excluded from the workplace (Job placement and rehabilitation centers);
- education: opening the gates of business and promoting social integration;
- involvement in the community.

Employment:

From the beginning, SolidarCité has supported and promoted the idea of working with job placement and rehabilitation centers. From ordering lunches from "The Table of Cana" (a Christian employment project) to using the services of "Vitamine T" for temporary workers, these partnerships have made it possible to employ more than 250 people within the Group. These include positions at Fnac's warehouse in Massy and at La Redoute in partnership with ARES (an association which finds temporary work for the homeless) and Vitamine T, and at Fnac Eveil & Jeux and La Maison de Valérie through the ID21 association.
For SolidarCité, employment goes hand in hand with fighting discrimination. To this end, SolidarCité has been organizing throughout France "Focus on diversity" events in association with local governments, interest groups and others. The first event took place in Lille on January 29, 2005, with La Redoute Chairman and some local personalities, such as Lille Mayor Martine Aubry attending.

Education:

Education was also at the heart of SolidarCité's activities in 2004. In addition to the policies followed for several years by CFAO and its CFAO Solidarité association, SolidarCité since its inception has had a strong commitment to those who have the determination, but not the opportunity, to move up the career ladder.
Observing that an intelligent and motivated child growing up in a underprivileged environment has little chance of completing the studies which would allow him to aspire to a successful career, SolidarCité's latest initiative aims to support pupils selected for their academic abilities by assisting with their studies. The association offers financial assistance for them to study at boarding schools, which provide a stable study environment and enhance their chances for success.
After an initial agreement signed in August 2001, SolidarCité signed a new agreement with the French Education Ministry on July 7, 2004, to establish a system of merit-based scholarships financed by the association. Amounting to €2,300 per year, the scholarships are awarded on an individual basis. The student must meet four criteria: to have a state scholarship, average grades of at least 14 points out of 20, a commitment to higher education, and parental agreement. For middle and high school students, the scholarships are adjusted to allow the continuation of studies.
As well as academic support, each student has a "mentor" - a PPR Group manager who is proposed by SolidarCité and approved by the student and the educational establishment.
To give an ongoing framework to this project, PPR and SolidarCité have decided to create a dedicated foundation under the auspices of the charitable organization *Fondation de France* which will be implemented in 2005. This foundation is expected to grow by rallying other companies to this cause.

Involvement in the community

In 2004, SolidarCité became involved with "*Respect Magazine*," a publication which deals with urban culture and society, and aims to highlight trends, individuals and initiatives in underprivileged areas. A partnership with this French quarterly magazine was signed on August 31, 2004.
Involvement in the community also includes SolidarCité's ongoing commitment to deprived areas and support for community work. At the SolidarCité North Fair on October 16, 2004, three of the four partners were associations working in the Roubaix area: *La Ferme du Major* at Raismes (a support and rehabilitation network for adults experiencing difficulty), *Secours Populaire* (which offers local support throughout northern France), and the Anne Frank School in Alma, one of Roubaix's most underprivileged areas.

SOLIDARCITE 2004 KEY FIGURES

- *Established for 3 years*
- *3 full-time employees*
- *€760,000 budget*
- *47 projects supported*
- *Active in four countries (France, Portugal, Italy, Spain)*
- *4,500 volunteers (all projects combined)*
- *Volunteering equivalent to 21,000 hours worked*
- *The creation of the equivalent of 50 full-time jobs through placement and rehabilitation companies*
- *Initiatives worth the equivalent of €3 million*

5.3 SolidarCité and the companies' citizenship commitments

Alongside, and often with, SolidarCité, PPR Group companies have for several years managed and implemented partnerships which reflect their commitment to society.

By constituting teams of volunteers within each Retail company, SolidarCité is often at the origin of the company's solidarity projects. Developed in accordance with the corporate culture and employees' requests, the projects quickly become rallying points and spearhead the company's corporate social responsibility policy.

a. CFAO and solidarity in Africa

CFAO was established over a century ago and has been in Africa for more than 90 years. It fully understands that its corporate social responsibility must have two priorities: education and health. To this end, CFAO has a strong commitment to its employees and their communities in the 29 African countries where it operates, and this has been achieved through a number of levers:

CFAO Solidarité Education

The education situation in Sub-Saharan Africa is sadly familiar: a low rate of school attendance, poor rates of degree completion, insufficient teaching materials, under qualified teachers, and so on.
In the face of these facts, the objective of *CFAO Solidarité Education* is to facilitate education for the poorest and most deserving students by granting scholarships.
Established for four years, the scholarships are awarded to the children of African CFAO employees. After completing secondary school, the first group of scholarship students has now reached the next level. Many of them aim to go on to university and become CFAO employees in turn.
For the 2004-2005 academic year, *CFAO Solidarité Education* awarded 260 scholarships in 20 African countries. The goal is now to expand the program to all 29 African countries where CFAO has operations, by the beginning of the 2005-2006 academic year.

CFAO Solidarité Santé: fighting HIV and AIDS

The second major issue facing Africa in the 21st century is health, primarily the fight against the HIV/AIDS pandemic. The company, through its *CFAO Solidarité Association*, implemented a long-term AIDS Health program at the end of 2002. The *CFAO Solidarité Santé Sida* program (AIDS Health program) involves every Group employee in Sub-Saharan Africa, as well as their partners and children. The program includes two phases: informing employees and promoting AIDS tests, and - in the event they are HIV positive - covering all of the treatment and necessary care for the employee.
At the end of 2004, the program was operational in 22 of the 24 countries concerned, and involved the training of "educator peers," personnel awareness programs and confidential testing, and, for countries where testing has been done, paying for treatment for contaminated persons.
Many factors have disrupted the implementation of this program, however. Fear of losing employment and ostracism by society, in particular families, towards people with AIDS are obstacles to the effectiveness of prevention and treatment programs.
To overcome these difficulties, the *CFAO Solidarité Santé Sida* program has taken action on several levels.

A Charter of Commitments was completed in 2004 and the main points were posted at all CFAO sites. The most important points were guaranteed employment in the event of sickness, a guarantee of total confidentiality regarding information provided by the employee or medical staff, as well as ongoing support and special arrangements at work. Signed by the Chairman of CFAO and the director in charge of implementing the program, it can be referred to by any employee who believes he or she is a victim of discrimination on the grounds of illness.
In addition, CFAO encourages its personnel to voluntarily go for medical tests and training sessions. It is also committed to non-discrimination against HIV-positive personnel in terms of promotion, training, career development and awarding of benefits.
Lastly, CFAO played a major role in the development of "*Sida Entreprises*" ("Corporations Against AIDS"), a business group representing 25 large international companies with operations in Africa. Sida Entreprises is chaired by the Chairman of CFAO.
In September 2004, *Sida Entreprises* notably organized a conference in Douala, Cameroon, which confirmed the importance of sharing experiences of this complicated and sensitive subject, and the necessity of federating initiatives via a network of coordination platforms in each country.
In 2005, three key areas have been identified for broadening its action:
- Promoting the foundation of coordination platforms in every Sub-Saharan African country.
- Encouraging the use of a "road map" to monitor implementation of the AIDS health policy in businesses via 20 themes (awareness tools, training, nutritional and healthcare programs, illnesses such as TB, etc.). This "road map" has been in place at CFAO since 2003.
- Helping businesses get access to financing available via the World Bank's Multi-country AIDS Program (MAP). CFAO notably benefited from this kind of assistance in Cameroon in 2004 and has signed a partnership agreement with the Cameroon National Center for the Prevention of AIDS.

CFAO Solidarité

The objective of this organization is to facilitate sustainable development in African countries through the implementation of support activities aimed at the country's inhabitants. The priorities areas for action are: education and vocational training, health and preventative healthcare, and culture.

b. Printemps and solidarity through consumption

Temples of modernity, reflecting trends and fashions, Printemps department stores symbolize the expectations of contemporary consumers.
This being said, Printemps realizes that not everyone has access to this type of consumption. The underprivileged are finding it harder and harder to play (or resume) their role as consumers, which is an essential factor for social integration and self esteem.
In 2002, these facts prompted Printemps to commit its support to "*Épiceries Solidaires*" ("Solidarity Food Stores"). This organization has developed an original concept and workshops to use shopping as a means to social integration. *Épiceries Solidaires* are not free grocers, but rather mini-supermarkets where customers can buy everyday goods at reduced prices. This approach allows people to re-learn the act of shopping with dignity by no longer relying on hand-outs, but regaining control of their own lives. Each beneficiary is helped by a social worker, who ensures that he or she makes progress toward social integration. The collected money is used to buy more products from the food bank and cover part of their operating costs.
Within this framework, Printemps' involvement includes both regularly donating non-food products to the stock and occasionally helping out with campaigns to collect goods to fill the shelves. Thanks to the help and expertise of employee volunteers, collection campaigns were organized in several Printemps stores.
In December 2004, after collecting toys for its shelves, the Printemps Lyons team created the Christmas decorations for a shop in Bourg-en-Bresse, France.
In addition, Printemps organized its second "Solidarity Week" in October 2004. The idea was to organize a day-long collection of new beauty, personal hygiene and skincare products to enhance the non-food departments of the *Épiceries Solidaires*. Thanks to the support of the Printemps stores in Paris and the surrounding region, some 3,000 beauty, personal hygiene and skincare products worth approximately €7,000 were added to the *Epiceries Solidaires*' non-food shelves.
SolidarCité Printemps signed a new agreement with a second solidarity food store, La Courte Echelle in Paris, which will allow the Paris department stores to continue their support and reinforce their role in the integration of people in difficulty.

c. Fnac and the fight against illiteracy

With its founding principles of unity with consumers, democratization of culture and cultural diversity, Fnac's corporate social responsibility has always been at the heart of its development.
In 2004, the company decided to dedicate its resources and image over the next five years to a cause which has always been close to its heart: the fight against childhood illiteracy.
The flagship operation of its 50th anniversary year, the appeal for book donations launched in 2004 exceeded expectations. Over 250,000 books were collected and restored, benefiting local and national organizations.
With the same objective – and the same success – the production and exclusive distribution of a CD by the French group Mickey 3D as part of the "*On aime, On aide*" (We care, we help) collection raised €30,000 for the two organizations sponsored by Fnac as part of its struggle against children's illiteracy: the *Association pour la Fondation de la Ville* (AFEV) and the *Association Pour Favoriser une Ecole Efficace* (APFEE).
Beyond the company's involvement with this deserving cause, Fnac's commitment to corporate social responsibility takes numerous other forms.
Through the Fnac Eveil & Jeux Foundation, which has a three-year budget of €150,000, Fnac has lent its support to projects linked to early learning for children and parent-child activities in France's underprivileged areas. These projects can involve learning through play, but also through culture more generally. As well as financial support, the Foundation's mission is to put associations involved in similar causes in touch with each other in order to share knowledge and best practices.
In 2004, five projects were in progress in different French cities. Among these projects, "*Progressons ensemble*" (Let's move forward together), in partnership with a local organization in Marseilles, aims to create an early learning center for 3-to-6-year-olds to prepare them for entry into primary school (with language development for children from immigrant families) in order to ease the transition from their mother tongue to French. Elsewhere, the Ludéo program, run in association with a literacy center and a play library in the Paris suburb of Montreuil has created a program for immigrant women to encourage and improve their understanding of French and communication with their children.
This commitment is equally expressed by giving free advertising space - worth almost €280,000 - to NGOs in Fnac's magazine for customers (EPOK) and for its 1.6 million cardholders (*Contact*). Fnac also organized six photographic exhibitions, four with *Action contre la faim* (Action Against Hunger), one with *Pharmaciens sans Frontières* (Pharmacists Without Borders) and, most recently, *Horizons Enfants privés de liberté* (Children Deprived of Freedom) with the International Catholic Children's Bureau. In addition, almost €100,000 were raised or donated to support the commitment to *Reporters sans Frontières* (Reporters Without Borders), APFEE and AFEV.

Outside of France, Fnac Belgium took part in the fight against illiteracy by offering part exchange on customers' old dictionaries for the purchase of a new one. This brought in over 4,000 dictionaries, which were collected and donated to humanitarian organization Oxfam.
Fnac Brazil played an active role in fighting illiteracy by participating in the national "*Alfabetização Solidária*" (Solidarity in Literacy) campaign, notably by donating 1% of the gross sales of all of its stores on National Illiteracy Awareness Day, September 8, 2004. In addition to this financial support and as part of its series of themed debates, Fnac Brazil organized a "Reading Support Theme" with the "Get Brazil Reading" association. The theme was explored through four debates chaired by teaching specialists, professors, political figures, and specialized journalists.
Since 2002, Fnac Brazil has also been supporting OCAS magazine, dedicated to the reintegration of unemployed persons. In addition, themed events on topics such as "Cultural Diversity" in June and "Art and Citizenship" in July 2004, are organized monthly in partnership with local NGOs.

d. Conforama and the Telethon

In 2004, SolidarCité Conforama developed further thanks to broad employee commitment, which enabled it to implement many projects. Of these, the major activity in terms of solidarity was the organization of an event for the Telethon. At the initiative of Saint Priest warehouse manager Rémi Miolane, Conforama employees showed their support for the sixth year in a row, taking part in a cycling race on December 3 and 4, 2004, to aid people with neuromuscular diseases. In all, 49 cyclists divided into 7 teams of amateur volunteers and one team of 10 experienced sportsmen, cycled over 9,200 kilometers in a relay race between the Saint Priest store and the Porte de Châtillon store just outside Paris. Sponsored by former world cycling champion Laurent Jalabert, this Conforama-led event raised €59,155 in donations in 2004, all of which were donated to the Telethon.

e. Redcats and support for development

Redcats is renowned both within PPR and outside the Group for its tradition of social solidarity and support of the most vulnerable and disenfranchised members of society. This is proved by the unswerving commitment of its employees to SolidarCité's work. For example, in May 2004, 650 La Redoute employees voluntarily organized a "Hope Day" to benefit the *Mascotte* association for disabled children. Through this, over €30,000 were raised to finance the association's projects.
However, for many years Redcats has also been focusing its corporate social responsibility on developmental aid, and in particular, access to education.
The partnership established in 2003 with the ASMAE (Sister Emmanuelle Association) to develop reading classes in India continued into 2004. It was also extended to another association, *"Aide et Action"* (Aid and Action) in order to increase school attendance among children in the most deprived communities in India. Baptiste the Bear Cub, La Redoute's best-selling cuddly toy, continued his good work - with half of the selling price (enough to send a child to school for a year) being donated to these two organizations - and attracted even more supporters. In 2004, each association received €125,000 in donations. Thanks to Redcats' support, the purchase of school supplies, cafeteria services, medical support, sporting and cultural activities, and teacher training will be developed in the most deprived areas.
Moreover, Baptiste was the inspiration for a special operation in January 2005 to finance the rebuilding of a school in Asia which was destroyed by the Tsunami, an operation which involved La Redoute doubling its financial support.

f. PPR and its companies support Asia

The Christmas Season was marked by the tragedy of the major disaster which took place in Asia.
In the following days, the PPR group decided, on behalf of its employees, to donate €1 million to the French Red Cross to support its emergency relief efforts.
In addition to this donation, the Group's companies provided support in different ways.
All of the Group's web sites put a link to the Red Cross on their homepage over a period spanning several weeks, following the example of printemps.com and fnac.com. Collection tins were placed in many head offices (Fnac, Conforama, La Redoute, etc) while Fnac and Conforama also had them in every store.
In a further display of support, Redcats' specialist companies (Cyrillus, Vertbaudet, etc.) gave their employees the opportunity to work an extra hour during the week of January 10 to 14, 2005. For each hour worked by a volunteer employee, these specialist companies gave €10 to the Red Cross. This sum was doubled by a special donation from SolidarCité. So, each hour of work "donated" meant €20 for the Red Cross. This operation raised €26,610.
In all, more than €1,121,196 (all operations combined) had been raised by the end of February 2005.

6 Shareholders

As an international group quoted on the main market of Euronext Paris, PPR has a duty to respect accounting, financial, and stock market regulations. In light of this, the Group has implemented corporate governance principles which are specified through its corporate and financial communications. (For an outline of these principles, see page 267 of this document.)
PPR has also undertaken to provide precise, full and accurate information to its shareholders and to the financial markets. Letters to shareholders, a dedicated web site, site visits, and presentations to financial analysts facilitated the dissemination of this information throughout 2004. (For more details, see page 260 of this document.)

In addition, the Group released results for its non-financial performance for the first time in 2004, within the framework of its corporate social and environmental responsibility.
The organization of two presentations specifically for analysts specialized in socially responsible investment, and involvement in the "Forum for Responsible Investment" (*Forum de l'Investissement Responsable*), held in June 2004 at the Paris Stock Exchange, provided detailed insight into the Group's socially responsible actions and outlook in these areas. This policy will be continued and expanded in 2005, with presentations planned in France and abroad, notably in London in Autumn 2005.
In 2004 PPR was also included in two benchmark indexes based on all-around performance (economic, social and environmental): the Footsie4Good index operated by U.K. company Eiris, and French rating agency Vigeo's Aspi index.

Table of Contents

PPR's activities

70 LUXURY GOODS

70 Presentation of the Luxury Goods division: Gucci Group
74 Gucci
76 Bottega Veneta
78 Yves Saint Laurent
80 YSL Beauté
82 Other brands: Sergio Rossi, Boucheron, BEDAT & CO, Stella McCartney, Alexander McQueen, Balenciaga

86 RETAIL

86 Presentation of the Retail division

90 Leisure and Home Furnishings

90 Conforama

96 Fnac

102 Apparel and Lifestyle

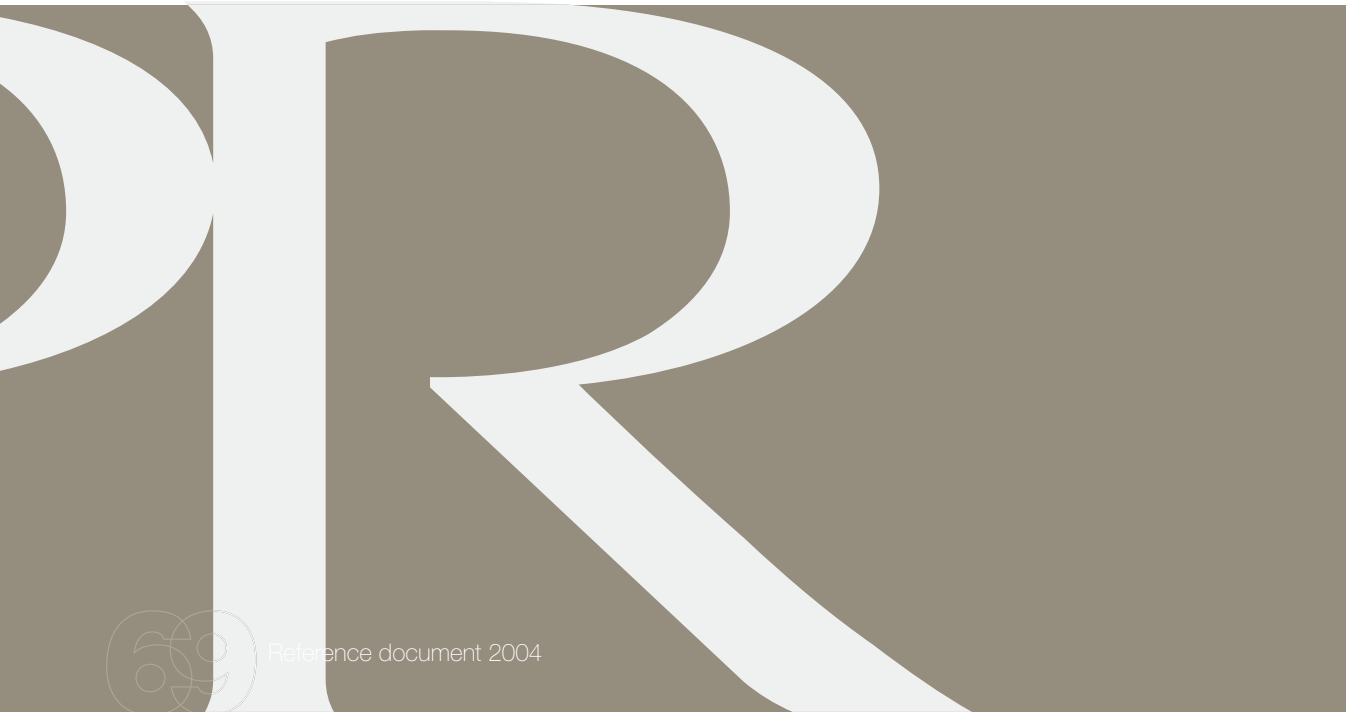
102 Printemps

106 Redcats

112 CFAO

116 Other activities: Kadéos, Orcanta, MobilePlanet

119 REXEL



2004 sales [1] €3,212.2 M

Presentation of the Luxury Goods division: Gucci Group

- Number three worldwide in Luxury Goods
- A portfolio of leading brands: Gucci, Bottega Veneta, Yves Saint Laurent, YSL Beauté, Sergio Rossi, Boucheron, BEDAT & CO, Stella McCartney, Alexander McQueen and Balenciaga
- 13.2% of PPR's total sales
- 398 directly operated stores at end 2004

Creation of the PPR Luxury Goods division

Since first acquiring 42% of Gucci Group in March 1999, PPR has steadily increased its stake, bringing it to 67.58% at the end of 2003. In keeping with its commitments, the Group offered to buy all of the remaining shares in Gucci Group in April-May 2004. Following this transaction, PPR held 99.39% of Gucci Group's capital.

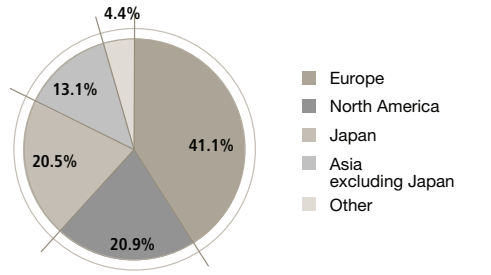
PPR's acquisition of operational control of the world's third largest Luxury Goods player notably resulted in the Gucci Group Supervisory Board nominating on April 21, 2004, Robert Polet as Chairman and CEO of Gucci Group, replacing Domenico De Sole. This appointment was ratified at the Annual General Meeting of Gucci Group of June 24, 2004 and took effect on July 1, 2004.

A leading player in the sector

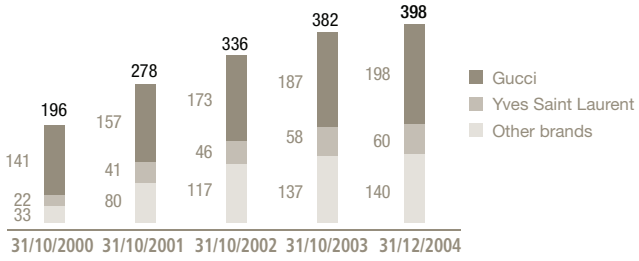
Gucci Group has a portfolio of premier brands. Some, such as Gucci, Yves Saint Laurent, Bottega Veneta and Boucheron, have been prominent for a long time and carry a strong history; others, including BEDAT & CO and Sergio Rossi, are more recent. As part of its multi-brand strategy, Gucci Group has also played a role in developing high-potential luxury brands, including Stella McCartney, Alexander McQueen and Balenciaga.

With its prestigious brands, extensive geographical presence and broad product range, Gucci Group is a major player in luxury goods worldwide. Its competitors are international groups, such as Armani, Bulgari, Cartier, Chanel, Christian Dior, Ferragamo, Hermès, Louis Vuitton and Prada; major international players in the fragrance, cosmetics and skincare industry, including Estée Lauder, L'Oréal and Shiseido; as well as local or international companies involved in some or all of the product categories marketed by Gucci Group.

Breakdown of 2004 [1] sales by geographical area



Number of directly operated stores



[1] *Consolidation over 14 months from November 1, 2003 to December 31, 2004.*

2004 operating income [1] €394.4M

11,655 employees at end 2004

Global presence

Gucci Group is present on all of the world's major luxury goods markets. Its goal is to strengthen its positions in those markets with the highest growth potential. All of the Luxury Goods brands are developing a significant local client base, while continuing to exploit the opportunities offered by the global tourist market.

With sales of €1,107.6 million in 2004 [2], representing an increase of 7.1% on a comparable basis [3], Europe is a key market for Gucci Group. Sales in Europe continue to grow, thanks to product quality and a highly selective policy of opening directly operated stores.

In North America, the Luxury Goods division posted sales of €556.3 million in 2004 [2], an increase of 13.6% on 2003 on a comparable basis [3]. Given its importance in the global economy, North America remains a high-potential region for the luxury goods industry.

Gucci Group is expanding its share in the fast-growing markets of Asia; at the end of 2004, 193 of its 398 directly operated stores were located in this area. Over the next three years, 60% of the new Luxury Goods stores to be opened will be in Asia, which has the highest growth potential in the world.

A broad, diversified product portfolio

Gucci Group designs, manufactures and markets top-of-the-range luxury items, including ready-to-wear, fine leather goods, shoes, watches, jewellery, ties and scarves, eyewear, fragrances, cosmetics and skincare products. The extensive product range is one of the Group's greatest strengths. It is a source of organic growth and one of the main criteria for the acquisition policy conducted between 1999 and 2001.

A multi-brand group, Gucci Group has promoted the sharing of expertise among its various brands. The Gucci brand, which has a long-standing reputation in leather goods, has used its in-depth knowledge of leatherwork to successfully move into the markets for accessories, ready-to-wear and fashion. Gucci Group Watches manufactures its products in Switzerland and markets Gucci, BEDAT & CO and Boucheron timepieces worldwide. Lastly, YSL Beauté creates, manufactures and distributes fragrances and cosmetics for Yves Saint Laurent, as well as fragrances for Stella McCartney, Alexander McQueen and Boucheron.

A carefully controlled distribution network

Management of brands and brand image is tightly controlled through the distribution network. The carefully controlled development of an integrated distribution network with a sound geographical basis has been a key strategic focus for Gucci Group. Fashion goods and accessories are marketed in directly operated stores which are designed on a specific model for each brand, ensuring consistency in terms of product display and service quality around the world. The 398 directly operated stores generated 52% of Gucci Group sales in 2004.

Gucci Group's products are also distributed through a number of franchise stores and in duty-free, department and speciality stores. The Gucci Group Watches division markets its products directly through jewellery stores on most major markets, or through third parties. YSL Beauté focuses on locations which correspond best to its products' prestigious image, marketing its products through subsidiaries in upscale perfume shops, department stores and duty-free boutiques.

[1] Consolidation over 14 months from November 1, 2003 to December 31, 2004.
[2] Consolidation over 12 months from November 1, 2003 to October 31, 2004.
[3] Sales on a comparable basis in terms of scope, exchange rates and number of days from November 1, 2003 to October 31, 2004.

A very strict communications policy

Creative design, product quality and brand image are closely intertwined in the luxury goods sector. Through stringent management of brand image, strict communications policy, outstanding product quality and control of distribution, Gucci Group has succeeded in restoring its brands' leading status over the past few years. The goal of this communications policy, which combines fashion shows, advertising campaigns, special events and store displays, is to maintain the brands' exclusive image while ensuring high visibility and reinforcing their market positioning at the local, national and international level.

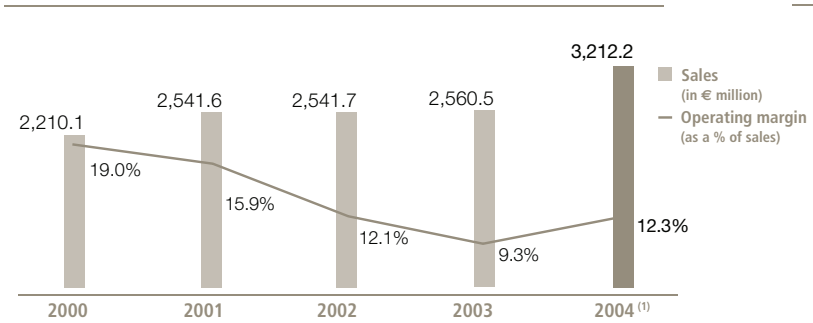
Reorganizing and reinforcing the management and creative teams

Gucci Group started to implement sweeping changes in its organizational structure in April 2004, providing the CEOs of the various brands with considerable autonomy. They are now responsible for all aspects of their brands' operating and financial performance; the design teams report directly to them. This clarification of responsibilities helps foster brand differentiation in the aim of promoting profitable growth.
At the same time, Gucci Group significantly strengthened its management team in 2004 through in-house promotions and outside hires. Mark Lee, formerly CEO of Yves Saint Laurent, was promoted to President and Managing Director of the Gucci brand. Jean-Christophe Bedos, previously of Cartier, joined Gucci Group as CEO of Boucheron and Valérie Hermann, who previously worked at Dior, became CEO of Yves Saint Laurent at the beginning of 2005. Gucci Group also announced that Isabelle Guichot (from the Richemont group) is joining Gucci Group in the first quarter of 2005 as Director of Business Development, working alongside Robert Polet. In March 2005, it was announced that Mrs. Guichot would also become CEO of Sergio Rossi. Gucci Group has therefore demonstrated its ability to attract talented executives in the industry.
In terms of creative design, the Gucci brand promoted Frida Gianinni to Creative Director for women's ready-to-wear (March 2005), in addition to the responsabilities for all Gucci accessories entrusted to her in April 2004. John Ray was named Creative Director for men's ready-to-wear in April 2004. Both had previously worked under the supervision of Tom Ford. Stefano Pilati succeeded Tom Ford as Creative Director at Yves Saint Laurent (April 2004). In general, the new designers' collections have received a very warm welcome.

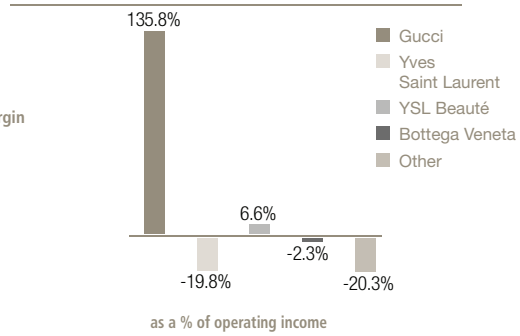
Gucci Group's strategic plan: "Building on our strengths"

On December 14, 2004, Robert Polet outlined his vision and strategy for the luxury goods division for the years ahead. The strategic plan is based on three main objectives: achieving sales and profitability growth in Luxury Goods, refocusing on the Gucci brand, and assigning each brand a specific role within the portfolio. The third of these objectives reinforces the relevance of the multi-brand strategy. Gucci, Bottega Veneta and Yves Saint Laurent will be the main drivers for profitable organic growth. Boucheron, Gucci Group Watches and YSL Beauté provide access to new market segments and to complementary expertise in the fields of jewellery, watches, fragrances, cosmetics and skincare products. Sergio Rossi, Stella McCartney, Alexander

Changes in sales and operating margin since 2000



Contribution of each brand to 2004 (1) Luxury Goods operating income



(1) Consolidation over 14 months from November 1, 2003 to December 31, 2004.

McQueen and Balenciaga, which hold significant long-term growth potential, must reach breakeven by 2007.

To achieve these objectives, seven key lines of action are being implemented over the next three years:
1) Exploit the Gucci brand's exceptional growth potential in certain product categories and geographical areas which are growing fast.
2) Create attractive products which reflect the spirit of the Yves Saint Laurent brand.
3) Increase Bottega Veneta's sales to €200 million and generate significant profitability.
4) Turn around Boucheron and Sergio Rossi.
5) Expand Stella McCartney, Alexander McQueen and Balenciaga to reach breakeven by 2007.
6) Better incorporate customer knowledge and marketing techniques in the innovation, brand building, and communications processes.
7) Be best in class across the entire supply chain.

Further information on the first five points, which are related to specific brands, is provided in the corresponding sections of this report; the last two points pertain to all of Gucci Group.

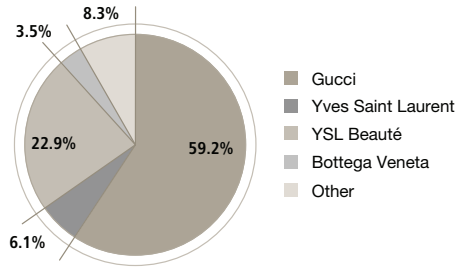
To better understand its clients' attitudes towards its brands, products and communications, Gucci Group plans to take a more formal and disciplined approach to understanding luxury goods consumers. This will make it possible to fine-tune the positioning of each of its brands, improve client segmentation and thereby improve the design and merchandising processes.

Regarding the supply chain, Gucci Group takes care to guarantee exceptional product quality. To achieve this, it selects the very best materials and exercises very strict controls over production, whether in-house or by outside partners. Prototype development and the entire manufacturing process are monitored constantly for quality control. In addition, Gucci Group is making its supply chain more flexible in order rotate its collections and replenish stocks faster during the season. The group also keeps a watchful eye on practices by the main competitors in luxury goods and other industries in order to stay on top in terms of supply chain.

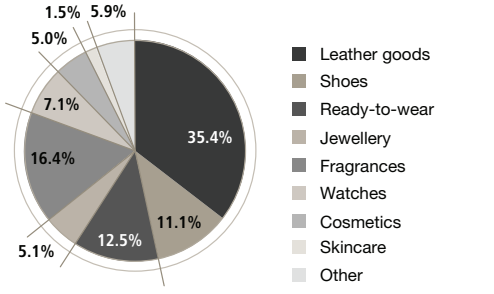
Strong improvement in financial performance

In 2004, Gucci Group posted sales of €3,212.2 million [1], representing 13.2% of the PPR Group's sales and 18.1% of the Luxury Goods and Retail sales. It also generated operating income of €394.4 million, representing 26.9% of Group operating income and 33.6% of the Luxury Goods and Retail operating income.

Breakdown of 2004 [1] sales by brand



Breakdown of 2004 [1] sales by product category



(1) Consolidation over 14 months from November 1, 2003 to December 31, 2004.

2004 sales (1) €1,902.6M

GUCCI

- Brand established in 1921
- 198 directly operated stores at end 2004

Business concept

Founded in Florence in 1921, Gucci specialized in the sale of high-quality leather goods from the outset. As Gucci Group's flagship brand, it is now one of the most prominent and profitable brands in the luxury goods sector. Gucci manufactures and markets leather goods (handbags, small leather goods and luggage), ready-to-wear items, shoes, ties, scarves and jewellery. The products are sold exclusively through directly operated stores and through exclusive Gucci franchise stores, department stores and specialty stores around the world. In addition, Gucci manufactures and distributes watches through Group-owned Gucci Group Watches in Switzerland. Licensed distributors manufacture and distribute Gucci brand eyewear and fragrances.

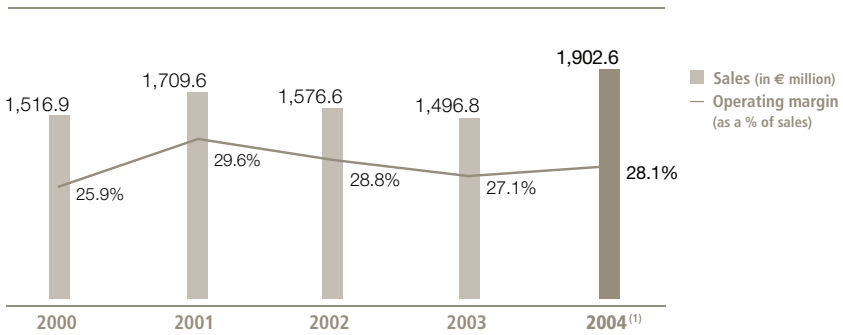
Positioning

The Gucci brand strikes a perfect balance between tradition and innovation thanks to factors which set it apart: an unswerving focus on quality, differentiation through creativity, state-of-the-art production processes and stringent industrial planning. Gucci is truly a trend-setting label – stylish, sexy and at the cutting edge of fashion –, while building on its rich heritage of more than 80 years and world famous iconic symbols, such as the "bamboo," "horsebit" and "GG" initials created by founder Guccio Gucci.

Strategy

One of the main thrusts of the strategic plan presented by Robert Polet is to give renewed focus to the Gucci brand. The goal is to double the brand's sales within seven years and have its gross margin at around 70%, while increasing marketing and communications investments in line with competitors' levels.

Changes in sales and operating margin since 2000



(1) Consolidation over 14 months from November 1, 2003 to December 31, 2004.

2004 operating income [1] €535.6 M

4,707 employees at end 2004

Reinforcing Gucci's leadership position will involve developing existing core product categories through continued focus on design and merchandising balances, expanding its network of directly owned stores, and controlling costs. Priorities have been set for each product category, from leather goods and shoes – where sales have historically been most dynamic – to the fast-growing markets for jewellery, watches and ready-to-wear. In geographical terms, action plans have been drawn up for each of the main regions. Growth will continue with selected new stores where opportunities exist in main markets: USA, Japan, Asia-Pacific and Europe. China will continue to be a priority while an entry into India is planned by 2007.

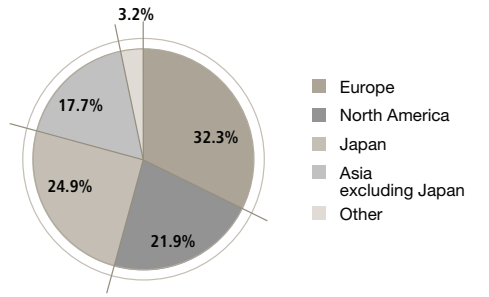
Financial results

Gucci brand sales for the financial year ended December 31, 2004 amounted to €1,902.6 million [1], an increase of 12.8% on a comparable basis [2] between November 1, 2003 and October 31, 2004 and of 16.3% on a comparable basis from November 1, 2004 to December 31, 2004. Gucci had an excellent sales performance in 2004. Once again, retail sales were particularly robust, notably in Asia, where Hong Kong, South Korea, China, Singapore and Malaysia were especially strong. Gucci sales also increased significantly in Europe and the U.S., where the brand successfully expanded its local client base. Gucci is one of the sector's most profitable brands, with an operating margin of 28.1%.

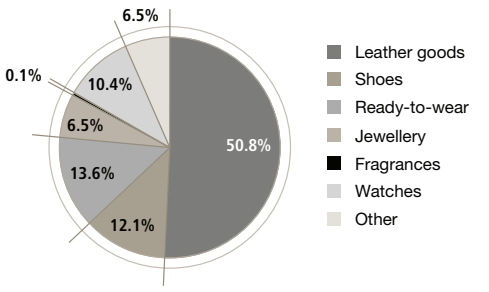
Highlights of 2004 and outlook

The year 2004 was marked by a reorganization of operations aimed at strengthening the brand's image and management autonomy. In October, Mark Lee, formerly CEO of Yves Saint Laurent, was appointed President and Managing Director of the Gucci brand.
New boutiques helped reinforce Gucci's presence on the major luxury goods markets. Several new boutiques were opened in prime locations in Asia, along with new specialist jewellery shops in Florence, Italy and Beverly Hills, California. At the end of 2004, the total number of directly operated Gucci stores stood at 198.

Breakdown of 2004 [1] sales by geographical area



Breakdown of 2004 [1] sales by product category



[1] Consolidation over 14 months from November 1, 2003 to December 31, 2004.
[2] Sales on a comparable basis in terms of scope, exchange rates and number of days.

2004 sales (1) €113.3M

BOTTEGA VENETA

- Brand established in 1966
- 65 directly operated stores at end 2004

Business concept

Established in 1966 in Venice, Bottega Veneta -- which literally means "*the Venetian workshop*" -- is a leading Italian designer, manufacturer and distributor of leather goods, shoes and ready-to-wear. Its main product ranges include women's handbags and luggage; its woven leather models being the most famous. Bottega Veneta-brand eyewear has been produced under license since 2003. Ready-to-wear items complete the brand's product range.

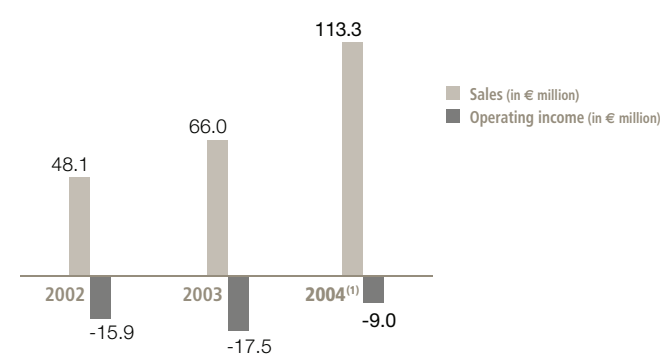
Positioning

A subsidiary of Gucci Group since February 2001, Bottega Veneta is one of the group's high-potential brands, along with Gucci and Yves Saint Laurent. Bottega Veneta has become synonymous with understated elegance, and has established a reputation for high-quality craftsmanship to satisfy the most demanding clients. Bottega Veneta combines traditional values – restraint, quality and know-how – with innovation, which means products can be perfectly tailored to the times. Under the creative leadership of Tomas Maier, the brand's image is based on three key concepts: top-quality materials and workmanship, a supple bag concept, and a restrained style. In keeping with the brand's slogan, "*When your own initials are enough,*" the label is only present inside the bag. Bottega Veneta owes its exceptional product quality to its meticulous craftsmen. An international brand with a solid position in the fast-growing Asian markets, Bottega Veneta has 65 directly operated stores.

Strategy

Bottega Veneta's objective is to generate sales of €200 million by 2007 and be profitable in 2006. To achieve this, Bottega Veneta will continue to expand its exclusive product ranges while increasing its network of directly operated stores. By 2007, 20 new store openings are planned, bringing the total number of directly operated stores to 85.

Changes in sales and operating income since 2002



(1) *Consolidation over 14 months from November 1, 2003 to December 31, 2004.*

VENETA

2004 operating income [1] –€9.0M

559 employees at end 2004

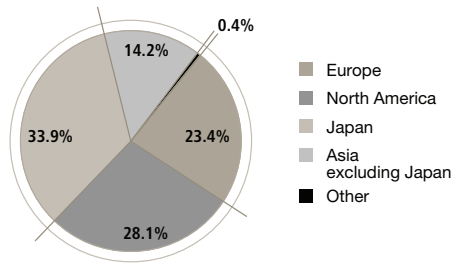
Financial results

Bottega Veneta's sales surged to €113.3 million in 2004 [1], an increase of 52.6% on a comparable basis [2] between November 1, 2003 and October 31, 2004 and of 51.8% between November 1, 2004 and December 31, 2004.

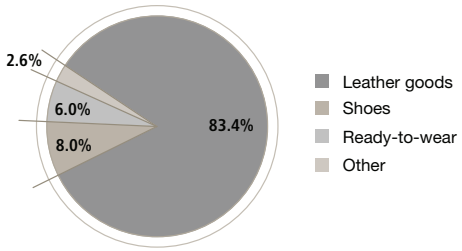
Highlights of 2004 and outlook

The *Veneta* handbag remained one of the brand's best sellers in 2004, while the new models performed very well. Bottega Veneta continued its international expansion, opening a flagship on New York's 5th Avenue (840 square meters of selling space) and entering the German market by opening three boutiques, in Munich, Berlin and Hamburg.

Breakdown of 2004 [1] sales by geographical area



Breakdown of 2004 [1] sales by product category



[1] *Consolidation over 14 months from November 1, 2003 to December 31, 2004.*
[2] *Sales on a comparable basis in terms of scope, exchange rates and number of days.*

2004 sales (1) €196.4 M

Yves Saint Laurent

- Brand established in 1961
- 60 directly operated stores at end 2004

Business concept

Yves Saint Laurent's products mainly consist of men's and women's ready-to-wear, leather goods and shoes. The brand distributes its products and collections through directly operated and franchise stores, as well as sales locations within department stores and specialty boutiques. Yves Saint Laurent grants licenses for the production and distribution of some products, including men's ready-to-wear and eyewear.

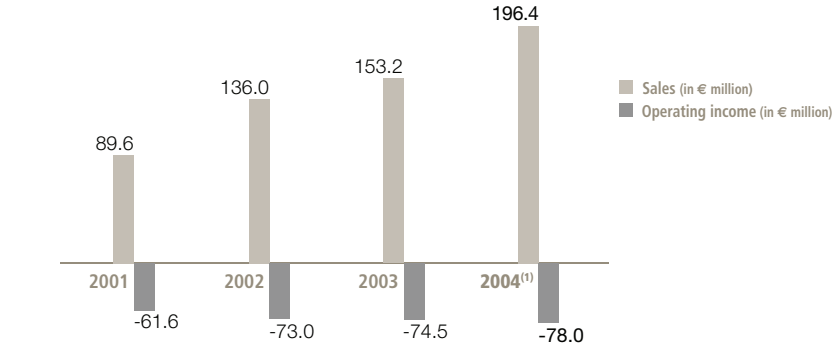
Positioning

Yves Saint Laurent has had a major impact and been a global success since it was launched in 1961. Over nearly 40 years, founder Yves Saint Laurent built up a reputation as one of the 20th century's most innovative and provocative designers. He instigated the move toward ready-to-wear collections, which represented the first step in making designer labels accessible to a wider public.
When Gucci Group acquired the Yves Saint Laurent business in 1999, the new management team focused on repositioning the brand at the top end of the Luxury Goods market. The number of licenses was cut from 167 to just nine today. The entire distribution network was restructured with 60 directly operated stores, including flagship stores in Paris, New York, London and Hong Kong. The brand is also present in more than 400 of the most prestigious boutiques and multi-brand department stores in the world. At the same time, Yves Saint Laurent has successfully expanded into accessories, which complement its core ready-to-wear business. Thanks to Gucci's expertise in leather goods, Yves Saint Laurent has a thriving business in leather goods and shoes, which now account for 45% of the brand's sales.

Strategy

Alongside the brand repositioning, significant investments were made in the network of directly operated stores and manufacturing facilities. The next challenge will be to boost sales in order to improve financial performance. Yves Saint Laurent's prime objective is therefore to create highly desirable products which reflect the very essence of the brand. This will involve broadening the product range while respecting the brand's fundamental identity.

Changes in sales and operating income since 2001



(1) *Consolidation over 14 months from November 1, 2003 to December 31, 2004*

2004 operating income [1] –€78.0M

928 employees at end 2004

Financial results

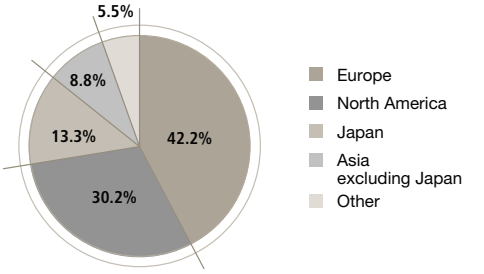
Yves Saint Laurent's annual sales totalled €196.4 million [1], an increase of 12.9% on a comparable basis [2] from November 1, 2003 to October 31, 2004 and of 14.3% between November 1, 2004 and December 31, 2004. The brand benefited from good performances at the flagship stores opened in the second half of 2003, and from robust growth in business in Asia and Japan. The leather goods and shoe collections proved again to be the major growth drivers, especially in the directly operated stores.

Highlights of 2004 and outlook

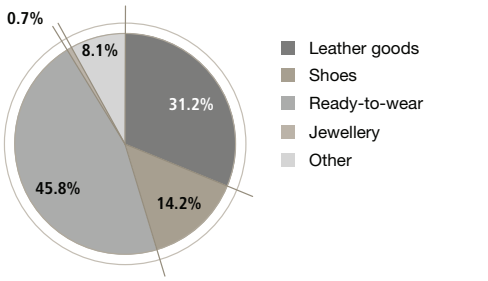
Yves Saint Laurent has an outstanding management and design team to lead the brand to fresh success. In March 2004, Stefano Pilati was appointed Creative Director for the entire product range and on January 5, 2005, Valérie Hermann was appointed CEO. She brings to Yves Saint Laurent a wealth of experience in fashion and deep understanding of ready-to-wear and merchandising.

In 2004, Yves Saint Laurent launched a new, more feminine version of its "*Saint Tropez*" collection, which was well received and should generate significant sales in the months ahead. The brand also expanded its global network of stores, reinforcing its presence on all of the key luxury goods markets. In December 2003, Yves Saint Laurent opened a flagship store in Hong Kong's luxurious Alexandra House; with over 300 square meters of selling space, it displays the brand's entire product line. At the same time, Yves Saint Laurent put the finishing touches on its U.S. offices and showroom on New York's 57th Street. In March 2004, the brand moved its boutique in the Iwataya Fukuoka department store in Japan and opened a new, 690-square-meter store on Chicago's prestigious Oak Street. Yves Saint Laurent also opened new stores in Hiroshima, Barcelona and Seoul.

Breakdown of 2004 [1] sales by geographical area



Breakdown of 2004 [1] sales by product category



[1] Consolidation over 14 months from November 1, 2003 to December 31, 2004.
[2] Sales on a comparable basis in terms of scope, exchange rates and number of days.

2004 sales (1) €734.0 M

YSL BEAUTÉ

- 17 subsidiaries in France
- 2 production sites in France

Business concept

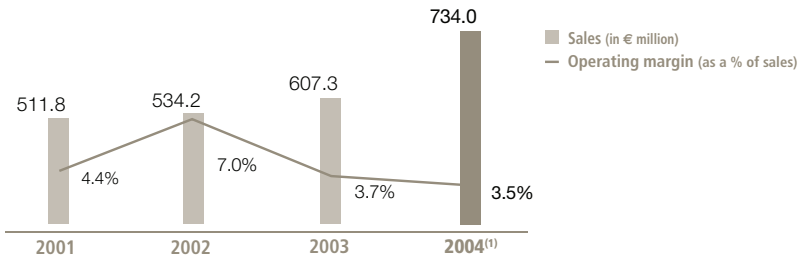
YSL Beauté creates, produces and distributes fragrances and cosmetics under the Yves Saint Laurent and Roger & Gallet brands, as well as fragrances for Stella McCartney, Alexander McQueen and Boucheron. The company also produces fragrances under license for Oscar de la Renta, Van Cleef & Arpels, Ermenegildo Zegna and Fendi. YSL Beauté's operations are fully integrated, with two production plants in France and 17 retail subsidiaries. YSL Beauté sells its products through leading department stores, specialty stores and duty-free shops. YSL Beauté uses distribution agents, overseen by its regional offices, to reach the markets not covered by its subsidiaries.

Strategy

YSL Beauté is a major player in the luxury cosmetics market, offering multiple brands. The company develops and expands each brand in its portfolio on the basis of the brand's distinctive features. Its products represent the state of the art in terms of quality, creativity and technology. YSL Beauté's business is very international, and the company strengthens its products, brands and key markets in order to develop new growth drivers. YSL Beauté's flexibility enables it to react quickly to changing market trends. The company constantly strives to be cost-competitive in order to focus on productive investments.

YSL Beauté contributes to global awareness of the Yves Saint Laurent brand, providing it with privileged access to the luxury fragrances and cosmetics sector.

Changes in sales and operating margin since 2001



(1) *Consolidation over 14 months from November 1, 2003 to December 31, 2004.*

2004 operating income [1]

€26.0 M

3,902 employees at end 2004

Financial results

YSL Beauté's sales totalled €734 million over the period [1], an increase of 3.4% on a comparable basis [2] from November 1, 2003 to October 31, 2004 and of 14.4% from November 1, 2004 to December 31, 2004. Sales were driven by the success of the most recent launches, such as Yves Saint Laurent's *Cinéma*, Boucheron's *Trouble*, and Stella McCartney's *Stella*, as well as by excellent performances from the Yves Saint Laurent cosmetics business worldwide and skincare products in Asia.

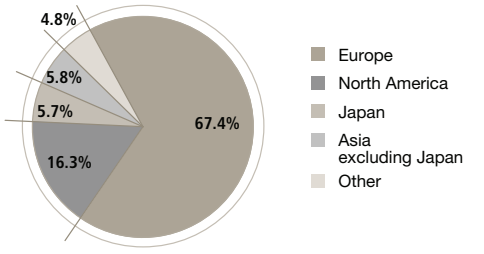
Highlights of 2004 and outlook

In October 2004, Yves Saint Laurent successfully launched a new women's fragrance called *Cinéma*. This sensual, floral fragrance comes in a bottle reminiscent of the Oscar statuette, with the letters of the name Yves Saint Laurent appearing at regular intervals as a leitmotiv.

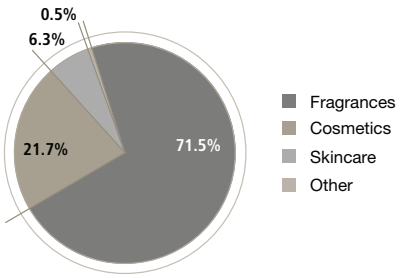
In April, YSL Beauté launched *Trouble*, its first women's fragrance for Boucheron, and *Les Saisons*, the latest eau de toilette for Van Cleef & Arpels.

During the year, YSL Beauté's *Yves Saint Laurent Rive Gauche pour Homme* won the prize for "Best Men's Fragrance of 2003" at the 32nd "F.I.F.I." Awards in France.

Breakdown of 2004 [1] sales by geographical area



Breakdown of 2004 [1] sales by product category



[1] Consolidation over 14 months from November 1, 2003 to December 31, 2004.
[2] Sales on a comparable basis in terms of scope, exchange rates and number of days.

Other brands

This section covers Sergio Rossi, Boucheron, BEDAT & CO, Stella McCartney, Alexander McQueen and Balenciaga. Since joining Gucci Group, all of these brands have seen their sales increase significantly, thanks to the individual creative vision of their designers and the Group's financial support.

As far as Stella McCartney, Alexander McQueen and Balenciaga are concerned, Gucci Group's support involved substantial investments to fund the development of ready-to-wear and accessories collections, the opening of exclusive stores in the two or three fashion capital cities considered most important for each brand, the development of sales to wholesalers on a worldwilde scale, and the implementation of the infrastructure needed to manage the ensuing rapid growth. The strategic priority for all of these companies is to become profitable by 2007 through the commercial success of their collections, increased sales to wholesalers combined with carefully controlled own-store development, and improved productivity.

Sergio Rossi

Sergio Rossi is a leading Italian designer focusing on manufacturing and distributing luxury shoes for women. The company also produces and distributes handbags and men's shoes. Its products are distributed through directly operated stores, leading department stores and upscale specialty boutiques.

Sergio Rossi has become a reference in Italian luxury goods through a combination of exceptional product quality and unique style, season after season. Gucci Group's acquisition of Sergio Rossi in 1999 marked a new stage in the development of this brand, whose origins date back to the 1950s. For example, the Italian shoe manufacturer had tripled its number of sales locations to 45 at the end of 2004.

Sergio Rossi's profitability suffered when over-investment in production and distribution coincided with setbacks for some collections. The management team aims to bring the company back to breakeven by 2007. To achieve this, they plan to better balance the collections, by broadening the range of leather goods and its stylish desirable footwear models for women, developing a complete range of shoes for men, streamlining the store network and keeping costs under strict control.

Boucheron

A subsidiary of Gucci Group since 2000, Boucheron manufactures and markets luxurious jewellery, watches and fragrances. The brand sells its jewellery exclusively through directly operated stores, including its flagship store on the Place Vendôme in Paris. Its watches are sold through Boucheron's directly operated stores, as well as exclusive department stores and multi-brand specialty boutiques. Since 2003, YSL Beauté has managed all aspects of Boucheron's fragrance business, including marketing, distribution, and coordination of the international subsidiaries and distributors.

Boucheron is the French jeweller *par excellence*. Established in 1858, it was the first jeweller to set up shop on the famous Place Vendôme (in 1893). It was also the first to use new materials in its jewellery and to launch innovative products, such as interchangeable watch straps. For nearly 150 years Boucheron has been a trend-setter in the exclusive jewellery segment, acquiring an international reputation. Its main competitors are Cartier, Tiffany and Bulgari.

In 2004, a new management team was put in place at Boucheron, headed by President and CEO Jean-Christophe Bedos, who joined the brand from Cartier. Jean-Christophe Bedos has defined a new strategy to turn Boucheron around within four years, which includes repositioning the brand on its fundamental values (colored stones and precious materials) and exploiting its heritage in terms of products. There are also plans to broaden the product offering at the entry level of the market and to refocus Boucheron's positioning in the watches segment. Boucheron has already succeeded in cutting costs at its headquarters by 25% and is currently strengthening its distribution via its network of wholesalers, franchisees and selected retailers. To grow, Boucheron will focus on the key markets of the U.K. and Japan.

The brand ended 2004 on a high note, with positive sales trends and higher sales despite having fewer stores. In 2004, Boucheron launched a new collection of jewellery called Les *Symboliques de Boucheron*, inspired by its best-known past designs. For instance, the *Quatre* ring is comprised of four motifs in four different types of gold. Boucheron also marketed *Trouble*, the first fragrance produced for the brand by YSL Beauté. Launched between April and October 2004, *Trouble* sold very well on Boucheron's main markets.

BEDAT & CO

Founded in 1996 by Simone and Christian Bédat, BEDAT & CO is a unique, contemporary and exclusive watch brand which combines quality with timeless value. Distributed primarily in the United States, Italy and Japan, BEDAT & CO offers a handful of exclusive models, for which the quality and origin are guaranteed by the Swiss A.O.S.C ® certificate. By working with Gucci Group Watches, BEDAT & CO undertakes to expand both its product offering and its distribution network into new markets in Europe and Asia.

Stella McCartney

Stella McCartney launched her brand in partnership with Gucci Group in July 2001. The designer caters to a young and dynamic clientele with ready-to-wear apparel, shoes, handbags and lingerie. The ultra-feminine McCartney label is distinguished by its sense of humor. The brand has three shops, in New York, London and Los Angeles. In 2003, the product range was expanded with the launch of *Stella*, the designer's first fragrance, which was later produced in the form of beauty lotion and other products. In recognition for her work, Stella McCartney received the Glamour Award for "Fashion Designer of the Year" in London in June 2004.

The brand's sales increased considerably over the year, reflecting the warm reception given to the ready-to-wear collections, the success of the *Stella* fragrance and increased sales to wholesalers. The brand aims to reach profitability in 2007 by broadening the sales network through boutiques, strictly controlled franchise stores, and "corner shops" in department stores, as well as by developing joint venture agreements with other leading brands. In 2004, Stella McCartney boosted its retail presence with the opening of selected "shops within shops" in Paris, Seoul and Hong Kong. In September, the brand announced a long-term partnership with Adidas and introduced "Adidas by Stella McCartney," the first line of women's sports shoes and apparel to be created by a famous designer. Including running, fitness and swim wear, the line targets the mid-to-upper price range and became available in a limited number of Adidas shops and other selected locations in early 2005. In November 2004, Marco Bizzarri was appointed CEO of Stella McCartney; he started in his new position in mid-January 2005.

Alexander McQueen

Alexander McQueen has an outstanding reputation in the world of fashion. Known for his audacity and creativity, the British designer won the U.K. "Designer of the Year" award in 1996, 1997, 2001 and 2003. He received the "Best International Designer Award" from the Council of Fashion Designers of America in June 2003 and was named "Menswear Designer of the Year" at the British Fashion Awards in November 2004.

A 51% subsidiary of Gucci Group since 2001, Alexander McQueen primarily markets women's accessories and ready-to-wear through upscale department and specialty stores. The brand also has three directly operated stores, in London, Milan and New York. In May 2003, Alexander McQueen launched his first fragrance, *Kingdom*.

In 2004, Alexander McQueen continued to delight the media and buyers with spectacular women's ready-to-wear shows, which have become the highlight of the two-week Paris fashion shows. The brand's popularity generated a significant increase in sales in the three exclusive boutiques. To reach its target of being profitable by 2007, the brand will focus on strengthening the structure and merchandising of its collections and on implementing aggressive growth plans. Alexander McQueen successfully launched a line of men's ready-to-wear in early 2004, boosted by the first menswear show in Milan in mid-2004. The product line has also been expanded with the launch of women's shoes in 2004 and a range of handbags in early 2005. Under the strategic plan, distribution will focus mainly on sales to wholesalers, including selected multi-brand shops, department stores and a limited number of franchise stores. In 2004, Alexander McQueen announced the appointment of its new President and CEO, Jonathan Akeroyd.

Balenciaga

Balenciaga has an unrivalled reputation in the world of fashion. Following the partnership agreement signed with Gucci Group in July 2001, the company is doing well thanks to its prominent designer, Nicolas Ghesquière.

Founded in 1919 by Cristobal Balenciaga, a Spanish designer who was just 24 years old, the brand was an immediate success in Saint Sebastian, Madrid and Barcelona, before being acclaimed in Paris in 1936. Until the death of its founder in 1972, Balenciaga was constantly at the forefront of fashion. Nicolas Ghesquière joined Balenciaga in 1995 and presented his first collection two years later, at the age of 26. The young designer has won two international awards: the VH1 award for "Avant-Garde Designer of the Year" in 2000 and the "International Designer Award" from the Council of Fashion Designers of America in 2001. This critical acclaim led to commercial success, with the brand opening its first shop on 22nd Street in New York in February 2003, and renovating the historic boutique on the Avenue George V in Paris that same year. The George V boutique is now the brand's flagship store in Europe. Gucci Group's objective is to develop Balenciaga by concentrating on women's and men's ready-to-wear and accessories.

In 2004, sales of the ready-to-wear and accessories collections increased significantly. Sales doubled at the New York store and the Paris boutique saw sales increase by over 50%. This was largely thanks to the success of the *Lariat* bags, which have become must-have items around the world, and the excellent reaction from critics and customers alike to the collections of women's and men's ready-to-wear, handbags and shoes. *Balenciaga.edition*, an initiative aimed at reviving selected items from the brand's archives, was launched and successfully emphasized the links between the brand's new collections and its extraordinary past. In 2005, growth at Balenciaga will be driven by the commercial success of its 2005 Spring and Summer collection, which has been very well received, and increased wholesale sales for the 2005 Autumn and Winter collection. The brand is expected to break even in 2007.

2004 sales **€14,542.1 M** +4.6% over 2003

Presentation of the Retail division

- **41.8% of sales generated outside of France in 53 countries**
- **6.8% of sales over the Internet**
- **60% of total Group sales**
- **730 stores (directly operated and affiliates) at end 2004**

Strong brand recognition

A multi-specialist, PPR's Retail division responds to individual customer requirements in the areas of fashion, beauty-care, household goods, culture and technology (items that enhance well-being and quality of life). The division is made up of well-known brands, all of which are market leaders, primarily in France. They offer a comprehensive range of sales formats, including physical and on-line stores. The PPR brands have an exceptional recognition rate, image and market position. As a result, they have high growth potential, which helps drive dynamic organic growth.

Company	Number of customers per year	Position
Conforama	9 million customers in France	World No. 2 in home furnishings and appliances No. 1 in France
Fnac	15 million customers in France	No. 1 in retailing of cultural and leisure products in France, Belgium, Spain and Portugal
Printemps	6.7 million customers	Leading department store in Paris and the surrounding area
Redcats	22 million customers	World No. 3 in home shopping sales No. 1 in France (La Redoute and specialist Redcats catalogues)

Innovation and creativity, a major focus

PPR has always sought to remain faithful to the spirit of those who founded the companies which now make up the Group. Innovation, the key to their success, is the source of progress and diversity: it applies at every level, from the business concept to the most basic service at each store. To ensure customer loyalty and maintain market leadership, the Retail companies must constantly reinvent themselves and display their creativity. They must respond to consumers' increasingly specific demands – even pre-empt them – and adapt their ideas to changing consumer habits. Customizing services, creating new catalogues and new concepts, launching new products: the innovations of recent years testify to the creative flair of PPR Group companies and distinguish them from the competition.

Strong capacity for gaining market share in France

Despite the difficult environment, the Retail business has continued to gain market share. Since 2003, the "CLIO" (Client Obsession) campaign has reflected the major sales efforts made by all of the companies. The goal is to better understand customers and meet their expectations more effectively, and to strengthen and consolidate market share, without jeopardizing margins.

2004 operating income **€797.5M** +5.7% over 2003

70,342 employees at end 2004

Retail market share in France

Products	Companies	Market size (€ million) 2004	Market size (€ million) 2003 restated	PPR market share 2004	PPR market share 2003 restated
White goods (domestic appliances)	Conforama, Redcats, Printemps	5,766	5,689	10.8%	10.7%
Brown goods (retail electronics and photo)	Conforama, Fnac, Redcats	6,324	6,127	15.4%	15.0%
Gray goods (Computers and phones)	Conforama, Fnac, Redcats	6,361	5,952	18.7%	18.4%
Books	Fnac	3,079	2,925	16.0%	15.9%
CD	Fnac	1,346	1,570	27.3%	25.2%
Video	Fnac	1,548	1,386	18.4%	17.5%
Apparel	Redcats, Printemps, Orcanta	26,475	25,982	7.3%	7.2%
Sporting goods	Redcats, Printemps	8,800	8,520	2.4%	2.3%
Furniture	Conforama, Redcats	8,568	8,310	20.3%	20.1%
Sales format					
Home shopping	Redcats	7,825	7,627	28.6%	28.3%
Department stores	Printemps	4,052	3,938	26.2%	26.0%

Source: PPR and trade associations.

Continued selective international expansion

The companies in the Retail division have adopted a successful policy of international expansion using concepts that have been successfully exported from France. For instance, overseas activity accounts for 41.8% of the division's sales and 41.2% of its operating income. The positioning on growth markets and diverse geographical areas has produced stronger organic growth than in the past, thereby boosting profitability.

Company	% of 2004 sales generated outside of France	Number of countries	Number of stores outside of France	Number of catalogues outside of France
Redcats	52.9% (1)	17		19
Fnac	22.4%	6	45	
Conforama	33.1%	7	53	
CFAO	95.4%	35	172 automobile sites (2) 15,000 pharmacies delivered daily	

(1) *Including dedicated financial activity.*
(2) *Dealerships and after-sales service sites.*

The growth of Internet

PPR is a leading player in e-commerce, particularly in France. The deployment of a multi-channel distribution network combining stores and home shopping (via e-commerce and catalogues) has boosted sales. The complementary interaction of different formats has led to the expansion of the customer base and strengthened customer service. Internet is more than an additional sales channel: it has also been a tool for transforming customer relations, the supply chain, the nature of the offering and market positioning. In 2004, PPR posted almost €1 billion in on-line sales, mainly through Fnac and Redcats.

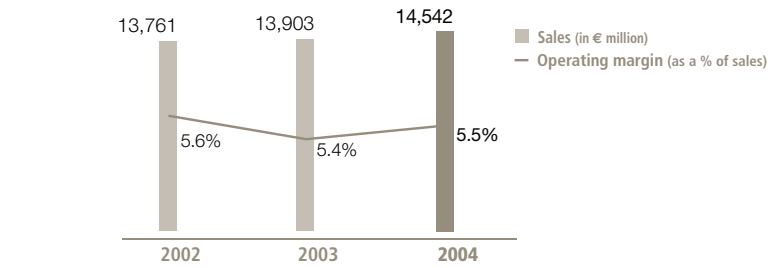
Developing cross-functional tools

The construction of a cross-functional system in the Retail division contributes significantly to the Group's improved profitability.The implementation of PPR Purchasing, the central purchasing office for Group companies' white, brown and gray goods and consumables, reinforced the Group's competitive edge thanks to optimized terms and an improvement in the design of the stores' offering. Buyco, the purchasing office specialized in indirect sales, generated cost savings of €25 million.

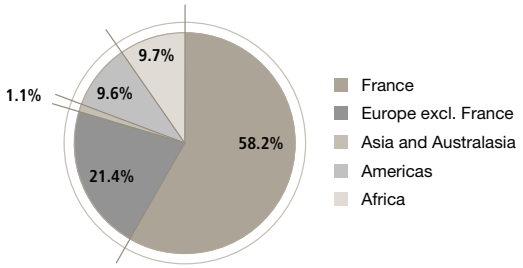
Improving growth and profitability

In 2004, the Retail business remained buoyant, with sales up 4.6% on a reported basis despite the challenging environment. The companies have significant operating leverage, which enables them to combine sustained organic growth with improved profitability.

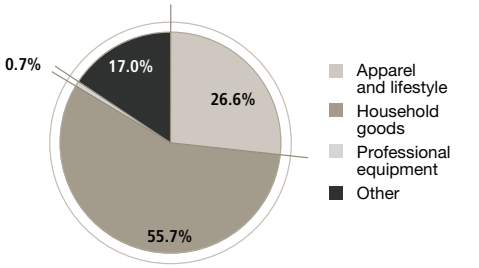
Changes in sales and operating margin since 2002



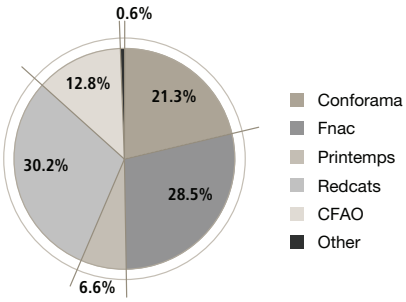
Breakdown of 2004 sales by geographical area



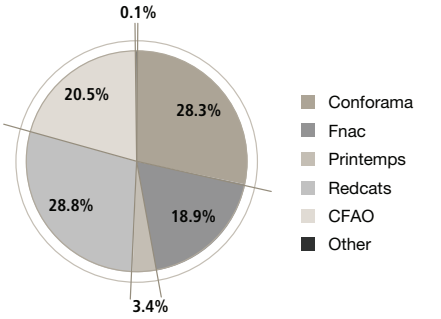
Breakdown of 2004 sales by product category



Breakdown of 2004 sales by company



Breakdown of 2004 operating income by company



2004 sales **€3,102.7 M** +46% over 5 years

Conforama

- No. 2 worldwide in home furnishings and appliances
- No. 1 in France with over 9 million customers per year
- A multi-product, multi-style discount offering
- 193 directly operated stores and 47 affiliates
- Selling area of 799,573 sq.m. in directly operated stores
- Retail operations in 8 countries

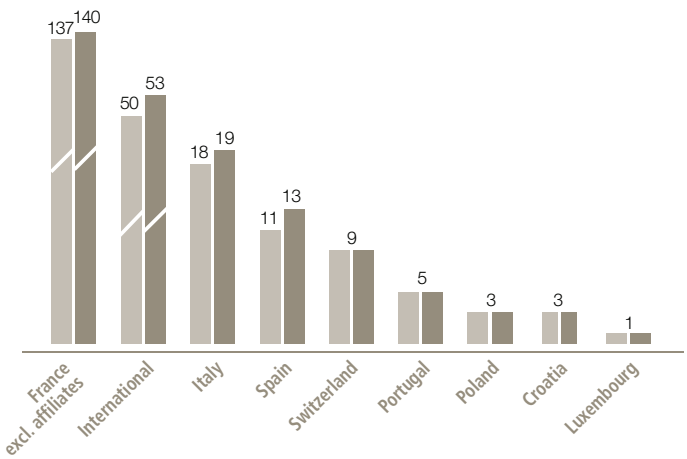
Business concept

Conforama is a discounter operating on the basis of a simple underlying principle: "Improving access to well-being in the home." To meet the needs and tastes of its customers, the company offers a broad range of products and style in home furnishings and appliances (furniture, home appliances, consumer eletronics ans decorative items).

Over 20,000 references are stocked in stores, 80% of the products are immediately available and self-service accounts for 30% of purchases. The product offering is enhanced in the stores through extensive display in the selling area (on average 3,500 sq.m.) and major advertising campaigns (460 million leaflets distributed through the mail).

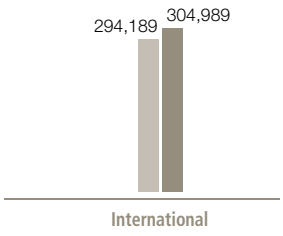
The company has a nationwide presence in France, including 140 directly operated stores and 47 affiliates. Conforama has an active international presence in seven countries through 53 stores. In addition to its concept, Conforama has deployed another format in Italy under the Emmezeta brand. These stores, with an average selling area of 8,000 sq.m., provide a similar offering together with textile and general goods.

Number of stores



Total 2003 excl. affiliates: 187
Total 2004 excl. affiliates: 193
Affiliates (2003, 2004): 47

Selling area overseas excl. affiliates (in sq.m.)



Total 2003: 773,415 sq.m.
Total 2004: 799,573 sq.m.

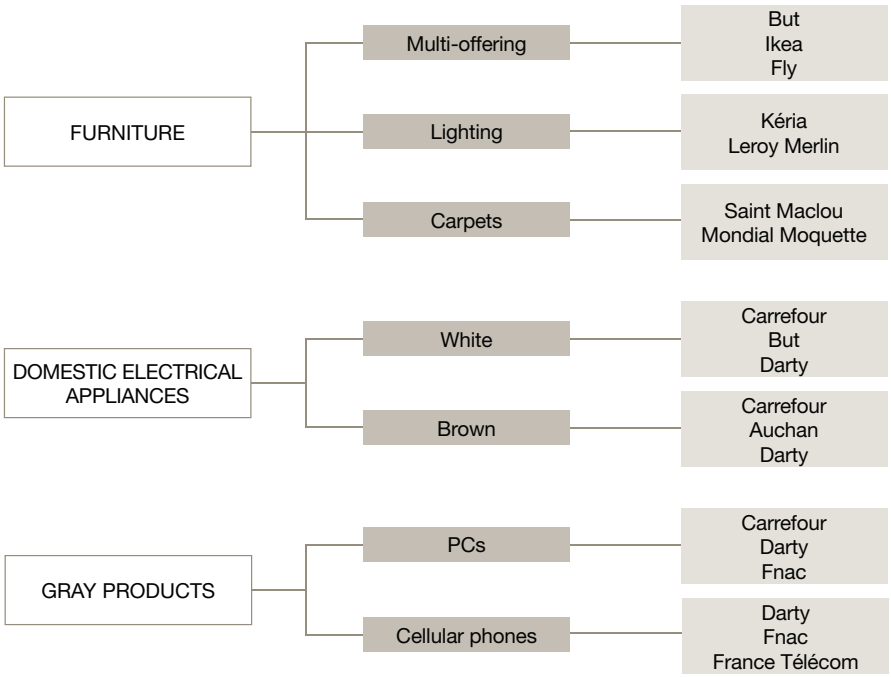
2004 operating income **€226.0M** +2.5% over 2003 **14,407** employees at end 2004

Competitive environment

Conforama is a leading player in the highly fragmented and competitive European home furnishings and appliances market. Its main competitors include specialist stores, department stores and hypermarkets. It has strong growth potential given the lack of domestic or international players of similar stature, particularly in its main European markets. Conforama is a discounter operating in the furniture and household appliances market and differentiates itself through its multi-style offering and its capacity to adapt its concept from one country to another. The company enjoys the strongest spontaneous brand recognition among home furnishings retailers and the highest number of visitors among specialist chain stores in France [1].
Leader in France, Conforama has 16.2% market share in furniture and 5.5% of the consumer electronics and domestic appliances market [2].

[1] Source: Téléperformance 2002.
[2] Source: Conforama.

Conforama's competition in France



Strategy

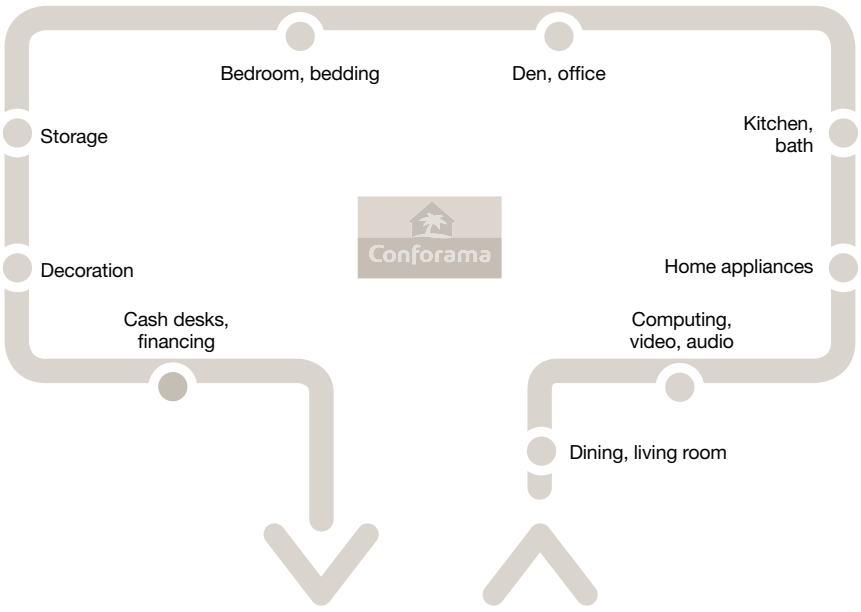
New store layout and visual identity to boost sales

Conforama modernized its image through the launch in 2003 of a new visual identity, a new logo, a new store concept and a new catalogue. The change in the store concept was intended to improve visibility, bring the products closer to the customers and devote more space to decorative items, which attract customer traffic. The adoption of a new visual identity enabled the modernization of the company's store network, which have improved both in terms of appearance and quality. In France, the company had 31 renovated stores at the end of 2004, out of a total 140 directly operated stores. According to estimates, stores converted to the new format in 2003 generated a 17.8% increase in sales in 2004.

Continued expansion of the international network

International business, which accounted for 33.1% of 2004 sales, represents a major area of expansion for the company. Conforama succeds by adapting the concept to each country. Following the opening of three new stores outside of France in 2004, Conforama plans to pursue its expansion in countries where it already operates; particularly in Southern Europe, representing large, loosely structured markets. Italy, where the company recently opened its first store under the Conforama brand and whose initial results have exceeded forecasts, together with Spain, where two openings are planned in 2005, and Switzerland, where two new openings will be completed in 2005, represent the main priorities.

New store layout



Increase in international sourcing

Conforama has a profitable concept. It has major potential for internal improvement associated with purchasing, logistics and the supply chain. Since 2003, Conforama has reorganized its purchasing function to strengthen its price competitiveness, improve its profitability and diversify its product range. The company has pooled purchasing volumes, reduced its number of suppliers and diversified its sourcing in geographical terms by gradually shifting purchases in Europe to lower cost sources, mainly in Eastern Europe and Asia.

Conforama is also seeking to to shorten customer waiting times thanks to the improvement of its warehouse organization. The company has optimised its supply channels by redefining its product selection and inventory reduction processes, by developing a central supply system per country and by systematically introducing forecast exchange cycles.

Towards a sustainable discount model incorporating environmental and social criteria

Since 2003, Conforama has implemented a sustainable development strategy emphasizing three areas: offering products and services reflecting sustainable development criteria, contributing to the long-term performance of the teams and promoting the eco-efficiency of its sites (stores, warehouses and head office). In 2004, Conforama launched almost 30 initiatives as part of this strategy, including the signing of a framework agreement with the French Energy Management Agency ADEME (*Agence de l'Environnement et de la Maîtrise de l'Energie*) and involvement in France's Sustainable Development Week. Following the selection of better-performing electrical appliances with lower energy consumption and the establishment of a wood procurement policy using forests managed on a sustainable basis, Conforama has also defined minimum quality standards in terms of product design, choice of raw materials, safety and the environment.

High-quality after-sales service

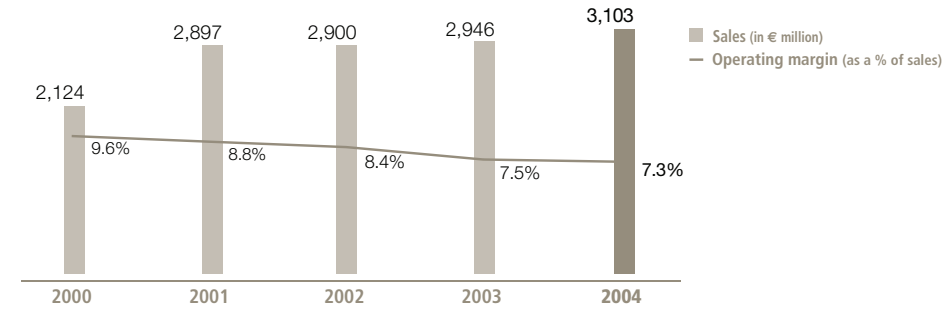
With the establishment of SAVEO, Conforama has developed a high-quality, sustainable after-sales service. Following a two-year trial period during which it demonstrated its know-how, Conforama now provides maintenance services for TV, hi-fi, video and video camera products for Fnac (excluding the Paris area) together with a home after-sales service for La Redoute and La Maison de Valérie in white and brown goods. Conforama has established a single call center number for the whole of France and 11 regional platforms. Employing 30 to 100 persons each, the platforms carry out 600,000 customer visits per year. This has produced shorter customer waiting times (one week less for Fnac customers, three days less for Conforama customers), improved customer satisfaction and optimized repair costs (3.3% cut in after-sales service costs within one year).

Financial results

Conforama's sales at the end of 2004 totalled €3,102.7 million, up 5.2% versus 2003. In France, Conforama recorded a 6.3% sales increase in a highly competitive home furnishings and appliances market. This company's growth reflects the commercial dynamism, underpinned by continued renovation of the stores. Sales outside of France rose by 3.1% in 2004. Excluding Italy, where the apparel market recorded a decline, growth stood at 8.7% in 2004, with a particularly sharp increase in Croatia (+34.4%) and Spain (+21.2%), where the store network was expanded.

Conforama's operating income was stable at €226.0 million in 2004, or 7.3% of sales. The erosion of the 2004 profit margin reflects two distinct developments:
- Impact of the new stores in 2004 (seven stores) whose contribution to results in the first year is usually lower than during an average growth phase, particularly outside of France.
- Market share gains in France in domestic appliances and computer products represent a commercial success but yielded lower margins than home furnishings sales.

Changes in sales and operating margin since 2000



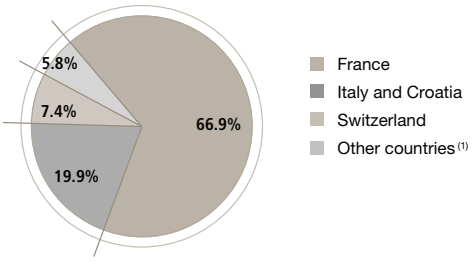
Highlights of 2004 and outlook

In 2004, Conforama bolstered its positions in France with the opening of four stores, in Paris, Marne-la-Vallée, Colomiers and Toulouse. In Europe, Conforama bet on the major development potential of the home furnishings markets, by opening two new stores in Spain (Seville and Logroño) and the first Conforama store in Italy (near Milan). At December 31, 2004, 42 stores were operating under the new format, including converted stores and new openings.

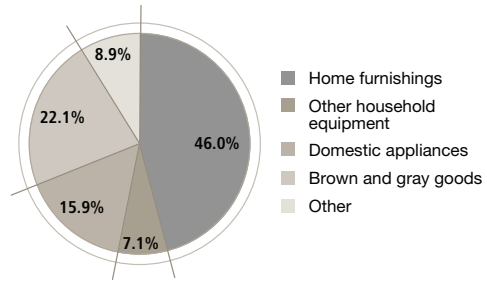
Two new sourcing offices were opened, in Vietnam and in Eastern Europe. The Bucharest office targets suppliers in the Balkans (Romania, Bulgaria, Hungary, Moldavia and Turkey), mainly handling couches and large furniture items. The Tarragona platform in Spain has expanded to 12,000 sq.m. and has specialized in couches. It will increase available space in the stores (the seating uses 20 to 25% of the stores' stock room) while extending the range of product references. The new store format and the increase in international sourcing should enable Conforama to grow profitably.
In October, Conforama entrusted designer Frank Lefebvre with the creation of its new range of small furniture and decorative items. This new collection mainly uses natural or recycled products and thus contributes to the company's sustainable development strategy.

In 2005, Christophe Cuvillier succeeded Per Kaufmann as Chairman and CEO of Conforama after five years with Fnac.
In March, Conforama opened its tenth Swiss store, near Lucerne.

Breakdown of 2004 sales by geographical area



Breakdown of 2004 sales by product category



(1) Spain, Portugal, Luxembourg, Poland.

2004 sales **€4,138.6 M** +41% over five years

Fnac

- **No. 1 retailer of cultural and leisure products in France, Belgium, Spain and Portugal**
- **112 stores, including 45 outside of France in 7 countries**
- **Leading bookstore in France with 520,000 references**
- **Leading record store in France with 200,000 CDs in stores**
- **30,000 product references in Personal Computers, Photography, hi-fi, TV/video, Software/Games, Office equipment/Telephony**
- **150 million visitors and 15 million customers per year in France**

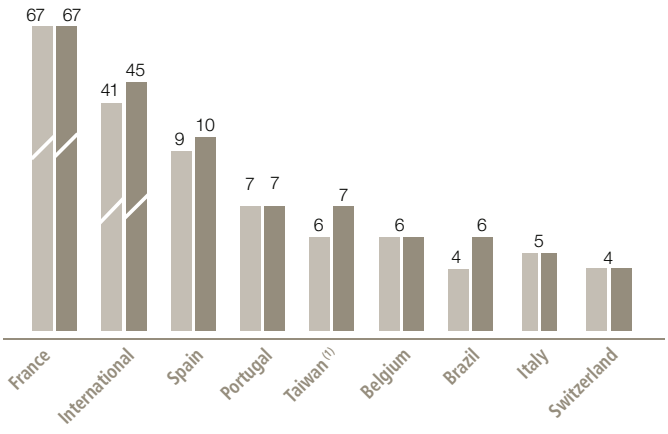
Business concept

France's favorite retailer [1], Fnac's concept is based on a novel approach to business, providing access to all types of cultural products. This original concept is apparent at several levels. Fnac is the only retail company offering an unrivalled selection of books, audio, video and related technical products in a single store. This product range is supported by an independent, innovative positioning as an "opinion former," based on the independence of its sales force (in relation to its suppliers) and test laboratories. Its physical and on-line multi-specialist stores are not only used for purchases : they provide a cultural, social and exchange forum. They enable literary, musical and audiovisual arts as well as technological innovation to reach a broader audience. Fnac has enhanced its status as a cultural player through 15,000 cultural events organized each year via its forums, its 100 photo galleries, its wide range of publications and its views on cultural diversity or freedom of expression.

Fnac has a presence in 8 countries: France, Belgium, Spain, Portugal, Italy, Switzerland, Brazil and Taiwan. Its 112 stores, of which 45 outside of France [2], represent a selling area of almost 260,000 sq.m. In France, its 67 stores have over 150 million visitors and 15 million clients every year.

[1] Source: IFOP/Expansion.
[2] Of which 7 stores on a joint-venture basis.

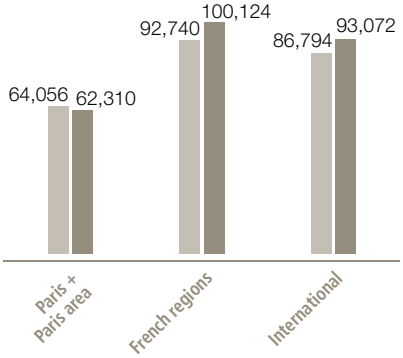
Fnac stores excluding subsidiaries
Number of stores



Total 2003: 108
Total 2004: 112

[1] Joint-venture stores.

Fnac stores excluding subsidiaries
Selling area (sq.m.)



Total 2003: 243,590 sq.m.
Total 2004: 255,506 sq.m.

2004 operating income **€150.6M** +12.4% over 2003 **18,790** employees at end 2004

Competitive environment

Fnac is the leading retailer of leisure and cultural products in France, Belgium, Spain and Portugal. The company is France's leading bookstore with 520,000 references and represents the largest record store with 200,000 CDs in its stores and almost 500,000 available by order.

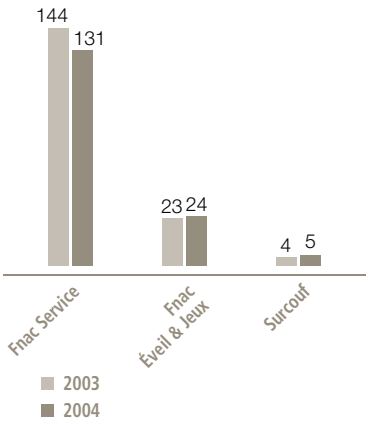
Fnac is present in high-growth markets reflecting the pace in technological innovation and the growing appeal of cultural products. Its main competitors are hypermarkets, specialist retail chains and e-commerce specialists. Fnac's success rests on its brand recognition and its unique concept. Fnac continues to win market share from its competitors, both in cultural and technical products.

2004 market share in France and Europe [1]

	France	Spain	Belgium	Portugal
Books	16.0%	7.4%	10.8%	16.1%
CDs	27.3%	17.8%	17.9%	41.2%
Video	18.4%	12.0%	6.3%	39.7%

Sources: Cegal, Afive, Nielsen, IFPI, AFP/EMI/Moviplay, Fevip, Lusomundo.
[1] Other countries: market share not significant.

Fnac Subsidiaries
Number of stores



Map of Fnac sites in France



Strategy

Strong sales growth, underpinned by momentum in the most innovative technologies

A pioneer in new technologies, Fnac is an unquestioned leader in terms of innovation. Its positioning has enabled it to exploit the dynamic markets associated with the most recent technologies, such as flat screens or digital photography, the main growth drivers in 2004. Fnac also offers services to provide customers with access to new technology.

Fnac offers its clients over 15,000 demonstrations/workshops every year on technical products in its stores together with a broad range of training sessions associated with new technologies (digital photography, video editing, specific modules on computers, etc.). The year 2005 will be marked by the development of wireless technology and the introduction of digital terrestrial television.

Success of new concepts

Fnac has successfully developed specialist companies in order to better respond to the increasingly specific requirements of its clients.

In addition to its long-standing offering in computers and software, Surcouf has successfully developed a broad range of digital products. In 2004, Surcouf posted sales of €256.7 million, up 5.4% compared to 2003. Its "landmark" store on Avenue Daumesnil in Paris offers 25,000 product references across a selling area of 6,350 sq.m. with over 3.3 million visitors per year. 2004 marked a new phase in the company's development with the launch of a second store in Paris on Boulevard Haussmann, the launch of a new version of the Internet site, a new catalogue format, a Surcouf loyalty program and a logistics platform in Fresnes on the outskirts of Paris. Surcouf aims to have 20 to 25 stores in France, with two openings on average per year.

The Children's division, consisting of the Fnac Junior and Eveil & Jeux brands under the Fnac Eveil & Jeux banner, is dedicated to children up to the age of 12. Fnac Eveil & Jeux offers educational games and toys, cultural products, nursery goods and decorative items for children; it aims to become a leading player in the child leisure goods market. The company combines all sales formats, including stores, catalogues and on-line sales. It has 24 stores in France and plans five to six new openings per year, to reach 50 stores in France. Home shopping sales continued to accelerate. In 2004, Fnac Eveil & Jeux recorded a 17.1% increase over 2003 to €119.9 million.

A major player in e-commerce

In 2004, e-commerce accounted for sales of €161.7 million at Fnac, up 42.5%. The company has a presence on Internet via five e-commerce sites. Its main web site, Fnac.com, is the leading private sector e-commerce site in France, with 400,000 [1] unique visitors on average per day and over one million product references. With sales of €132 million, up 51% over the year and 125% over two years, Fnac.com constantly reviews its range of services in order to better respond to the requirements of its clients (on-line processing and sharing of photographs, customization of mobile telephones, etc.). Fnacmusic, the company's new web site for music downloading, was launched in 2004 and provides music lovers with a service emphasizing proximity, discovery and advice via a catalogue of over 400,000 titles, an innovative theme-based directory and a straightforward, attractive fee scale. The specialized

[1] *Sources: FEVAD/Nielsen Panel/NetRatings.*

companies have enhanced their Internet offering in order to improve the complementary nature of their on-line and store sales. Surcouf.com, launched in May 2001, records 1.5 million visits per month. Fnac Eveil & Jeux is the leading e-commerce player in its sector with a 69% increase in Internet sales over the year. The site was voted Best Internet Site of the Year for the second year in a row.

International presence strengthened

International expansion is one of Fnac's major development areas. At the end of 2004, the company generated 22.4% of total sales outside France (with 13.3% increase), and 25.9% of store sales. Excluding Belgium, which is confronted with the emergence of new competitors and posted a 4.6% decline in sales in 2004, all countries recorded sustained growth: Portugal (+11.1%), Spain (+13.7%), Switzerland (+23.9%), Italy (+32.9%), Brazil (+47.8%). Fnac's goal is to double the number of stores outside of France over the next five years. The company will strengthen its leadership by extending its store network in countries where it has a long-standing presence, such as Spain where it plans to open two new stores in 2005. In countries where its presence is more recent, Fnac will continue to grow at a rate of four to five store openings per year. Fnac will open its first store in Greece at the end of 2005 – early 2006 under a partnership agreement with the Marinopoulos group.

Improving customer service

Fnac's goal is to be an increasingly customer-focused company. In order to improve access to its salespeople, who represent the company's strength, Fnac has launched a long-term programme emphasising the three following areas: reducing low value-added tasks, increased physical presence during peak hours, and developing expertise of sales staff.

To better control its quality of service, Fnac has established its own telephone assistance service for customers (Attitude) and its own personal computer repair platform (MSS). At the end of 2004, Attitude and MSS recorded a successful step-up in activity with over 550,000 phone calls (+50% in two years) and almost 50,000 personal computer repairs (+200% in two years), with a constant increase in the customer satisfaction rate since 2003.

Fnac pursued its customer loyalty policy via its membership card and had 1.9 million members at the end of 2004. The company generated 20% of its sales in Spain through its loyalty program, launched since 2003.

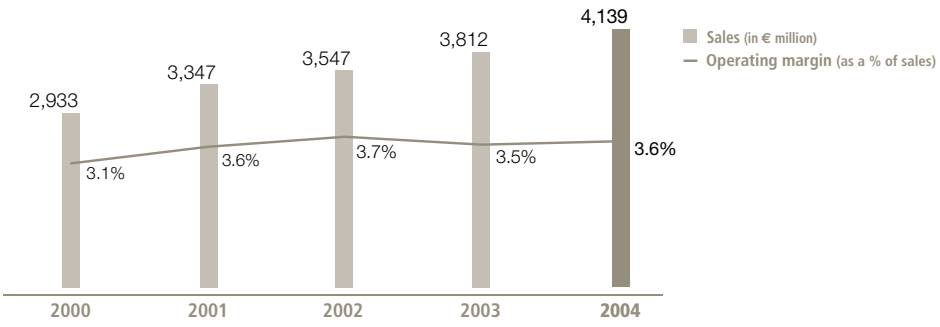
In addition, Fnac has pursued its unique consumer information policy via *Contact* magazine, sent to cardholders' homes, its technical booklets distributed at the stores and through the editorial content of its Fnac.com website.

Financial results

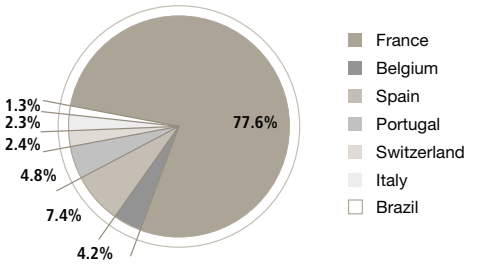
In 2004, Fnac generated sales of €4,138.6 million, up 8.6% versus 2003. In France, sales of the most innovative technical products continued to increase, with growth of 8.2% over the year. Editorial products also recorded excellent performance, rising 4.2% for 2004 as a whole. CD and DVD sales rose by 2.6%, reflecting mixed trends as DVD sales continued to grow strongly (+17.2%) while CDs continued to decline, though at a slower pace (-5.1%).

Following the measures aimed at offsetting the impact of different rates of growth across its various product categories, Fnac was able to limit the decline in its gross margin in 2004. Operating income improved as a result of productivity gains.

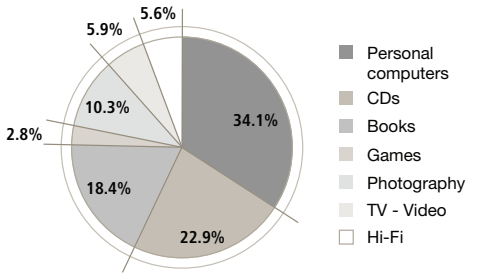
Changes in sales and operating margin since 2000



Breakdown of 2004 sales by geographical area (1)



Breakdown of 2004 sales by product category



(1) Excluding Taiwan (held on a joint-venture basis).

Highlights of 2004 and outlook

On its 50th anniversary, Fnac reaffirmed its role as a major, independent authority and cultural player via several initiatives. In Summer 2004, at last "*Paris-Plage*," the company launched its first *Festival FnacIndétendances*, aimed at introducing musical artists working with independent labels. In September, Fnac launched "Say it with books," the biggest book-collecting effort ever launched (244,305 books collected) to help overcome illiteracy. Photo exhibitions were organized in Arles and at the *Conciergerie* in Paris to enable the general public to discover or rediscover Fnac's collection, which includes over 2,000 original prints.

At the same time, Fnac strengthened its presence both in and outside of France. Three new stores were opened outside of France: two in Brazil and one in Spain. In France, Fnac opened two stores in Lorient and Perpignan, transferred the Nice store and expanded its stores in Tours and Lille. The Lille store has selling area of 2,000 sq.m. entirely dedicated to new technologies.

As part of its policy of improving quality of service, Fnac distributed a "Services Booklet," providing all of the necessary after-sales information for clients purchasing technical products. The telephone assistance department, which now handles calls regarding personal computers and digital photography, was strengthened in 2005 to provide Fnac clients with assistance on all digital products (video cameras, walkman, etc.). To optimize product flow, the company decided to pursue the development of Fnac Logistique, including its Massy (56,000 sq.m.) and Rungis (10,000 sq.m.) sites. The latter will be transferred in 2005 from Rungis to a new site at Wissous (20,000 sq.m.). In 2004, Fnac Logistique accounted for 78% of store purchases in France, or over 100 million products.

2004 sales **€958.1M** +12% over five years

Printemps

- The leading department store in Paris and greater Paris area
- 27 department stores and 18 directly operated stores in France
- A store specializing in classic menswear: Madelios
- A Sports division (Made in Sport and Citadium) with 23 stores
- A Printemps Design shop at the Georges Pompidou contemporary art museum in Paris
- 41.2% of sales generated by Printemps Haussmann in Paris
- 6.7 million customers
- More than 38 million products sold and more than 2,000 brands offered

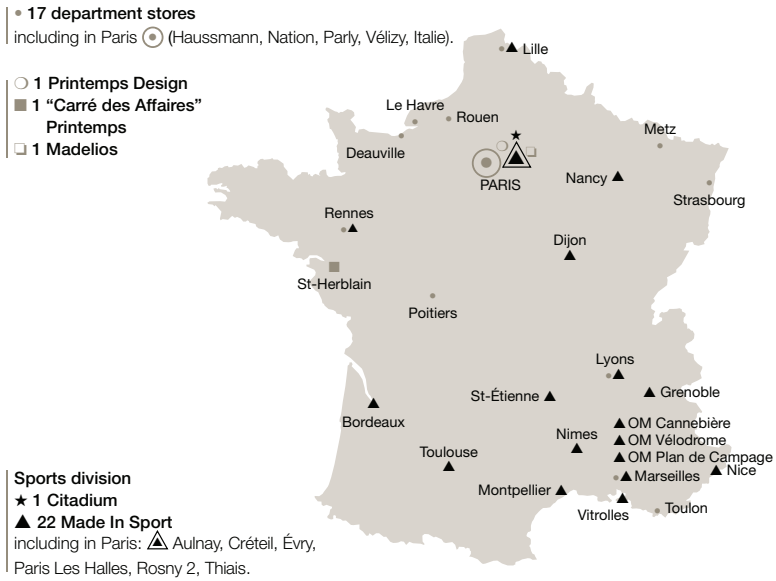
Business Concept

As the leading department store in France, Printemps specializes in the fashion, beauty and home decoration sectors. Showcasing more than 2,000 brands selected by lifestyle and offering a number of personalized services, Printemps is carving out a position as a genuine fashion trend-setter. This company is internationally known thanks to its flagship store on Boulevard Haussmann in Paris, established in 1865. In France, the store network covers more than 170,000 sq.m., with 25 stores located in the downtown areas of major cities, of which 18 are directly operated. Printemps' subsidiaries include 25 stores covering more than 15,000 sq.m. in total.

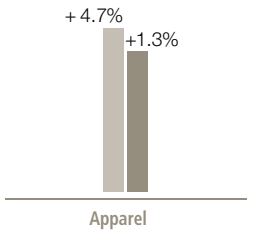
Competitive Environment

As the leading department store in Paris and greater Paris area, Printemps operates in a highly competitive environment. Its main competitors include other department stores (Galeries Lafayette, Le Bon Marché, La Samaritaine) and retail chains specializing in apparel (Gap, Zara, H&M). Thanks to its innovative and distinctive positioning, Printemps continues to gain market share in its principal markets.

Map of Printemps sites in France:
directly operated stores and subsidiaries



Growth rate in 2004



Sources: OECD, Printemps figures.

TEMPS

2004 operating income €27.4M +6.2% versus 2003

5,551 employees at end 2004

Strategy

Deployment of new positioning "At the heart of the contemporary scene"

Originally a generalist retailer, Printemps has established a new positioning "At the heart of the contemporary scene." The objective is to make Printemps a department store "recognized as a fashion trend-setter, the place to shop for fashion, beauty products or home decoration – one that invents new shopping experiences for the customer."

This concept is designed around a strategy aimed at "always being one step ahead" – both in term of product offerings and store design, concepts, events and services. Printemps has developed its exclusive brands, which now number 310 and which contribute to its original and personalized contemporary image. Printemps Haussmann now has the largest beauty care department in the world, covering 4,000 sq.m. and offering a wide array of personalized services, including beauty coaching, hotline, makeup classes, etc. With the revamping of the printemps.com and printemps-adeux.com web sites, the new versions of which have been on-line since late October 2004, all Printemps product offerings are now consistent.

The program to reallocate and renovate selling space continues

In accordance with its new market positioning, Printemps launched a major program to reallocate and renovate its selling space three years ago. The space devoted to the highest-growth, high-margin sectors – beauty, accessories, and fashion – was increased by more than 7% (an additional 10,000 sq.m. of selling space). At the same time, Printemps reduced the space allocated to less buoyant sectors, such as leisure or stationery, while maintaining a generalist product offering typical of a department store. Between 2000 and 2004, 95% of the Printemps Haussmann store and 70% of the stores in the French provinces were renovated and modernized. In the next few years, Printemps plans to reallocate and expand its selling space by an additional 15,000 sq.m. and to continue modernizing its stores.

Focus on the Customer

Constant improvement in customer service is an integral part of the Printemps policy for developing sales. The company offers its customers a broad range of services as well as activities aimed at simplifying the act of buying. Thus the Printemps card is a powerful loyalty tool.
In 2004, in an effort to put the customer at the heart of its action, Printemps completed a program comprising eight projects in every division of the company. These projects have produced many specific achievements: round table discussions are held with Printemps customers; in April, a pamphlet entitled "A successful in-store experience for the customer" was distributed to store staff; in September, the "Printemps commitments" charter was launched, defining the basic services common to all Printemps stores. To go further in terms of customer satisfaction and loyalty, the "*Client au Coeur*" (Focus on the Customer) program will be renewed over the next two years.

Specialized subsidiaries

While expanding its department store activity, Printemps has diversified to meet market needs for increasing segmentation.

The Printemps Sports division, comprised of Made In Sport and Citadium, is positioned at the intersection of sports fashion and current sporting events. Established in 1998, Made In Sport is the top multi-channel distributor dedicated to the latest sports and champions. The company has 22 stores, including three official club stores. In home shopping sales, the company offers the Made In Sport Live catalogue (five to six issues per year), club catalogues and advertisements in major sports magazines, while the call center answers all questions from customers. The web site, www.madeinsport.com, is the second component of home shopping sales and has a record audience during the major sporting events (more than 1.32 million visitors). Backed by its know-how, Made In Sport has entered into agreements with major sports institutions, for which the company manages all or part of the retail business. Citadium, which accounts for nearly 50% of the Sports division's sales, showcases sporting goods and sports fashion. Located in the "Haussmann" district in Paris, this store presents 250 major sporting goods brands on more than 6,000 sq.m.

of selling space. In the years to come, the Sports division will continue to expand its store network at the rate of two to three openings a year.

Located in the "Madeleine" district of Paris, Madelios is a store exclusively for men over the age of 30. In 2004,Madelios expanded its selling space by 15% to 3,800 sq.m. to offer a more complete selection of products (more than 100 leading brands) and personalized services (shoe shine, personal deliveries, restaurant, etc.).

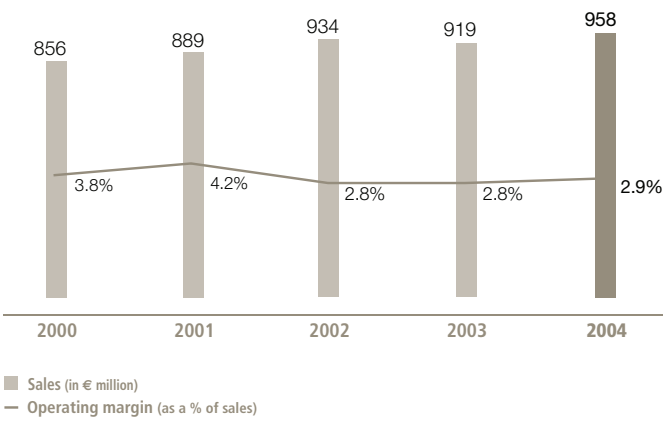
Lastly, Printemps is developing specialized activities within Printemps stores in jewellery (19 Printemps Jewellery corners – 17 directly operated and 2 affiliates) and travel (11 Printemps Voyages). The company also operates a design shop (Printemps Design) in the Georges Pompidou contemporary art museum in Paris.

Financial results

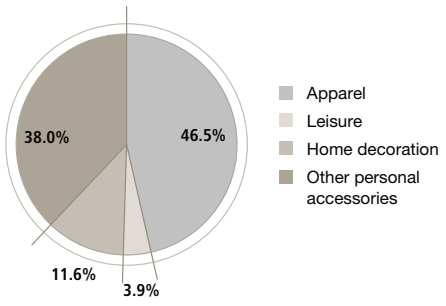
In 2004, Printemps' sales rose by 4.2% to €958.1 million. The department store business was up 3.7%, driven notably by the excellent performance (+6.2%) of the Boulevard Haussmann store in Paris. Sales by the stores in the Printemps Chain increased by 2.1% over the year, their growth curbed by construction work affecting half of them. Women's fashion (+7.0%), accessories (+9.8%), luxury goods (+15.1%), children's wear (+7.0%) and beauty (+4.1% overall and 11.2% at the Haussmann flagship) were the main growth drivers. The Sports division recorded growth of 8.2% in the year. This growth, which was particularly high in textiles and apparel, was fuelled by the strong performance of home shopping sales (up 33%), mainly attributable to the boom in e-commerce. Sales at Madelios, which completed its renovation work in April, increased by 17.3% in 2004.

Operating income rose by €1.6 million to €27.4 million. This growth was driven by the strong sales momentum of the department stores and the Sports division, which posted a profit for the first time in 2004.

Changes in sales and operating margin since 2000



Breakdown of 2004 sales by product category

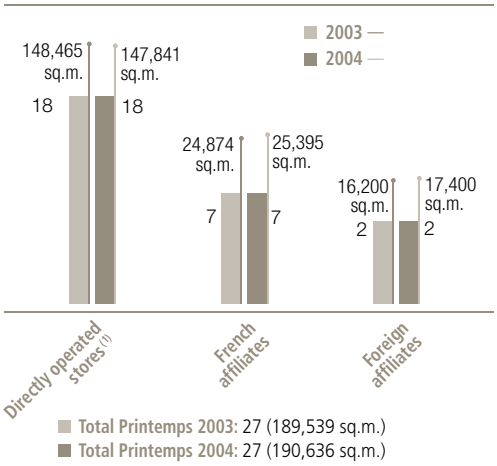


Highlights of 2004 and outlook

In 2004, highlights included the new Printemps advertising campaign and the events developed in its stores (*Numéro de Charme* theme for lingerie, *Invasions Gourmandes* for home furnishings, etc.). The company also pursued its store renovation program. The 3,000 sq.m. men's wear department at the Haussmann store was redesigned through a new merchandising approach and a clearer store layout. The entire 2nd floor (3,000 sq.m.) of the Printemps Fashion store was devoted to a new Designers' department. One year after opening, the Printemps Beauty was still attracting customers by opening the Make-up Bar on the ground floor and a new natural food restaurant on the 1st floor. In France, the Toulon, Parly and Le Havre stores were renovated.
For Madelios, 2004 featured the introduction of the new concept and opening of the new store on Place de la Madeleine in Paris. Lastly, in the Sports division, Made In Sport opened three new stores - in Bordeaux, Rennes and Grenoble - and increased the number of partnership agreements with major professional sports organizations (event organizers, brands and French soccer clubs). In partnership with Nike, the store launched the "magalogue" – a combination magazine and catalogue – with a circulation of 150,000 copies.

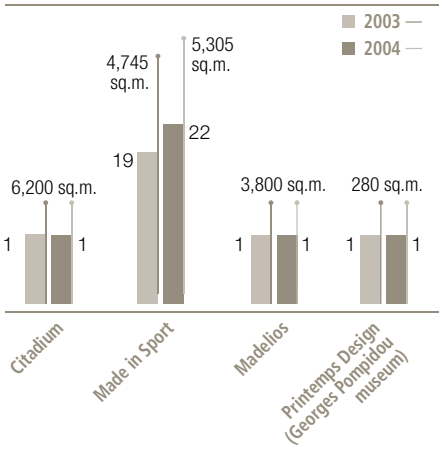
In 2005, major construction work will be done at the Printemps Haussmann store, to redesign the women's and men's accessories departments and expand the lingerie and children's departments. In the Chain, three stores will be fully renovated in 2005 and 2006: the Marseilles Printemps store, which will be expanded by 1,000 sq.m. and which will house a new Fnac on the mezzanine level; the Metz Printemps store, the shell and facade of which will also be restructured; as well as the Deauville store. The major French airports, which already include eight Printemps stores, will have four new outlets. In the Sports division, Made In Sport will open at least two new stores. The selling areas in the Citadium store will be redesigned. The Citadium.fr web site, showcasing the whole of the megastore's universe, will be launched in synergy with Made in Sport.

Printemps stores
Number of stores and selling space



Total Printemps 2003: 27 (189,539 sq.m.)
Total Printemps 2004: 27 (190,636 sq.m.)

Printemps subsidiaries
Number of stores and selling space



(1) *Including Printemps Haussmann: 43 150 sq.m. in 2003. 43,700 sq.m. in 2004.*

PPR's activities • Retail
• *Apparel and Lifestyle*

2004 sales (1) €4,398.3 M 52.9% of sales generated outside of France

Redcats

- No. 3 worldwide in home shopping sales
- Active in 18 countries through 17 brands
- Three distribution channels:
  - o 53 e-commerce sites
  - o 30 catalogues
  - o 102 stores in France and abroad
- More than 100 billion pages printed every year
- 22 million customers
- 100 million packages distributed per year

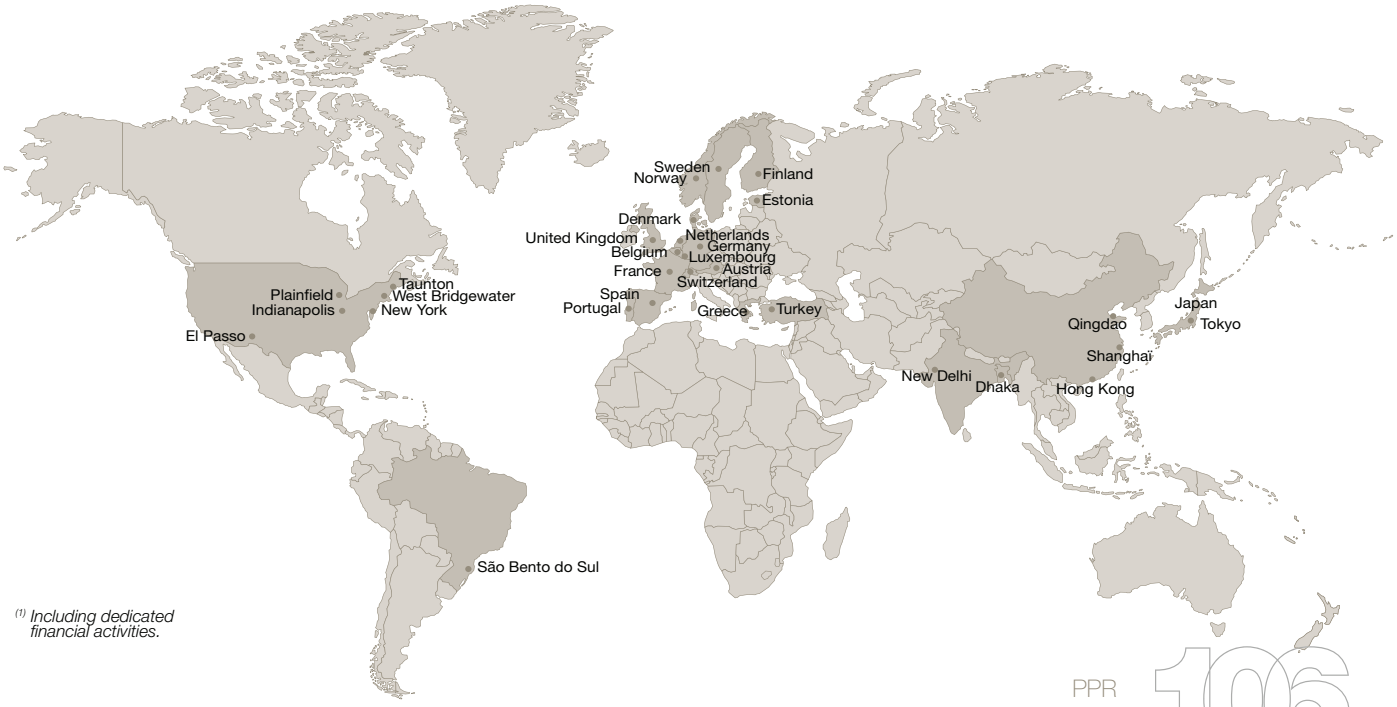
Business concept

Redcats represents a common business, home shopping sales, drawing together established, easily identifiable brands that are leaders in their respective markets. Redcats covers product categories mainly in the areas of apparel and home furnishings and appliances. In-house stylists and designers create 85% of its textile products and 75% of its furniture. The company is active in 18 countries and uses a multi-channel retail approach combining catalogues, web sites and specialty stores.

A portfolio of leading brands

Redcats has a portfolio of prestigious brands. Whether specialists in a specific segment or multi-specialists serving a broader public, they develop new products and services. The brands constantly seek to be at the cutting edge in terms of innovation and creativity in order to better anticipate customer expectations and meet their wishes.

Map of Redcats sites in the world



(1) *Including dedicated financial activities.*

2004 operating income (1) €229.3 M +3.4% from 2003

20,710 employees at end 2004

• French brands

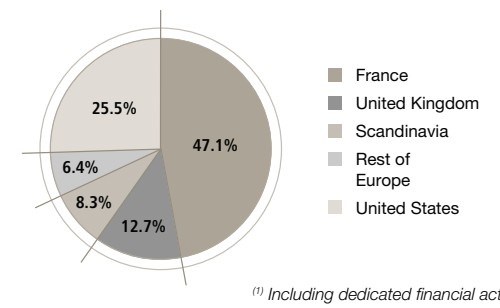
As a leading ready-to-wear brand in France, **La Redoute** offers French-style fashion in nine countries. With 12 million customers, La Redoute deploys its apparel offering via its generalist catalogue and specialized catalogues, such as Anne Weyburn – for older women – or Taillissime – for outsizes. The brand is also involved in home furnishings and decoration with specialized catalogues, such as *Solutions Maison* (Home Solutions), AM.PM and So'Home. Its multi-channel product offering is based on a guaranteed 24-hour delivery service. In 2004, La Redoute confirmed its role as a player in the fashion industry by including well known designers and celebrities in its catalogues. During the year, the brand also developed its product offering (the "*Unité La Redoute*" brand) and innovative services ("*Livraison bonheur*" and digital photo processing on the web). La Redoute recorded a 4.3% increase in sales thanks to new market share gains in France and an excellent performance internationally (22% of sales), especially in Spain, the United States and Sweden. In 2005, the brand will continue to expand outside of France with the opening of two subsidiaries in Norway and Greece.

La Maison de Valérie specializes in goods for the home (furniture, decorative items, video, music, etc.). Aside from its two half-yearly catalogues, the brand publishes mini-catalogues combining a selection of items, and in 2004 it launched its web site. The growth in sales reflects the success of the brand's repositioning.

Verbaudet, Somewhere and **Cyrillus** make up the Redcats Children and Family division.
Vertbaudet specializes in children's fashions and publishes two catalogues, "*Histoires d'Enfants*" (Children's Stories) for ready-to-wear, and "*Histoires de Chambres*" ("Bedroom Stories"), devoted to furniture, decoration and bed linens. In 2004, Vertbaudet continued to grow at a steady pace, with an 11.7% increase in reported sales, thanks to the performance of its catalogues, its successful marketing drive and the growth of its store network in shopping centers and downtown areas. Its Internet sales, which were up sharply, doubled over the year. The United Kingdom and Portugal account for 21.2% of Verbaudet's sales.
Somewhere is a casual wear specialist, using new technologies and posting strong growth on the Internet. Cyrillus updates classic styles for the whole family. As a multi-channel brand, Cyrillus publishes nine catalogues in four languages, and has just added a network of more than 41 up-market stores and web sites.

The Redcats "Senior" brands include **Daxon**, covering fashion, lifestyle and home furnishings, **Celaia** for active women over 45 and **Edmée** for outsizes. These brands experienced strong sales pressure in 2004. Nevertheless, sales at the main brand, Daxon, grew of 3.8%. Active in France, Belgium, Great Britain and Germany, the brand diversified in 2004 and launched "Lingerelle," its own lingerie brand, and "Alpen Nature" in the health and lifestyle area.

Breakdown of 2004 (1) sales by geographical area



(1) Including dedicated financial activities.

• UK brands

Empire Stores offers two general catalogues focusing on fashion for the whole family and products for the home. With its network of agents, this brand is unique. The agents accounted for 44.5% of 2004 sales generated in the U.K. In 2004, the company carved out another niche in its market segmentation by successfully launching a new brand, "*La Vie*" ("Life"). Thanks to its infrastructure and knowledge of the U.K. market, La Redoute, Daxon and Vertbaudet were successfully launched in the United Kingdom.

• Scandinavian brands

Ellos, a leading brand in Scandinavia, offers a multi-style apparel line for the whole family. Its catalogues include many house brands: "Sara Kelly" for active women, "Casual Woman" for women seeking the authentic look, "Joelle," trendy and creative, or "Broadcast," a men's line of daywear. Active in Sweden, Norway, Denmark and Finland, Ellos innovated in 2004 by launching "Nuova," a new catalogue for senior people. It added to its textile product line with the acquisition of **Jotex**, a specialist in home textiles.

Dedicated to the modern homemaker, **Josefssons** offers active women a number of concepts such as "United" (a jeans brand), and "Panos Emporio," produced in conjunction with one of the most famous designers in Scandinavia. Josefssons also works with French brand Vertbaudet on the "Children's" section of its general catalogue. In 2004, the brand was successfully launched in Norway.

• American brands

In women's ready-to-wear, **Chadwick's of Boston** is the flagship brand for active women with its multi-style and multi-channel sales approach. The new management team appointed in the first half of 2004 succesfully; improved the customer database. Brand sales were up in the fourth quarter, at comparable exchange rates. **Lerner** has a unique approach: it focuses on the latest trends at low prices. In 2004, Lerner benefited from improvements in its merchandising and customer targeting, to record 5.4% sales growth during the year.

In the outsize category, Redcats US is a leading player in women's ready-to-wear, with **Lane Bryant**, **Roaman's** and **Jessica London**, as well as in menswear, through its **KingSize** brand. Lane Bryant, the recognized leader in the American market, offers casual fashions. In 2004, the brand confirmed its renewed vigor with significant sales growth at constant exchange rates, driven by a more targeted promotions policy, a category of flagship products and more effective direct marketing. Roaman's offers a fashion sportswear line; while since 2003, Jessica London has carved out new market share by focusing on young, affluent buyers. KingSize, dedicated to men, reported strong growth at constant exchange rates, driven by its exciting 2004 catalogues, with the successful addition of new "hunting and nature" collections.

Redcats US also sells home appliances and furnishings through **Brylane Home** with three catalogues: Home, Kitchen and Wishes.

Competitive environment

Redcats is the third largest home shopping company worldwide after Otto Versand and Quelle.
Traditionally, the home shopping market includes mail-order companies that were focused historically on textiles. The gradual diversification into non-apparel markets and the development of on-line sales expanded both the market and the competition with department stores, specialized chains and e-commerce players.
Redcats stands out clearly from the other players in its various markets, thanks to its multi-channel approach and specialized catalogue concepts. Each of its brands conveys clearly defined values, which can be easily identified by customers. Redcats has maintained its market share and is ranked as follows:
- No. 1 in France with a catalogue mail-order market share estimated at 28.6%;
- No. 1 in Scandinavia, with a catalogue mail-order market share estimated at 24.1%;
- No. 3 in the United States with a major brands catalogue market share estimated at 11.9%;
- No. 5 in the United Kingdom, with a catalogue mail-order market share estimated at 4.3%.

Strategy

• A multi-channel approach

Redcats operates via three sales channels, providing the customer with easy access and greater responsiveness. Its 17 brands produce 30 catalogues, which are updated every season with new concepts added regularly. In addition to the catalogues, there is a network of some one 100 specialized stores. Lastly, the Internet is turning out to be a tremendous growth driver for all brands and all geographical areas. Backed by traditional know-how in managing mail-order customer relations and a logistics infrastructure for parcel deliveries at competitive prices at 3,400 locations in France, Redcats has developed a vast Internet network of 53 e-commerce sites in 14 countries. Through new offerings and services, relations developed with customers are now further enriched. In 2004, Internet sales amounted to €806.3 million, up 31.3% compared with 2003. E-commerce accounted for 18.7% of Redcats sales, compared with 14.1% in 2003.

• Continued expansion outside of France

Redcats generates 52.9% of its sales outside France. This strong international presence helps to broaden product offerings, and to optimize and pool the resources implemented. Reflecting this success, the French brands La Redoute, Daxon and Vertbaudet are reporting very strong growth internationally. Sales generated in Europe in 2004 were up 3.5%, with strong performances in Spain (+53.0%), Austria (+16.2%) and Switzerland (+8.8%). Sales in the United States declined by 11.3% (-0.6% at comparable exchange rates and numbers of days), due notably to lost sales after the strategic decision to terminate the relationship with Sears, which was licensed as exclusive distributor for Redcats US. The tangible results from intensive work on the customer database and direct marketing in the United States contributed to a recovery in the third quarter that proved even more pronounced in the fourth quarter.

• Optimizing logistics and sourcing for better customer satisfaction

Optimizing sourcing in textiles represents a major objective for Redcats. The company is backed by a network of six purchasing offices located in China, Hong Kong, India, Turkey, Brazil and Bangladesh in order to trade on the best terms. Redcats has also pooled the IT resources for its mail-order and on-line businesses to cut costs. In terms of deliveries, in December 2003, Redcats US signed a delivery services contract with UPS in order to cut average delivery time by two days and introduce package tracking. In France, La Redoute, which for more than 10 years has offered overnight delivery, launched "*Livraison bonheur*," which enables customers to set the delivery date as soon as the order is taken.

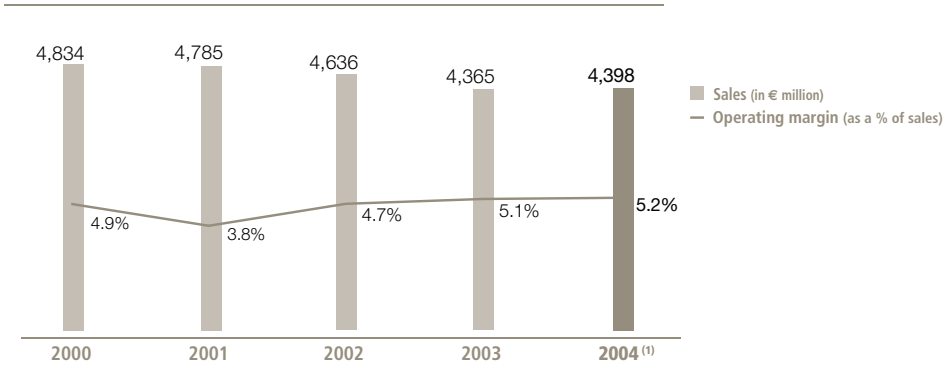
• Innovation at the heart of the brands

Creativity is a major strategic focus for Redcats, which is developing new initiatives at a faster pace in order to better meet customer demand. In ready-to-wear, Redcats continued to improve segmentation and launched new house brands that are both strong and distinctive, such as "*Unité La Redoute*." Redcats has also developed partnerships with famous designers and actors to enhance its image as a player in the fashion industry. To open up new segments with different cycles, Redcats has expanded its non-apparel offering. The company is stepping up its efforts to produce specialized catalogues, such as La Redoute's AM.PM. in furniture, Vertbaudet's "*Histoires de chambres*", La Redoute's *"Solutions maison"* (home solutions) and Brylane Home.

Financial results

In 2004, Redcats posted annual sales of €4,398.3 million [1]. In 2005, Sears will be discontinued as distributor under an exclusive license for Redcats US. Excluding the Sears business, the company's sales remained stable for the year, after a negative impact of 2.5% related to the decline of the dollar. The good performance at constant exchange rates in a difficult market reflects the excellent performance by the brands in France, the recovery in the United States and the steady growth of on-line sales.
Operating income stood at €229.3 million, up 3.4% over 2003. This increase was mainly generated by La Redoute and the Children and Family division.

Changes in sales and operating margin since 2000



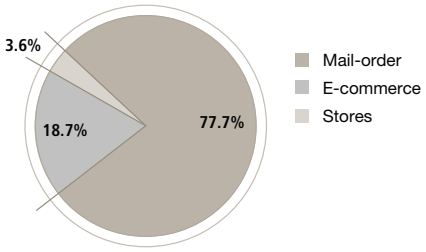
(1) Including dedicated financial activities.

Highlights of 2004 and outlook

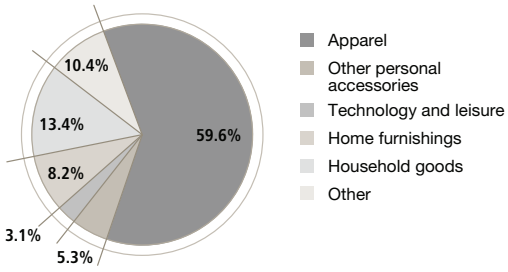
In 2004, the Redcats flagship brands confirmed their success, reflecting steps taken to improve their market positioning, catalogues, product offering and customer databases. Outside of France, Redcats further developed its business in the Scandinavian market through a number of promotional campains and the purchase of Jotex, a specialist in mail-order sales of textiles for the home. In the United States, the company emphasized direct marketing drives for all of the American brands, based on the approach implemented in Europe. At year-end, there were tangible signs of recovery, notably on the misses business and outsize sales, which are increasing sharply.

In 2005, the catalogues continue to innovate. In its Spring/Summer catalogue, La Redoute is offering its customers designer label clothing by Jean-Paul Gaultier. Pushing its segmentation even further, at the beginning of the year Redcats US launched three new catalogues: two on overstocked item ("Brylane Catalogue Outlet" and "Chadwick's Catalogue Outlet") and an outsize lingerie catalogue by Roaman's called "Intimate Promise". La Redoute continues to expand internationally, with offices in Norway and Greece. Regarding projects spanning Redcats, in January the company launched its Sourcing to Consumer (S2C) project, designed to further strengthen its sourcing and improve the purchasing organization and performance. An Internet platform to be shared by all the brands will be launched in the first half of the year.

Breakdown of 2004 sales [1] by selling format



Breakdown of 2004 sales [1] by product category



[1] Including dedicated financial activities.

2004 sales **€1,860.8 M** +49% in five years

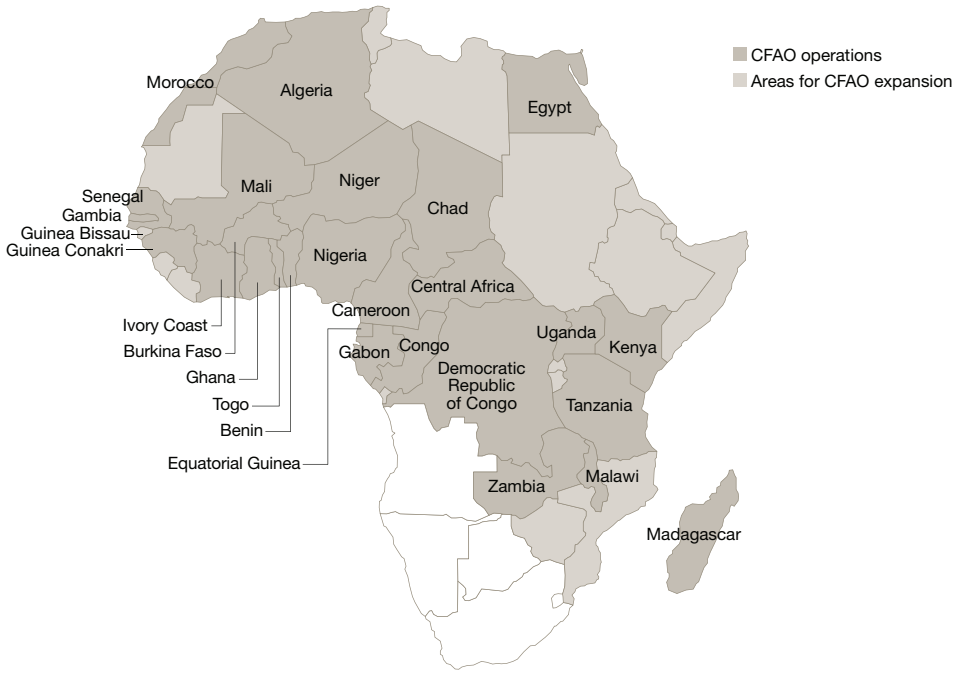
CFAO

- A leader in Automobile sales and Pharmaceutical products in Africa and the French overseas departments and territories
- A major player in retail sales of New Technologies
- Active in 29 African countries and 6 French overseas departments and territories
- 127 subsidiaries and 272 sites
- 34,200 new vehicles sold in 2004
- 15,000 pharmacies delivered daily

Business concept

CFAO distributes internationally recognized products in three core businesses: Automobile (49% of 2004 sales), Healthcare (31%) and New Technologies (5%). The company is also active in the production and distribution of consumer products. In each of its businesses, CFAO is backed by dedicated teams of professionals. Its 10,309 employees work in 127 subsidiaries and 272 sites. CFAO has been present on the African continent for over a century, and is active in 29 African countries (65% of economic sales) and 6 French overseas departments and territories.

Map of CFAO operations in Africa



(1) Including equity affiliates.

2004 operating income **€163.4 M** +6.0% over 2003 **10,309** employees at end 2004

Competitive environment

With 34,200 new vehicles sold and €916.7 million in sales in 2004, CFAO is the leader in Automobile sales in Africa (excluding southern Africa). CFAO is the distributor for the large international car-makers such as Toyota, PSA Peugeot Citroën, Renault/Nissan, General Motors, Daimler Chrysler and Ford. CFAO is also the leading Pharmaceutical Distribution company on the African continent and in the French overseas departments and territories, with sales of €581 million in 2004 and 37% of the pharmaceutical distribution market in sub-Saharan Africa. Lastly, CFAO aims to become a major player in New Technologies in Africa. Its dedicated activity, CFAO Technologies, is carving out market share as a "solutions integrator" in information technology, telecommunications, networks and office automation. CFAO Technologies represents the world leaders in the sector: IBM, Cisco, Oracle, Siemens, Motorola, Sharp, etc. In 2004, CFAO Technologies posted sales of €92.4 million.
With no real competitor of comparable stature on the African continent, CFAO offers each of its customers in each of its businesses its professionalism and its know-how as well as international quality standards.

Map of CFAO operations in the world



CFAO

Strategy

Relevant growth

From 1999 to 2004, out of the €247 million invested by CFAO, a total of €84 million was devoted to expansion, with 10 businesses formed, 17 acquisitions and operations established in 12 new countries. Over the past 10 years, CFAO has undergone a period of outstanding growth and profitability. Its sales and operating income more than tripled. This performance underscores the success of its investment strategy, including countries reputed to represent high risk. This success is underpinned by strong control of the risk/profitability matrix combined with diversification from both a geographical and a business standpoint.

Expanding market share in North and East Africa

One of the top priorities of the CFAO growth strategy in the medium term is to focus on the markets of North Africa, from Morocco to Egypt.
In the automobile sector, CFAO has negotiated exclusive distribution agreements with General Motors in Morocco and Algeria, for the Opel, Chevrolet and Isuzu brands. In these two countries, business grew by 78.9% in 2004. For its part, Eurapharma, the CFAO heath subsidiary, captured 12% of the Egyptian pharmaceutical distribution market in two years. In 2004, Eurapharma's business in Egypt grew 31.3%. CFAO Technologies reported a 33.6% increase in sales in Algeria.
Over the next five years, CFAO has set a goal of generating one-third of its sales in the countries of North Africa, compared with 13% today. At the same time, CFAO aims to bolster its positions in English-speaking Africa, particularly in East Africa.

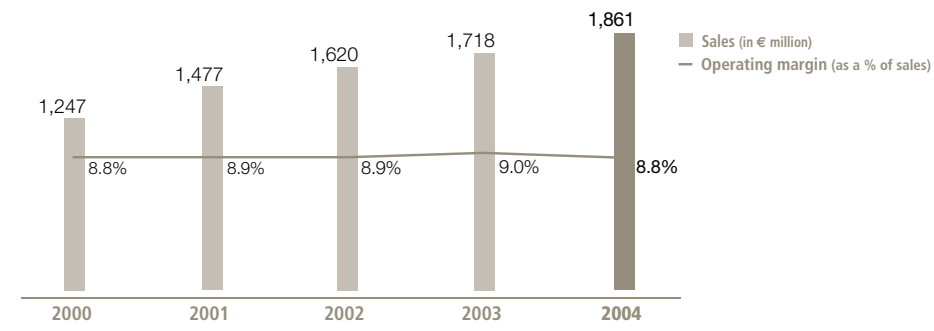
CFAO: A trusted, quality brand in its markets

As a distributor of major global brands, CFAO stands out from its competitors with its efficient "before and after sales" customer service, its constant emphasis on operating investments (as illustrated by its showrooms, stores, warehouses, workshops, equipment, information systems, etc.), and with its supply chain capable of quickly supplying markets far from production centers.
To project an image that sets it apart, CFAO launched a drive to improve the quality of customer service, as new tools and work methods were gradually introduced. For example, CFAO created an Automobile Quality Charter throughout its network of dealerships. Subsidiaries that have achieved the objectives set are "certified" by CFAO.

A socially responsible company

CFAO cannot conceive of its role as a player in the economy without adding a strong commitment to corporate social responsibility. Thus in October 2002, the company created the *CFAO Solidarity* non governemental organization, which primarily focuses on education, vocational training, health and hygiene (and in particular, projects to fight AIDS).

Changes in sales and operating margin since 2000



Financial results

CFAO's sales rose 8.3% to €1,860.8 million in 2004, despite economic and political problems, notably in Ivory Coast and Nigeria. Automobile sales increased by 7.1%, and pharmaceuticals by 8.3%, while CFAO Technologies continued to grow at a steady pace, posting a 16.7% increase in annual sales.
Operating income rose by 6% to €163.4 million, driven by the company's excellent performances in North Africa.

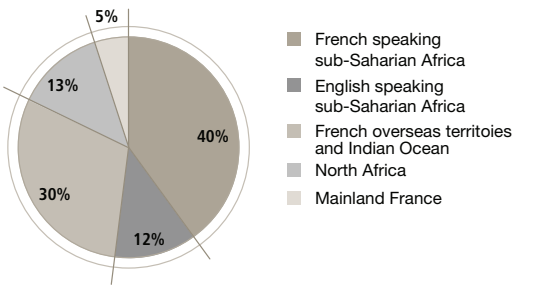
Highlights of 2004 and outlook

CFAO pursued its organic growth in 2004.
The automobile business grew by 78.9% in North Africa (sales increased threefold in Algeria) and by 14.7% in the French overseas departments and territories, thanks in particular to the excellent performance in Reunion. Although the market was weak in the countries of Central Africa (with the exception of Democratic Republic of the Congo, where sales increased 83%), substantial increases in sales were reported in the Sahel countries.
In 2004, a number of dealerships, designed according to European standards and focused on customer satisfaction, were opened in Kenya, Tanzania, Gabon and Mauritius. In healthcare, Eurapharma established operations in Niger, then in Saint Martin. In 2005, the CFAO Healthcare division will open its new logistics site in Rouen, and its very first automated pharmaceutical distribution company, in Martinique.
Meanwhile, CFAO Technologies, with the assistance of its partner IBM, is focusing its business increasingly on providing services. At year-end 2004, services already accounted for 40% of its sales.

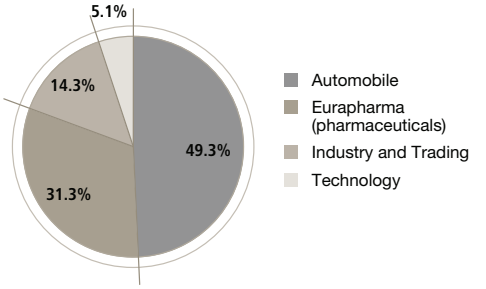
In 2004, CFAO also stressed improvements in customer service, a project that was completed by adapting the company's information systems. In the automobile network, 70% of the 161 Quality Charter criteria in terms of services for customers were already met. In 2005, every CFAO subsidiary will have to concentrate on validating the 77 advanced-level criteria, representing the culmination of the project. In healthcare, Eurapharma received ISO 9001 certification for the first time for its subsidiary in Martinique – a guarantee of quality for all of its customers. In Cameroon, Laborex launched a new differentiation tool, the "Laborex Club," for its pharmacist customers. Based on its success, this concept was duplicated in Ivory Coast and Burkina Faso.

In 2005, CFAO plans to exceed the €2 billion mark in sales with the aim of making acquisitions to supplement its positions in high-potential markets. In February, CFAO Technologies bought the business of Intelec Communications, thereby strengthening its telecom solutions offering, and making it a major player in telecommunications in Ivory Coast.

Breakdown of 2004 economic sales [1] by geographical area



Breakdown of 2004 sales [1] by activity



[1] Including equity affiliates.

Other activities

Kadéos

- No. 1 in gift vouchers in France and Europe
- 30% of the French gift voucher market (sales to individuals and corporations)
- More than 60 retail partners
- €340 million in gift vouchers issued in 2004, up 11.5%
- More than 13,000 customers in the corporate market
- 81 employees in France and abroad at December 31, 2004

Business Concept

Created in January 2000, Kadéos develops and markets a wide range of gift vouchers which can be used at more than 60 retail companies, of which 40 are exclusive partners. Kadéos fully exploits the synergies of the PPR group (Fnac, Printemps, Conforama, Redcats and their subsidiaries) while developing partnerships with other companies in specific areas (Club Med for travel, Go Sport for sports, Toys'R'Us for toys, Jean Louis David for haircare, etc.). The Kadéos gift voucher can be used for entertainment, fashion, home furnishings, computers, and leisure in more than 500 sales outlets and 3,000 *Relais-Colis* (parcel delivery outlets) in France and also on the Internet and in mail-order sales. Kadéos is active in six European countries: France, Italy, Spain, Belgium, Luxembourg and Portugal.

Competitive environment

In less than three years, Kadéos has become the top gift voucher company in France and Europe. The company operates in two markets: the B-to-B market with corporate management and works councils, and the B-to-C market with individuals. Corporations have long used gift vouchers as a reward and incentive for their employees and partners. This gift gesture is also extremely popular with works councils for Christmas, weddings, Mother's Day and Father's Day, birthdays and retirements. Kadéos does 70% of its business in the B-to-B market. In 2004, with €240 million in gift vouchers issued to companies, Kadéos controlled 25% of the French B-to-B market, which includes more than 200,000 companies and 30,000 works councils [1]. The individual market (B-to-C) is booming and expected to grow substantially in the years to come. A study conducted by Deloitte in 2004 showed that more than one-third of French people wish to receive gift vouchers for Christmas. Furthermore, the gift voucher is turning out to be the most appropriate gift for a growing number of French buyers (53%), who want until the last minute to do their Christmas shopping. In 2004, Kadéos issued €100 million in gift vouchers to individuals in France and abroad, giving it more than 55% of the B-to-C market in France.

Strategy

A pioneering position in a booming sector

In March 2005, Kadéos launched on the French market a new multi-company gift card at Fnac, Printemps, La Redoute, Made in Sport, Citadium, Madélios, Conforama and Redoute.fr. Designed to replace the gift voucher, the Kadéos gift card has a number of advantages, such as self-service sales, multi-channel use (Internet, telephone and store), enhanced security and a more contemporary format. Underpinning Kadéos' market position as a pioneer, this new card boosts Kadéos's sales potential by more than 30% while improving profitability and minimizing constraints for the retail companies.

[1] *Source: Dun & Bradstreet.*

Continuing to expand in Europe

The European gift voucher market is booming and far from maturity. The United Kingdom is the most advanced country in this area but remains well behind the United States and Japan, which is the world leader with more than €10 billion in gift vouchers sold per year. Recent studies show a growing taste for them in countries such as Belgium, the Netherlands, Ireland, France, Germany, and the U.K., which ranked the gift voucher among the Top Five gifts featured on holiday wish lists in 2004 [1].

To consolidate its leading position in France and exploit the strong growth to come, starting in 2003 Kadeos expanded the range of countries accepting its gift vouchers to include Spain, Italy, Portugal, Luxembourg and Belgium. Based on its initial success in 2003 and 2004, Kadéos is now considering extending the program to Switzerland. The Swiss market is commercially attractive but atypical in that it is not part of the euro zone, which means a dedicated system must be implemented. Within five years, Kadéos aims to generate 20% of its business outside of France.

Financial results

Kadéos is a cross-functional organization which manages the gift voucher business of PPR's retail companies. Sales, which correspond to the commissions received when checks are issued, amounted to €15.5 million in 2004, up 9.2%. Kadéos generated an operating contribution of €0.2 million.

Highlights of 2004 and outlook

In 2004, Kadéos launched an unprecedented promotional campaign aimed at bolstering its market leadership. For 15 weeks starting in September, the company was featured on advertising screens of French news network LCI, which is the benchmark TV medium for reaching corporate decision-makers in charge of purchasing and awarding gift vouchers. This campaign generated more than 2.5 million contacts. In November and December, a period accounting for 30% of Kadéos's annual sales, the company also launched a powerful advertising campaign combining television (in partnership with national network France 2), radio (on six stations) and the print press.

[1] Source: 2004 Deloitte study.

Orcanta Lingerie

Created in 1996, the Orcanta lingerie chain operates 64 boutiques in France. Orcanta Lingerie invites its customers into a warm, contemporary world designed like a private apartment. The company offers three product ranges, with the best models of the major lingerie brands, which are constantly updated.

The lingerie market is an particularly competitive with specialized retail chains, hypermarkets, supermarkets, and department stores. Orcanta stands out from its competitors with its trendy, high-end, multi-brand product line.

In 2004, Orcanta reported sales of €51.1 million, up 6.5%. Orcanta focused on improving its results through its marketing campaigns and quality of service (including advisory services). Operating income reached breakeven for the first time.

In February 2004, Carole Balas became Chairman of the Orcanta Management Board. After spending most of her career at Printemps, she succeeded Luc Fershing.

MobilePlanet

Business concept

Established in 1993, MobilePlanet offers 5,000 products by major brands, as well as mobile information solutions, to a clientele of individuals and corporations.

The product offering is built around eight product categories: personal digital assistants (PDAs), mobile phones, digital cameras, MP3 players, accessories, laptop computers, peripherals and software solutions.
For its corporate customers, the company offers global solutions (hardware and applications) consistent with the existing communications architecture, as well as a variety of services (warranty extensions, network management, etc.). MobilePlanet sells its products through an on-line store on its web site, a mail-order catalogue and a call center, for personalized customer services or follow-up.

Competitive environment

MobilePlanet is one of the major players in mobile equipment sales for individuals and corporations in the highly fragmented and booming American market. The company is specialized in nomad products. Its success stems from its partnership policy with the manufacturers and developers of major brands, such as Hewlett-Packard, Microsoft, Apple, Jabra, PalmOne, SanDisk, Socket, and Symbol. Its clients include a large number of small and medium-sized businesses and governmental institutions, but also some major prestigious accounts including Johnson & Johnson, Boeing, Ford and Coca Cola,

Financial results

In 2004, MobilePlanet had sales of €17 million.

REXEL

Created in 1967, Rexel is the world's leading distributor of low voltage, low current electrical equipment. It is at the heart of the relationship between manufacturers and building, maintenance and renovation professionals. Its customers include specialized installers, major accounts or small and medium-sized businesses in the residential, industrial and services markets. As a multi-specialist, its product offering includes 1.2 million items and is built around seven product ranges: lighting, pipes and cables, electrical installation equipment, air-conditioning systems, tooling, white and brown goods, security and communications. As a multi-channel distributor, Rexel is active in 29 countries through a network of 1,707 agencies and a number of web sites.

Finalizing its strategic shift from to Retail and Luxury Goods, on December 10, 2004, PPR signed a final agreement to sell its 73.45% stake in Rexel to a consortium of financial investors, including Clayton, Dubilier & Rice, Eurazéo and Merrill Lynch Global Private Equity. The deal was priced at €38.50 per share, corresponding to an enterprise value (the value of the company sold including net financial debt and securitization of unconsolidated trade receivables) of €3.8 billion for 100% of the company. At December 10th, Rexel had posted sales of €6,486.0 million and operating income of €293.9 million.
On January 27, 2005, Ray Acquisitions SCA, a private equity company indirectly held by the same consortium, filed a draft price guarantee agreement with the *Autorité des Marchés Financiers* (AMF, the French regulatory authority) for all outstanding Rexel shares (26.55% of the capital). Ray Acquisitions SCA agreed for a period of 20 trading days from February 14 to March 11, 2005 to acquire any Rexel shares tendered to it under the price guarantee agreement, at the unit price of €38.50 per Rexel share prior to the payment of an exceptional dividend of €7.38 per share to be made on March 4, 2005 and at €31.12 per Rexel share from March 4, 2005.

Table of Contents

Financial Information

122 2004 ACTIVITY REPORT

- 122 Foreword
- 122 Highlights of 2004
- 124 2004 activity and results
- 132 Analysis of performance by division
- 137 Financial structure and cash flow
- 140 Other key events
- 141 Subsequent events
- 141 Outlook

142 TRANSITION TO IAS/IFRS STANDARDS

150 INVESTMENT POLICY

- 150 Financial investments
- 153 Operating investments
- 154 Other investments
- 154 Outlook

155 RISK MANAGEMENT

- 155 Financial risks
- 157 Legal risks
- 158 Insurance risk
- 159 Employee-related and Environmental risks

160 CONSOLIDATED FINANCIAL STATEMENTS

160 Consolidated income statement
161 Consolidated balance sheet
162 Consolidated cash flow statement
163 Consolidated statement of changes in shareholders' equity
164 Information by division
165 Information by geographical area
166 Notes to the consolidated financial statements
213 List of consolidated subsidiaries
221 Statutory Auditors' report

222 PARENT COMPANY FINANCIAL STATEMENTS

222 Parent company balance sheet
223 Parent company income statement and cash flow statement
224 Statement of changes in shareholders' equity of the parent company
225 Notes to the financial statements
234 Direct subsidiaries and affiliates
236 Securities portfolio
237 Parent company's financial results for the last five years
238 Parent company report
245 Statutory Auditors' reports

2004 Activity report

Foreword

Definition of the business divisions of the Group

The expression "New PPR", which has been used by PPR since 2002 to refer to the target structure of the Group, corresponds to the Group structure as of December 31, 2004. As from that date, the Group has been structured into two business divisions as follows:

- Luxury Goods, comprised of the Gucci Group companies, including Gucci, Bottega Veneta, Yves Saint Laurent, YSL Beauté and all other brands;

- Retail, including Conforama, Fnac, Mobile Planet, Printemps, Redcats and Redcats' consumer credit business in the UK and Scandinavia, Orcanta, Kadéos and CFAO.

Definition of pro forma financial and operating indicators

In order to facilitate comparisons between the fiscal years ended December 31, 2004 and December 31, 2003, financial and operating indicators (sales, gross margin, operating income, EBITDA) were drawn up in line with the following principles:

- results for the Luxury Goods division were consolidated over 12 months from November 1, 2003 to October 31, 2004;
- companies sold or no longer consolidated in 2004 or 2003 were deconsolidated as from January 1, 2003;
- companies acquired and fully consolidated for the first time in 2004 or in 2003, were consolidated over 12 months in 2004 and 2003;
- for foreign subsidiaries, the 2003 income statement items were translated at the average exchange rate for 2004.

Definition of the concepts of comparable and pro forma figures

Actual sales correspond to the reported sales of the Group.

The Group also uses the concept of "comparable" figures, which enables it to assess its organic growth. The concept of "comparable" sales figures entails restating 2003 sales, taking account of:

- the impact of changes in Group structure in 2003 or 2004;
- translation differences relating to foreign subsidiaries' 2003 sales;
- the impact of calendar effects for 2003 and 2004.

Due to the consolidation of Luxury Goods sales over 14 months in 2004, comparable 2004 sales correspond to sales for the 12-month period from November 1 to October 31.

Highlights of 2004

Offer to purchase Gucci Group NV common shares

In accordance with the commitments set forth in the Settlement and Stock Purchase Agreement ("SSPA") dated September 9, 2001 between Pinault-Printemps-Redoute, Gucci Group NV and LVMH Moët Hennessy-Louis Vuitton SA, and in accordance with the Amended and Restated Strategic Investment Agreement dated September 10, 2001 between Gucci Group NV and Pinault-Printemps-Redoute, on April 1, 2004, the Group launched an offer to purchase (the "Offer") all the outstanding Gucci Group NV common shares not beneficially owned by the Group as of that date at a price of US$ 85.52 per share.

On Thursday, April 29, 2004, at the end of the initial offering period, 33,267,342 Gucci shares had been tendered and not withdrawn and 1,364,670 Gucci shares were tendered with notice of guaranteed delivery. As of this date, the Group owned 99.23% of the Gucci Group. In accordance with the terms of the initial offering, the Group extended the Offer period (the "Subsequent Offer Period") to May 20, 2004.

On May 20, 2004, at the end of the Subsequent Offer Period, 34,906,084 Gucci shares had been tendered, increasing the Group's stake to 99.39%.

At the close of the Offer, the Gucci share was suspended from the New York Stock Exchange ("NYSE") on April 30, 2004, then officially delisted from NYSE and Euronext on June 14, 2004 and July 1, 2004, respectively.

Consequently, the Group petitioned the competent courts in the Netherlands to initiate a mandatory withdrawal of all common shares not owned at the close of the Offer. Completion of the compulsory buy-out is scheduled for 2005. Accordingly, the Group assessed its maximum commitment at US$ 54 million.

As of December 31, 2004, the Group held 99.41% of the share capital of Gucci Group.

Sale of an additional 24.5% stake in the consumer credit business

During the year, the Group sold its remaining 24.5% stake in its Credit and Financial Services division to Crédit Agricole SA for a total consideration of €636.7 million. The sale was completed in two tranches: with the sale of a 14.5% stake in March 2004 for €371.6 million, and the sale of the residual 10% stake in December 2004 for €265.1 million.

At the same time, Pinault-Printemps-Redoute and Crédit Agricole have agreed to develop their partnership agreements in order to ensure the long-term continuity of relations between Finaref and the companies of the PPR Group.

Disposal of Rexel

On December 10, 2004, the Group signed a definitive agreement with the consortium formed by Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity ("Ray Consortium") for the sale of its 73.45% stake in Rexel, the world's leading distributor of electrical parts and supplies. The sale was closed was closed at a price of €38.50 per share, which included payment of an exceptional dividend of €7.38 per share. This represents an enterprise value for 100% of the company (including net financial debt and securitization of unconsolidated trade receivables) of €3.8 billion.

Pursuant to the completion of this agreement, the Rexel group was fully consolidated in the Group's financial statements until December 10, 2004, the effective date at which the Group transferred management control of the company.

Alignment of Gucci Group's fiscal year-end

In order to improve the clarity of the financial statements of the newly structured Group, the fiscal year-end for all Gucci Group companies was aligned as of December 31, 2004. The Group's reported results therefore include Gucci Group results over the 14-month period from November 1, 2003 to December 31, 2004.

2004 activity and results

Sales

Consolidated sales totalled €24,212.7 million in 2004, down 0.6% on the previous year. This change in actual sales is broken down by division as follows:

(in € million)	2004	2003	Changes (%)
Luxury Goods [1]	3,212.2	2,560.5	25.5%
Retail	14,542.1	13,903.2	4.6%
"New PPR"	**17,754.3**	**16,463.7**	**7.8%**
Rexel [2]	6,486.0	6,658.4	-2.6%
Miscellaneous [3]	-	1,268.8	NM
Inter-company eliminations	(27.6)	(30.1)	NM
Consolidated total	**24,212.7**	**24,360.8**	**-0.6%**

[1] 2004 consolidated total over 14 months from November 1, 2003 to December 31, 2004.
[2] 2004 consolidated until December 10.
[3] Pinault Bois & Matériaux and Guilbert's contracting business sold in the first half of 2003.

The change in actual sales reflected the consolidation of Gucci Group sales over an additional two-month period (two months to December 31, 2004) totalling €532.9 million, and the net negative impact of changes in Group structure, amounting to €1,634.3 million. Of this latter amount, €553.4 million came from the sale of Guilbert, €715.4 million from the sale of Pinault Bois & Matériaux and €387.7 million from the disposal of Rexel on December 10, 2004.

2004 sales also include a negative impact of exchange rate movements totalling €440.5 million. Of this amount, €320.2 million relate to the depreciation of the US dollar against the euro, and €79.2 million from the drop in Asian currencies against the euro. The remainder of negative exchange rate movements stemmed primarily from the drop in the value of the Canadian dollar and certain African currencies against the euro.

The calendar effect, which is restated in the calculation of comparable sales data, resulted in a positive impact of €84.7 million for 2004, reflecting an increased number of trading days compared to 2003.

On the basis of comparable Group structure, exchange rates and number of trading days, the breakdown of sales by division is as follows:

(in € million)	Comparable 2003 [1]	Changes in sales	Comparable 2004 [2]	Changes (%)
Luxury Goods	2,416.1	263.2	2,679.3	10.9%
Retail	13,814.7	727.4	14,542.1	5.3%
"New PPR"	**16,230.8**	**990.6**	**17,221.4**	**6.1%**
Rexel	6,164.6	321.4	6,486.0	5.2%
Inter-company eliminations	(24.7)	(2.9)	(27.6)	NM
Consolidated total	**22,370.7**	**1,309.1**	**23,679.8**	**5.9%**

[1] 2004 structure, exchange rates and number of days.
[2] Luxury division consolidated over 12 months from November to October.

On the basis of comparable structure, exchange rates and number of days, Group sales increased by 5.9%, driven by sustained growth across all business divisions, and a sharp increase in organic growth of the New PPR, up 6.1% on 2003.

Sales by geographical area

Actual sales by geographical area break down as follows:

(in € million)	2004	2003	Changes (%)
France	10,567.7	11,036.1	-4.2%
Europe excluding France	6,011.0	6,011.8	-
Americas	4,474.6	4,508.5	-0.8%
Africa	1,421.0	1,315.1	8.1%
Australasia	692.1	634.4	9.1%
Asia	1,046.3	854.9	22.4%
Consolidated total	**24,212.7**	**24,360.8**	**-0.6%**

The drop in sales in France was chiefly attributable to the impact of the Group's disposal of its Business-to-Business activities in 2003 and 2004. The increase in sales outside of France, which was achieved in an adverse exchange rate environment, reflected the accelerated pace of international expansion of the Luxury Goods and Retail divisions. In the "New PPR" structure, sales rose by 6.1% on a comparable basis (at comparable structure, exchange rates and number of days), reflecting growth of 4.9% in France and 7.4% on international markets. Outside of France, sales were higher in all geographical areas, with increases of 5.8% in Europe excluding France, 7.7% in the Americas, 10.7% in Africa, 9.5% in Asia and 5.9% in Australasia.

The percentage of total sales generated outside of France rose significantly during the year, to 56.4% compared with 54.7% in the previous year. In the "New PPR" structure, sales generated outside of France accounted for 50.7% of the total, compared to 49.9% in 2003 on a comparable Group structure and exchange rate basis.

Sales by product category

(in € million)	2004	2003	Changes (%)
Personal accessories	7,021.0	6,356.1	10.5%
Electrical/Electronic equipment	6,507.7	6,514.0	-0,1%
Household equipment	6,047.6	5,860.9	3.2%
Leisure/Culture	2,042.6	1,951.3	4.7%
Services/Royalties	904.9	877.1	3.2%
Vehicles	874.4	779.1	12.2%
Building materials	87.1	778.8	-88.8%
Office supplies	-	550.4	-
Pharmaceutical retailing	581.4	537.0	8.3%
Food	146.0	156.1	-6.5%
Consolidated total	**24,212.7**	**24,360.8**	**-0,6%**

Chages in sales by product category reflect the Group's strategy of concentrating on its Luxury Goods and Retail activities. Thus, the absence of sales in the office supplies category and the sharp decrease in sales of construction materials were attributable to the disposal in 2003 of Guilbert and Pinault Bois & Matériaux, respectively. The electrical and electronic goods category, corresponding to Rexel's core business, was sold by the Group on December 10, 2004.

Growth in personal accessories sales was fuelled by the strong sales momentum in the Luxury Goods division while the increase in leisure/culture sales mainly reflected the strong sales performance by Fnac during the year.

In 2004, the "New PPR" accounted for almost all of the Group's sales by product category, with the exception of electrical and electronic goods. The vehicles, building materials and pharmaceutical distribution product categories specifically relate to CFAO.

Sales by selling format

(in € million)	2004	2003	Changes (%)
Stores	9,737.3	9,045.3	7.7%
Home shopping	4,475.8	4,465.7	0.2%
Wholesale channels	8,468.7	9,609.7	-11.9%
Other	1,530.9	1,240.1	23.4%
Consolidated total	**24,212.7**	**24,360.8**	**-0.6%**

The increase in sales by selling format reflected the Group's strategic decision to concentrate on its Luxury Goods and Retail activities. Excluding Rexel, sales generated by wholesale channels accounted for €1,983.2 million, or 11.2% of "New PPR" sales.

Store sales rose by 7.7% over the year, driven by the strong momentum of Luxury Goods sales. The 2004 net sales contribution due to store openings/closures in the Luxury Goods and Retail divisions totalled €254.8 million (€206.8 million in 2003).

Home shopping sales were down slightly on the previous year, as strong sales contributions from the Children's division at Fnac (Fnac Eveil & Jeux) only partially offset a decline in Redcats sales.

The growth in sales by other selling formats was mainly driven by the increase in wholesale sales at YSL Beauté.

Internet sales

The Group's Internet sales totalled €1,079.3 million in 2004, up 15.6% compared to the previous year. Companies in the Retail division recorded Internet sales of €993.3 million, an increase of 37.2% on a comparable basis versus 2003. E-commerce accounted for 6.8% of the Retail division's total sales, compared to 5.4% in 2003.

Gross margin

The Group's gross margin rose 2.7% to €9,430.7 million versus €9,181.9 million in 2003. The Group's gross margin rate stood at 38.9%, an increase of 1.2 point compared to 2003.

The actual and pro forma gross margin rates for the various divisions are as follows:

(as % of sales)	Actual		Pro forma	
	2004	2003	2004	2003
Luxury Goods	67.1%	67.1%	66.9%	65.5%
Retail	38.9%	39.1%	38.9%	39.0%
"New PPR"	**44.0%**	**43.4%**	**43.2%**	**43.0%**
Rexel	25.2%	24.8%	-	-
Miscellaneous	-	31.5%	-	-
Consolidated gross margin rate	**38.9%**	**37.7%**	**43.2%**	**43.0%**

On a pro forma basis, the Group's gross margin rate increased by 0.2 point to 43.2%. This was mainly attributable to the following changes:

- an increase in the Luxury Goods division's contribution to total gross margin, reflecting the division's stronger-paced growth within the "New PPR" structure;
- the increase in the gross margin rate of the Luxury Goods division, driven by the strong performance of Gucci;
- a slight fall in the gross margin rate of the Retail division (Conforama and Fnac), mainly due to the increase in the share of technical products, which are traditionally subject to deflationary pricing pressures.

The Group pressed ahead with ongoing efforts to improve procurement terms and control over sourcing across all business divisions through the gradual expansion of PPR Purchasing, its cross-company sourcing structure.

Payroll expenses and other operating income and expenses

The Group's payroll expenses amounted to €3,417.1 million in 2004. In actual terms, they were down 2.5% on 2003, whereas actual sales fell by 0.6% over the same period.

In pro forma terms, payroll expenses rose by 4.8% whereas sales were up 6.4% over the same period. Productivity, which measures payroll expenses compared to gross margin, improved significantly by 0.7 point on a pro forma basis to 34.1% compared to 2003. Productivity gains were achieved across all business divisions, with a marked increase in productivity in the Luxury Goods division which rose by 2 points to 27.1%

The average number of employees totalled 95,397, down 5.3% over the year. Excluding the impact of the Group's disposals in 2003 and 2004, the average number of employees increased by 2.6%, while the average number of employees in the Retail division increased by 2.3% to 63,816 employees and by 4.5% in the Luxury Goods division to 11,524. In the Group as a whole, staffing levels fell by 19.8% over the year, while staffing in the "New PPR" structure increased by 1.3%.

Other operating income and expenses, which include marketing and advertising investments and miscellaneous operating expenses (transport, real estate, IT, etc.), rose 3.8% in actual terms, and account for 16.8% of Group sales compared to 16.1% a year earlier.
The 5.8% rise in this item on a pro forma basis, compared to a 6.4% growth in sales, was attributable to increased costs for premises in connection with the selling space expansion and refurbishment programs at most Retail companies, and the decision to maintain 2004 spending levels in communication and brand development in the Luxury Goods division.

Operating amortization expenses stood at €473.2 million in 2004, versus €456.4 million in 2003.

EBITDA

Earnings before interest, tax, depreciation and amortization of fixed operating assets (EBITDA) stood at €1,939.9 million in 2004, up 10.6% on 2003.

Actual and pro forma EBITDA by division is broken down as follows:

	Actual			Pro forma		
(in € million)	2004	2003	Changes (%)	2004	2003	Changes (%)
Luxury Goods	553.5	366.4	51.1%	428.1	289.6	47.8%
Retail	1,061.3	1,012.7	4.8%	1,061.9	1,006.8	5.5%
Holding companies and others	(15.1)	(9.7)	-55.7%	(15.1)	(9.7)	-55.7%
"New PPR"	**1,599.7**	**1,369.4**	**16.8%**	**1,474.9**	**1,286.7**	**14.6%**
Rexel	340.2	299.1	13.7%	-	-	-
Miscellaneous	-	84.7	-100.0%	-	-	-
Consolidated EBITDA	**1,939.9**	**1,753.2**	**10.6%**	**1,474.9**	**1,286.7**	**14.6%**

On a pro forma basis, EBITDA rose to €1,474.9 million, representing a solid increase of 14.6% compared to the previous year. The Luxury Goods division recorded a spectacular 47.8% rise in EBITDA, reflecting a strong contribution from the flagship Gucci division, stable results at YSL Beauté, and further reductions in operating losses among virtually all of the emerging brands. The 5.5% rise in Retail division EBITDA was mainly due to the outstanding performance by Fnac and CFAO in 2004.

Operating income

Group operating income totalled €1,466.7 million in 2004, up 13.1% on 2003.

Actual and pro forma operating income by division was as follows:

	Actual			Pro forma		
(in € million)	2004	2003	Changes (%)	2004	2003	Changes (%)
Luxury Goods	394.4	237.9	65.8%	300.8	166.7	80.4%
Retail	797.5	754.2	5.7%	798.2	749.9	6.4%
Holding companies and others	(19.1)	(12.1)	-57.9%	(19.1)	(12.1)	-57.9%
"New PPR"	**1,172.8**	**980.0**	**19.7%**	**1,079.9**	**904.5**	**19.4%**
Rexel	293.9	248.0	18.5%	-	-	-
Miscellaneous	-	68.8	-100.0%	-	-	-
Consolidated operating income	**1,466.7**	**1,296.8**	**13.1%**	**1,079.9**	**904.5**	**19.4%**

The Luxury Goods operating income for the twelve-month period from November 1, 2003 to October 31, 2004 increased to €300.8 million, up 80.4% on a pro forma basis, and up 26.4% on an actual basis. The difference between actual and pro forma operating income reflects the impact of unfavorable exchange rate movements during the year.

Key developments in 2004 included a sharp rise in operating income in the Gucci division, stable operating income at YSL Beauté, despite the difficult first six months of the year, and a drastic reduction in the operating losses of Bottega Veneta, Boucheron and the other brands.

The pro forma increase in the Retail operating income was largely due to the outstanding performance by Fnac and CFAO during the year.

Rexel's sharp 18.5% rise in actual operating income only partially reflects the company's excellent performance, due to its removal from the scope of consolidation as from December 10, 2004. All of the geographical areas in which Rexel operates made increased contributions to operating income.

The Group operating margin increased to 6.1% for the year, up from 5.3% in 2003.

The actual and pro forma operating margin by division breaks down as follows:

(as % of sales)	Actual		Pro forma	
	2004	2003	2004	2003
Luxury Goods	12.3%	9.3%	11.2%	6.9%
Retail	5.5%	5.4%	5.5%	5.4%
"New PPR"	**6.6%**	**6.0%**	**6.3%**	**5.6%**
Rexel	4.5%	3.7%	-	-
Miscellaneous	-	5.4%	-	-
Consolidated operating margin	**6.1%**	**5.3%**	**6.3%**	**5.6%**

Operating margin was buoyed by the strong performance of the Luxury Goods division, which posted operating margin of 12.3% over the 14-month period to December 31, 2004 and of 11.2% over the 12-month period to October 31, 2004. This performance was underpinned by a sharp improvement in operating results at the Gucci division, which generated operating margin in excess of 27% over the 12-month period from November 2003 to October 31, 2004, with an outstanding 33% in November and December, 2004. Other factors included a significant upswing in operating margins at Bottega Veneta and all of the other brands.

The increase in operating margin in the Retail division, which stood at 5.5% of sales resulted from the improvement in operating margin at Fnac, Printemps and Redcats. Conforama experienced a decline in operating margin due to increased costs for premises, related to the store refurbishment program, and expenses associated with the development of global sourcing initiatives. CFAO recorded a slight decline in operating margin reflecting its rapid expansion in North Africa and diversification in the Technology business sector.

The Group's operating income by geographical area was as follows:

(in € million)	2004	2003	Changes (%)
France	532.1	503.1	5.8%
Europe excluding France	307.3	300.0	2.4%
Americas	235.1	159.5	47.4%
Africa	96.2	96.2	-
Australasia	53.3	45.9	16.1%
Asia	242.7	192.1	26.3%
Consolidated total	**1,466.7**	**1,296.8**	**13.1%**

The Group recorded its strongest increases in actual operating income in the Americas and Asia in 2004, mainly reflecting the outstanding performance by the Luxury Goods division, which largely offset the negative impact of unfavorable exchange rates.

Net financial expenses

The Group's net financial expenses amounted to €348.8 million in 2004, representing an increase of 11.2% on the previous year.

Interest rates on the Group's net borrowings averaged 3.4% in 2004, unchanged from the previous year. In a period marked by a relative decline in euro interest rates, with a 20-basis-point fall compared to average interest rates in the previous year, the Group succeeded in maintaining its average borrowing rate at 2003 levels by refinancing debt facilities and extending its debt maturity profile.

The 11.2% increase in net financial expenses was mainly due to an increase in average borrowings following the successful offer to purchase Gucci Group shares in April 2004, which was partially offset by asset disposals completed in 2003 and 2004.

The debt coverage ratio of financial expenses represented 4.2 times operating income and 5.6 times EBITDA (versus 4.1 times and 5.6 times in 2003, respectively.).

Non-recurring income and charges

The Group posted non-recurring income of €418.2 million in 2004, compared to a non-recurring charge of €31 million in 2003.

The net proceeds on the sale of assets totalled €677.6 million and included items, such as net pre-tax income on disposal of operating assets of €1.1 million, the pre-tax capital gain of €354.8 million on the sale of Rexel, and the pre-tax capital gain on the sale of the remaining stake in the consumer credit business for €326.6 million, of which €185.8 million related to the sale of an additional 14.5% stake in the first half of 2004, and €140.8 million to the sale of the remaining 10% stake on December 30, 2004.

Restructuring costs for the year totalled €96.9 million, including €67.1 million in the Luxury Goods division, €25.3 million in the Retail division (including the holding companies), and €4.4 million for Rexel.

Litigation costs and legal fees generated net income of €11.8 million, including the reversal of an unused provision at Rexel totalling €19.2 million.

Other non-recurring income and charges included the write-down of assets totalling €159.4 million, including €123.4 million in the Luxury Goods division, and €36 million for Rexel. Other non-recurring items included an €8.5 million addition to the reserve for depreciation of Pinault-Printemps-Redoute treasury stock in respect of the adjustment in the value of treasury stock at the average share price for December 2004, or €75.44.

Corporate tax

The Group's income tax charge amounted to €414.7 million in 2004, versus €143 million in 2003.

This included a tax charge of €121.8 million relating to non-recurring income for the year, a tax charge of €82.2 million relating to the capital gain on the disposal of Rexel, and a €75 million charge relating to the capital gains tax on the sale of the remaining 24.5% stake in the consumer credit business.

The effective tax rate, which measures the relationship between the income tax charge for the year and pre-tax income, stood at 27.0% over 2004. Excluding net non-recurring items, the effective tax rate stood at 26.2% over 2004, compared with 21.4% in the previous year.

The sharp rise in effective tax on income from operating activities was due primarily to the increase in the effective tax charge in the Luxury Goods division which arose from the introduction of new criteria for recognition of deferred tax balances, in line with the business plans as defined by the new management of Gucci Group, and the growth in Luxury Goods sales in geographical areas with higher tax rates.

Net income of consolidated companies

Consolidated companies' net income amounted to €1,121.4 million, compared to €809.2 million in 2003.

Income from equity affiliates

Equity affiliates posted profits of €14.4 million in 2004, compared to €54.9 million in 2003. This sharp decrease was mainly due to the sale of the Group's remaining stake in the consumer credit business. The Group's percentage ownership fell from 39% in the previous year and until December 2003, to 24.5% in March 2004. As from March 2004, the loss of the Group's significant influence over the business led to the transfer of these securities to "Non-consolidated investments" pending the sale of the residual stake on December 30, 2004.

Amortization of goodwill

Amortization of goodwill represented €106.6 million, compared to €119.3 million in the previous year. This mainly reflected the impact of disposals in 2003 and 2004.

Minority interests

Minority interests amounted to €88.6 million, down from €100.2 million in 2003. This was mainly due to the sizeable increase in Pinault-Printemps-Redoute's stake in Gucci Group, following the offer to buy Gucci shares in April 2004, and the sharp rise in Rexel's net income.

Net income

Group net income after amortization of goodwill amounted to €940.6 million in 2004, up 45.9% on the previous year.
Group net income before amortization of goodwill stood at €1,038.9 million in 2004, up 37.6% on the previous year.

Net earnings per share

The weighted average number of Pinault-Printemps-Redoute shares was 121.5 million in 2004, compared to 120.8 million in 2003. The weighted average number of fully diluted shares was 136.1 million, compared to 131.1 million in 2003.

Net earnings per share after amortization of goodwill stood at €7.74, compared to €5.34 in 2003. Excluding the impact of an additional two months' results of Gucci Group in 2004, net earnings per share excluding non-recurring items stood at €7.44.

Excluding net non-recurring items, net earnings per share amounted to €5.19, compared to €4.75 in 2003. Excluding the impact of an additional two months' results of Gucci Group in 2004, net earnings per share excluding non-recurring items were €4.67.

Fully diluted net earnings per share excluding non-recurring items were €4.86, compared to €4.54 in 2003. Excluding the impact of an additional two months' results of Gucci Group in 2004, fully diluted earnings per share excluding non-recurring items stood at €4.40.

Analysis of performance by division

Luxury Goods division

(in € million)	Actual 2004	Actual 2003	Actual Changes (%)	Pro forma 2004	Pro forma 2003	Pro forma Changes (%)
Sales	3,212.2	2,560.5	25.5%	2,679.3	2,416.1	10.9%
of which:						
France	279.5	245.8	13.7%	230.5	245.8	-6.2%
Europe excluding France	1,128.5	881.8	28.0%	964.2	872.3	10.5%
Americas	730.9	559.3	30.7%	609.7	497.6	22.5%
Africa	5.8	4.4	31.8%	5.6	4.4	27.3%
Australasia	32.6	28.2	15.6%	26.3	29.5	-10.8%
Asia	1,034.9	841.0	23.1%	843.0	766.5	10.0%
EBITDA	553.5	366.4	51.1%	428.1	289.6	47.8%
Net cash provided by operating activities [1]	503.1	176.6	184.9%	-	-	-
Gross operating investments [2]	138.6	257.7	-46.2%	-	-	-

[1] Net cash from operating activities.
[2] Acquisitions of tangible and intangible fixed assets.

Sales

Based on average exchange rates prevailing in 2004, the Luxury Goods division recorded 10.9% growth in pro forma sales over the twelve-month period ended October 31, 2004, underpinned by strong retail sales (up 17.3%) and more moderate growth in wholesale sales (up 3.9%). The sharp rise in retail sales, which account for around 52% of total sales in the Luxury Goods division, reflects the soundness of Gucci Group's strategy of expanding its distribution network.

Luxury Goods division sales accelerated during the two months ended December 31, 2004 with a 17.1% increase in sales at comparable exchange rates. This performance was underpinned by exceptional growth in leather goods and shoes, which recorded respective increases of 26.8% and 25.6%.

Gucci
On a pro forma basis, Gucci division's sales rose by 12.8% in 2004 on the back of a 14% increase in retail sales which represent over 70% of Gucci division's total sales. Top-selling product categories included leather goods and shoes, with respective increases of 17.5% and 13.1%. In 2004, Gucci opened sixteen new stores (nine in Asia, two in the Americas, and five in Europe).

Gucci division sales for the two months ended December 31, 2004 rose 16.3% at comparable exchange rates, versus a challenging comparison base. This performance was chiefly attributable to the success of the *Cruise* collection and the new *Flora* line.

Bottega Veneta
Bottega Veneta reported outstanding growth in pro forma sales with a 52.6% rise over the year, reflecting strong brand recognition in the Americas (up 36.9%) and Japan (up 39.5%), the company's two largest markets. The leather goods segment, which accounts for 83% of total sales, posted a spectacular 54.7% increase in sales, led by the success of the *Veneta* and *Baby Bag* handbag lines. In 2004, Bottega Veneta opened six stores: three in Europe and three in Asia.

Bottega Veneta sales continued to gain momentum in the two months ended December 31, 2004, with a 51.8% increase at comparable exchange rates.

Yves Saint Laurent
Yves Saint Laurent's pro forma sales climbed 12.9% over the year. The spectacular 34.3% rise in retail sales, which represent 67% of total sales, was driven by the success of the leather goods segment and, in particular, by the *Kahala* and *Saint Tropez* handbags. This growth was partially offset by a 14.5% decline in wholesale sales, which resulted from the limited success of the previous seasons' ready-to-wear collections. Yves Saint Laurent opened six new stores (three in Asia, two in the United States and one in Europe) during the year.

Yves Saint Laurent accelerated its growth momentum during the two months ended December 31, 2004, with a 14.3% increase in sales at comparable exchange rates.

YSL Beauté
YSL Beauté's pro forma sales increased by a moderate 3.4% over the year on the back of a 2% growth in perfume sales, which represent 71% of total sales, in spite of the strong response to the new perfumes *In Love Again* and *Trouble*. Sales of make-up and skincare products rose significantly above 2003 levels, with respective increases of 7.1% and 21.2%.

YSL Beauté sales for the two months ended December 31, 2004 returned to double-digit growth of 14.4% on a comparable exchange rate basis, underpinned by the success of the new Yves Saint Laurent perfume, *Cinema*.

Other brands and activities
The other brands and activities include Sergio Rossi, Boucheron, BEDAT & CO, Stella McCartney, Alexander McQueen, Balenciaga, and specific other activities.

Sergio Rossi generated sales growth of 3% on a pro forma basis and maintained its sales momentum during the two-month period ended December 31, 2004.

Boucheron recorded a 5.9% decline in pro forma sales. Sales for the two-month period ended December 31, 2004 rose by 20% at comparable exchange rates, reflecting the impact of restructuring and brand repositioning initiatives deployed during the year.

Pro forma sales of the other brands rose in double digits during the two-month period ended December 31, 2004.

EBITDA

EBITDA in the Luxury Goods division totalled €553.5 million, and included an additional two months of Gucci Group results from November and December 2004 in the amount of €125.4 million. Pro forma EBITDA for the twelve-month period from November 2003 to October 2004 surged by 47.8% to €428.1 million.

Cash flow

Net cash from operating activities stood at €503.1 million and included the impact of an additional two months of results from November and December 2004 in an amount of €129.1 million. Net cash from operating activities for the twelve-month period from November 2003 to October 2004 totalled €374 million, reflecting the sharp increase in EBITDA in the Luxury Goods division and rigorous control over the working capital requirement.

The reduction in gross operating investments compared to the prior year reflects the more focused store opening strategy adopted, in line with the Group's strategic plan.

Retail division

	Actual			Pro forma		
(in € million)	2004	2003	Changes (%)	2004	2003	Changes (%)
Sales	14,542.1	13,903.2	4.6%	14,557.7	13,781.5	5.6%
of which:						
France	8,467.4	7,998.6	5.9%	8,467.4	7,998.6	5.9%
Europe excluding France	3,105.0	2,942.2	5.5%	3,120.6	2,968.7	5.1%
Americas	1,389.3	1,496.9	-7.2%	1,389.3	1,380.2	0.7%
Africa	1,415.2	1,310.7	8.0%	1,415.2	1,279.4	10.6%
Australasia	161.2	147.5	9.3%	161.2	147.5	9.3%
Asia	4.0	7.3	-45.2%	4.0	7.1	-43.7%
EBITDA	1,061.3	1,012.7	4.8%	1,061.9	1,006.8	5.5%
Net cash provided by operating activities [1]	541.8	704.7	-23.1%	-	-	-
Gross operating investments [2]	285.4	362.8	-21.3%	-	-	-

[1] Net cash from operating activities.
[2] Acquisitions of tangible and intangible fixed assets.

Sales

In 2004, Retail division sales increased by 5.6% on a pro forma basis and by 5.3% on a comparable basis. Pro forma EBITDA advanced by 5.5% and net cash from operating activities declined by 23.1% in actual terms.

Conforama
On a comparable basis, Conforama sales rose by 4.7% in 2004.

In France, Conforama recorded strong performance, with 5.6% sales growth over the year and an outstanding 7.3% increase in the fourth quarter. This performance, achieved in a highly competitive market for home furnishings and appliances, reflects Conforama's strong sales performance and the continued roll-out of the store renovation program. Conforama had 31 new-format stores out of a total of 140 at the end of 2004 in France.

Outside of France, sales increased more moderately, expanding by 2.8% on the previous year. International sales growth was hampered by a 2.7% decline in sales at Emmezeta in Italy, due to the difficulties experienced in the textiles segment. By contrast, the first Italian Conforama store opened outside Milan, which was inaugurated in November 2004, generated sales in excess of expectations. Excluding Italy, international sales rose by 8.7%, underpinned by sustained increases in the Iberian Peninsula, with a 20.2% rise in sales in Spain.

Conforama will continue to expand its retail network in 2005 with six new store openings, including two new stores in France and four outside of France.

Fnac
Fnac reported a sharp acceleration in comparable sales growth in 2004, with increases of 8.6% over the full year, and 8.9% in the fourth quarter, versus a challenging comparison base.
In France, Fnac reported a sharp acceleration in sales, underpinned by 8.2% growth in the fourth quarter and a 7.2% increase in 2004. Stores in France generated 2004 sales growth of 6.4% on a comparable basis and 6.8% in the fourth quarter. Highlights included continued growth in sales of the most recent technical products, with an increase of 8.2% on an actual basis in 2004. Photography sales climbed by 9.7% for the year thanks to the continued popularity of digital equipment while strong consumer demand for LCD and Plasma TVs lifted sales in the TV-Video category by 8%. Sales of books were particularly buoyant with a 4.2% increase for the year. CD and DVD sales were up 2.6% over the year in a sluggish market. Fnac recorded mixed trends in DVDs and CDs with solid growth in DVD sales (up 17.2%) and continued declines in CD sales (down 5.1%). In France, two new stores opened in 2004 in Perpignan and Lorient. The Nice store was transferred to a new location while the Tours and Lille stores expanded their selling space.

The French subsidiaries recorded sales growth of 15.2% on a comparable basis in the fourth quarter and 11.2% over 2004. The main contributors to this performance were Fnac Eveil & Jeux, which posted a 17.0% increase in 2004 sales to €119.9 million, and Surcouf, which reported sales of €256.7 million, up 5.3% on the year, following its reorganization and the opening of a second store in Paris in November.

Internet sales totalled €161.7 million in 2004, up 42.6% on 2003.

International sales increased by 13.6% on a comparable basis and represented 22.4% of total sales in 2004. Excluding Belgium, where sales declined 4.6% due to the entry of new competitors, sales increased substantially in all countries. Portugal was up 11.0%, Spain 13.6%, Switzerland 25.7%, Italy 32.8% and Brazil 54.8%. Fnac opened three new stores outside of France in 2004: two in Brazil and one in Madrid.

Fnac will sustain its rate of expansion in 2005 by opening five new stores, one in France and four abroad.

Printemps
On a comparable basis, Printemps sales increased 3.8% over the year.

Department store sales climbed 3.3% over the year, driven by an outstanding contribution from the Boulevard Haussmann store in Paris, which reported 5.8% sales growth over the period due, in particular, to the strong performance of Beauty and Accessories, which posted respective increases of 11.2% and 11.8% in actual terms. The Boulevard Hausmann store sales to Chinese customers expanded by 66.7%.

Chain store sales rose by 1.8% over the year, notwithstanding the negative impact of renovation and extension work, which affected almost one-half of the stores in the Chain. Best-selling categories included Women's fashion (up 8.4%), Children's wear (up 9%) and Accessories (up 6.8%).

The Sports division reported continued sales growth of 7.8% in 2004. Apparel and sports goods were the strongest selling product categories. Three new stores were opened under the Made In Sport banner in Bordeaux, Rennes and Grenoble, in France, taking the total number of stores to 22.

At Madelios, which completed its renovation program in April, sales advanced 16.9% over the full year and 33.8% in the fourth quarter.

Redcats
Redcats sales grew by 1.1% on a comparable basis in 2004. Excluding revenues from licensing activities with Sears, which are to be phased out in early 2005, sales were up 1.6% on a comparable basis over the full year.

This solid performance, achieved in a challenging environment, was driven by a number of factors including strong contributions from brands in France, a recovery in sales of the US brands, sustained growth in e-commerce and successes for the company's flagship brands.

In France, Redcats sales increased by 2.4%, thanks to the strong performance by La Redoute and the Children-Family division, notably Vertbaudet. Sales in Europe outside of France declined by 1.9% in 2004, due to difficulties in the United Kingdom. UK sales were down 13.9% in the fourth quarter and down 6.4% over the full year as a consequence of lower direct catalogue sales and deflationary pricing trends in textile products. Excluding the U.K., sales in Europe outside of France increased by 2.3% over the full year and by 4.3% in the fourth quarter. Spain, Switzerland and Austria recorded strong growth.

In the United States, Redcats reported a solid 6.3% increase in sales in the fourth quarter, versus growth of 1.6% (excluding Sears) in the third quarter. During 2004, sales increased by 1.2%.

E-commerce remains an extremely strong growth driver for the company, spanning all geographical areas and brands. Online sales (excluding Sears) totalled €796.3 million in 2004, up 38.4% on a comparable basis on 2003. E-commerce accounted for 18.7% of total sales compared to 14.1% in 2003.

Redcats' flagship brands recorded further strong performance in 2004, reflecting measures taken to improve their positioning, catalogues, product offerings, and customer database.

La Redoute sales increased by 2.8% over the full year and by 1.5% in the fourth quarter, driven by market share gains in France and strong contributions outside of France (Spain and the United States).

CFAO
CFAO sales increased by 10.3% on a comparable basis in 2004.

Automobile distribution sales rose by 14.1% in 2004, underpinned by sustained growth in the French overseas territories and departments (up 14.7%) and impressive performance in North Africa (up 82.4%), particularly in Algeria. North Africa showed its potential to become a second growth area for the automobile distribution business, which experienced difficult trading conditions in its traditional markets in 2004. Sales in sub-Saharan Africa were affected by the unrest in Ivory Coast, economic crisis in Nigeria, and the economic slowdown in Cameroon and Gabon.

Pharmaceutical sales advanced 10.3% in 2004. The lower pace of sales growth in sub-Saharan Africa (up 4.4%) was offset by sales in the French overseas territories and departments (up 8.0%) and Egypt (up 49.2%).

The New Technologies business remained on a sustained growth trend, with a 19.1% increase in sales in 2004, reflecting strong gains in the sub-Saharan and North Africa regions.

The Industry and Trading business recorded a 4.4% decline in sales in 2004, reflecting a drop in sales in Nigeria and lower sales of motorcycles and two-wheelers due to increased competition from Chinese manufacturers.

Other subsidiaries
Kadéos, Europe's leading gift voucher provider, reported issuance volume of €339.8 million, up 11.5%. Sales, corresponding to commissions on vouchers issued, stood at €15.5 million in 2004, up 9.2% on a comparable basis.

Orcanta sales rose by 6% on a comparable basis. The total number of stores was 64 at the end of 2004.

EBITDA

Pro forma EBITDA rose by 5.5%, led by increased EBITDA contributions from all of the Retail division companies.
The strongest increases were reported by Fnac (up 10.3%), CFAO (up 8.7%) and Redcats (up 4.3%).
At Conforama, EBITDA edged up 0.1%, after a decline in 2003. Printemps' EBITDA increased by 5.1%, despite a persistently difficult trading environment. At Orcanta, EBITDA increased by a multiple of 2.5 to €3.2 million.

Cash flow

Net cash from operating activities in the Retail division totalled €541.8 million, representing a 23.1% decline in real terms versus 2003. The decline in net cash from operating activities was primarily due to the decrease in the working capital requirements at Fnac, Conforama and CFAO as a result of the increase of technical products in the sales product mix, and, to a lesser degree, by the development of new businesses at CFAO.

Gross operating investments amounted to €285.4 million, down 21.3% on 2003. This demonstrates the Group's ability to adjust its level of capital expenditure in a challenging environment while focusing on high return investments, such as the Conforama store renovation program or the renovation of selling space at Printemps stores.

Financial structure and cash flow

Fixed assets

(in € million)	2004	2003	Changes (%)
Goodwill	1,932.0	3,356.0	-42.4%
Other intangible assets	8,224.4	7,104.5	15.8%
Tangible assets	2,272.6	2,668.2	-14.8%
Long-term investments	290.3	436.0	-33.4%
Total fixed assets	**12,719.3**	**13,564.7**	**-6.2%**

At the end of 2004, the Group's fixed assets stood at €12,719.3 million, down 6.2% on the previous year. The breakdown is shown in the table above.

Goodwill fell by €1,424 million, or 42.4%, mainly due to the impact of the divestment of Rexel in an amount of €1,225 million, and to a lesser degree the sale of the residual stake in the consumer credit business and the amortization charge for the period.

Changes in "Other intangible assets" primarily reflect the Group's increased stake in Gucci Group and to a lesser degree the disposal and deconsolidation of Rexel effective as from December 10, 2004.

The decrease in "Fixed assets" mainly reflects the impact of depreciation less any capital expenditures incurred during the period, along with the sale by Conforama of real estate assets in Italy and the deconsolidation of Rexel in December 2004.

The sharp drop in "Long-term investments" is mainly due to the decrease in "investments in equity affiliates" relating to the sale of the remaining stake in the consumer credit business and the reduction in "Long-term investments" and "Other financial assets" in connection with the disposal of Rexel.

Working capital requirements

The operating working capital requirement stood at €195.5 million as of December 31, 2004, a sharp drop of 70.2% compared to December 31, 2003. This decrease was essentially attributable to the disposal of Rexel in December 2004, which marked the completion of the divestment program for Business-to-Business activities.

Changes in the Group's working capital requirements are shown below:

(in € million)	2004	2003	Changes (%)
WCR before receivables and payables	1,150.0	1,276.0	-9.9%
Other receivables and debts	(841.3)	(670.2)	25.5%
Operating working capital requirement	308.7	605.8	-49.0%
Non-operating working capital requirement	(113.2)	50.8	-322.8%
Total operating working capital requirement	195.5	656.6	-70.2%
Customer loans, net of deposits	419.1	439.9	-4.7%
Total WCR	**614.6**	**1,096.5**	**-43.9%**

The decrease in the operating working capital requirement, which shrank by €297.1 million, or 49%, resulted from the combination of the following factors:

- a €447.2 million decrease due to changes in Group structure, mainly relating to the sale of Rexel.
- a €49.6 million decrease due to the positive impact of exchange rate fluctuations during the year, which notably arose from the translation of US dollar-denominated assets;
- a €199.7 million organic increase in the working capital requirement due to inventory increases at Conforama and CFAO and increases in trade accounts at Rexel prior to the divestment of the company.

The increase in the non-operating working capital requirement stemmed mainly from the reduction in tax liabilities, following the 2004 payment of capital gains tax of €215.5 million on the sale of assets realised in 2003.

The decrease in customer loans reflected the tightening of credit conditions offered by Redcats through its specialised financing subsidiaries in the United Kingdom and Scandinavia.

Shareholders' equity

As of December 31, 2004, consolidated shareholders' equity amounted to €7,864.7 million, of which €7,693.3 million represented shareholders' equity-Group share. Consolidated shareholders' equity fell 8.9% compared to December 31, 2003, due to the sharp fall in minority interests.

Shareholders' equity-Group share rose by 11.5% over the fiscal year.

The increase in shareholders' equity-Group share was notably due to the sale by the Group of 1,300,000 treasury shares in an amount of €108.9 million and the impact of the growth in net income for the period, less dividends paid by the parent company.

Minority interests declined by €1,560.1 million, or 90.1%, primarily as a result of the acquisition of Gucci Group shares in an amount of €1,150.5 million, and the impact of the disposal of Rexel in an amount of €415.2 million.

Reserves

Reserves for retirement decreased by €32.2 million to €133.8 million, mainly reflecting the divestment of Rexel during the year. Excluding the impact of changes in Group structure, reserves for retirement remained unchanged compared to the prior year.

Other provisions for contingencies and losses amounted to €383.6 million as of December 31, 2004, down 2.3% compared to December 31, 2003. This was mainly due to structural changes and additional allocations to restructuring provisions at Rexel.

Net indebtedness

Group net indebtedness as of December 31, 2004 stood at €4,532.7 million, down 9.9% on December 31, 2003.

The improvement in Group net indebtedness was driven by a number of factors in 2004:

- a €1,074.5 million increase in cash from operating activities, further illustrating the strongly cash-generative nature of the Group's businesses and their organic growth capacity;
- a focused operating investment policy which is closely controlled within the Retail and Luxury Goods divisions, thereby enabling the Group to maintain net operating investments at €428.4 million;
- the acquisition cost of Gucci Group shares tendered under the Offer of April 2004 was completely offset by the completion of the divestment program of the Business-to-Business and consumer credit activities.

The net debt-to-equity ratio compared to shareholders' equity stood at 57.6% as of December 31, 2004, versus 58.3% as of December 31, 2003. The net debt-to-equity ratio compared to attributable shareholders' equity stood at 58.9% as of December 31, 2004, compared to 72.9% as of December 31, 2003.

Financing of customer loans amounted to €419.1 million as of December 31, 2004, a decrease of 4.7% on the previous year.

Cash flows for the fiscal year

(in € million)	2004	2003
Net cash from operating activities before changes in working capital requirement	1,257.8	1,148.4
Changes in working capital requirement	(211.9)	(130.7)
Changes in customer loans	28,6	(0,8)
Net cash from operating activities	1,074.5	1,016.9
Net operating investments	(428.4)	(499.8)
Net financial investments	59.7	167.1
Net cash used by investing activities	(368.7)	(332.7)
Changes in borrowings	697.4	(3,877.3)
Share capital increase	0,9	(376.2)
Dividends paid by Pinault-Printemps-Redoute, parent company	(278.9)	(266.7)
Dividends paid to minority interests	(29.4)	(54.6)
Net cash from financing activities	390.0	(4,574.8)
Impact of treasury stock	100.4	22.5
Impact of changes in exchange rates	22.5	(76.0)
Net increase in cash and cash equivalents	1,218.7	(3,944.1)
Cash and cash equivalents at the beginning of the year	3,069.4	7,013.5
Cash and cash equivalents at the end of the year	4,288.1	3,069.4
Transactions without any impact on cash and cash equivalents		
- Investments in lease financing operations	24.6	91.0

As of December 31, 2004, the net change in cash and cash equivalents includes short-term liabilities arising from the disposal of assets in the amount of €2,181.8 million.

Net cash from operating activities amounted to €1,074.5 million, up 5.7% on the previous year. Excluding the impact of the disposals of Guilbert and Pinault Bois & Matériaux in 2003, and, in 2004, the sale of Rexel and the consolidation of an additional two months of results of the Luxury Goods division, net cash from operating activities stood at €920.8 million in 2004, representing a 7.1% increase on the previous year.

In the Luxury Goods division, net cash from operating activities included the consolidation of an additional two months of Gucci Group results (November and December 2004) in an amount of €129.1 million. Excluding this item, net cash from operating activities for the twelve-month period ended October 31, 2004 increased by 111.8% to €374 million. This was mainly driven by increased operating cash flow and strict control over working capital requirements.
In the Retail division, net cash from operating activities fell by 23.1% to €541.8 million due to the increase in working capital requirements relating to the business diversification policy at CFAO and the adverse impact of changes in working capital for certain product categories.

Operating investments, net of disposals, totalled €428.4 million in 2004 and included €393.1 million in operating investments for the "New PPR" structure. Gross operating investments, which came to €468.4 million, included €427.5 million for the "New PPR" structure, and primarily concerned capital expenditure for store openings in an amount of €99.5 million (versus €260 million in 2003), information systems and logistics in an amount of €120.8 million and store refurbishments and renovations in an amount of €130.7 million.

Net cash from operating activities (net operating cash flow less net operating investments) amounted to €646.1 million for the year. Excluding the impact of the disposals of Guilbert and Pinault Bois & Matériaux in 2003, and, in 2004, the sale of Rexel and the consolidation of an additional two months of results of the Luxury Goods division, net cash from operating activities rose by 46.9% to €554.7 million.

Net financial divestment, amounting to €59.7 million, included €3,041.8 million in proceeds from the disposal of Rexel and the sale of the residual stake in the consumer credit business, less the acquisition cost of Gucci Group shares, and €206 million relating to Pinault-Printemps-Redoute's commitment to purchase Gucci Group treasury stock. It also includes €215.5 million in tax on capital gains from the sale of assets realised in 2003.

Other key events

- On March 19, 2004, Pinault-Printemps-Redoute launched a €650 million bond issue, maturing on March 29, 2011, with a 5.25% coupon. This issue was increased to €800 million on July 8, 2004. The transaction was part of Pinault-Printemps-Redoute's EMTN (Euro Meduim Term Note) program.

- On July 1, 2004, Redcats signed an agreement to acquire Jotex, a Scandinavian home shopping company specialising in household linen. This transaction is in line with Redcats' strategy to strengthen its international presence and develop its offering in household equipment.

- On October 7, 2004, Pinault-Printemps-Redoute launched a €400 million FRN (floating rate note) issue maturing on October 22, 2007. The issue was priced at 99.883% and is indexed on 3-month Euribor + 50 basis points. The transaction was part of Pinault-Printemps-Redoute's EMTN (Euro Medium Term Note) program.

Subsequent events

- Appointments within Gucci Group:
  - January 5, 2005, Valérie Hermann was appointed Chief Executive Officer of Yves Saint Laurent.
  - January 21, 2005, Isabelle Guichot was appointed Director of Business Development of Gucci Group.

- On January 20, 2005, Pinault-Printemps-Redoute announced its plans to change its name to PPR and adopt a new logo. The move symbolizes PPR's new identity, following its strategic shift to focus on the Retail and Luxury Goods sectors. Shareholders will be asked to approve the change of corporate name at the Annual General Meeting to be held on May 19, 2005.

- On February 2, 2005, the Pinault-Printemps-Redoute Supervisory Board unanimously approved the appointment of François-Henri Pinault as Chairman of the Management Board, effective March 21, 2005. At the next Annual General Meeting, shareholders will be asked to approve a resolution to transform the Company's two board structure (Supervisory Board and Management Board) into a single Board of Directors.

- On February 8, 2005, Christophe Cuvillier took over from Per Kaufmann as Chaiman and Chief Executive Officer of Conforama.

- On February 16, 2005, Gucci Group announced the payment to its shareholders of €4.24 per outstanding share in the form of a return of capital with effect as of February 28, 2005. The return of capital was proposed to Gucci Group NV's shareholders by the Supervisory Board on October 22, 2004, and approved in an Extraordinary General Meeting held in Amsterdam on December 9, 2004.

- On March 22, 2005, Pinault-Printemps-Redoute secured a new €2.75 billion syndicated revolving credit facility. The facility is for general corporate purposes including the refinancing of a €2.5 billion syndicated facility established on October 30, 2002 and the €715 million syndicated facility established on May 26, 2004. This new facility, which has a maturity of five years, provides two one-year extension options at the end of the first and second years and is subject to a single financial covenant (or net borrowings/EBITDA below or equal to 3.75 times)

- Sales to the end of February:
  The Group recorded strong sales growth of 5.4% over the first two months of 2005, under IFRS and at comparable structure, exchange rates and number of days. This increase in activity reflects the moderate rise of 3.6% for the Retail division, in light of the unfavorable weather conditions in Europe, and the strong growth of the Luxury Goods division, up 15.1% and driven mainly by the performance of the Gucci brand.

- On April 6, 2005, the Group announced the cancellation of 2 million treasury shares, bringing PPR Group's share capital to 120,438,230 shares with a nominal value of €4 each, taking into account the exercise of stock option plans since January 1, 2005. The decision to cancel these treasury shares was taken by the Management Board, in accordance with authorization granted by the Annual General Meeting. The Group also informed the *Autorité des Marchés Financiers* (AMF, French Financial Markets Regulation Authority) of its intention to sell around 2.7 million treasury shares. This sale will take part under the framework of the buyback program and in accordance with current regulations. After the cancellation and disposal are complete, PPR will only hold sufficient shares in treasury stock in order to ensure its liquidity. There were 115,000 treasury shares held at April 6, equivalent to 0.1% of the share capital. These transactions will help to reinforce both the growth potential of earnings per share and the Group's financial structure.

Outlook

The healthy performance of the Retail division, and the strong growth of Luxury Goods over the first two months of the fiscal year, bode well for a positive outlook in terms of growth and profitability for the Group in 2005.

Transition to IAS/IFRS standards

Regulatory Framework

Pursuant to European regulation No. 1606 / 2002 of July 19, 2002, the Group will prepare its consolidated financial statements as of 2005 in accordance with international accounting standards applicable as of December 31, 2005, with a comparison against the 2004 fiscal year. The comparison will be prepared on the same basis with the exception of IAS 32 and IAS 39, selected by the Group in connection with the option offered by IFRS 1 (first-time adoption of IFRS), to be applied as of January 1, 2005. The international standards include the IFRS (International Financial Reporting Standards), the IAS (International Accounting Standards) and interpretations thereof (Standing Interpretation Committee).

In view of the release of these data, and following the recommendations by the *Autorité des Marchés Financiers* (AMF, French Financial Market Regulation Authority) in January 2005 and by the CESR (Committee of European Securities Regulators) of December 30, 2003 relating to financial communications during the transition period, the Group prepared the following reconciliation statements to show the figures reflecting the effect of the transition to international standards:

- A reconciliation statement between consolidated shareholders' equity and net financial debt according to French accounting principles and shareholders' equity and net financial debt according to international standards as of January 1, 2004 and as of December 31, 2004;
- A reconciliation statement between consolidated net income according to French standards and net income according to international standards for the 2004 fiscal year.

While preparing these figures, the Group identified all the differences between the presentation and valuation methods defined by international standards and the French accounting methods and principles applied until now and described in the notes to the consolidated financial statements. However, these differences do not take into account either the revised standards not yet approved by the European Accounting Regulatory Committee, or the draft standards, which now exist only in the form of IASB (International Accounting Standards Board) exposure drafts. Therefore, it may be necessary to make changes to these standards during the 2005 fiscal year, and the Group reserves the possibility of changing some of the accounting methods and options adopted for the purposes of this information, upon final publication of the IFRS standards in 2005.

This information was reviewed by the Audit Committee and audited by the Statutory Auditors.

Options chosen by the Group for the first-time adoption of international financial reporting standards

Because of the fact that the date of January 1, 2004 was selected as the transition date, the financial statements prepared for the first time under IFRS standards were prepared as of that date as if the IAS/IFRS standards had always been applied, with the exception of certain optional exemptions described under IFRS 1. After an analysis of each of these exemptions, the Group is considering the following accounting options.

- **Business combinations**: in accordance with IFRS 3, the Group has elected to restate business combinations retroactively to January 1, 1999. The date of January 1, 1999 was chosen by the Group given the acquisition in 1999 of Gucci Group, which is a major division of Pinault-Printemps-Redoute.

- Revaluation of **tangible assets** at fair value and use of this fair value as a presumed cost: the Group has decided to apply this optional exemption in a targeted manner to some tangible assets as of the transition date. For recurring tangible assets, the Group will use the amortized cost method to evaluate all its tangible assets.

- **Employee benefits**: the Group has adopted the possibility offered by IFRS 1 to book all actuarial differences as of the transition date, to be offset against opening shareholders' equity.

- Total amount of **currency translation differences**: the Group has decided to use the optional exemption allowing total translation differences as of the transition date to be restated at zero and to be offset against consolidated reserves.

- **Assets and liabilities of subsidiaries, affiliates and joint venture partners**: paragraph 25 of IFRS 1 states that if the parent com-

pany of a group adopts IFRS for the first time in its consolidated financial statements after a subsidiary, the parent company must in its opening IFRS consolidated balance sheet evaluate the assets and liabilities at the same book value as the book value appearing in the subsidiary's financial statements, taking into account any consolidation adjustments. Since Gucci Group was already preparing its financial statements in IFRS format before the first-time adoption date, the Group complied with this treatment when preparing its opening balance sheet.

- **Share-based payments**: in accordance with the option allowed by IFRS 2 for plans involving share-based payments (stock option plans), the Group has decided to apply this standard only to plans issued after November 7, 2002, the rights of which are not acquired as of January 1, 2005.

In addition, following the options offered by the regulator on the application date between IAS 32 and IAS 39 relating to financial instruments, the Group elected to apply these standards as of January 1, 2005.

Differences in accounting principles identified when international financial reporting standards were applied

The main sources of changes resulting from the transition to international reporting standards are listed below:

• **Non-current assets held for sale and discontinued operations (IFRS 5)**

IFRS 5 requires special accounting treatment and presentation for assets (or groups of assets) held for sale. Rexel Group, the control of which was transferred on December 10, 2004, meets the eligibility criteria for the treatment described under IFRS 5 as of January 1, 2004. This sub-group is a group of assets that is evaluated in its entirety at either its net book value or its fair value, whichever is lower, net of selling costs in the opening balance sheet.

This group of assets is a cash-generating unit of the Group subject to an impairment test in accordance with IAS 36. Pursuant to IFRS 5, the Group ceased to amortise this group of assets and all assets comprising it on January 1, 2004.

In its 2004 comparative financial statements prepared using international standards, the Group will present the Rexel sub-group in the income statement, the balance sheet and the cash flow statement, in accordance with IFRS 5 presentation requirements.

• **Income taxes (IAS 12)**

According to French accounting principles applied by the Group, deferred income taxes are not booked on temporary differences in the recognition of intangible assets that are not amortizable and not negotiable individually. Because of the fact that IAS 12 does not provide for any exception for this class of temporary differences, deferred income taxes are automatically booked even if they are unrealized. This difference in principle applies to all the brands of the Luxury Goods division acquired by the Group.

In addition, according to IAS 12, deferred income taxes are booked to record the temporary differences related to holdings under notable influence and holdings, the sale of which is highly probable. The Group complied with this treatment, notably in the case of its interest in Rexel, the sale of which was highly probable on the transition date.

The Group also booked deferred income taxes on the IFRS adjustments that generated a temporary difference between the accounting base and the tax value of the assets and liabilities according to the accounting criteria defined by IAS 12.

• **Intangible assets (IAS 38)**

Adopting IAS 38 involves mainly reclassifying to goodwill, intangible assets booked under the current heading that do not meet the recognition criteria defined by IAS 38, in particular market share and goodwill reported at the time businesses are combined.

When IAS 38 is applied on a recurring basis, intangible assets with an indefinite life are not amortized but are subject to an annual impairment test.

• **Income from ordinary activities (IAS 18)**

Under IAS 18, income from ordinary activities must be booked when all the risks and benefits inherent to ownership have been transferred. In this case, the Group has identified a major difference between the current practice and international standards concerning the booking of concession agreements by Printemps.
Under IAS 18, the method of accounting for concession agreements by Printemps will correspond to the results of the following analysis:
- for agreements where the company acts as principal, the sale will be recorded under income from ordinary activities;
- for agreements where the company acts as agent, only the commission received under the concession will be booked as income from ordinary activities.

This change in the method of recording concession agreements has no impact on operating income or net income.

The Group also identified a difference between the current practice and international standards concerning the rate of recording revenues from sales accompanied by warranty extensions. Under French accounting principles, income from warranty extensions was recorded at the time of the sale; according to the IFRS standard, is now spread out over the warranty period.

• **Share-based payments (IFRS 2)**

Applying IFRS 2 results in a change in the method of recording compensation plans in shareholders' equity instruments. Concerning plans paid in shareholders' equity instruments, the Group has elected to apply this standard only for plans issued after November 7, 2002, the rights of which are not acquired as of January 1, 2005. In applying this standard, the Group called upon an independent expert to value all the plans eligible under IFRS 2. The valuation method is based on the use of a trinomial model. The commitment is recorded over the rights acquisition period under expenses and is adjusted to reflect the best estimate of the number of shareholders' equity instruments actually exercised.

• **Other standards**

Inventories (IAS 2)

Under this IAS standard, inventories are booked at cost or at net realizable cost, whichever is lower. Cost evaluation techniques such as the standard cost method and the retail method used by the Group in some of its subsidiaries do not deviate from the general application principle of IAS 2.

Leases (IAS 17)

IAS 17 defines finance leases and operating leases. A lease is considered to be a finance lease if it transfers to the lessor nearly all the risks and rewards inherent to the ownership of the property leased; other leases are considered operating leases. Finance leases are recorded under assets as intangible assets and under liabilities as financial debts at the fair value of the property leased, or the current value of the minimum payments under the lease, if less. Given the option already adopted for the preferential method of regulation 99-02, applying IAS 17 has no significant impact on the Group.

Tangible assets (IAS 16)

The method of recording tangible assets proposed by IAS 16 is the cost method less depreciation & amortization and any imparment reported, under recurring assets.
Tangible assets are depreciated over their useful lives using the components-based approach. A review of depreciation periods compared with useful lives did not reveal any significant difference between the current practice and international standards.

Presentation of the financial statements

In addition to the presentation changes resulting from IFRS 5, the application of IAS 1 – Presentation of financial statements, but also IAS 7 – Cash flow statement and IAS 14 – Sector information, changes the presentation of financial information.

Presentation of the income statement (P&L) will result in the elimination of the exceptional result and the reclassification under operating income of depreciation of goodwill. The consolidated balance sheet under IFRS will make a distinction between current and non-current assets and liabilities.

Specific information on the method of presenting financial statements in international standards was given in the recommendation by the *Conseil National de la Comptabilité* (CNC, National Accounting Board) on October 27, 2004. The Group plans to apply this recommendation for the presentation of its financial statements in IFRS.

The effect of the restatements relating to the application of international standards on cash flow is insignificant for the Group. It involves mainly the recognition under "Cash and cash equivalents" of interest accrued not yet due recorded under the previous heading as non-operating receivables, as well as bank overdrafts recorded under the previous heading as short-term financial liabilities.

Under current law, no major differences were identified between current practice and international standards when the other international standards were applied.

Quantitative impact on the main financial aggregates

1. Overview of the effect of adopting IFRS on the main financial aggregates

The table below shows the effect of the international standards on the main financial aggregates [1]:

(in € million)	French GAAP	International standards
As of January 1, 2004		
Consolidated shareholders' equity	8,631	9,802
Net financial debt	5,032	4,736
As of December 31, 2004		
Consolidated net income	1,029	1,232
Consolidated shareholders' equity	7,865	7,980
Net financial debt	4,533	4,725

[1] Not including the effect of IAS 32 and IAS 39, for which the Group has opted for first-time application from January 1, 2005.

2. Reconciliation of consolidated shareholders' equity

The effect on the Group's consolidated shareholders' equity following the transition to international standards is summarized below as of January 1, 2004:

(in € million)	As of January 1, 2004		
	Shareholders' equity	Group share	Minority interests
Under French GAAP	8,631	6,899	1,732
A - Restatements related to business combinations (IFRS 3)	1,197	11	1,186
B - Revaluation of Printemps land (IAS 16)	246	246	
C - Employee benefits (IAS 19)	(49)	(49)	
D - Intangible assets (IAS 38)	(34)	(34)	
E - Application of IFRS 5 to Rexel	(96)	(71)	(25)
G - Deferred income taxes on entities subject to significant influence (IAS 12)	(25)	(25)	
H - Income from ordinary activities (IAS 18)	(74)	(74)	-
Other restatements	6	6	
Sub-total	1,171	10	1,161
Under IFRS standards	**9,802**	**6,909**	**2,893**

The effect on the Group's consolidated shareholders' equity after the transition to international financial reporting standards is summarized below as of December 31, 2004:

(in € million)	As of December 31, 2004		
	Shareholders' equity	Group share	Minority interests
Under French GAAP	7,865	7,694	171
A - Restatements related to business combinations (IFRS 3)	78	58	20
B - Revaluation of Printemps land (IAS 16)	246	246	
C - Employee benefits (IAS 19)	(49)	(49)	
D - Intangible assets (IAS 38)	(29)	(29)	
E - Application of IFRS 5 to Rexel	(0)	0	0
G - Deferred income taxes on entities subject to significant influence (IAS 12)	(10)	(10)	
H - Income from ordinary activities (IAS 18)	(81)	(81)	-
Other restatements	(33)	(33)	
Goodwill	(7)	(7)	
Sub-total	115	95	20
Under IFRS standards	**7,980**	**7,789**	**191**

3. Reconciliation of net financial debt

The effect on net financial debt as of January 1, 2004 and as of December 31, 2004 is summarized below [1]:

(in € million)	As of January 1, 2004	As of December 31 2004
Net financial debt – French GAAP	5,032	4,533
E - Application of IFRS 5 to Rexel	(425)	
I - Reclassification of interest accrued not yet due	61	125
J - Consolidation – ad-hoc entities (SIC 12)	52	57
Other restatements	16	10
Net Financial Debt - international standards	4,736	4,725

[1] Not including the effect of IAS 32 and IAS 39, for which the Group has opted for first-time application from January 1, 2005.

4. Reconciliation of consolidated net income

The effect on net income for the 2004 fiscal year is summarized below:

(in € million)	2004
Net income under French GAAP	1,029
A - Restatements related to business combinations (IFRS 3)	43
D - Intangible assets (IAS 38)	5
E - Application of IFRS 5 to Rexel	193
F - Share-based payments (IFRS 2)	(7)
G - Deferred income taxes on entities subject to significant influence	15
H - Income from ordinary activities (IAS 18)	(7)
Other restatements	(39)
Sub-total	203
Net income under IFRS	**1,232**

5. Explanation of main differences

A - Restatements related to business combinations (IFRS 3)

As a result of applying IFRS 3 starting on January 1, 1999, the Group has restated its financial statements since that date, and in particular has applied the total revaluation method to all business combinations completed since January 1, 1999. Restatements made involved mainly the following:

- Recognition at fair market value of the identifiable assets and liabilities of all subsidiaries acquired by the Group on or after January 1, 1999. The effect of this difference is a €1,142 million increase in consolidated shareholders' equity as of January 1, 2004. This corresponds mainly to the recognition, in connection with the takeover of Gucci Group in 1999, of that portion of minority interests at the fair market value of the assets and liabilities of the subsidiary. The impact on net income for the 2004 fiscal year of all restatements related to the recognition of assets and liabilities meeting the criteria set forth by IFRS 3 is a decrease of €28 million (-€48 million as of December 31, 2004).
- Cancellation of amortization of goodwill recorded on all acquisitions after January 1, 1999. The effect of this difference is an increase in consolidated shareholders' equity of €67 million as of January 1, 2004. This difference in principle, which applies to all goodwill amortization by the Group after January 1, 1999, also results in an increase in net income for the 2004 fiscal year of €71 million and an increase in consolidated shareholders' equity of €138 million as of December 31 2004.

- The translation of goodwill related to the acquisition of foreign companies. Goodwill related to the acquisition of foreign companies is translated to euros based on the historic exchange rates in the consolidated statements prepared according to French accounting principles. Pursuant to IAS 21 – Effect of changes in foreign currency rates, goodwill is translated to euros based on the year-end exchange rates. The effect of this change is a decrease in consolidated shareholders' equity of €12 million as of January 1, 2004 (€12 million as of December 31, 2004).

B - Revaluation of tangible assets (IAS 16)

Using the option of revaluing tangible assets at their fair value when the opening balance sheet is prepared was limited to the land belonging to the Printemps company. Revaluing the Printemps land had a positive impact of €246 million on shareholders' equity on the transition date. This €381 million impact corresponds to the difference between the net book value of the land before revaluation (€25 million) and the fair value of the land (€406 million) on the transition date after deferred income taxes of €135 million are deducted. Revaluing the land (which may not be depreciated) belonging to Printemps has no effect on net income in 2004 or on future income.

C - Employee benefits (IAS 19)

As of January 1, 2004, actuarial differences, deferred in accordance with the corridor method, are recorded in the provisions for employee benefits and result in a decrease in shareholders' equity in the amount of €49 million after taxes. In addition, and from January 1, 2004, the financial component of expenses (or income) relating to employee benefits will be presented as financial income in IFRS, although under French accounting principles, it was presented as operating expenses (or income).

D - Intangible assets (IAS 38)

IAS 38 and the conceptual framework of the IFRS define the criteria for recognizing the assets different from French accounting principles. In particular, recording deferred expenses under assets is not allowed. In that case, the Group restated deferred charges recognized under assets in French accounting principles as store opening costs and start-up costs related to IT projects. The effect of this difference is a reduction in shareholders' equity of €34 million after taxes as of January 1, 2004 (€29 million as of December 31, 2004) and an improvement in net income for the 2004 fiscal year of €5 million.

E - Accounting for Rexel under non-current assets held for sale (IFRS 5)

Applying IFRS 5 to the Rexel sub-group starting on January 1, 2004 entails the valuation, in accordance with the IFRS heading applied by the Group, of the net book value of Rexel's assets and liabilities. The effect of this valuation is a €96 million reduction in consolidated shareholders' equity as of January 1, 2004, including €71 million in shareholders' equity – Group share and €25 million in minority interests. IFRS 5 also requires a separate presentation on the balance of the assets and liabilities included in a group of assets held for sale without offsetting. This presentation method reduces the Group's net financial debt by €425 million as of January 1, 2004.
Finally, stopping all depreciation of this group of assets and all the assets comprising it, combined with the effect of the restatements on the calculation of the income from the sale of Rexel on December 10, 2004 results in an increase in net income of €193 million for the 2004 fiscal year.

F - Share-based payments (IFRS 2)

The Group uses a trinomial model to evaluate the payroll costs representing the stock options allocated on or after November 7, 2002. The fair value of these stock options determined on their respective award dates represent deferred compensation in the amount of €8 million on the transition date (stock option plans granted from November 7, 2002 to January 1, 2004) with no impact on shareholders' equity. This compensation is recorded as income and staggered over the rights acquisition period (four years for all the plans concerned). This is not straight-line accounting but depends on the terms under which the specific rights are acquired under each plan. The expense recorded under stock options the rights to which were acquired in 2004 amounts to €7 million.

G - Income taxes (IAS 12)

In addition to accounting for a tax effect on all differences previously identified, the Group recorded the following restatements in applying IAS 12:

- Accounting for deferred income taxes on all the brands acquired by the Group since January 1, 1999, in consideration for the goodwill under IFRS 3 as of that date. This statement difference had no impact on consolidated shareholders' equity on the transition date.

- Accounting for deferred income taxes on the difference between the tax value and the net book value of the Rexel sub-group (the sale of which is highly probable on the transition date) as of January 1, 2004. The effect of this difference is a reduction in consolidated shareholders' equity of €73 million as of January 1, 2004 and an increase in net income for the 2004 fiscal year in the same amount following the sale of Rexel.

- Accounting for deferred income taxes on the temporary differences relating to businesses under significant influence (holdings accounted for by the equity method). Applying this principle had a positive effect on consolidated shareholders' equity as of January 1, 2004 of €48 million (-€10 million as of December 31, 2004).

H - Income from ordinary activities (IAS 18)

Applying IAS 18 changed the rate of accounting for revenues from sales with warranty extensions. Under French accounting principles, income from warranty extensions was recorded at the time of sale; according to IFRS, this income is now staggered over the warranty period. The effect of this change is a reduction in consolidated shareholders' equity of €74 million as of January 1, 2004 (€81 million as of December 31, 2004) and a decrease in net income for the 2004 fiscal year of €7 million.

I - Reclassification of interest accrued not yet due as net financial debt

Under IFRS, interest accrued on balance sheet items comprising net financial debt are classified under net financial debt. This classification was repeated in the recommendation issued by the *Conseil National de la Comptabilité* (CNC, National Accounting Board) on October 27, 2004. The effect of this difference is an increase in net financial debt of €61 million as of January 1, 2004 (€125 million as of December 31, 2004).

J - Consolidation – special purpose entities (SIC 12)

Under SIC Interpretation 12, securitization funds and similar entities existing in connection with the sale of receivables must be accounted for in the Group's consolidated financial statements, provided the Group retains the majority of the risks and benefits related to the activities of such programs. Consolidating all these programs in the new IFRS heading results in an increase in net financial debt of €52 million as of January 1, 2004 (€57 million as of December 31, 2004).

Estimated financial calendar

- **April 2005** Publication of quarterly sales under international accounting standards.

- **September 2005** Publication of the half-yearly statement for the period ending June 30, 2005 with a 2004 comparison under international accounting standards.

- **March 2006** Publication of the annual financial statements for the period ending December 31, 2005 with a 2004 comparison under international accounting standards.

Investment policy

Over the past three years, PPR's investment policy has reflected its strategic refocusing on Luxury Goods and Retail. This investment and refocusing policy was completed in 2004 as the Group divested all of its business-to-business activities, by selling Rexel and its residual stake in the consumer credit business.

In addition to disposing of these non-core activities and gradually increasing its stake in Gucci Group, Pinault-Printemps-Redoute pursued its strategy of enhancing its Luxury Goods and Retail brand portfolio by developing its existing brands and selectively acquiring new brands.

Financial investments

Some terminology

The term "enterprise value" as used in this section represents the value of the sold company, including net financial debt and securitization of unconsolidated trade receivables.

The Group's main financial investments over the past three years are described below.

2004

Luxury Goods

Pinault-Printemps-Redoute's acquisition of additional shares in Gucci Group

In accordance with the "Settlement and Stock Purchase Agreement" (SSPA) of September 9, 2001 between Pinault-Printemps-Redoute, Gucci Group NV and LVMH Moët Hennessy-Louis Vuitton SA, and the "Amended and Restated Strategic Investment Agreement" of September 10, 2001 between Gucci Group NV and Pinault-Printemps-Redoute, the Group launched an offer to purchase ("the Offer") on April 1, 2004 for all of the outstanding ordinary shares of Gucci Group NV that the Group did not hold at that date, at a price of USD 85.52 per share.

When the Offer was completed on May 20, 2004, 34,906,084 Gucci shares had been tendered, bringing the Group's stake in Gucci Group at that time to 99.39%, then to 99.41% as of December 31, 2004.

Including the hedges described in Note 23-2 to the financial statements in the 2003 Reference Document, the cost of acquiring the shares tendered in response to the Offer was €2,459 million, excluding the cost of share purchases associated with the exercise of stock options. Including the latter, and after deducting the cash received upon exercise of the options, the total cost was €2,630 million.

On December 31, 2003, Gucci Group also held treasury stock in a total net amount of €206 million, for allocation to employee stock option plans. In accordance with its commitments, Pinault-Printemps-Redoute bought back these shares since the number of Gucci shares that had not been tendered at the expiry of the Offer was less than the highest of (i) 15% of Gucci Group shares issued at that time or (ii) 15 million Gucci Group shares.

Upon completion of the Offer, the Group began compulsory buy-out proceedings in the competent Dutch courts for the mandatory withdrawal of all the common shares it did not own. This mandatory withdrawal procedure is to be completed in 2005. The Group estimates its maximum commitment with respect to this at USD 54 million.

Other Luxury Goods acquisitions

In 2004, Gucci Group acquired an additional 30% of Sergio Rossi SPA and Sergio Rossi International SARL for €41 million. The seller retains voting and dividend rights associated with these shares until January 31, 2007 and also has an option to buy up to 28.5% of share capital at that time.

Retail

On July 1, 2004, Redcats signed an agreement to purchase the Scandinavian home shopping company Jotex, which is specialised in textiles. This is consistent with Redcats' international expansion strategy and rounds out its product offering of household equipment. This agreement was based on an estimated enterprise value of €28.6 million.

In order to rationalize its real-estate portfolio, in the first half of 2004 Conforama sold Conforama Investimenti SPA, which held some of Emmezeta's property assets in Italy. This sale was made for €117 million.

Business-to-Business

On December 10, 2004, the Group announced the signing of an agreement to sell its 73.45% stake in Rexel to the Ray Consortium, composed of Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity. Rexel is the world's leading distributor of electrical parts and supplies. A price of €38.50 a share was agreed for this transaction, which includes the payment of an extraordinary dividend of €7.38 a share. Rexel's enterprise value - which is the company's value including net financial debt and securitization of unconsolidated trade receivables – stands at €3.8 billion.

Credit and Financial Services

During the year the Group sold its remaining 24.5% stake in its Credit and Financial Services division to Crédit Agricole SA for €636.7 million. This disposal was carried out in two steps, with 14.5% sold in March for €371.6 million and the remaining 10% sold in December for €265.1 million.

Pinault-Printemps-Redoute and Crédit Agricole also announced their agreement to ensure a long-term relationship between Finaref and Pinault-Printemps-Redoute.

2003

Luxury Goods

Pinault-Printemps-Redoute continued to increase its stake in Gucci Group. As of December 31, 2003, it owned 67.58% of Gucci Group, up from 54.38% as of December 31, 2002. This 13.2% increase was made through a long-term investment of €1,223.4 million.

Business-to-Business

The Group continued its policy of divesting from Business-to-Business activities by selling the Guilbert companies to Office Depot (a US company) in May 2003 for an enterprise value of €815 million. It was agreed that the buyer would pay an additional €40 million if Office Depot's share price rose above US$20 for five consecutive trading days any time prior to November 18, 2004. Pinault Bois & Matériaux was also sold to the UK company Wolseley, in June 2003, for an enterprise value of €565 million.

Credit and Financial Services

In keeping with the acceleration of its rise in consumer credit activities, Crédit Agricole SA purchased 14.5% of the Group's Credit and Financial Services division in December 2003 for €371.6 million. This disposal was part of the agreement between the Group and Crédit Agricole SA, entered into in December 2002.

2002

Luxury Goods

The Group raised its stake in Gucci Group in 2002. As of December 31, 2002, it owned 54.38% of Gucci Group compared to 53.15% a year earlier. This increase was made through a long-term investment of €125.1 million.

Business-to-Business

In October 2002, the Group sold its Guilbert home shopping business to Staples Inc. This business includes the following European brands: JPG and Bernard in France and Belgium, Neat Ideas in Great Britain, Kalamazoo in Spain and Mondoffice in Italy.

Staples Inc. paid a total price of €825 million for the entire home shopping business with no debt.

Credit and Financial Services

In December 2002, the Group completed the disposal of all its consumer credit activities, first with the sale of Facet by Finaref and Conforama to BNP Paribas, followed by the sale of Finaref (excluding Facet) by Pinault-Printemps-Redoute and Redcats, and of Finaref Nordic by Barbicam International Holding BV to Crédit Agricole SA.

Prior to these disposals, the Group had purchased the 5.4% stake in Finaref held by Capitalia (Banca di Roma). Thus, on the date of the disposals, the Group owned 100% of all its consumer credit business activities.

On December 9, 2002, under the agreement between Pinault-Printemps-Redoute, Conforama Holding and BNP Paribas, the Group sold 89.81% of its stake in Facet. Based on a 100% valuation of €965 million, the selling price before fees and commissions amounted to €866.7 million.

On December 20, 2002, under the agreement signed by Pinault-Printemps-Redoute, Redcats, Barbicam International Holding BV and Crédit Agricole SA, the Group sold 61% of its stake in Finaref and Finaref Nordic. Based on a 100% valuation of €2,525 million, the selling price before fees and commissions was €1,540.3 million. Prior to the disposal date, Finaref paid the Group a gross dividend of €1,004.4 million.

Under this agreement, Crédit Agricole was granted a purchase option (with a corresponding reciprocal selling option) by Pinault-Printemps-Redoute SA for twelve months for an additional 29% stake, and for twenty years for a 10% stake by Redcats (7.4%), Fnac (1.2%) and Printemps (1.4%).

Operating investments

The main objectives of the Group's investment policy are to expand its store network, convert and renovate existing sales outlets, establish and maintain Luxury Goods production sites and Retail logistics centers and to upgrade and maintain information systems.

Over the past few years, the Group has been rationalizing its operating investments, which declined to €468 million in 2004.

The reduction of the Group's total investments over the past three years is in line with its determination to invest specifically in activities that offer the highest return on equity. Over the three years from 2002 to 2004, the Group invested a total of €2,028 million, declining steadily from €866 million in 2002, to €694 million in 2003 and €468 million in 2004.

International investments accounted for 58.8% of the total over the past three years. The substantial proportion of international investments over the past three years (60.5% in 2002, 64.8% in 2003 and 53.4% in 2004) demonstrates the Group's determination to leverage its know-how outside of France.

During this period, Luxury Goods accounted for €785 million of operating investments, of which €646 million (or 82% of the total) were made in 2002 and 2003 in order to accelerate the implementation of the Group's strategy of developing its high-potential brands (such as Yves Saint Laurent, Boucheron and Bottega Veneta). The remaining €139 million were invested over the 14-month period from November 1, 2003 to December 31, 2004. In 2004, Gucci Group devoted 45.2% of its total investments to opening, converting and renovating stores, and 48.2% to maintaining its logistics and information systems and improving its supply chain.

In 2004, Gucci Group opened 36 new stores worldwide and plans to open about 30 additional stores in 2005, representing a total investment of approximately €150 million.

The Retail division has invested a total of €969 million over the past three years, of which €633 million were used for expansion, €185 million for maintenance (logistics and IT) and €151 million for other purposes. During this period, the Retail division focused on the conversion and renovation of its stores, representing a total investment of €381 million.

Many stores were converted or renovated in 2004, particularly by Conforama which continued to adapt its stores to its new visual identity and store layout. Eighteen stores, including four new stores, were converted to the "new format" in 2004, bringing the total number of renovated stores to 31 out of a total of 140 in France. Printemps also continued and stepped up its store renovation program, with renovation work on almost half of the store network.

The division's companies also pursued their expansion by opening 25 additional stores during the year. Retail companies are planning to open over 30 stores in 2005, representing a total investment of approximately €300 million.

The PPR Group also pursued the program launched in 2001 in order to optimise the management of its property assets. The Group is constantly looking for the most effective means of financing the expansion of its store network across its various markets and geographical areas.

In addition to the sale of Conforama Investimenti SPA, which was recorded as a financial disinvestment, debt was further reduced by selling €34 million of operating assets in 2004, after €207 million in 2003 and €196 million in 2002.

Other investments

Pinault-Printemps-Redoute shares

In June 2004, PPR sold 1,300,000 shares held in treasury stock, for a total of €108.9 million.

In accordance with its agreements with financial intermediaries and with the Ethics Charter defined by the AFEI (the French Association of Investment Companies), Pinault-Printemps-Redoute bought 1,247,890 of its own shares and sold 1,445,370.

Outlook

In keeping with its strategy to develop both its Luxury Goods and Retail brands, the Group will continue to adjust its structure in order to bolster its share in all markets where it does business.

Through its companies, the Group also entered into agreements to buy back the minority interests of third parties looking to sell their stake in the Group's subsidiaries. All of these agreements that involve significant purchase or sale options are described in note 25 to the 2004 financial statements.

Risk management

Financial risks

The PPR Group has established a centralized structure for the management of liquidity, exchange rate and interest rate risks. The Group's Financing and Treasury division, which reports to the Corporate Secretary, is responsible for this team and has the necessary information systems and other resources. It deals in the various financial markets with optimum efficiency and security via PPR Finance SNC, which is dedicated to treasury and financial management. This risk management organization was moved to the Luxury Goods division after the completion of PPR's public offer for Gucci Group NV, in May 2004.

Counterparty risk

Pinault-Printemps-Redoute minimizes its exposure to counterparty risk by only dealing with high-rated companies and by spreading out its exposure among its various counterparties. Counterparties to derivative transactions, which exclude any transactions of a speculative nature, require approval and are governed by limits and maturities that are reviewed on a regular basis. Counterparties must have a Standard & Poor's rating of no less than "BBB" or the equivalent Moody's rating.

Equity risk

In the normal course of its business, Pinault-Printemps-Redoute only buys and sells equities related to its consolidated holdings and stock issued by PPR. PPR may trade in its own securities either directly or through derivatives in accordance with its share buyback program and with applicable regulations. Pinault-Printemps-Redoute has also signed an agreement with a financial intermediary to promote the liquidity of its stock and the stability of its share price. This agreement complies with the Ethics Charter defined by the AFEI (the French Association of Investment Companies).
Securities purchased for employees or to stabilize the share price are recorded on the balance sheet as "marketable securities". Any profit or loss on the sale of these securities or write-down thereof is recorded on the income statement. On the basis of information available at the end of 2004, a 10% decrease in Pinault-Printemps-Redoute's share price would result in a €35 million loss, excluding the tax effect.

Currency risk

The Group's policy is to hedge both committed currency risk exposure and that which is forecast to be highly probable. This mainly involves Retail imports and Luxury Goods exports.
Currency risk management instructions and procedures are defined by the Executive Committee of each company and approved by Pinault-Printemps-Redoute.
Each company hedges its own currency risks in accordance with guidelines and procedures reflecting its specific requirements (see note 23).
These procedures incorporate Group policies as defined by Pinault-Printemps-Redoute:
- PPR Finance SNC is the sole counterparty in currency transactions, unless there are any specific regulatory or operating constraints.
- The amounts and maturities of all currency hedging transactions are backed by an underlying asset to prevent any speculative dealing.
- All identified exposure is at least 50% hedged regarding budgeted exposure and 100% hedged in the case of firm commitments.
- Pinault-Printemps-Redoute has strictly limited the type of financial instruments that may be used for hedging purposes.
- Each company implements its own internal control system and conducts audits on a regular basis.

Pinault-Printemps-Redoute ensures that each company's risk management policy is consistent with its underlying exposure, notably through a monthly currency reporting procedure.
The Group also hedges currency risk on financial assets and liabilities issued in foreign currencies by using currency swaps for refinancing or by investing cash in euros or the local currency. The Group periodically conducts audits.
PPR Finance SNC provides the control and administrative follow-up for all currency transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated to ensure security. PPR Finance SNC uses market-standard information systems and other resources to value currency instruments.

Interest rate risk

Pinault-Printemps-Redoute manages interest rate risk on a consolidated basis, and allocates to Group consolidated net borrowings the breakdown between fixed rates and floating rates (60% floating rate, 40% fixed rate).
Interest rate risk is evaluated on the basis of current data and projections of consolidated net borrowings and the schedule of hedged positions and fixed-rate issues. This enables interest-rate hedging in accordance with the Group's target fixed-to-floating rate ratio. Appropriate hedging products are set up through PPR Finance SNC, in close cooperation with Pinault-Printemps-Redoute's senior management. Given current hedged positions, a 1% change in interest rates would have an impact of €47 million on consolidated Group income before tax (see note 23).
PPR Finance SNC provides the control and administrative follow-up for all interest rate transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated to ensure security. PPR Finance SNC uses market-standard information systems and other resources to value fixed-rate instruments.

Liquidity risk

PPR Finance SNC regularly assesses liquidity risk by closely monitoring Group and company financial reporting procedures.
Unused confirmed credit lines as of December 31, 2004 totalled €3,218 million, compared with €5,894 million at the end of 2003. This particularly high amount in 2003 was mainly required to purchase the shares of Gucci Group NV during the public offer in April and May 2004.
Pinault-Printemps-Redoute also issued two new bonds of €800 million and €400 million respectively, maturing on March 29, 2011 and October 22, 2007 (see note 22) to extend the maturity of its debt and diversify its funding resources. PPR also set up a syndicated revolving credit of €715 million maturing in five years on May 26, 2009. This credit had not been used as of December 31, 2004.
Pinault-Printemps-Redoute has an "A3" short-term credit rating from Standard & Poor's and a "BBB-" long-term rating.
The Group's bank loans and bonds are governed by the usual covenants, or pari passu ranking, a negative-pledge clause that limits the security that can be granted to other lenders and a cross-default obligation.
Confirmed credit lines are subject to a mandatory prepayment clause if financial ratios are not complied with (see note 22).
Public bond issues in the euro market are not governed by any financial ratio obligation.
All of these covenants were complied with at the end of 2004 and there is no foreseeable risk of breach.

Legal risks

The Group's companies are involved in various lawsuits or disputes that have arisen in the normal course of business, including disputes with tax, social security or customs authorities. Provisions for contingencies and losses were made to cover the expenses that the Group's companies and their legal advisers deem likely to arise from these disputes. According to the Group's legal advisers, none of the disputes in which the Group's companies are currently involved poses any threat to the Group's normal business or development. All of these legal risks, including the impact of commitments relating to the disposal of controlling interests in companies, have been provisioned for in the Group's consolidated financial statements as of December 31, 2004. None of these risks has been qualified as arising outside the scope of the normal course of business of the Group's companies.

Regarding the warranties granted with respect to the disposal of Rexel to a consortium composed by Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity ("the Consortium") and completed on March 16, 2005, pursuant to the public tender offer and takeover bid, Pinault-Printemps-Redoute granted the Consortium a standard liability warranty expiring on March 16, 2006. This liability guarantee was capped at €50 million.

Regarding the warranties granted in 2003 when the control of Guilbert SA was transferred to Office Depot in May 2003, Pinault-Printemps-Redoute granted a standard liability warranty for a period of two years, excluding tax-related guarantees warranties by the applicable statute of limitations.

Regarding the warranties granted in 2003 when the control of Pinault Bois & Matériaux was transferred to the Wolseley Group in June of that year, Saprodis granted an assets and liabilities warranty that will expire in June 2005 and is capped at 20% of the selling price.

As a reminder, the following applies to disposals made in 2002, none of which triggered any significant implementation of the relevant warranties:

- a two-year liability warranty capped at €85 million was granted to Staples Group in October 2002 pursuant to the disposal of the Group's interest in Guilbert's home shopping business;
- no asset or liability warranties were granted with respect to the disposal of Facet to Cetelem in December 2002;
- standard net asset warranties capped at 20% of the selling price and expiring in April 2005 were granted with respect to the disposal of 61% of the capital and voting rights of Finaref and Finaref Nordic to Crédit Agricole in December 2002. No additional warranties was granted with respect to the disposal of additional interests (14.5% in December 2003, 14.5% in March 2004 and 10% in December 2004).

Regarding legislation or regulations applicable to the Group's activities, none of the latter is governed by particular rules or requirements on the relevant markets. The Group's business is governed by the same constraints and regulations as those directly applicable to the business with which it competes on the relevant markets.

To the best of our knowledge, no foreseeable change in the legal or regulatory framework is likely to have any impact on the above.

Insurance risk

PPR's Insurance Division is responsible for identifying risks, quantifying the consequences thereof and reducing them:
- either by recommending preventive measures for risks that can be eliminated or reduced in that manner,
- or by using financing terms and conditions, in particular by transferring to the Insurance Division any non-recurring and infrequent risks with the potential for far-reaching consequences.

This Division reports directly to the PPR Corporate Secretary. It depends on each Group company, which is responsible for providing the necessary information to identify and quantify the risks and employ the appropriate means to ensure business continuity in the event of a claim.

On this basis, the Group's Insurance Division negotiates with the major players in the Insurance and Reinsurance Industry to provide the most appropriate coverage for insuring risks.

Risk Prevention

A decentralized policy of prevention, precaution and risk protection in accordance with PPR regulations applied to the Group's companies, aimed at identifying, evaluating and reducing exposure to, as well as the occurrence and the intensity of losses, based on:
- an audit of the main operating sites,
- an appraisal of risk values,
- following the recommendations of security professionals,
- internal control procedures,
- staff training,
- introducing appropriate emergency plans.

An inter-company task force (Risk Prevention Network) brings together professionals in protection and risk prevention from each company to design and introduce common standards for the most significant risks.

Insurance

A policy of transferring significant risks to insurance companies, determined by:
- achieving the right financial mix for the Group's risk coverage, premiums and automobile insurance,
- supply, insurance market constraints and local regulations.

Coverage based on the "ALL RISKS EXCEPT" approach, which is determined based on an assessment of the financial consequences for the company of possible claims, especially in the area of:
- civil liability: bodily or property damage to third parties because of products, furniture and equipment installation,
- fire, explosions, water damage, etc.,
- operating losses following direct damage.

The policy can be used to determine, by site and company concerned, the right amount of insurance coverage for a reasonably estimated occurrence of diverse risks (liability and damages).

The insurance schemes now in force in the Group, which centralizes the purchase of insurance policies such as fire, accident and diverse risks (IARD) to which a large majority of the subsidiaries belong, were taken out with the assistance of internationally recognized insurance brokers specializing in covering major risks, with reputable insurers in the Industrial Risk Insurance sector.

Main existing insurance programs:

- property damage from fire, explosion, floods, machine breakage, natural disasters… to its own property: property/furnishings/equipment/merchandise/IT installations, and to property for which it is responsible, as well as any resulting operating losses, for any period deemed necessary for normal business activities to resume,
- damage and loss of equipment, merchandise and/or goods in transport,
- insurance for damages from theft, fraud, embezzlement, or act of malice to valuable assets, data and/or property,
- bodily or property damage after construction operations (new construction, renovation, rehabilitation, etc.) conducted as Project owners ("*Maitres d'ouvrage"*),
- liability for bodily or property damage to third parties by motorised vehicles belonging to the different companies,
- responsibility under general and environmental civil liability for the "operating risk" and "post-delivery risk" and "risk after services rendered," due to damages caused to third parties in the course of its business.

Other insurance contracts are taken out by the Group companies for specific risks or to take local constraints into consideration. Overall, the amount of coverage of the main potential risks for the Group as a whole as of January 1, 2004 is shown below. This amount will remain unchanged as of January 1, 2005:

• damage from fire, explosions and water damage and resulting operating losses:	€800 million
• general civil liability:	€100 million
• damage and loss of goods in transport:	€15 million
• damage from fraud and acts of malice to goods and valuable assets:	€20 million

Coverage for potential losses insured by the Group (based on the deductible applied to each event) amounts to an annual average of €3.7 million for the past three years (2001 through 2003) for expected recurring losses covered by the companies in an annual average amount of €7.6 million for the past three years. These figures do not include Rexel or Gucci.

A portion of these expected losses are reinsured with Printemps Réassurance.

Taking out this reinsurance through a Group subsidiary reduces insurance costs and enhances performance because frequent risks are pooled within the Group and insured for an amount that is capped annually.

The amount of annual insurance premiums for the different "Group" international policies totalled €21.4 million in 2004.
Plans for 2005 include integrating the changes in Group structure (removal of Rexel, addition of Gucci Group), continuing to consolidate Group Contracts by expanding their scope (CFAO Transport Coverage), and maintaining current price levels, for an estimated budget of around €26.5 million for 2005.

Employee-related and Environmental risks

- For industrial risks related to the environment, see pages 38 to 52.
- For social risks, see pages 56 to 61.

Consolidated financial state

Consolidated income statement

For the years ended December 31, 2004, 2003, and 2002

(in € million)	Notes	2004	2003	2002
Net sales		24,212.7	24,360.8	27,375.4
Cost of sales		(14,782.0)	(15,178.9)	(16,785.6)
Gross margin		9,430.7	9,181.9	10,589.8
Payroll expenses	3	(3,417.1)	(3,503.8)	(3,863.5)
Other operating income and expenses	3	(4,073.7)	(3,924.9)	(4,444.5)
EBITDA	1-19	1,939.9	1,753.2	2,281.8
Depreciation and amortization		(473.2)	(456.4)	(454.9)
Operating income		1,466.7	1,296.8	1,826.9
Net financial expenses	4	(348.8)	(313.6)	(414.6)
Income from ordinary activities before taxes		1,117.9	983.2	1,412.3
Non-recurring items	5	418.2	(31.0)	1,278.0
Income taxes	6	(414.7)	(143.0)	(705.7)
Net income of consolidated companies		1,121.4	809.2	1,984.6
Share in earnings of equity affiliates	12	14.4	54.9	(5.8)
Amortization of goodwill	9	(106.6)	(119.3)	(234.3)
Net income before minority interests		1,029.2	744.8	1,744.5
Minority interests	19	88.6	100.2	155.3
Attributable net income [1]	7	940.6	644.6	1,589.2
Earnings per share (in €)	7	7.74	5.34	13.04
Fully diluted earnings per share (in €)	7	7.15	5.08	12.58

[1] Before net non-recurring items (note 7.1), attributable net income and earnings per share are as follows:

Attributable net income	*7*	*630.1*	*573.6*	*672.2*
Earnings per share (in €)	*7*	*5.19*	*4.75*	*5.52*
Fully diluted earnings per share (in €)	*7*	*4.86*	*4.54*	*5.37*

Consolidated balance sheet

as of December 31, 2004, 2003 and 2002

Assets

(in € million)	Notes	2004	2003	2002
Fixed assets				
Goodwill	9-10	1,932.0	3,356.0	4,216.1
Other intangible assets	9-10	8,224.4	7,104.5	6,639.3
Property, plant and equipment	11	2,272.6	2,668.2	2,774.0
Long-term investments				
Investments in equity affiliates	12	46.7	171.6	207.3
Non-consolidated investments	13	73.6	83.9	128.7
Other investments [1]	14	170.0	180.5	223.5
		290.3	436.0	559.5
Total fixed assets		12,719.3	13,564.7	14,188.9
Current assets				
Inventories and work-in-progress	15	2,640.8	3,417.5	3,743.3
Operating receivables [2]	16	2,227.9	3,168.6	3,514.8
Customer loans [2]	16	419.1	439.9	469.5
Non-operating receivables [2]	16	655.6	979.3	1,093.6
Short-term receivables on divestments	18	2,181.8	-	1,857.4
Marketable securities	18	1,422.0	2,204.6	3,606.5
Cash	18	684.3	864.8	1,549.6
Total current assets		10,231.5	11,074.7	15,834.7
Total assets		**22,950.8**	**24,639.4**	**30,023.6**

[1] Including due within less than one year: 30.3 | 23.5 | 68.1
[2] Including due after more than one year: 209.3 | 305.3 | 313.3

Liabilities and shareholders' equity

(in € million)	Notes	2004	2003	2002
Shareholders' equity				
Share capital		489.7	489.6	489.6
Additional paid-in-capital		2,165.6	2,164.3	1,787.9
Cumulative translation adjustments		286.6	264.7	577.6
Consolidated reserves		3,810.8	3,336.0	2,024.4
Attributable net income for the year		940.6	644.6	1,589.2
Shareholders' equity - Group share	19	7,693.3	6,899.2	6,468.7
Minority interests	19	171.4	1,731.5	2,718.6
Consolidated shareholders' equity		7,864.7	8,630.7	9,187.3
Reserves for contingencies and losses				
Retirement and related commitments [1]	20	133.8	166.0	191.0
Other contingencies [1]	21	383.6	392.8	427.1
		517.4	558.8	618.1
Liabilities				
Net borrowings excluding customer loans [2]		8,820.8	8,101.2	11,962.3
Financing of customer loans [2]	16	419.1	439.9	469.5
	22	9,239.9	8,541.1	12,431.8
Operating payables [3]	17	4,560.0	5,980.3	6,557.6
Non-operating payables [3]	17	768.8	928.5	1,228.8
		14,568.7	15,449.9	20,218.2
Total liabilities and shareholders' equity		**22,950.8**	**24,639.4**	**30,023.6**

[1] Including due within less than one year: 197.0 | 228.4 | 306.9
[2] Including due within less than one year: 3,144.7 | 3,294.5 | 4,886.5
[3] Including due after more than one year: 200.7 | 227.3 | 231.6

Consolidated cash flow statement

as of December 31, 2004, 2003 and 2002

(in € million)	Notes	2004	2003	2002
Net income of consolidated companies		1,121.4	809.2	1,984.6
Dividends received from equity affiliates		4.5	4.8	4.1
Other non-cash movements		131.9	334.4	(702.0)
Net cash from operating activities before changes in working capital requirement	**8**	**1,257.8**	**1,148.4**	**1,286.7**
Changes in working capital requirement	8	(211.9)	(130.7)	216.3
Changes in customer loans	8	28,6	(0,8)	(119.4)
Net cash from operating activities		**1,074.5**	**1,016.9**	**1,383.6**
Acquisitions of tangible and intangible assets		(462.0)	(707.0)	(868.1)
Disposals of tangible and intangible assets		33.6	207.2	195.7
Net operating investments	**8**	**(428.4)**	**(499.8)**	**(672.4)**
Net financial investments	8	59.7	167.1	2,516.7
Net cash used by investing activities		**(368.7)**	**(332.7)**	**1,844.3**
Changes in borrowings		697.4	(3,877.3)	(1,072.6)
Share capital increase	8	0.9	(376.2)	1.7
Dividends paid by Pinault-Printemps-Redoute, parent company		(278.9)	(266.7)	(278.4)
Dividends paid to minority interests		(29.4)	(54.6)	(99.6)
Net cash from financing activities		**390.0**	**(4,574.8)**	**(1,448.9)**
Impact of treasury stock		100.4	22.5	(451.8)
Impact of changes in exchange rates		22.5	(76.0)	(22.9)
Net increase in cash and cash equivalents		**1,218.7**	**(3,944.1)**	**1,304.3**
Cash and cash equivalents at the beginning of the year		**3,069.4**	**7,013.5**	**5,709.2**
Cash and cash equivalents at the end of the year		**4,288.1**	**3,069.4**	**7,013.5**
Transactions with no impact on cash and equivalents				
- Investments in lease financing operations		24.6	91.0	-

As of December 31/12/2004, "Net increase in cash and cash equivalents" and "Cash and cash equivalents at the end of the year" include short-term receivables on divestments for €2,181.8 million (note 18).

As of December 31/12/2002, "Net increase in cash and cash equivalents" and "Cash and cash equivalents at the end of the year" include short-term receivables on divestments for €1,857.4 million.

Consolidated statement of changes in shareholders' equity

(Before income appropriation) (in € million)	Number of shares outstanding [1]	Share capital	Additional paid-in capital	Cumulative translation adjustments	Consolidated reserves	Shareholders' equity Group share	 Minority interests	 Total
As of January 1, 2002	**122,394,110**	**489.6**	**1,787.9**	**838.3**	**2,576.3**	**5,692.1**	**2,867.9**	**8,560.0**
Capital increase/decrease						0.0		0.0
Treasury stock	(1,604,245)				(273.5)	(273.5)		(273.5)
Dividends paid					(278.4)	(278.4)	(67.5)	(345.9)
Cumulative translation adjustments				(260.7)		(260.7)	(43.7)	(304.4)
Net income for the year					1,589.2	1,589.2	155.3	1,744.5
Changes in Group structure						0.0	(193.4)	(193.4)
As of December 31, 2002	120,789,865	489.6	1,787.9	577.6	3,613.6	6,468.7	2,718.6	9,187.3
Capital increase/decrease	12,500	0.0	0.4			0.4		0.4
Disposal of Guilbert			376.0			376.0		376.0
Treasury stock						0.0		0.0
Dividends paid					(266.7)	(266.7)	(44.1)	(310.8)
Cumulative translation adjustments				(312.9)		(312.9)	(54.3)	(367.2)
Other adjustments [2]					(10.9)	(10.9)		(10.9)
Net income for the year					644.6	644.6	100.2	744.8
Changes in Group structure						0.0	(988.9)	(988.9)
As of December 31, 2003	120,802,365	489.6	2,164.3	264.7	3,980.6	6,899.2	1,731.5	8,630.7
Capital increase/decrease	27,500	0.1	1.3			1.4		1.4
Treasury stock	1,300,000				108.9	108.9		108.9
Dividends paid					(278.9)	(278.9)	(29.9)	(308.8)
Cumulative translation adjustments				21.9		21.9	(4.5)	17.4
Other adjustments [3]					0.2	0.2		0.2
Net income for the year					940.6	940.6	88.6	1,029.2
Changes in Group structure						0.0	(1,614.3)	(1,614.3)
As of December 31, 2004 [4]	122,129,865	489.7	2,165.6	286.6	4,751.4	7,693.3	171.4	7,864.7

[1] Par value of shares set at €4 pursuant to the Management Board decision of August 30, 2001.

[2] Changes in Pinault-Printemps-Redoute share of Finaref Group's opening shareholders' equity as of January 1, 2003 (39%): in accordance with Article 6 of French Accounting Regulations Committee (CRC) Regulation No. 2002.03, a discount was booked on performing loans subject to the Neiertz renewal plan. This was implemented for the first time on January 1, 2003 with €10.9 million booked under "Retained earnings".

[3] Changes in Pinault-Printemps-Redoute share of Rexel's opening shareholders' equity as of January 1, 2004 (73.75%): in accordance with French Accounting Regulations Committee (CRC) Regulation No. 2004.03, special puspose entities where the majority of benefits and risks are incurred by the Group are consolidated from January 1, 2004. This was implemented for the first time on January 1, 2004 with €0.2 million booked under "Retained earnings".

[4] Number of outstanding shares including treasury stock as of December 31, 2004: 122,434,480.

Information by division

The following information is presented after elimination of inter-company sales and adjustments.

(in € million)	Luxury Goods	Retail [1]	Holdings and other	"New PPR"	Rexel	Other activities [2]	Consolidated Total
2004							
Net sales	3,210.1	14,517.1		17,727.2	6,485.5		24,212.7
Operating income	394.4	797.5	(19.1)	1,172.8	293.9		1,466.7
Operating cash flow	553.9	1,061.1	(15.1)	1,599.9	338.6		1,938.5
Net operating investments	(138.6)	(251.1)	(3.4)	(393.1)	(35.3)		(428.4)
Operating fixed assets	7,652.1	4,766.6	10.3	12,429.0			12,429.0
Operating working capital requirement	452.5	(118.8)	(25.0)	308.7			308.7
Customer loans net of deposits		419.1		419.1			419.1
Average number of employees	11,524	63,816	153	75,493	19,904		95,397
2003							
Net sales	2,555.5	13,884.8		16,440.3	6,654.8	1,265.7	24,360.8
Operating income	237.9	754.2	(12.1)	980.0	248.0	68.8	1,296.8
Operating cash flow	362.8	1,021.7	(10.2)	1,374.3	292.7	85.5	1,752.5
Net operating investments	(266.8)	(243.6)	28.5	(481.9)	(4.5)	(13.4)	(499.8)
Operating fixed assets	6,177.8	5,000.0	7.1	11,184.9	1,895.8	48.0	13,128.7
Operating working capital requirement	626.3	(265.9)	(28.4)	332.0	273.8		605.8
Customer loans net of deposits		439.9		439.9			439.9
Average number of employees	11,032	62,368	165	73,565	22,140	5,074	100,779
2002							
Net sales	2,535.7	13,743.8		16,279.5	7,367.3	3,728.6	27,375.4
Operating income	308.5	763.5	(12.7)	1,059.3	292.0	475.6	1,826.9
Operating cash flow	433.9	1,021.4	(9.8)	1,445.5	341.1	545.0	2,331.6
Net operating investments	(388.6)	(217.6)	22.2	(584.0)	(31.3)	(57.1)	(672.4)
Operating fixed assets	5,499.8	5,215.5	37.6	10,752.9	2,074.7	801.8	13,629.4
Operating working capital requirement	544.8	(242.5)	(48.8)	253.5	291.0	156.0	700.5
Customer loans net of deposits		469.5		469.5			469.5
Average number of employees	10,459	60,580	162	71,201	23,772	13,450	108,423

[1] The Retail division includes Conforama, Fnac, MobilePlanet, Printemps, Redcats (including the credit and financial activties in the U.K. and in Scandinavia), Orcanta, Kadéo and CFAO.

[2] As of December 31, 2003, the other activities include Pinault Bois & Matériaux and the "Contract" activities of Guilbert.
As of December 31, 2002, the other activities include Pinault Bois & Matériaux, Guilbert and the credit and financial services activities sold in December 2002.

Information by geographical area

The following information is based on the countries, in which fully consolidated companies are located or conduct their operations. The breakdown of sales by destination is not materially different from the breakdown by location.

(in € million)	France	Europe	Americas	Africa	Australasia	Asia	Consolidated Total
2004							
Net sales	10,567.7	6,011.0	4,474.6	1,421.0	692.1	1,046.3	24,212.7
Operating income	532.1	307.3	235.1	96.2	53.3	242.7	1,466.7
Operating fixed assets	4,261.3	7,019.4	794.7	174.3	27.1	152.2	12,429.0
Average number of employees	44,981	22,926	13,039	9,323	2,163	2,965	95,397
2003							
Net sales	11,036.1	6,011.8	4,508.5	1,315.1	634.4	854.9	24,360.8
Operating income	503.1	300.0	159.5	96.2	45.9	192.1	1,296.8
Operating fixed assets	4,880.6	6,029.1	1,750.6	165.0	147.6	155.8	13,128.7
Average number of employees	48,932	24,205	13,569	9,129	2,234	2,710	100,779
2002							
Net sales	12,642.2	6,724.1	5,261.7	1,229.3	614.7	903.4	27,375.4
Operating income	856.3	389.8	240.5	91.5	44.4	204.4	1,826.9
Operating fixed assets	5,297.3	5,985.7	1,969.6	141.7	144.2	90.9	13,629.4
Average number of employees	54,552	26,023	14,458	8,641	2,194	2,555	108,423

Notes to the consolidated financial statements

1. Significant accounting principles

The consolidated financial statements have been prepared in accordance with French *Comité de la Reglementation Comptable* (CRC, Accounting Regulation Board) Regulation No. 99-02. In view of the above, the Group has elected not to restate according to the new rules acquisitions and disposals made prior to January 1, 2000.

The financial statements of consolidated companies prepared in accordance with local accounting methods have been restated to comply with the policies applied by the Group.

The consolidated financial statements have been prepared according to presentation and valuation methods that are identical to those of the previous reporting period.

On May 4, 2004, the CRC published Regulation 2004-03 changing the treatment of the consolidation of separate legal structures created specifically to manage a transaction or a group of similar transactions for a company ("special purpose entity"). This new regulation applicable to fiscal years starting from August 4, 2003 is a change in accounting method. Under this regulation, which went into effect on January 1, 2004, the Group consolidates special purpose entities in which it incurs most of the risks and enjoys most of the benefits. The impact of the change, calculated from the time this regulation was applied for the first time, amounts to €0.3 million, net of taxes, booked under consolidated shareholders' equity. The effect of this change in method on net financial indebtedness as at the start of the year was €25.4 million.

1.1 Consolidation

Companies controlled exclusively by the Pinault-Printemps-Redoute Group are fully consolidated.

Companies in which the Pinault-Printemps-Redoute Group exercises significant influence over management and financial policies are accounted for by the equity method.

Investments meeting the above criteria but which are acquired with the intention of being sold in the foreseeable future are stated at cost, less allowances for depreciation and are excluded from the consolidation structure. Investments in companies without any material impact or in which the Group no longer exercises significant influence are deconsolidated and stated at whichever is lower – the Group's equity in net assets at the deconsolidation date or value in use.

Material transactions and significant reciprocal assets and liabilities between fully consolidated companies, are eliminated. Profits and losses on transactions between fully consolidated companies are also eliminated. Profits and losses on transactions with companies accounted for by the equity method are eliminated on the basis of the Group's percentage share in their capital.

All Group companies are consolidated based on annual or interim financial statements as of December 31, with the exception of the Gucci Group's companies, for which:

- the financial statements were consolidated based on accounts for the twelve months ended October 31 through 2003;
- the financial statements were consolidated based on accounts for the fourteen months ended December 31 for fiscal year 2004, as a result of the decision to harmonize the closing dates of all the Group's companies.

In the consolidated income statement, companies acquired during the year are consolidated as from the date of acquisition, and companies divested during the year are consolidated up to the date of divestment.

Owing to the significant impact of changes in structure on the harmonizing of closing dates, pursuant to §423 of CRC Regulation No. 99-02 and the January 16, 2003 recommendation by the *Commission des Opérations de Bourse* (French Financial Markets Regulation Authority), the Group has presented pro forma accounting data including an income statement, a balance sheet, a cash flow statement and some related information.

Information on the main changes in structure is given in note 2.

1.2 Integration of financial statements of consumer credit activities

a) Presentation principles

Consumer credit companies controlled exclusively are fully consolidated. For these companies, the components of "ordinary banking income" are allocated to the various items included in the Group's operating income, while operating items are booked under consolidated operating income. Assets and liabilities are allocated to the relevant headings in the consolidated balance sheet, with customer loans and deposits presented separately.

The contribution of consumer credit activities is presented in the table on Information by division.

b) Definition of Group net indebtedness

The financing of customer loans is presented under financial debt for fully consolidated consumer credit companies. However, the Group's net indebtedness represents borrowings net of cash and cash equivalents, excluding the financing of customer loans in the consumer credit business.

1.3 Translation of the financial statements of foreign subsidiaries

The financial statements of foreign subsidiaries are translated into euros as follows:

- balance sheet items are translated at the year-end exchange rate,
- income statement items and changes in cash are translated at the average rate for the year,
- currency translation differences arising from the change in rates from the previous year to the current year as well as the difference arising from the translation at year-end rates of items previously translated at average rates are recorded as a separate component of shareholders' equity, under "Translation adjustments",
- currency translation differences relating to foreign currency borrowings used to hedge investments in foreign currency or for permanent advances to foreign subsidiaries are recorded under "Translation adjustments" included in consolidated shareholders' equity.

1.4 Foreign currency transactions

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date or at the currency hedge rate, where applicable.

At year-end, assets and liabilities denominated in foreign currencies that have not been hedged are translated at the year-end exchange rate.

Unrealized gains or losses resulting from these translations are included in interest income/charges.

1.5 Currency and interest rate instruments

The Group uses a variety of financial instruments to reduce its exposure to currency and interest rate risk. The instruments used are all quoted on organized markets or are purchased from or sold to leading counterparties in over-the-counter transactions.
These financial instruments are accounted for as follows:

a) Forward foreign exchange contracts

Forward foreign exchange contracts are concluded to hedge against currency risks on commercial transactions recorded in the balance sheet and future transactions based on a firm commitment.

Gains or losses on these contracts are recognized on a symmetrical basis with the loss or gain on the hedged transaction.

b) Interest rate swaps

Income and expenses generated by interest rate swaps used to hedge financial assets and liabilities are recorded on a symmetrical basis with the items hedged.

Swaps that do not qualify as effective hedges of interest rate risks are estimated at market value. A reserve is booked for any unrealized losses, and unrealized gains are not recognized.

c) Other financial instruments

Income and expenses on all other financial instruments used for hedging purposes are recorded on a symmetrical basis with the expense or income on the hedged item.

Financial instruments traded over-the-counter that do not qualify as effective hedges are estimated at market value. A reserve is booked for any unrealized losses.

Financial futures and options are reported as off-balance sheet commitments at their nominal value (note 23).

1.6 Goodwill

At the time of acquisition of consolidated subsidiaries, the identifiable assets and liabilities acquired are valued based on their prospective use. Assets not used in the business are stated at their market value. Assets used in the business are stated at their value in use to the Group. Additional valuation adjustments may be made during the year following the acquisition date.

The Group applies the partial revaluation method to record the impact of valuation at fair value of identifiable assets. The corresponding assets are therefore recognized on the balance sheet based on the percentage of interest owned by the Group.

The difference between the cost of the shares, including related expenses, and the Group's share in the underlying identifiable net assets at the acquisition date is recorded on the assets side of the balance sheet under "Goodwill" (note 9.1).

Goodwill is generally amortized on a straight-line basis over 40 years, unless a shorter period is deemed more appropriate based on the assumptions and objectives set at the time of acquisition.

1.7 Other intangible assets

Computer software purchased for routine operations is booked under intangible assets and usually fully amortized in the year of purchase. Software developed by the Group to enhance productivity is amortized over 3 to 10 years.

Given the nature of the Group's businesses, brands, trademarks, market share and goodwill may represent substantial identifiable assets following the takeover of consolidated subsidiaries.

These items can be separately identified and changes in their value can be measured. Their value is determined by independent experts based on appropriate criteria within the business, directly related to sales and operating margin. (note 9.2).

1.8 Assessment of goodwill and other intangible assets

The net book value of goodwill and other intangible assets is subject to review when certain events or circumstances indicate that the value may be reduced. These events or circumstances are linked to significant, unfavorable, durable changes which impact the economy or the assumptions or targets set at the time of acquisition. The level at which the Group estimates the recoverable value of goodwill and other intangible assets mainly depends on the nature of the business, market or geographical segmentation of each of the companies. The tested net book value includes the fixed operating asset and working capital requirement.

The recovery value is defined as the higher of monetary value, based on market valuations, or value in use. Value in use is determined using the value of future cash flows after taxes calculated based on medium-term operating plans set out by management for a period of three years. These plans are extended over a five-year period, beyond which the flows are extrapolated by applying a perpetual growth rate specific to the sector of activity and geographical area in question. Accordingly, actual results may differ from the forecast. Cash flow is discounted based on the average cost of capital for each segment and may vary according to the company and region depending on the economic environment.

Details on the discount rate and the perpetual growth rate are provided in note 10.

Exceptional amortization or depreciation on the fixed asset is booked when the recovery value is less than the net book value.

The methodology used to assess goodwill and other intangible assets complies with Regulation 2002-10 regarding the amortization and depreciation of assets.

1.9 Tangible assets

a) Property, plant and equipment acquired outright

Property, plant and equipment are stated on the balance sheet at historical cost, excluding interest. Assets that have been revalued are restated at historical cost in consolidation, except for assets held by French companies that were included in the 1976 legal revaluation. Property, plant and equipment are generally depreciated using the straight-line method over their estimated useful lives. The useful lives applied by the Group are as follows:

Buildings	20 to 40 years
Improvements to land and buildings	10 to 20 years
Plant and equipment	3 to 10 years
Transportation equipment	4 to 8 years
Office equipment and furniture	7 to 10 years
Computer equipment	3 to 10 years

b) Property, plant and equipment acquired under finance leases

Property, plant and equipment acquired under finance leases for material amounts are recorded as if the related assets had been acquired outright. Only those lease contracts that transfer all the advantages and risks inherent to ownership of the asset are treated as finance leases.

Assets held under finance leases are booked as consolidated assets and depreciated based on the periods set out above in section a above. The related liabilities are recorded under borrowings in the consolidated balance sheet.

The capital gains arising from the sale and leaseback of assets are recognized in full in the year of sale in the case of a simple lease.

1.10 Financial investments

Investments in non-consolidated companies included in the balance sheet are stated at cost.

A reserve for impairment is booked when the inventory value is lower than the acquisition cost.

The inventory value of the securities is based on their value in use to the Group. This is determined based on the Group's share in the underlying net assets (or revalued net assets, where appropriate), the company's earnings outlook and, for listed companies, the share price if relevant to valuation (note 13).

1.11 Inventories and work-in-progress

Inventories are stated at cost, determined according to the rules appropriate for the relevant businesses, as explained below:

- for the majority of Group companies, using the FIFO method or a similar method producing similar results,
- for Printemps and Gucci, based on the sales price less a discount corresponding to the margin and mark-down (method defined in the guide for "Companies engaged in several lines of retail business").

Reserves are booked to write down inventories if their replacement cost or probable realizable value is below cost price. The same applies for slow-moving inventories (note 15).

1.12 Marketable securities

Marketable securities are stated at cost or market value, whichever is lower. The market value of listed securities is based on the average price quoted on the last month of the year.

Bonds

Bonds are stated on their acquisition date at their face value adjusted for the premium or discount. Accrued interest at the acquisition date is recorded under "Non-operating receivables".

Mutual funds

Mutual fund units, "SICAVs", are stated at cost excluding subscription fees. At year-end, they are estimated at their net asset value. Unrealized gains are not recognised.

Negotiable debt instruments

These securities (mainly certificates of deposit and bank notes) are purchased on either the primary or the secondary market. Securities acquired on the secondary market are stated at cost excluding accrued interest at the acquisition date.

Prepaid interest is credited to interest income on an accruals basis.

1.13 Treasury stock

Treasury stock held by fully consolidated companies is recorded:

- under marketable securities, as assets on the consolidated balance sheet, if acquired for the specific purpose of being granted to employees or of stabilizing the share price,
- in all other cases, it is deducted from consolidated shareholders' equity.

The accounting treatment of gains and losses on sales of treasury stock also depends on the purpose for which they were acquired. Only gains and losses on shares awarded to employees or on sales of shares acquired to stabilize the share price are recorded in the income statement. In all other cases, the gain or loss and the related tax effect are recorded under consolidated shareholders' equity.

1.14 Debt and share issuance costs – bond redemption premiums

Debt issuance costs are amortized over the term of the debt.

Debt is stated at the issue cost. Any issue or redemption premiums net of taxes are amortized over the term of the issue, in accordance with the recommended method.

Costs associated with the increase in capital and merger of Pinault-Printemps-Redoute are charged against the share or merger premium.

1.15 Deferred taxation

Deferred taxes are recorded using the liability method for all temporary differences between the book value of assets and liabilities and their tax basis, with the following exceptions:

- goodwill where the related amortization is not tax deductible,
- valuation adjustments to non-amortized intangible assets that cannot be divested separately from the acquired company.

Net deferred tax assets or liabilities are calculated separately for each individual company or for all companies included in the same tax group. Net deferred tax assets are recognized only in cases where the related tax benefit can reasonably be expected to be realized by the Company or the tax group in the foreseeable future. Tax loss carry-forwards are recorded under deferred tax assets only in cases where their utilization is considered probable. Since the period in which certain material timing differences are likely to be reversed cannot be accurately determined, tax assets and liabilities are not discounted.

1.16 Reserves for retirement obligations

Group companies contribute to pension schemes for their employees in accordance with local laws and practices.

In the case of defined benefit plans, Group commitments on retirement bonuses and benefits are determined on the basis of actuarial estimates in accordance with agreements in effect in each company. Actuarial estimates are determined every year for the largest benefit plans and at regular intervals for other plans.

Actuarial assumptions used to determine the commitments vary according to the economy in the country in which the plan is based. The estimate, based on actuarial assumptions, takes into account the employee's future remuneration, estimated duration of activity, term expectancy and staff turnover. Future commitments calculated on this basis are adjusted to their current value by applying an appropriate discount rate.

Actuarial differences primarily arise from changes in assumptions and the difference between results based on actuarial assumptions and the effective results of defined benefit plans. These differences are spread over the average residual period over which the staff member is expected to belong to the work force in relation to the retirement plan in question, for any portion in excess of 10% of either the commitments or the fair value of the assets, whichever is higher.

At year-end, the provision corresponds to the retirement commitments estimated on this basis, net of the fair value of the plan assets and actuarial differences that have not yet been amortized (note 20).

For defined contribution plans, contributions are booked as expenses when they are incurred.

The Group's obligation for the payment of post-retirement healthcare costs is fully funded under insured plans.

1.17 Other reserves for contingencies and losses

a) Reserves for contingencies related to operations in Africa

The Group consistently applies an appropriate policy for determining reserves to be recorded in respect of its investments in high-risk geographical areas.

These reserves, booked under reserves for contingencies and losses until December 31, 2001, are now deducted from the operating asset accounts to which they belong.

b) Reserves for claims and litigation

Reserves for claims and litigation include the cost of claims and litigation with third parties.

They also include charges relating to labor and tax disputes. No reserve is booked for tax reassessments notified (or in the process of being notified) by the tax authorities if the company involved views the assessment as unwarranted, and if there is a reasonable likelihood that the outcome of the appeal procedure will be favorable.

Tax reassessments that do not involve a dispute with the authorities are recorded as liabilities as soon as the amount involved is known.

c) Reserves for restructuring

The cost of restructuring is fully provisioned over the period, provided the following conditions are met:

- the restructuring plan is formalized and detailed,
- third parties involved are aware of the restructuring plan at year-end.

This cost mainly includes employee lay-off costs (severance pay, early retirement plans, lay-off notice periods, etc.), closures and penalties for breach of contracts with third parties.

d) Other reserves

Other reserves mainly include:

- the cost of claims and litigation with third parties, determined based on estimates produced by the relevant companies and their legal counsel,
- the probable costs arising from warranties given by the Group in connection with the disposal of fixed assets or businesses.

1.18 Statement of cash flows

Net charges to allowances against current assets are deducted for the purpose of calculating cash flow, because they are equivalent to costs giving rise to a cash outflow.

The impact of treasury stock on cash flow is recorded on a separate line “Impact of treasury stock”. This impact arises from both the impairment of treasury stock booked under marketable securities and the impact on Group cash of purchases of treasury stock deducted from shareholders’ equity in the consolidated financial statements.

1.19 EBITDA

This financial indicator corresponds to operating income before depreciation, amortization and allowances for operating fixed assets charged to the income statement.

1.20 Distinction between operating income and non-recurring income

Non-recurring items recorded in the consolidated income statement include exceptional items arising from ordinary activities and extraordinary items.

Non-recurring items arising from ordinary activities represent income and expenses unrelated to the Company’s usual business that are exceptional in terms of their amount and impact or represent a rare occurrence. (note 5).

1.21 Earnings per share

Earnings per share before dilution are calculated by dividing net income (Group share) by the weighted average number of outstanding shares during the year.

All shares carrying an unlimited right to earnings are included in the calculation. The weighted average number of outstanding shares does not include Pinault-Printemps-Redoute shares held by consolidated companies, but does include shares that are intended for allocation to employees or acquired to stabilize the share price and are therefore recorded as marketable securities and maintained under the denominator (note 1.13).

Diluted earnings per share are calculated by including all securities issued by Pinault-Printemps-Redoute or its subsidiaries that are convertible, redeemable, exchangeable or otherwise exercisable for Pinault-Printemps-Redoute shares. Dilution is calculated separately for each security, based on market prices at year-end, excluding anti-dilutive securities.

When the proceeds corresponding to potential future share issues are received at the time dilutive securities (or convertible bonds) are issued, the numerator is equal to net income before dilution plus the savings in interest expense that would be realized in the event of conversion, net of tax.

If the proceeds are received when the rights are exercised (or for stock options), they are assumed to be assigned on a priority basis to the purchase of shares at market price, provided the market price exceeds the exercise price of the right. Market price corresponds to the year-end price or the average price for the last month of the year if this is more representative.

In both cases, the proceeds are treated as having been received on the issue date of the dilutive instruments in the year of issue and on January 1, in all subsequent years.

In the event of significant non-recurring income, net income excluding non-recurring items per share is determined by correcting the amount of net income (Group share) from non-recurring items net of tax and minority interests.

1.22 Use of estimates

The financial statements were prepared in accordance with the accounting principles generally accepted in France using estimates and assumptions determined by the management with an impact on the statements, notably with regard to reserves for contingencies and losses, deferred tax benefits, goodwill and market share.

2. Changes in Group structure

2.1 Group structure

The list of companies included in the Pinault-Printemps-Redoute consolidated financial statements as of December 31, 2004, is provided in the appendix.

2.2 Highlights

a) Tender offer on Gucci Group stock

In accordance with the commitments set forth in the "Settlement and Stock Purchase Agreement" (the "SSPA") of September 9, 2001, between Pinault-Printemps-Redoute, Gucci Group NV and LVMH Moët Hennessy-Louis Vuitton SA, and in accordance with the "Amended and Restated Strategic Investment Agreement" of September 10, 2001, between Gucci Group NV and Pinault-Printemps-Redoute, on April 1, 2004, the Group launched a tender offer (the "Offer") on all the outstanding common stock of Gucci Group NV not held by the Group as of that date at the price of USD 85.52 per share.

On Thursday, April 29, 2004, or at the end of the initial offer period, 33,267,342 shares of Gucci stock had been contributed and not withdrawn, and 1,364,670 shares of Gucci stock had been contributed to the Offer through the delivery of collateral. As of that date, the Group owned a 99.23% stake in Gucci Group. In accordance with the terms of the initial offer, the Group extended the offer period ("Subsequent Offer Period ") to May 20, 2004.
On May 20, 2004, or at the end of the Subsequent Offer Period, 34,906,084 shares of Gucci stock had been contributed to the Offer, raising the Group's stake as of that date to 99.39%.

In 2003, the Group implemented currency hedges to hedge exposure to the dollar risk related to its commitment. A breakdown of these hedging transactions is provided in note 23.2 of the notes to the consolidated financial statements of the 2003 reference document.

Taking these hedging transactions into account, the acquisition cost of all the shares contributed to the Offer amounted to €2,459 million not including the share buybacks associated with the exercising of options owned by employees, and €2,630 million including options exercised and after deducting any cash received at the time the options were exercised.

In addition, as of December 31, 2003, Gucci Group held directly owned shares allocated explicitly to employee stock option plans for a net value of €206 million. Pursuant to its commitment, Pinault-Printemps-Redoute bought these shares given the fact that after the Offer, the number of Gucci shares not contributed to the Offer was below the higher of (i) 15% of the Gucci Group shares then issued and (ii) 15 million Gucci Group shares.

As of December 31, 2004, the percentage of interest owned by Pinault-Printemps-Redoute in Gucci Group totalled 99.41%.

b) Sale of the Group's remaining interest in the consumer credit business

During the year, the Group sold its remaining interest in its Credit and Financial Services division (24.5%) to Crédit Agricole SA for a total of €636.7 million. This disposal was made in two phases: in March 2004, 14.5% was sold for a total of €371.6 million, and in December 2004, the remaining 10% was sold for a total of €265.1 million.

This transaction resulted in a capital gain of €185.8 million before taxes and €145.3 million after taxes in March 2004, and a capital gain of €140.8 million before taxes and €106.3 million after taxes in December 2004.

The proceeds from the sale of the 10% in December 2004 are included under the item Cash and cash equivalents of the Group as of December 31, 2004 under the heading "Short-term receivable on sales of assets".

c) Sale of Rexel

On December 10, 2004, the Group announced it had signed a final agreement with the consortium comprising Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity ("Ray Consortium") for the sale of its 73.45% stake in Rexel, the world's leading distributor of electrical parts and supplies. The deal was based on a selling price of €38.50 per share, including payment of an exceptional dividend of €7.38 per share. The enterprise value based on a 100% valuation (corresponding to the value of the company sold including net financial debt and securitization of unconsolidated trade receivables) amounts to €3.8 billion.

Following the signature of the agreement, Rexel was fully consolidated in the Group's financial statements until December 10, the effective date of loss of control by the Group.

This transaction generated a capital gain before taxes of €354.8 million and €272.6 million after taxes.

The proceeds from the sale of 73.45% of Rexel for €1,549.3 million and that portion (€367.4 million) of the net dividends paid out by Rexel prior to the sale are included in Cash and cash equivalents as of December 31, 2004, under "Short-term receivable on divestments" in the consolidated financial statements.

d) Other changes

- SARL Italiens Financement et Participations and its subsidiaries were consolidated on January 1, 2004, in accordance with the change in method described in note 1. These companies are engaged in the financing of Rexel's logistics platforms in France and were deconsolidated on December 10, 2004 following the sale of Rexel.

- Gucci Group acquired an additional 30% of Sergio Rossi SPA and Sergio Rossi International SARL for a total of €41 million. The seller retained its voting rights and dividends associated with the shares sold under the terms of the transaction until January 31, 2007, and an option to buy a 28.5% stake has been granted to it as of that date.

- Conforama sold Conforama Investimenti SPA, which owned some real estate assets belonging to the Emmezeta company in Italy, for a total of €117 million.

- On July 1, 2004, Redcats signed an acquisition agreement for 100% of the Scandinavian company, Jotex, based on an enterprise value of €28.6 million.

- The other changes in Group structure had no significant impact on the consolidated financial statements as of December 31, 2004.

2.3 Pro forma accounting information

In 2003 and 2004, the strategic shift by the Group resulted in significant changes in structure and in a change in the Gucci Group year-end date. Because of these two major events, it is difficult to make a direct comparison between the 2004 and 2003 consolidated financial statements.

That being the case, and pursuant to §423 of CRC Regulation No.99-02 and to the January 16, 2003 recommendation by the *Commission des Opérations de Bourse* (the French Financial Markets Regulation Authority), the Group prepared pro forma accounting data for 2004 and 2003. This pro forma accounting information includes an income statement, a balance sheet, a cash flow statement and some supplementary information, and were prepared according to the following principles:

- the Luxury Goods division was consolidated for twelve months in 2004 and 2003 from November 1 to October 31;
- the Group's percentage stake in Gucci Group as of December 31, 2004 (99.41%) was realized as of January 1, 2003;
- the companies sold or deconsolidated in 2004 or 2003 are stated as if they were deconsolidated from January 1, 2003;
- the companies acquired and fully consolidated for the first time in 2004 and during 2003 are consolidated over a period of twelve months in 2004 and 2003;
- savings or increases in interest expense reported considering that all the sales or acquisitions were carried out effective January 1, 2003 were calculated based on an average financing rate for the year of 3.4%, which corresponds to the Group's average financing rate for 2003 and 2004;
- capital gains and losses on companies sold in 2004 and 2003 were offset, as well as the corresponding tax effect.

a) Income statement

(in € million)	2004 actual	Changes in Group structure [1]	Gucci [2]	2004 pro forma
Net sales	24,212.7	(6,469.9)	(532.9)	17,209.9
Cost of sales	(14,782.0)	4,844.3	169.0	(9,768.7)
Gross margin	9,430.7	(1,625.6)	(363.9)	7,441.2
Payroll expenses	(3,417.1)	802.4	79.9	(2,534.8)
Other operating income and expenses	(4,073.7)	483.6	158.6	(3,431.5)
EBITDA	1,939.9	(339.6)	(125.4)	1,474.9
Depreciation and amortization	(473.2)	46.4	31.8	(395.0)
Operating income	1,466.7	(293.2)	(93.6)	1,079.9
Net financial expenses	(348.8)	124.5	(31.0)	(255.3)
Income from ordinary activities before taxes	1,117.9	(168.7)	(124.6)	824.6
Non-recurring items	418.2	(656.7)	30.0	(208.5)
Income taxes	(414.7)	208.1	33.2	(173.4)
Net income of consolidated companies	1,121.4	(617.3)	(61.4)	442.7
Share in earnings of equity affiliates	14.4	(8.7)		5.7
Amortization of goodwill	(106.6)	35.9		(70.7)
Net income before minority interests	1,029.2	(590.1)	(61.4)	377.7
Minority interests	88.6	(31.1)	(27.3)	30.2
Attributable net income	940.6	(559.0)	(34.1)	347.5

(in € million)	2003 actual	Changes in Group structure [1]	Gucci [2]	2003 pro forma
Net sales	24,360.8	(7,888.2)		16,472.6
Cost of sales	(15,178.9)	5,859.9		(9,319.0)
Gross margin	9,181.9	(2,028.3)		7,153.6
Payroll expenses	(3,503.8)	1,047.3		(2,456.5)
Other operating income and expenses	(3,924.9)	600.1		(3,324.8)
EBITDA	1,753.2	(380.9)	0.0	1,372.3
Depreciation and amortization	(456.4)	67.0		(389.4)
Operating income	1,296.8	(313.9)	0.0	982.9
Net financial expenses	(313.6)	182.6	(93.2)	(224.2)
Income from ordinary activities before taxes	983.2	(131.3)	(93.2)	758.7
Non-recurring items	(31.0)	2.1		(28.9)
Income taxes	(143.0)	0.4	16.9	(125.7)
Net income of consolidated companies	809.2	(128.8)	(76.3)	604.1
Share in earnings of equity affiliates	54.9	(50.1)		4.8
Amortization of goodwill	(119.3)	49.9		(69.4)
Net income before minority interests	744.8	(129.0)	(76.3)	539.5
Minority interests	100.2	(19.6)	(67.0)	13.6
Attributable net income	644.6	(109.4)	(9.3)	525.9

[1] The column "Changes in structure" includes mainly the effect of the sales of Rexel, Guilbert, Pinault Bois & Matériaux and the consumer credit business.

[2] The column "Gucci" shows the effect of consolidating Gucci over a 12-month period, from November 1 – October 31 in 2003 and 2004 with a 99.41% stake owned by PPR.

b) Balance sheet

(in € million)	2004 actual	Changes in Group structure [1]	Gucci [2]	2004 pro forma
Fixed assets	12,719.3		63.7	12,783.0
Working capital requirement				
Working capital requirement	195.5	337.2	24.9	557.6
Customer loans	419.1			419.1
Shareholders' equity - Group share	7,693.3	271.0	(98.4)	7,865.9
Minority interests	171.4		(24.0)	147.4
Consolidated shareholders' equity	7,864.7	271.0	(122.4)	8,013.3
Reserves for contingencies and losses	517.4		0,1	517.5
Cash and cash equivalents				
Cash and cash equivalents	(4,288.1)	15.9	(55.0)	(4,327.2)
Liabilities				
Net borrowings excluding customer loans	8,820.8	50.3	265.9	9,137.0
Financing of customer loans	419.1			419.1

(in € million)	2003 actual	Changes in Group structure [1]	Gucci [2]	2003 pro forma
Fixed assets	13,564.7	(2,118.4)	1,646.4	13,092.7
Working capital requirement				
Working capital requirement	656.6	(108.7)		547.9
Customer loans	439.9			439.9
Shareholders' equity - Group share	6,899.2	904.8	(80.0)	7,724.0
Minority interests	1,731.5	(415.3)	(1,139.1)	177.1
Consolidated shareholders' equity	8,630.7	489.5	(1,219.1)	7,901.1
Reserves for contingencies and losses	558.8	(78.3)		480.5
Cash and cash equivalents				
Cash and cash equivalents	(3,069.4)	(2,035.1)	2,865.5	(2,239.0)
Liabilities				
Net borrowings excluding customer loans	8,101.2	(603.2)		7,498.0
Financing of customer loans	439.9			439.9

[1] The column "Changes in structure" includes mainly the effect of the sales of Rexel, Guilbert, Pinault Bois & Matériaux and the consumer credit business.

[2] The column "Gucci" shows the effect of consolidating Gucci over a 12-month period, from November 1 – October 31 in 2003 and 2004 with a 99.41% stake owned by PPR.

c) Cash flow statement

(in € million)	2004 actual	Changes in Group structure [1]	Gucci [2]	2004 pro forma
Net cash from operating activities before changes in working capital requirement	1,257.8	(144.3)	(113.6)	999.9
Changes in working capital requirement	(211.9)	175.0	(41.0)	(77.9)
Changes in customer loans	28,6			28,6
Net cash from operating activities	1,074.5	30.7	(154.6)	950.6
Net operating investments	(428.4)	35.3	26.9	(366.2)
Net financial investments	59.7	(2,832.1)	2,799.3	26.9
Net cash used by investing activities	(368.7)	(2,796.8)	2,826.2	(339.3)
Changes in borrowings	697.4	680.0	234.6	1,612.0
Share capital increase	0.9	(0.6)	2.6	2.9
Dividends paid by Pinault-Printemps-Redoute, parent company	(278.9)			(278.9)
Dividends paid to minority interests	(29.4)	36.5	0.7	7.8
Net cash from financing activities	390.0	715.9	237.9	1,343.8
Impact of treasury stock	100.4			100.4
Impact of changes in exchange rates	22.5	(0.8)	11.0	32.7
Net increase in cash and cash equivalents	1,218.7	(2,051.0)	2,920.5	2,088.2
Cash and cash equivalents at the beginning of the year	3,069.4	2,035.1	(2,865.5)	2,239.0
Cash and cash equivalents at the end of the year	4,288.1	(15.9)	55.0	4,327.2

(in € million)	2003 actual	Changes in Group structure [1]	Gucci [2]	2003 pro forma
Net cash from operating activities before changes in working capital requirement	1,148.4	(123.2)	(76.3)	948.9
Changes in working capital requirement	(130.7)	51.6		(79.1)
Changes in customer loans	(0.8)			(0.8)
Net cash from operating activities	1,016.9	(71.6)	(76.3)	869.0
Net operating investments	(499.8)	17.9		(481.9)
Net financial investments	167.1	(1,458.4)	1,223.4	(67.9)
Net cash used by investing activities	(332.7)	(1,440.5)	1,223.4	(549.8)
Changes in borrowings	(3,877.3)	691.1		(3,186.2)
Share capital increase	(376.2)	(96.3)	493.1	20.6
Dividends paid by Pinault-Printemps-Redoute, parent company	(266.7)			(266.7)
Dividends paid to minority interests	(54.6)	11.8		(42.8)
Net cash from financing activities	(4,574.8)	606.6	493.1	(3,475.1)
Impact of treasury stock	22.5			22.5
Impact of changes in exchange rates	(76.0)	(16.1)		(92.1)
Net increase in cash and cash equivalents	(3,944.1)	(921.6)	1,640.2	(3,225.5)
Cash and cash equivalents at the beginning of the year	7,013.5	2,956.7	(4,505.7)	5,464.5
Cash and cash equivalents at the end of the year	3,069.4	2,035.1	(2,865.5)	2,239.0

[1] The column "Changes in structure" includes mainly the effect of the sales of Rexel, Guilbert, Pinault Bois & Matériaux and the consumer credit business.

[2] The column "Gucci" shows the effect of consolidating Gucci over a 12-month period, from November 1 – October 31 in 2003 and 2004 with a 99.41% stake owned by PPR.

d) Pro forma key financial aggregates

Owing to the Group's operations abroad as well as the peculiarities of its different business lines, a certain number of its key financial aggregates are exposed to foreign currency fluctuations.

That being the case, and in addition to the pro forma accounting information presented in note 2.3, the Group has prepared key pro forma aggregates (corresponding to all income statement intermediate balances up to operating income) according to the same principles as the pro forma accounting information, taking into account for foreign subsidiaries the translation of 2003 intermediate balances at the average exchange rate for 2004.

(in € million)	2004 pro forma	2003 pro forma (actual rate)	2003 pro forma (comparable rate)
Net sales	17,209.9	16,472.6	16,174.2
Cost of sales	(9,768.7)	(9,319.0)	(9,224.7)
Gross margin	7,441.2	7,153.6	6,949.5
Payroll expenses	(2,534.8)	(2,456.5)	(2,419.5)
Other operating income and expenses	(3,431.5)	(3,324.8)	(3,243.3)
EBITDA	1,474.9	1,372.3	1,286.7
Depreciation and amortization	(395.0)	(389.4)	(382.2)
Operating income	**1,079.9**	**982.9**	**904.5**

The accounting data and pro forma key financial aggregates do not necessarily give an indication of the Group's results or of the financial position that would have been achieved if all the restated transactions had actually occurred on the dates used to prepare the pro forma Financial information. In particular, companies exposed to a risk of foreign currency fluctuation could have implemented a different selling price policy if, for example, the relevant exchange rates were stable.

3. Operating income

3.1 Payroll expenses

Payroll expenses by company break down as follows:

(in € million)	2004	2003
Luxury Goods	(565.5)	(479.2)
Conforama	(441.0)	(420.9)
Fnac	(580.1)	(546.8)
Printemps	(174.7)	(170.4)
Redcats	(668.8)	(663.6)
Orcanta	(8.9)	(8.5)
CFAO	(141.3)	(136.5)
Other	(7.4)	(7.5)
Retail	(2,022.2)	(1,954.2)
Holding companies and other	(27.0)	(22.1)
"New PPR"	**(2,614.7)**	**(2,455.5)**
Rexel	(802.4)	(852.1)
Other activities [1]		(196.2)
Total	**(3,417.1)**	**(3,503.8)**

[1] In 2003, the other activities include Pinault Bois & Matériaux and the "Contract" activities of Guilbert.

Payroll expenses amounted to €3,291.3 million in 2004 for Group employees, including €49.3 million in employee profit-sharing (€3,371.5 million in 2003 including €49.4 million in employee profit-sharing). The balance of expenses primarily comprised non-Group employees, such as temporary staff.

3.2 Employees

The average number of Group employees by company on a full-time equivalent basis breaks down as follows:

	2004	2003
Luxury Goods	11,524	11,032
Conforama	12,516	12,043
Fnac	16,304	15,710
Printemps	4,832	4,946
Redcats	19,552	19,332
Orcanta	308	268
CFAO	10,127	9,892
Other	177	177
Retail	63,816	62,368
Holding companies and other	153	165
"New PPR"	**75,493**	**73,565**
Rexel	19,904	22,140
Other activities		5,074
Total	**95,397**	**100,779**

The average number of employees of companies acquired or sold during the year corresponds to the average for the period over which the relevant companies were consolidated.

As of December 31, 2004, the number of Group employees by company is as follows:

	2004	2003
Luxury Goods	11,665	11,132
Conforama	14,407	14,123
Fnac	18,790	18,575
Printemps	5,551	5,731
Redcats	20,710	20,883
Orcanta	399	379
CFAO	10,309	9,913
Other	176	177
Retail	70,342	69,781
Holding companies and other	153	157
"New PPR"	**82,150**	**81,070**
Rexel		21,311
Total	**82,150**	**102,381**

3.3 Other operating income and expenses

Other operating income and expenses excluding depreciation, amortization and allowances for fixed operating assets break down as follows:

(in € million)	2004	2003
Selling and advertising expenses	(1,465.6)	(1,389.7)
Other operating income and expenses	(2,608.1)	(2,535.2)
Occupancy costs	(762.6)	(675.9)
Other operating costs	(1,845.5)	(1,859.3)
Total	**(4,073.7)**	**(3,924.9)**

4. Financial income/expense

Net financial income/expense breaks down as follows:

(in € million)	2004	2003
Interest expense on borrowings	(365.6)	(378.1)
Interest income on cash and cash equivalents	16.2	72.1
Interest income on long-term investments	9.2	3.5
Interest income from operating activities	(8.6)	(11.1)
Total	**(348.8)**	**(313.6)**

The reduction in financial income from cash assets is related mainly to the effect on the cash of Gucci Group of the return on equity reported in the second half of 2003.

5. Non-recurring income

Non-recurring items break down as follows:

(in € million)	2004	2003
Income on the sale of assets	677.6	66.5
Restructuring costs	(96.9)	(73.8)
Costs related to claims and litigation	11.8	(25.8)
Other non-recurring income and expenses	(174.3)	2.1
Total	**418.2**	**(31.0)**

"Income from sale of assets" notably includes the following items:

2004

- net income of €1.1 million before taxes from sales of operating assets;
- pre-tax capital gain from the sale of Rexel in the amount of €354.8 million;
- pre-tax capital gain from the balance of the sale of the "Consumer credit" business in the amount of €326.6 million, including €185.8 million from the sale of 14.5% in the first half of the year, and €140.8 million from the sale of the remaining 10% on December 30, 2004.

2003

- net income of €31.4 million before taxes from sales of operating assets;
- capital gain before taxes of €96.4 million from the sale of Pinault Bois & Matériaux;
- the capital gain before tax from the additional sale of 14.5% of the "Consumer credit business" in the amount of €190.3 million;
- the capital loss before taxes from the sale of the Guilbert "Contract" business in the amount of €264.1 million.

"Restructuring costs" refers mainly to the Luxury Goods division for €67.1 million (€17.0 million in 2003), which includes €49.3 million related to store closings. Restructuring costs of the Retail division and Rexel totalled €25.3 million (€19.6 million in 2003), and €4.4 million (€35.1 million in 2003).

"Costs related to claims and litigation" includes reversal of an unused reserve at Rexel for €19.2 million, including €12.3 million related to a tax dispute in the Netherlands settled through payment of €4.9 million to the government. In 2003, this item included €15.2 million in reserves for tax risks related to Rexel.

The item "Other non-recurring income and expenses" includes the following:

- write-downs in the amount of - €159.4 million, including - €123.4 million on the Luxury Goods division, and - €36.0 million on Rexel. The write-downs recorded in the Luxury Goods division involve mainly - €97.2 million, reflecting the write-down of previously recognized deferred taxes that did not appear likely to be recaptured over the short term based on the business plans developed by the division's new management. The Rexel write-downs involve mainly the discontinuation of some computer developments;
- an additional allocation to the provision for impairment of Pinault-Printemps-Redoute shares in the amount of €8.5 million related to the adjustment in the value of the shares at the average December 2004 price of €75.44.

6. Corporate tax

6.1 Analysis of the corporate tax charge

The corporate tax charge breaks down as follows:

(in € million)	2004	2003
Income before tax [1]	1,536.1	952.2
Current tax	(368.4)	(154.0)
Tax on distributed income	(4.1)	(4.8)
Deferred tax (charge)/benefit	(42.2)	15.8
Total tax charge	(414.7)	(143.0)
Effective tax rate	**27.00%**	**15.02%**

[1] Net income of consolidated companies plus the income tax expense.

Pursuant to Article 39 of the Amended Finance Act No. 2004-1485 of December 30, 2004, the Group recorded under tax expense a total of €8.4 million representing the mandatory exceptional tax ("exit tax") on its special long-term capital gains reserves.

6.2 Corporate tax excluding net non-recurring items

The corporate tax change excluding non-recurring items breaks down as follows:

(in € million)	2004	2003
Income before tax [1]	1,536.1	952.2
Non-recurring items	418.2	(31.0)
Income before tax excluding non-recurring items	1,117.9	983.2
Total tax (charge)/benefit	(414.7)	(143.0)
Tax on non-recurring items	(121.8)	67.5
Tax (charge)/benefit excluding non-recurring items	(292.9)	(210.5)
Effective tax rate excluding net non-recurring items	**26.20%**	**21.41%**

[1] Net income of consolidated companies plus income tax changes.

6.3 Effective tax rate

The difference between the standard corporate tax rate in France and the effective tax rate paid by the Group breaks down as follows:

(in % income before tax)	2004	2003
Standard French corporate tax rate	33.33%	33.33%
Impact of taxation on non-French subsidiaries	-5.08%	-9.28%
Average normal Group rate	28.25%	24.05%
Surtaxes of 3% and 3.3%	0.53%	0.47%
Impact of permanent differences and items taxed at reduced rates	-0.01%	-8.35%
Impact of unrecognised timing differences	-0.82%	-0.66%
Tax loss carryforwards generated/(utilized) during the year net of the impact of tax consolidation	-0.95%	-0.49%
Effective tax rate	**27.00%**	**15.02%**

Four tax groups have been set up in France, headed by Pinault-Printemps-Redoute SA (116 companies), Rexel SA (20 companies), Gucci Group France Holding (21 companies) and Boucheron Holding SA (3 companies).

6.4 Tax loss carry-forwards

Changes in tax loss carry-forwards not recorded as deferred tax assets can be summarized as follows:

(in € million)	2004	2003
As of January 1	**962.7**	**931.6**
Losses generated during the year	639.7	154.6
Losses utilized during the year	(225.8)	(105.8)
Effect of changes in Group structure and exchange rate adjustments	(195.1)	(17.7)
As of December 31	**1,181.5**	**962.7**

"Losses generated during the year" includes, in the Luxury Goods division, the creation of tax losses recorded as deferred tax assets prior to 2004 but written down in 2004 as not appearing likely to be recovered in the short term based on the business plans prepared by the new Division management.

The amount of losses corresponding to the write-down of deferred taxes in the Luxury Goods division in 2004 amounted to €315 million.

As of December 31, 2004, the potential tax savings from these losses can be carried forward according to the following schedule:

(in € million)	2004	2003
Ordinary tax loss carry-forwards:		
Expiring in less than five years	72.2	52.5
Expiring in more than five years	83.4	71.0
Sub-total	155.6	123.5
Indefinite carry-forwards	237.1	199.4
Total	**392.7**	**322.9**

7. Net income and earnings per share

7.1 Adjusted net income

(in € million)	2004	2003
Attributable net income	940.6	644.6
Interest on share equivalents	32.1	21.5
Net income after adjustment	**972.7**	**666.1**

Group net income included non-recurring income of €418.2 million (- €31.0 million in 2003 and €1,278.0 million in 2002), representing €310.5 million after taxes and minority interests (€71.0 million in 2003 and €917.0 million in 2002).

Excluding non-recurring items, adjusted net income breaks down as follows:

(in € million)	2004	2003
Attributable net income	940.6	644.6
Non-recurring items net of tax and minority interests	(310.5)	(71.0)
Net income excluding non-recurring items	630.1	573.6
Interest on share equivalents	32.1	21.5
Net income excluding non-recurring items after adjustment	**662.2**	**595.1**

7.2 Number of shares used to calculate earnings per share

(in shares)	2004	2003
Weighted average number of		
- common shares issued and outstanding	122,422,605	122,399,272
- common shares held as treasury stock	(942,978)	(1,604,615)
Total before dilution	121,479,627	120,794,657
Weighted average number of share equivalents		
- convertible bonds	14,564,221	10,185,053
- stock options	71,302	102,758
Total after dilution	**136,115,150**	**131,082,468**

The average price in December 2004 (€75.44) was used to calculated equivalent shares as of December 31, 2003 (€77.96 as of December 31, 2003).

All convertible bonds issued by Pinault-Printemps-Redoute are treated as dilutive instruments.

8. Cash flow statement

8.1 Cash flow

This item breaks down as follows:

(in € million)	2004	2003
Operating cash flow	1,938.5	1,752.5
Net cash (financing activities)	(313.3)	(299.2)
Non-recurring net cash and tax charge	(367.4)	(304.9)
Net cash from operating activities before changes in working capital requirement	**1,257.8**	**1,148.4**

8.2 Changes in working capital requirement (WCR)

These changes break down as follows:

(in € million)	2004	2003
Changes in operating working capital requirement excluding customer loans	(199.7)	(206.7)
Changes in non-operating working capital requirement	(12.2)	76.0
Changes in working capital requirement	**(211.9)**	**(130.7)**
Changes in customer loans	**28.6**	**(0.8)**

In 2004, the reduction in customer loans sold had a negative impact of €63.9 million on the operating working capital requirement.

In 2003, the reduction in customer loans had a negative impact of €72.5 million on the operating working capital requirement.

8.3 Net operating investments

Net operating investments by company break down as follows:

(in € million)	2004	2003
Luxury Goods	(138.6)	(266.8)
Conforama	(75.2)	(21.1)
Fnac	(78.2)	(89.4)
Printemps	(28.4)	(37.5)
Redcats	(39.8)	(51.2)
Orcanta	(0.4)	(0.3)
CFAO	(28.7)	(43.8)
Other	(0.4)	(0.3)
Retail	(251.1)	(243.6)
Holding companies and other	(3.4)	28.5
"New PPR"	**(393.1)**	**(481.9)**
Rexel	(35.3)	(4.5)
Other activities		(13.4)
Total	**(428.4)**	**(499.8)**

Lease agreement investments totalled €24.6 million in 2004 (€91.0 million in 2003).

8.4 Net financial investments

Net financial investments break down as follows:

(in € million)	2004	2003
Acquisitions of subsidiaries and affiliates	(2,691.3)	(1,327.0)
Divestment of subsidiaries and affiliates (including the indebtedness of companies sold at the date of sale)	3,057.5	1,617.2
Acquisitions of other investments net of disposals	(80.8)	2.8
Net cash difference	(225.7)	(125.9)
Total	**59.7**	**167.1**

In 2004, investments in non-consolidated companies mainly comprised the Group's increased stake in Gucci Group, a detailed description of which is provided in note 2.2a.

Sales of investments in non-consolidated companies (including the indebtedness of companies sold at the date of sale) mainly include the sale of Rexel for €2,405.1 million and the sale of 24.5% of the consumer credit business for €636.7 million (€371.6 million for the 14.5% sold in March and €265.1 million for the 10.0% sold in December).

The change in cash mainly reflects a payment of €215.5 million made in the first half of 2004 for the tax on capital gains realized in 2003.

The financial investments made by the Group over the past three years are broken down in the "Investment policy" section of the management report.

8.5 Capital increases

Net cash from capital increases breaks down as follows:

(in € million)	2004	2003
Pinault-Printemps-Redoute share issues	1.4	0.4
Capital increases by subsidiaries subscribed to by minority shareholders	(0.5)	(376.6)
Total	**0.9**	**(376.2)**

In 2003, the heading "Capital increases by subsidiaries subscribed to by minority shareholders" mainly included the impact on minority shareholders of the return on equity paid out by Gucci Group and the portion of Rexel's capital not subscribed to by the Group.

8.6 Impact of treasury shares

In 2004, the impact of treasury shares reflected the following:

- the sale of 1,300,000 Pinault-Printemps-Redoute treasury shares recorded under Group consolidated shareholders' equity in the amount of €108.9 million;
- an adjustment in the market value of the Pinault-Printemps-Redoute treasury shares used to maintain prices at - €8.5 million. These shares are recorded under investment securities in the Group's financial statements.

In 2003, the impact of treasury shares corresponded to an adjustment in the market value of the shares held by Pinault-Printemps-Redoute.

9. Goodwill and other intangible assets

9.1 Goodwill

Goodwill breaks down as follows:

(in € million)	12.31.2004 Gross	12.31.2004 Amortization	12.31.2004 Net	12.31.2003 Net
Luxury Goods	-	-	-	-
Conforama	882.4	(125.9)	756.5	808.5
Fnac	499.2	(112.6)	386.6	399.2
Printemps	67.4	(14.3)	53.1	54.8
Redcats	851.8	(197.2)	654.6	692.5
Orcanta	-	-	-	-
CFAO	131.8	(52.7)	79.1	83.6
Other	3.3	(1.2)	2.1	2.5
Retail	2,435.9	(503.9)	1,932.0	2,041.1
Holding companies and other	0.3	(0.3)	0.0	0,0
"New PPR"	**2,436.2**	**(504.2)**	**1,932.0**	**2,041.1**
Rexel	-	-	-	1,266.8
Other activities	-	-	-	48.1
Total	**2,436.2**	**(504.2)**	**1,932.0**	**3,356.0**

The main changes break down as follows:

(in € million)	
Net book value as of December 31, 2003	**3,356.0**
Increases following acquisitions	28.6
Decreases following disposals	(1,297.8)
of which the sale of Rexel	(1,224.5)
Cumulative translation adjustments	(48.2)
Amortization for the year	(106.6)
Net book value as of December 31, 2004	**1,932.0**

9.2 Other intangible assets

This item breaks down as follows:

(in € million)	12.31.2004			12.31.2003
	Gross	Amortization	Net	Net
Companies, brands and market share	7,418.5	(69.8)	7,348.7	6,104.2
Purchased goodwill and leasehold rights	431.8	(78.7)	353.1	393.4
Other	834.2	(311.6)	522.6	606.9
Total	**8,684.5**	**(460.1)**	**8,224.4**	**7,104.5**

Net intangible assets break down as follows:

(in € million)	2004	2003
Luxury Goods	6,786.6	5,224.6
Conforama	491.7	486.4
Fnac	83.6	92.5
Printemps	192.7	192.2
Redcats	616.9	612.5
Orcanta	20.4	20.5
CFAO	25.4	24.8
Other	0.4	0.3
Retail	1,431.1	1,429.2
Holding companies and other	6.7	4.0
"New PPR"	**8,224.4**	**6,657.8**
Rexel		446.7
Total	**8,224.4**	**7,104.5**

The year-on-year change between 2004 and 2003 is primarily due to the impact in Gucci brand of the additional difference caused by the purchase of Gucci Group shares in 2004 and the impact of structural changes related mainly to the sale of Rexel.

10. Assessment of goodwill and other intangible assets

The net book value of goodwill and other intangible assets are subject to review by the Group in accordance with the principles set out in note 1.8. The following discount rates and perpetual growth rates are applied to estimated cash flow in determining the economic assumptions and in forecasting operating conditions used by the Group:

	Discount		Perpetual growth	
Business division	2004	2003	2004	2003
Luxury Goods	8% - 10%	8% - 9.2%	2% - 5%	2.5% - 3%
Retail				
(excluding emerging geographical areas [1])	5.6 % - 7.1%	8.5%	0.5% - 2%	2% - 3%
Emerging geographical areas [1]	8.8% - 11.7%	12%	3% - 5%	2% - 5%

[1] Emerging geographical areas include African countries and some of the Latin American and Eastern European countries.

11. Tangible assets

The breakdown of tangible assets by type is as follows:

(in € million)	12.31.2004 Gross	12.31.2004 Amortization	12.31.2004 Net	12.31.2003 Net
Land and buildings	1,553.5	(552.5)	1,001.0	1,215.6
Plant and equipment	2,795.8	(1,742.6)	1,053.2	1,138.3
Other tangible assets	324.2	(105.8)	218.4	314.3
Total	**4,673.5**	**(2,400.9)**	**2,272.6**	**2,668.2**

Changes in tangible assets break down as follows:

(in € million)	2004 Gross	2004 Amortization Depreciation	2004 Net
Beginning of year balance	5,212.3	(2,544.1)	2,668.2
Additions	378.1		378.1
Disposals	(211.4)	170.1	(41.3)
Cumulative translation adjustments	(83.7)	32.9	(50.8)
Changes in Group structure	(621.8)	346.5	(275.3)
Depreciation for the year		(406.3)	(406.3)
End of year balance	**4,673.5**	**(2,400.9)**	**2,272.6**
of which held under finance leases	396.6	(123.4)	273.2

12. Investments in companies accounted for by the equity method

The Group's share in the net assets and net income of companies accounted for by the equity method are presented below:

(in € million)	12.31.2004 Reserve	12.31.2004 Net income	12.31.2004 Total	12.31.2003 Total
Sodice Expansion	20.6	3.4	24.0	23.0
Credit and financial services	(8.7)	8.7	0.0	128.2
Other (< €10 million)	20.4	2.3	22.7	20.4
Total	**32.3**	**14.4**	**46.7**	**171.6**

The change in investments in companies accounted for by the equity method is due mainly (excluding the impact of income during the year) to the sale by the Group during 2004 of the remaining 24.5% of its stake in the consumer credit business (note 2.2b).

13. Investments

The €73.6 million in investments as of December 31, 2004 includes shares in companies that meet one of the following criteria:
- the Group has neither exclusive control nor a significant influence on the management or the financial policy,
- long-term ownership of the shares in the issuing companies is viewed as useful in the interest of the Group's ongoing business relationships with them (but consolidation would not have a significant impact on the Group's financial statements),
- the investment is not intended to be held over the long-term.

The drop of €10.3 million between December 31, 2003 and 2004 is due mainly to the sale of Rexel.

Investments in non-consolidated companies in excess of €5 million include the following:

	12.31.2004						12.31.2003
(in € million)	Percentage of share capital directly or indirectly owned	Shareholders' equity at year end	Income from previous year	Gross	Depreciation	Net	Net
Facet	10.0%	142.0	42.7	16.9	(0.1)	16.8	16.8
Pinault-Printemps-Redoute Luxembourg	100.0%	9.8	0.1	14.4	(4.6)	9.8	9.6
Teamtel	100.0%	(0.1)		5.9	(5.9)		
Club de Développement Pinault-Printemps-Redoute	100.0%	4.7	0.1	11.8	(6.9)	4.9	4.9
GNX	6.5%	52.4	0.3	7.7	(2.1)	5.6	6.1
Total				**56.7**	**(19.6)**	**37.1**	**37.4**

The amount of shares in listed companies held by the Group and booked as investments in non-consolidated companies was not material as of December 31, 2004.

14. Other investments

This item breaks down as follows:

(in € million)	12.31.2004	12.31.2003
Advances to non-consolidated companies and long-term loans	30.7	78.5
Investments in insurance companies	8.3	6.4
Other [1]	131.0	95.6
Total	**170.0**	**180.5**

[1] Mainly guarantee deposits.

15. Inventories and work in progress

This item breaks down as follows:

(in € million)	12.31.2004	12.31.2003
Commercial inventories	2,739.2	3,584.1
Industrial inventories	199.2	203.4
Cost	2,938.4	3,787.5
Allowances	(297.6)	(370.0)
Total	2,640.8	3,417.5

16. Operating and non-operating receivables

These items break down as follows:

(in € million)	12.31.2004	12.31.2003
Trade receivables - Gross	1,185.1	1,831.5
Other operating receivables - Gross	1,247.9	1,623.8
Less allowances	(205.1)	(286.7)
Operating receivables	2,227.9	3,168.6
Customer loans - Gross	440.3	460.4
Less allowances	(21.2)	(20.5)
Customer loans	419.1	439.9
Receivables on disposals of fixed assets - Gross	7.8	3.3
Other receivables - Gross	465.8	600.1
Deferred tax assets	345.6	569.0
Less allowances	(163.6)	(193.1)
Non-operating receivables	655.6	979.3
Total	3,302.6	4,587.8

17. Operating and non-operating payables

These items break down as follows:

(in € million)	12.31.2004	12.31.2003
Trade payables	2,643.7	3,870.1
Customer prepayments	55.6	78.6
Other operating payables	1,860.7	2,031.6
Operating payables	**4,560.0**	**5,980.3**
Fixed asset payables	189.7	121.2
Other non-operating payables	511.2	659.6
Deferred tax liabilities	67.9	147.7
Non-operating payables	**768.8**	**928.5**
Total	**5,328.8**	**6,908.8**

18. Cash and cash equivalents

18.1 Breakdown by category

This item breaks down as follows:

(in € million)	12.31.2004	12.31.2003
Short-term receivables on asset disposals [1]	**2,181.8**	**0.0**
Bonds	0.1	212.6
Money market securities	975.3	95.4
Mutual funds (SICAVs and FCPs)	100.9	1,530.9
Pinault-Printemps-Redoute treasury stock	509.4	552.3
Allowances	(163.7)	(186.6)
Marketable securities [2]	**1,422.0**	**2,204.6**
Short-term deposits	607.3	726.9
Cash	77.0	137.9
Cash and cash equivalents	**684.3**	**864.8**
Total	**4,288.1**	**3,069.4**

[1] In 2004, short-term receivables arising from the sale of assets involved the sale of Rexel for €1,916.7 million and the sale of 10% of the consumer credit business for €265.1 million (note 2).

[2] As of December 31, 2004, marketable securities included 4,583,517 PPR shares held as treasury stock, representing an amount of €345.8 million, for the purpose of stabilizing the share price.

On May 3, 2004, Pinault-Printemps-Redoute terminated the May 28, 2003 mandate granted to a financial intermediary to increase transaction liquidity and consistency in the share price. This agreement involved €30 million, half of which in cash and half in Pinault-Printemps-Redoute shares.

On May 26, 2004, Pinault-Printemps-Redoute commissioned another financial intermediary for the same purpose for an initial amount of €40 million, half in cash and half in Pinault-Printemps-Redoute shares. On September 3, 2004, the Group made an additional payment in cash of €20 million.
These two agreements are in compliance with the Ethics Charter defined by the French Association of Investment Companies (A.F.E.I.).

In 2004, all acquisitions and sales of Pinault-Printemps-Redoute shares were made under the above mandates.
1,247,890 shares were purchased, including 323,692 shares under the mandate terminated on May 3, 2004, and 924,198 shares under the mandate initiated on May 26, 2004.
1,445,370 shares were sold, including 491,172 shares under the mandate that expired on May 3, 2004 and 954,198 shares under the mandate initiated on May 26, 2004.

The provision for impairment was updated based on the average trading price for December 2004 and amounted to €163.6 million for the Pinault-Printemps-Redoute shares held as treasury stock (€179.6 million as of December 31, 2003).

18.2 Breakdown by currency

(in € million)	12.31.2004	%	12.31.2003	%
Euro	3,860.7	90.0%	2,571.1	83.8%
US dollar	202.2	4.7%	303.7	9.9%
Swiss franc	96.0	2.2%	54.5	1.8%
Pound sterling	21.0	0.5%	22.3	0.7%
CFA franc	15.3	0.4%	11.4	0.4%
Swedish krona	4.1	0.1%	9.7	0.3%
Australian dollar	1.2	0.0%	23.6	0.8%
Other	87.6	2.1%	73.1	2.3%
Total	**4,288.1**		**3,069.4**	

19. Shareholders' equity

19.1 Shareholders' equity – Group share

Changes in the share capital of Pinault-Printemps-Redoute SA are presented in the section entitled "General Information" of the annual report.

19.2 Minority interests

Minority interests in fully consolidated companies break down as follows:

(in € million)	12.31.2004			12.31.2003
	Shareholders' equity [1]	Net income	Total	Total
Gucci Group	29.7	31.7	61.4	1,211.9
Rexel Group	(31.1)	31.1	0.0	415.2
CFAO Group	76.4	22.6	99.0	94.9
Other	7.8	3.2	11.0	9.5
Total	**82.8**	**88.6**	**171.4**	**1,731.5**

[1] *Including translation adjustments relating to minority interests.*

20. Retirement reserves

Commitments under pension and other post-retirement benefit plans and for retirement bonuses are as follows:

(in € million)	12.31.2004	12.31.2003
Group commitments for retirement and termination bonuses	298.6	578.2
Fair value of assets	(95.7)	(277.0)
Net financial position	202.9	301.2
Actuarial differences	(65.6)	(135.2)
Total debt	**137.3**	**166.0**
- of which retirement reserves	133.8	166.0
- of which other payroll liabilities	3.5	

The main changes between 2003 and 2004 involved Rexel, which was sold on December 10, 2004, and whose retirement commitments, fair asset value and actuarial differences as of December 31, 2003 were €297.3 million, - €190.4 million and - €75.3 million, respectively.

The change in retirement reserves totalled €32.2 million, including €24.9 million in amortization over the period, €27.4 million linked to the write-back associated with benefits paid, and €29.7 million due to changes in Group structure and translation adjustments.

In 2004, expenses for defined benefit plans totalled €28.4 million and break down as follows (in € million):

• Cost of services for the period	24.9
• Interest expense	27.0
• Yield on assets	(17.9)
• Plan reductions	(8.0)
• Amortization of actuarial differences	2.4

The main actuarial assumptions used to estimate the Group's obligations are the following:

	Euro zone		United Kingdom	
	2004	2003	2004	2003
Discount rate	4.75% - 5%	5% - 5.25%	5.3% - 5.5%	5.3% - 5.5%
Return on assets	5.25%	3.5% - 6%	6.7%	6.7% - 7.5%
Payroll increase	2.75% - 5%	2.5% - 3%	2.8% - 3.75%	3% - 3.7%

The discount rate is determined based on the yield of bonds issued by top-rated companies (AA rating) with the same maturity as the plans assessed.

The yield on assets results from the weighted average profitability of different types of investments. This discount rate is used for fixed-rate investments, while equity investments are subject to a risk premium.

The rate of salary increase accounts for inflation and a number of other factors such as merit and promotions.

21. Other reserves for contingencies and charges

This item breaks down as follows:

(in € million)	12.31.2003	Allowance	Write-backs used	Write-backs unused	Translation adjustments	Changes in Group structure	Other	12.31.2004
Reserves for restructuring	74.1	7.0	(18.9)	(0,8)	0,4	(24.0)	(6.4)	31.4
Reserves for claims and litigation	144.9	22.5	(17.3)	(24.7)	(0,4)	(23.1)	6.5	108.4
Insurance activity technical reserves	6.4	1.9						8.3
Other reserves	167.4	134.1	(19.3)	(21.9)	(0,2)	(23.4)	(1.2)	235.5
Reserves for contingencies and losses	**392.8**	**165.5**	**(55.5)**	**(47.4)**	**(0,2)**	**(70.5)**	**(1.1)**	**383.6**
Impact on income		(165.5)		47.4				(118.1)
- On operating income		(8.7)		1.8				(6.9)
- On financial income		(27.1)						(27.1)
- On non-recurring items		(129.1)		45.5				(83.6)
- On taxes		(0.6)		0.1				(0.5)

A total of €14.0 million of the €18.9 million in write-backs from reserves for restructuring is chargeable to Rexel for expenses incurred for branch closures in Germany and for implementing a facilities management contract in France.

Allowances for claims and litigation totalling €22.5 million mainly include employee disputes and litigation with tax authorities in various countries.

The unused write-backs relate mainly to settlement of a tax dispute of a Rexel subsidiary in the Netherlands and to the tax credits granted in a tax dispute in France (€6.9 million).

Other provisions notably include risks linked to liability guarantees and expenses related to the sale of assets.

The impact of changes in Group structure results mainly from the sale of Rexel.

22. Borrowings

22.1 Breakdown of categories of debt by maturity

(in € million)	12.31.2004	N+1	N+2	N+3	N+4	N+5	Beyond
Convertible bonds	1,228.7			149.2	1,079.5		
Other bonds	2,792.6	837.1	1.0	401.2	1.4	752.1	799.8
Confirmed lines of credit	2,201.9	324.3	415.9	1,167.9	149.3	76.0	68.5
Drawdowns on non-confirmed lines of credit	136.2	136.2					
Other bank borrowings	876.0	60.7	446.4	21.4	170.6	20.2	156.7
Bank overdrafts and foreign currency advances	243.7	243.7					
Bonds and bank borrowings	**7,479.1**	**1,602.0**	**863.3**	**1,739.7**	**1,400.8**	**848.3**	**1,025.0**
Commercial paper	1,310.3	1,310.3					
Employee profit-sharing	39.2	6.5	6.9	7.7	8.2	9.9	
Other borrowings	224.9	200.1	3.0	3.0	3.0	3.0	12.8
Obligations under finance leases	186.4	25.8	25.3	24.4	16.0	10.8	84.1
Total	**9,239.9**	**3,144.7**	**898.5**	**1,774.8**	**1,428.0**	**872.0**	**1,121.9**
%		**34.0%**	**9.7%**	**19.2%**	**15.5%**	**9.5%**	**12.1%**

(in € million)	12.31.2003	N+1	N+2	N+3	N+4	N+5	Beyond
Convertible bonds	1,242.8	14.5			148.8	1,079.5	
Other bonds	2,131.7	485.4	838.9	3.5	4.1	49.8	750.0
Confirmed lines of credit	1,791.6	488.0	831.5	125.0	246.8	100.3	
Drawdowns on non-confirmed lines of credit	265.0	265.0					
Other bank borrowings	1,967.2	1,169.9	49.9	400.7	22.1	172.0	152.6
Bank overdrafts and foreign currency advances	213.4	213.4					
Bonds and bank borrowings	**7,611.7**	**2,636.2**	**1,720.3**	**529.2**	**421.8**	**1,401.6**	**902.6**
Commercial paper	613.0	613.0					
Employee profit-sharing	68.8	17.1	12.9	10.6	13.3	14.9	
Other borrowings	19.4	2.2	16.3	0.2	0.3	0.3	0.1
Obligations under finance leases	228.2	26.0	25.7	26.2	21.5	19.0	109.8
Total	**8,541.1**	**3,294.5**	**1,775.2**	**566.2**	**456.9**	**1,435.8**	**1,012.5**
%		**38.6%**	**20.8%**	**6.6%**	**5.3%**	**16.8%**	**11.9%**

In 2004, bonds represented 43.5% of gross borrowings versus 39.5% in 2003. In addition as of December 31, 2004, the Group had €5,420 million in confirmed lines of credit with an undrawn balance of €3,218 million.

Short-term drawdowns on facilities backed by confirmed lines of credit of more than one year are included in long-term debt.

22.2 Breakdown by repayment currency

(in € million)	12.31.2004	%	12.31.2003	%
Euro	8,247.1	89.2%	6,796.0	79.6%
Yen	406.0	4.4%	639.2	7.5%
Pound sterling	184.9	2.0%	192.4	2.2%
US dollar	129.7	1.4%	443.1	5.2%
CFA franc	101.6	1.1%	79.1	0.9%
Swiss franc	90.5	1.0%	209.4	2.4%
Swedish krona	8.8	0.1%	13.5	0.2%
Other	71.3	0.8%	168.4	2.0%
Total	**9,239.9**		**8,541.1**	

22.3 Breakdown by interest rate

	2004	2003
Average fixed rate of interest	4.3%	3.8%
Average floating rate of interest	2.8%	3.1%
Average rate of interest for the year	**3.4%**	**3.4%**
Average net fixed rate debt	41%	48%
Average net floating rate debt	59%	52%

Average rates are determined based on average net debt with related net interest expense recorded under net financial expense for the relevant year.

Interest rates take into account the impact of hedging transactions (note 23).

The stability of the average rate is due primarily to the combined effect of a drop in the benchmark for floating rate debt (down 30 basis points) and of the increase in the average amount of floating rate debt, issued or swapped, which offset the increase in the cost of fixed rate long-term debt (up 50 basis points).

22.4 Bond issues

Bonds convertible and/or exchangeable for shares issued by Pinault–Printemps–Redoute SA

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
Fixed 1.50% [1]	11.08.2001	1-month Euribor floating rate swap for €149M	01.01.2007	149,211,562.50	163,284,550.00
Fixed 2.50% [2]	05.21.2003	–	01.01.2008	1,079,500,000.00	1,079,500,000.00

[1] ***Issue price:*** *Bonds convertible and/or exchangeable for shares (OCEANE) issued on November 8, 2001, for €1,380,000,050 represented by 8,492,308 bonds with a face value of €162.50.*
Conversion and/or exchange for shares: *Until December 31.2001 on the basis of 1,157 shares per bond, and as of January 1, 2002 on the basis of one share per bond.*
Normal redemption: *In full on January 1, 2007 at a price of €162.50.*
Gross yield to maturity of unconverted bonds: *1.5%.*
Balance outstanding as of December 31, 2004 includes:
the conversion of 3,077,000 bonds by Artémis in 2001,
the buyback of 107,422 bonds for €17,456,075 in 2002,
the buyback of 17,609 bonds for €2,861,462.50 in 2003,
the early redemption after the exercise of the investor Put in 2003 of 4,285,376 bonds with a face value of €696,373,600,
the early redemption after the exercise of the investor Put in 2004 of 86,603 bonds with a face value of €14,072,987.50.
Issue swap: *The OCEANE was swapped for €149 million in order to switch from a fixed rate to a floating rate and to set the maturity.*

[2] ***Issue price:*** *Issue of bonds convertible and/or exchangeable for shares (OCEANE) issued on May 21, 2003 represented by 12,500,000 bonds with a face value of €86.36.*
Conversion and/or exchange for shares: *At any time as of May 21, 2003, on the basis of one share per bond.*
Normal redemption: *The bonds will be fully redeemed by January 1, 2008 at a price of €91.14 per bond, or approximately 105.535% of the bonds' face value.*
Gross yield to maturity of unconverted bonds: *3.6250%.*

Bonds issued by Pinault–Printemps–Redoute SA

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
Zero coupon [1]	01.30.1998	3-month Euribor floating rate swap for whole issue	01.31.2005	106,714,312.07	106,714,312.07
Fixed 5.20% [2]	05.27.1998	3-month Euribor floating rate swap for whole issue	05.27.2005	304,898,034.48	304,898,034.48
Fixed 5% [3]	07.23.2003	3-month Euribor floating rate swap for €500M	01.23.2009	750,000,000.00	750,000,000.00
Fixed 5.25% [4]	03.29.2004	3-month Euribor floating rate for €650M	03.29.2011	800,000,000.00	-
3-month Euribor floating rate +0.50% [5]	10.22.2004	-	10.22.2007	400,000,000.00	-

[1] ***Issue price:*** *Indexed bond issue represented by 70,000 bonds with a face value of €1,524.49.*
Redemption: *On January 31, 2005 at a price that under no circumstances shall be less than 100% or more than 228% of the bond's face value. The redemption price is determined by applying an indexation formula based on the rate of growth of the Pinault-Printemps-Redoute SA share price.*
Gross yield to maturity: *Between 0% and 12.5% depending on the Pinault-Printemps-Redoute SA share price.*

[2] ***Issue price:*** *Traditional bond issue represented by 400,000 bonds with a face value of €726.25.*
Redemption: *In full on May 27, 2005.*
Gross yield to maturity: *4.99%.*

[3] ***Issue price:*** *Bond issue on July 23, 2003, represented by 750,000 bonds with a face value of €1,000 as part of the EMTN program.*
Redemption: *In full on January 23, 2009.*

[4] ***Issue price:*** *Bond issue, represented by 800,000 bonds with a face value of €1,000 as part of the EMTN program issued on March 29, 2004 for 650,000 bonds, with 150,000 additional bonds added on July 23, 2004, raising the issue to 800,000 bonds.*
Redemption: *In full on March 29, 2011.*

[5] ***Issue price:*** *Bond issue on October 22, 2004, represented by 400,000 bonds with a face value of €1,000 as part of the EMTN program.*
Redemption: *In full on October 22, 2007.*

Bonds issued by Caumartin Participations

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
5.2075% (1)	07.10.2001	6-month Euribor floating rate swap for €350M	07.11.2005	424,743,760.00	424,743,760.00

(1) ***Issue price:*** *Bond issue on July 10, 2001, represented by 424,743,760 bonds with a par value of €1.*
Redemption: *In full on July 11, 2005.*
Annual interest: *5.2075% partially indexed to changes in the Pinault-Printemps-Redoute SA share price.*

22.5 Main medium and long-term borrowings and confirmed lines of credit

a) Breakdown of main medium and long-term borrowings

The Group has the following borrowings:

Long- and medium-term borrowings taken out by Pinault-Printemps-Redoute SA

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
2.6130% (1)	02.06.2004	3-month Euribor floating rate swap for whole issue	02.06.2006	125,000,000.00	-

(1) *Private loan exchangeable for Pinault-Printemps-Redoute SA shares with option of redemption in cash at the discretion of Pinault-Printemps-Redoute SA, issued on February 6, 2004 for €125,000,000, represented by 1,168,224 with a par value of €107.*
This loan is subject to compliance with the same financial covenants as the confirmed lines of credit of Pinault-Printemps-Redoute SA.

Long- and medium-term borrowings taken out by PPR Finance

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
Fixed 5.45%	06.16.1998	-	06.16.2006	30,642,252.46	30,642,252.46
3-month Euribor floating rate + 0.40%	06.16.1998	3-month Euribor floating rate swap for whole issue	06.16.2010	52,594,910.95	52,594,910.95
Fixed 5.46%	06.16.1998	-	06.16.2006	9,146,941.03	9,146,941.03
Fixed 5.50%	06.16.1998	-	06.16.2006	9,146,941.03	9,146,941.03
Fixed 5.20%	09.15.1998	3-month Euribor floating rate swap for whole issue	09.15.2006	15,244,901.72	15,244,901.72
Fixed 5.30%	12.01.1998	-	12.01.2006	50,308,175.69	50,308,175.69
Fixed 5.39%	12.01.1998	3-month Euribor floating rate swap for whole issue	12.01.2006	17,531,636.98	17,531,636.98
3-month Euribor floating rate + 0.50%	09.25.2001	-	09.25.2006	170,000,000.00	170,000,000.00

Long- and medium-term borrowings taken out by Redcats Finance UK

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
Market floating rate + 0.42% [1]	10.28.2003	-	10.28.2008	150,343,947.00	150,113,507.00

[1] Securitization set up by Redcats Finance UK in the amount of £108 million (€153.2 million). The drawn balance as of December 31, 2004 was £106.0 million (€150.3 million).

Long- and medium-term borrowings taken out by Gucci Group

(in €)

Interest rate	Issue date	Hedge	Maturity	12.31.2004	12.31.2003
Market floating rate + 0,6875%	05.15.2003	-	05.18.2013	43,000,000.00	45,600,000.00
Libor floating rate +1% [1]	08.08.2003	-	08.15.2013	33,037,221.94	38,719,669.59
Euribor floating rate + 0.70%	03.29.2004	-	06.30.2014	35,000,000.00	-

[1] Loan taken out by Gucci America Inc in the amount of $ 45 million (€33.0 million).

b) Confirmed lines of credit

- As of December 31, 2004, the Group had access to confirmed lines of credit of €5,420 million versus €7,686 million as of December 31, 2003 (including €1,114 million on Rexel SA as of December 31, 2003).

- The undrawn balance on these confirmed lines of credit as of December 31, 2004 totalled €3,218 million versus €5,894 million as of December 31, 2003 (including €905 million on Rexel SA as of December 31, 2003).

c) Breakdown of confirmed lines of credit

Pinault-Printemps-Redoute SA and PPR Finance: €4,775 million, including:
€3,275 million in long-term lines of credit with an average term of 2.31 years. Pinault-Printemps-Redoute SA notably has a syndicated loan of €2,714 million, including €1,999 million maturing in October 2005 and October 2007 and €715 million maturing in May 2009.

The Group is committed to maintaining specific financial ratios (Consolidated Net Financial Debt)/Consolidated EBITDA, Consolidated EBITDA/Consolidated Net Interest Expense and Consolidated Net Financial Debt/Consolidated Shareholders' Equity). In 2003, the aggregates used to calculate these ratios were redefined effective June 30, 2004, bringing them in line with the Group's strategic development and the sale of Rexel. The definitions of the aggregates took into account the Group's stake in Rexel, which until it was sold, was booked as a marketable security and valued at the stock market price in the calculation.

The required ratio levels are as follows:

- Consolidated Net Financial Debt/Consolidated EBITDA: less than or equal to €3.85 as of December 31, 2004,
- Consolidated EBITDA/Consolidated Net Interest Expense: greater than or equal to €4.2 as of December 31, 2004,
- Consolidated Net Financial Debt/Consolidated shareholders' equity: greater than or equal to €0.8 as of December 31, 2004.

The Group complied with all the ratios as of December 31, 2004.

Redcats: US$ 175 million (€128.5 million) on Brylane with an average term of 1.93 years.

Gucci Group NV: €516.5 million with an average term of 2.08 years, including 63.1 billion yen (€451.8 million).

The Group's confirmed lines of credit are subject to the commitment and default clauses customarily included in this type of agreement: pari passu, negative pledge and cross default. The Group complied with all financial and legal clauses as of December 31, 2004.

23. Exposure to currency, interest rate risk and stock market price fluctuations

Off-balance sheet commitments as of December 31, 2004 related to the Group's cash management activities are as follows:

23.1 Exposure to interest rate risk

The Pinault-Printemps-Redoute Group uses various financial instruments to manage interest rate risk on financial assets and liabilities, including borrowings. The notional outstanding amounts of these instruments are as follows:

(in € million)	12.31.2004	N+1	N+2	N+3	N+4	N+5	Beyond	12.31.2003
Swaps: fixed rate lender	3,642.8	2,108.7	192.5	185.4	6.2	500.0	650.0	2,301.6
Swaps: fixed rate borrower	692.9	351.3	234.7	100.7	6.2			1,024.0
Purchase of FRAs	0.0							0.0
Sale of FRAs	0.0							0.0
Purchase of collars	561.0	524.3	36.7					534.0
Sale of collars	487.5	487.5						
Purchase of caps	775.0		50.0	725.0				540.0
Other interest rate instruments [1]	58.7			6.1			52.6	58.4

[1] Including swaps floating rates/variable floating rates.

As part of the Group's strategy to hedge interest rate exposure, these instruments are designed to:

- convert fixed-rate bonds into floating rate debt: the Group entered into interest rate swap agreements as a fixed-rate lender in the amount of €2,060.8 million, including €1,710.8 million to hedge bond issues by Pinault-Printemps-Redoute and €350 million to hedge the bond issue by Caumartin Participations;
- convert swap fixed-rate long and medium-term loans for floating rate debt: the Group entered into interest rate swaps as a fixed-rate lender in the amount of €157.8 million;
- convert swap fixed-rate negotiable debt securities, fixed-rate loans and credit line drawdowns for floating rate debt: the Group entered into interest rate swaps as a fixed-rate lender in the amount of €999 million;
- set the rate of floating rate financial liabilities: the Group entered into interest rate swaps as a fixed-rate borrower in the amount of €272.7 million;
- manage interest rate risk on borrowings via option transactions: the Group used options in the amount of €848.4 million.

Pinault-Printemps-Redoute, on behalf of Finaref prior to its disposal, also entered into interest rate swaps representing an outstanding nominal amount of only €97.6 million compared with €416 million as of December 31, 2003. These swaps were fully hedged with highly rated banking counterparties.

As of December 31, 2004, Pinault-Printemps-Redoute, on behalf of Rexel before its disposal, also entered into options transactions in the amount of €487.5 million and €325.7 million in interest rate swaps. All these transactions were fully hedged with highly-rated banking counterparties. The residual maturity of all these transactions was less than one year.

Before management, the Group's exposure to interest rate risk is presented below, with a distinction made between the following:

• fixed-rate financial assets and liabilities, exposed to a price risk before management:

(in € million)	12.31.2004	2004 maturities			12.31.2003
		Less than one year	One to five years	More than five years	
Fixed rate assets	3,247.1	3,211.2	34.5	1.4	285.3
Bonds	3,514.6	730.4	1,984.4	799.8	2,921.9
Commercial paper	938.0	938.0			271.0
Other financial debt	706.5	224.6	476.8	5.1	637.4
Fixed rate liabilities	5,159.1	1,893.0	2,461.2	804.9	3,830.3

• floating rate assets and liabilities exposed to a cash flow risk before management:

(in € million)	12.31.2004	2004 maturities			12.31.2003
		Less than one year	One to five years	More than five years	
Floating rate assets	2,160.2	2,126.6	33.6		2,460.7
Bonds	506.7	106.7	400.0		452.6
Commercial paper	372.3	372.3			342.0
Other financial debt	3,201.8	772.7	2,112.1	317.0	3,916.2
Floating rate liabilities	4,080.8	1,251.7	2,512.1	317.0	4,710.8

After management, and taking into account the above hedging transactions, the Group's exposure to interest rate risk is presented below, with a distinction made between the following:

• fixed-rate assets and liabilities exposed to a price risk after management:

(in € million)	12.31.2004	2004 maturities			12.31.2003
		Less than one year	One to five years	More than five years	
Fixed rate assets	3,247.1	3,211.2	34.5	1.4	285.3
Bonds	1,560.5	75.5	1,335.2	149.8	1,592.0
Commercial paper	66.0	66.0			609.4
Other financial debt	1,537.8	137.5	1,395.2	5.1	891.4
Fixed rate liabilities	3,164.3	279.0	2,730.4	154.9	3,092.8

• floating rate financial assets and liabilities exposed to a cash flow risk after management:

(in € million)	12.31.2004	2004 maturities: Less than one year	2004 maturities: One to five years	2004 maturities: More than five years	12.31.2003
Floating rate assets	2,160.2	2,126.6	33.6		2,460.7
Bonds	2,460.8	761.6	1,049.2	650.0	1,782.5
Commercial paper	1,244.3	1,244.3			3.6
Other financial debt	2,370.5	859.8	1,193.7	317.0	3,662.2
Floating rate liabilities	6,075.6	2,865.7	2,242.9	967.0	5,448.3

Financial assets and liabilities consist of interest-bearing balance sheet items.

Given this breakdown between fixed rate and floating rate assets and liabilities after the impact of hedging instruments, a 1% increase or decrease in interest rates would have a full-year effect of €47 million on Group operating income before tax.

As of December 31, 2004, gross debt by type of rate before and after accounting for hedging transactions breaks down as follows:

(in € million)	12.31.2004	Before hedging: Fixed rate	Before hedging: Floating rate	After hedging: Fixed rate	After hedging: Floating rate
Gross debt	9,239.9	5,159.1	4,080.8	3,164.3	6,075.6
%		55.8%	44.2%	34.2%	65.8%

(in € million)	12.31.2003	Before hedging: Fixed rate	Before hedging: Floating rate	After hedging: Fixed rate	After hedging: Floating rate
Gross debt	8,541.1	3,830.3	4,710.8	3,092.8	5,448.3
%		44.8%	55.2%	36.2%	63.8%

23.2 Exposure to currency risk

For the management of currency risk, the Pinault-Printemps-Redoute Group uses instruments with the following outstanding notional amounts:

(in € million)	12.31.2004	Euro	US dollar	Pound sterling	Swiss franc	Swedish krona	Yen	Canadian dollar	Other	12.31.2003
Hedges of commitments										
Currency swaps	(138.6)		(108.7)	(11.4)	53.4				(71.9)	(384.9)
Currency forwards	10.2	8.8	(0.7)	1.0			2.2		(1.1)	1,815.3
Options	0.0									402.2
Other hedging instruments	0.2		0.2							0.0
	(128.2)	**8.8**	**(109.2)**	**(10.4)**	**53.4**	**0.0**	**2.2**	**0.0**	**(73.0)**	**1,832.6**
Hedges of firm and highly likely commitments										
Currency swaps	(204.1)	0.6	50.6	(38.1)	(173.0)	(0.6)	(31.6)	(3.8)	(8.2)	276.3
Currency forwards	(655.6)	12.8	(35.8)	(307.5)	(56.2)	(14.9)	(79.2)	(28.0)	(146.8)	(331.6)
Options	(733.0)		(358.4)				(374.6)			(1,112.7)
Other hedging instruments	(44.6)								(44.6)	(19.6)
	(1,637.3)	**13.4**	**(343.6)**	**(345.6)**	**(229.2)**	**(15.5)**	**(485.4)**	**(31.8)**	**(199.6)**	**(1,187.6)**
Total	**(1,765.5)**	**22.2**	**(452.8)**	**(356.0)**	**(175.8)**	**(15.5)**	**(483.2)**	**(31.8)**	**(272.6)**	**645.0**

Maturity										
Hedges of commitments										
Less than one year	(128.2)	8.8	(109.2)	(10.4)	53.4	0.0	2.2	0.0	(73.0)	1,823.8
More than one year	0.0									8.8
Hedges of firm and highly likely commitments										
Less than one year	(1,555.0)	13.4	(314.6)	(337.7)	(229.2)	(15.5)	(451.6)	(31.8)	(188.0)	(867.2)
More than one year	(82.3)		(29.0)	(7.9)			(33.8)		(11.6)	(320.4)

The Group primarily uses forward currency contracts and/or currency swaps to hedge commercial import/export risks and to hedge the financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.
The Group may also be required to implement simple options strategies (purchase of options or tunnels).

Currency hedging mainly covers debt or receivables in foreign currencies or commercial exposure, which are proven firm or highly probable.

As of December 31, 2004, the exposure to currency risk on the balance sheet broke down as follows:

(in € million)	12.31.2004	Euro	US dollar	Pound sterling	Swiss franc	Swedish krona	Yen	Canadian dollar	Other	12.31.2003
Money market assets	510.0	3.6	295.7	29.1	53.9	0.1	1.0	0.3	126.3	476.1
Money market liabilities	(800.1)	(43.4)	(118.2)	(17.4)	(187.4)		(408.8)	(3.1)	(21.8)	(1,583.5)
Gross exposure in the balance sheet (before hedging)	(290.1)	(39.8)	177.5	11.7	(133.5)	0.1	(407.8)	(2.8)	104.5	(1,107.4)
Gross exposure in the balance sheet (after hedging)	(418.3)	(31.0)	68.3	1.3	(80.1)	0.1	(405.6)	(2.8)	31.5	(1,492.3)

Money market assets represent receivables, loans, marketable securities and cash.

Money market liabilities represent borrowings, operating payables and other payables.

23.3 Exposure to the risk of market price fluctuations

In order to manage fluctuations in the stock market price, Pinault-Printemps-Redoute uses options instruments, the outstanding amounts of which are given below:

(in € million)	12.31.2004	N+1	N+2	N+3	N+4	N+5	Beyond
Purchase of options to buy Pinault-Printemps-Redoute SA shares							
Number of shares	1,040,998				265,125	344,050	431,823
PPR's maximum commitment in millions of euros	195.7				36.1	64.0	95.6

These options were acquired in September 2004 to enable Pinault-Printemps-Redoute SA to submit shares for the exercise of stock options by employees.
At the share price on the closing date, all the options implemented in 2004 to hedge these plans were "out of the money" and therefore could not be exercised.

Their book value was immaterial as of the closing date.

23.4 Other market risks – Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to currency and interest rate risk arising in the normal course of business. All transactions involving derivatives are carried out on organised or over-the-counter markets with major players and do not carry any counterparty risk. The effect of using derivatives on the earnings of the Group was not material in 2004. Deferred capital gains or losses from commitments and future transactions hedged by derivatives were not material as of December 31, 2004.

The Group has a large number of customers in a wide range of business segments and is therefore not exposed to any concentration of credit risk. Generally, the Group considers that it is not exposed to any specific credit risk.

24. Market value of financial instruments

The market value of most of the Group's financial instruments is based on estimates, except marketable securities and listed bonds, which are recorded on the basis of their last known price on December 31, 2004.

The following methods were used:

Financial instruments booked as assets on the balance sheet:
As these instruments are short-term liquid assets, the accounting values are based on reasonable estimates of their market value, with the exception of listed marketable securities, whose market value was determined based on the last known price on December 31, 2004.

Financial instruments booked as liabilities on the balance sheet:
The market value of listed bonds was determined on the basis of the last stock market price on the closing date.
For other borrowings, the market value was calculated using other valuation methods, such as discounted cash flow, taking into account the Group's credit risk and interest rate conditions on the closing date.

Off-balance sheet financial instruments:
The market value was supplied by the financial institutions involved in the transactions or calculated on the basis of standard valuation methods that incorporate market conditions at year-end.

(in € million)	12.31.2004		12.31.2003	
	Book value	Market value	Book value	Market value
BALANCE SHEET				
ASSETS				
Short-term receivables on disposals of assets	2,181.8	2,181.8		
Bonds	0.1	0.1	212.6	212.6
Money market securities	975.3	975.2	95.4	95.2
Mutual funds (SICAVs and FCPs)	100.9	40.1	1,530.9	1,510.1
Pinault-Printemps-Redoute treasury stock	509.4	337.6	552.3	366.5
Short-term deposits	607.3	607.3	726.9	726.9
Cash	77.0	77.0	137.9	137.9
LIABILITIES				
Convertible bonds	1,228.7	1,337.0	1,242.8	1,351.7
Other bonds	2,792.6	2,883.1	2,131.7	2,144.2
Confirmed and non-confirmed lines of credit	2,338.1	2,338.1	2,056.6	2,056.6
Commercial paper	1,310.3	1,310.3	613.0	613.0
Other bank borrowings	876.0	880.4	1,967.2	1,960.2
Bank overdrafts and foreign currency advances	243.7	243.7	213.4	213.4
Employee profit-sharing	39.2	39.2	68.8	68.8
Other borrowings	224.9	224.9	19.4	19.4
Obligations under finance leases	186.4	186.4	228.2	228.2

(in € million)	12.31.2004 Book value	12.31.2004 Market value	12.31.2003 Book value	12.31.2003 Market value
OFF-BALANCE SHEET				
INTEREST RATE INSTRUMENTS:		**83.5**		**30.7**
Swaps: fixed rate lenders		99.0		56.4
Swaps: fixed rate borrowers		(18.5)		(34.0)
Forward contracts				
Collars		0.2		0.1
Caps		2.0		(0.4)
Other interest rate instruments		0.8		8.6
CURRENCY INSTRUMENTS:		**26.2**		**(301.9)**
Hedging commitments				
Currency swaps		13.0		16.4
Currency forwards		0.9		(288.0)
Options				(47.4)
Other hedging instruments				0.2
Hedging firm and highly likely commitments				
Currency forwards		(47.8)		(48.7)
Options		59.6		65.4
Other hedging instruments		0.5		0.2

The market value of balance sheet financial instruments is presented before hedging instruments.

The book value of option derivatives was immaterial as of December 31, 2004.

25. Other off-balance sheet commitments and contingencies

25.1 Operating leases

Some Group companies are lessees under real estate and/or equipment leases under binding agreements for a term of more than one year, which may include a rent indexation clause.

Future minimum payments due under these leases are as follows:

(in € million)	12.31.2004	12.31.2003
n+1	379.7	476.6
n+2	321.0	383.1
n+3	265.7	317.3
n+4	221.9	269.4
n+5	195.7	221.1
Beyond	841.4	818.7
Total	**2,225.4**	**2,486.2**

25.2 Process of mandatory withdrawal of Gucci shares

Following the delisting of the Gucci shares on June 14, 2004 from the New York Stock Exchange and on July 1, 2004 from Euronext, the Group initiated with the competent courts of the Netherlands a mandatory process of withdrawal of the common shares not owned by it after the "Offer". This process should be completed in 2005. In connection with this process, the Group estimates its maximum commitment at US$ 54 million.

25.3 Commitments given and received following sales

a) Review and update of the vendor/warranties given for the sale of the consumer credit business, Guilbert and Pinault Bois & Matériaux

Disposals	Vendor warranties
October 2002	
Sale of Guilbert home shopping to Staples	Standard 2-year liability warranties capped at €85 million, expired in October 2004.
December 2002	
Sale of Facet to Cetelem	No asset or liability warranties.
December 2002	
Sale of Finaref	Pursuant to the sale of 61% of the capital and voting rights of Finaref and Finaref Nordic to Crédit Agricole SA in December 2002, usual asset warranties were granted, capped at €505 million and expiring in April 2005. No additional warranties were granted in respect of the three additional stakes sold in December 2003 (14.5%), March 2004 (14.5%) and December 2004 (10%).
May 2003	
Sale of Guilbert "Contract" to Office Depot	Standard 2-year liability warranties, except for tax-related warranties granted for a period equal to the legal time limits. The purchaser is only entitled to compensation on: (i): the amount of a loss or series of losses (of the same source and nature) exceeds €60,000 and the total amount of losses exeeds €8 million, subject to a maximum of €90 million; and (ii): the request for compensation is submitted before March 11, 2005, except for tax aspects (legal time limit).
June 2003	
Sale of Pinault Bois & Matériaux to Wolseley	Saprodis granted general asset and liabilities warranties expiring June 2005 and capped at €53 million. General asset and liability warranties: • individual threshold of €50,000 and overall threshold of €3 million; • maximum of €53 million up to June 30, 2005 for general claims and warranties; • specific maximum of €53 million for tax claims subject to corporate income tax time limits, and €26 million for tax claims with time limits of more than 3 years; • specific maximum of €118 million of the selling price for claims and warranties given in respect with off-balance sheet commitments; • term: the warranties expire on June 30, 2005 and on the expiry of tax and employed-related time limits.

b) Changes in commitments given and received

b.1 Commitments received following the sale of Guilbert's "Contract" business

In May 2003, Pinault-Printemps-Redoute transferred control of Guilbert SA to Office Depot for an enterprise value of €815 million. The sales agreement required payment of an additional consideration of €40 million by the purchaser to the Group if the Office Depot share price exceeded US$ 20 during five consecutive trading days in the 18 months following May 23, 2003.

In April 2004, Pinault-Printemps-Redoute chose to "monetise" part of this eventual additional consideration, it being similar to an option on the performance of the Office Depot share maturing on November 18, 2004. Accordingly, the Group received a premium of €5.6 million with a commitment to pay the counterparty the sum of €10.0 million if over the option term, the Office Depot share price exceeds US$ 20 during five consecutive days.

b.2 Other changes in commitments

To the Group's knowledge, as of December 31, 2004, there were no significant changes in the commitments given and received by the Group for sales made in 2002 and 2003, except for the one described in the foregoing paragraph.

c) Commitments given and received following the sale of Rexel

On December 10, 2004, the Group signed a final agreement with the consortium comprising Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity ("Ray Consortium") for the sale of its 73.45% stake in Rexel.
Limited liability warranties covering neither real nor intellectual property, nor supplier relations, nor the environment were granted to the consortium as buyer maturing on March 2006. These liability warranties were capped at €50 million.

d) Other commitments linked to sales

Except for the liability warranties described above, liability warranties agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

25.4 Other commitments given

a) Discounted bills

The Group held discounted bills totalling €12.1 million as of December 31, 2004.

b) Sales of commercial loans

Following the sale of Rexel, the Group no longer had as of December 31, 2004 outstanding receivables sold (this amount stood at €770.2 million as of December 31, 2003).

c) Contractual obligations

The table below shows all the Group's contractual commitments and obligations as of December 31, 2004, apart from the retirement commitments presented in note 20:

(in € million)	Total	Payments due by period		
		Less than one year	One to five years	More than five years
Long-term financial debt (note 22.1)	9,239.9	3,144.7	4,973.3	1,121.9
Simple lease agreements (note 25.1)	2,225.4	379.7	1,004.3	841.4
Binding purchase obligations	357.9	290.2	52.4	15.3
Total commitments given	**11,823.2**	**3,814.6**	**6,030.0**	**1,978.6**
Total commitments received	**0.0**			

d) Other commercial commitments

As of December 31, 2004, other commercial commitments break down as follows:

(in € million)	Total	Amount of commitments by period		
		Less than one year	One to five years	More than five years
Confirmed credit lines (note 22.5)	5,420.0	1,645.0	3,706.5	68.5
Letters of credit	5.7	5.7		
Other warranties received	19.6	18.5		1.1
Total commitments received	**5,445.3**	**1,669.2**	**3,706.5**	**69.6**
Guarantees given to banks ensuring cash pooling	24.4	11.3		13.1
Guarantees on rent, property guarantees	92.2	5.8	8.9	77.5
Guarantees on lease agreements	13.0	4.5	8.5	
Other commercial commitments (of which customs warranties)	330.2	144.2	126.9	59.1
Total commitments given	**459.8**	**165.8**	**144.3**	**149.7**

e) Guarantees and other collateral

As of December 31, 2004, the Group's guarantees and other collateral break down as follows:

(in € million)	Beginning of guarantee	Expiry of the guarantee	Amount of the asset pledged	Total balance sheet account (net book value)	Corresponding %
Intangible assets				10,156.4	0,0%
Tangible assets	06.21.2003	02.23.2014	288.9	2,272.6	12.7%
Financial assets				290.3	0,0%
Total assets pledged as collateral			**288.9**	**12,719.3**	**2.3%**

f) Other commitments given

To the best of the Group's knowledge, no other significant off-balance sheet commitment exists other than those presented in the Reference Document.

25.5 Group dependence on patents, licenses and supply contracts

Brylane has a trademark license agreement for the use of the Lane Brylane and Lerner trademarks up to October 20, 2007 without payment of any license fees. These catalogues posted sales of €338.4 million in 2004 (€349.6 million in 2003).

Brylane also has an exclusive license for the distribution of a selection of Brylane products included in the "Women's View", "Smart Choice" and "Big and Tall" catalogues until 2005. These catalogues posted sales in 2004 of €42.5 million (€69.3 million in 2003). This exclusive license was not renewed beyond 2005.

Aside from the two licenses referred to above, the Group is not dependent on any patents, licenses or supply contracts.

25.6 Claims and litigation

Group companies are involved in a number of lawsuits or disputes that arise in the normal course of business, including litigation with tax, social welfare or customs authorities. Reserves for contingencies and losses have been made for the probable estimated cost to the Group's entities, based on the advice of legal counsel. Based on the Group's legal counsel, no litigation currently in progress is likely to have a material impact on normal or foreseeable operations or the planned development of the Group or any of its subsidiaries. To the Group's knowledge, there are no claims or litigation, either in process or pending, likely to have a material impact on the Group's operating results or financial position that are not adequately covered by reserves recorded in the balance sheet.

To the Group's knowledge, there is no dispute, exceptional item or arbitration, in particular during or after the end of 2004, which is or was likely to have a significant impact on the financial position, activity or consolidated net income of Pinault-Printemps-Redoute.

26. Relations with the parent company

Transactions of the Group with affiliated parties concern almost exclusively transactions recorded with its parent company, Artémis.
The main transactions in 2004, carried out between the consolidated companies of Pinault-Printemps-Redoute and Artémis, are as follows:

- payment of the dividend for 2003, in an amount of €123.9 million (€118.8 million for 2002);
- payment of a fee of €8.8 million for 2004 (€6.1 million in 2003) for business development consulting services, support in connection with complex transactions, and the supply of development opportunities, new business and cost reduction initiatives. The fees are covered by an agreement approved and reviewed by the Supervisory Board.

27. Subsequent events

Subsequent events are presented in the Group's activity report.

List of consolidated subsidiaries as of December 31, 2004

A list of the subsidiaries of the Pinault-Printemps-Redoute Group is given below:

Consolidation method **Full consolidation: F**
Equity method: E

Companies	% interest 2004	% interest 2003
Pinault-Printemps-Redoute	**Parent company**	
GUCCI		
GUCCI GROUP NV (Netherlands)	F 99.41	F 67.58
France		
GUCCI FRANCE SAS (ex LUXURY GOODS France SA)	F 100.00	F 100.00
GG France HOLDING SARL	F 100.00	F 100.00
GUCCI GROUP WATCHES France, SAS	F 100.00	F 100.00
YVES SAINT LAURENT SAS	F 100.00	F 100.00
BOUCHERON SAS	F 100.00	F 100.00
BOUCHERON HOLDING SA	F 100.00	F 100.00
PARFUMS ET COSMETIQUES INTERNATIONAL SAS	F 100.00	F 100.00
BOUCHERON PARFUMS (SAS)	F 100.00	F 100.00
C. MENDES SA	F 100.00	F 100.00
YVES SAINT LAURENT BOUTIQUE France SAS	F 100.00	F 100.00
YVES SAINT LAURENT SERVICES SAS	F 100.00	F 100.00
YSL BEAUTÉ (SAS)	F 100.00	F 100.00
ROGER & GALLET (SAS)	F 100.00	F 100.00
YSL BEAUTÉ RECHERCHE ET INDUSTRIES (SAS)	F 100.00	F 100.00
PARFUMS VAN CLEEF AND ARPELS SA	F 97.32	F 97.32
YVES SAINT LAURENT PARFUMS LASSIGNY (SAS)	F 100.00	F 100.00
YVES SAINT LAURENT PARFUMS SA	F 100.00	F 100.00
PARFUMS STERN (SAS)	F 100.00	F 100.00
BALENCIAGA SA	F 91.00	F 91.00
BOTTEGA VENETA France HOLDING SAS	F 78.46	F 78.46
BOTTEGA VENETA France SA	F 78.46	F 78.46
ALEXANDER McQUEEN PARFUMS (SAS)	F 100.00	F 100.00
CLASSIC PARFUMS (SAS)	F 100.00	F 100.00
PARFUMS BALENCIAGA (EURL)	F 100.00	F 100.00
STELLA McCARTNEY PARFUMS (SAS)	F 100.00	F 100.00
STELLA McCARTNEY FRANCE SAS	F 50.00	F 50.00
Germany		
GG LUXURY GOODS GmbH	F 100.00	F 100.00
YVES SAINT LAURENT GERMANY GmbH	F 100.00	F 100.00
YSL BEAUTÉ GmbH	F 100.00	F 100.00
BOTTEGA VENETA GERMANY GmbH	F 78.46	F 78.46
Austria		
GUCCI AUSTRIA GmbH	F 100.00	F 100.00
YSL BEAUTÉ HGmbH	F 100.00	F 100.00
Belgium		
GUCCI BELGIUM SA	F 100.00	F 100.00
LA MERIDIANA FASHION SA	F 100.00	F 100.00
YSL BEAUTÉ SANV	F 100.00	F 100.00
YVES SAINT LAURENT BELGIUM SPRL	F 100.00	F 100.00
Spain		
LUXURY GOODS SPAIN SL	F 100.00	F 100.00
LUXURY TIMEPIECES ESPAÑA SL	F 100.00	F 51.00
YVES SAINT LAURENT SPAIN SA	F 100.00	F 100.00
YSL BEAUTÉ SA	F 100.00	F 100.00
FILDEMA XXI SL	F 100.00	F 100.00
BOTTEGA VENETA ESPANA SL	F 78.46	Start-up
United Kingdom		
GUCCI LIMITED	F 100.00	F 100.00
GUCCI SERVICES LIMITED	F 100.00	F 100.00
LUXURY TIMEPIECES (UK) Ltd (ex GUCCI TIMEPIECES (UK) Ltd)	F 100.00	F 100.00
YVES SAINT LAURENT UK Ltd	F 100.00	F 100.00
YSL BEAUTÉ Ltd	F 100.00	F 100.00
SERGIO ROSSI UK Limited	F 100.00	F 70.00
BOUCHERON UK Ltd	F 100.00	F 100.00
BOTTEGA VENETA U.K. Co. Limited	F 78.46	F 78.46
AUTUMNPAPER Limited	F 51.00	F 51.00
BIRDSWAN SOLUTIONS Ltd	F 51.00	F 51.00
PAINTGATE Limited	F 100.00	F 100.00
ALEXANDER McQUEEN TRADING Ltd	F 51.00	F 51.00
STELLA McCARTNEY Limited	F 50.00	F 50.00
JOHN FIELD Ltd	F 51.00	F 51.00
Greece		
YSL BEAUTÉ AEBE	F 51.00	F 51.00
Ireland		
GUCCI IRELAND LIMITED	F 100.00	F 100.00
Italy		
GUCCIO GUCCI SpA	F 100.00	F 100.00
CAPRI GROUP Srl	F 75.00	F 75.00
GUCCI IMMOBILLARE LECCIO Srl	F 64.00	F 64.00
LUXURY GOODS ITALIA SpA	F 100.00	F 100.00
GUCCI LOGISTICA SpA	F 100.00	F 100.00
LUXURY GOODS OUTLET Srl	F 100.00	F 100.00
GUCCI VENEZIA SpA	F 51.00	F 51.00
G.F. LOGISTICA Srl	F 100.00	F 100.00
G.F. SERVICES Srl	F 100.00	F 100.00
FENDI PROFUMI SpA	F 100.00	F 100.00
FLORBATH PROFUMI DI PARMA SpA	F 51.00	F 51.00
YSL BEAUTÉ ITALIA SpA	F 100.00	F 100.00

Companies	% interest 2004	% interest 2003
SERGIO ROSSI SpA	F 100.00	F 70.00
ASCOT Srl	F 70.00	F 70.00
B.V ITALIA Srl	F 78.46	F 78.46
BOTTEGA VENETA Srl (ex B.V S.R.L.)	F 78.46	F 78.46
B.V. SERVIZI Srl	F 78.46	F 78.46
REGAIN 1957 Srl	F 70.00	F 70.00
CONCERIA BLU TONIC SpA	F 51.00	F 51.00
CARAVEL PELLI PREGIATE Srl	F 51.00	F 51.00
DESIGN MANAGEMENT Srl	F 100.00	F 100.00
BARUFFI Srl	F 67.00	F 67.00
PAOLETTI Srl	F 51.00	F 51.00
TIGER FLEX Srl	F 75.00	F 75.00
PIGINI Srl (ex REMBRANDT Srl)	F 70.00	F 70.00
GAUGUIN Srl	F 100.00	F 100.00
GUCCI FINANZIARIA SpA	F 100.00	F 100.00
GG ITALIA HOLDINGS SpA (ex BAMBOO Srl)	F 100.00	F 90.00
Luxembourg		
GUCCI LUXEMBOURG SA	F 100.00	F 100.00
SERGIO ROSSI INTERNATIONAL SARL	F 100.00	F 70.00
BOUCHERON Luxembourg SARL	F 100.00	F 100.00
BOTTEGA VENETA INTERNATIONAL SARL (ex B.V. INTERNATIONAL SARL)	F 78.46	F 78.46
Monaco		
GUCCI Sam	F 100.00	F 100.00
S.A.M YVES SAINT LAURENT MONACO Sam	F 100.00	F 100.00
Netherlands		
GUCCI INTERNATIONAL NV	F 100.00	F 100.00
GUCCI NETHERLANDS BV	F 100.00	F 100.00
GUCCI PARTICIPATION BV	F 100.00	F 100.00
GUCCI ASIAN HOLDING BV	F 100.00	Start-up
GEMINI ARUBA NV	F 100.00	F 100.00
YVES SAINT LAURENT FASHION BV	F 100.00	F 100.00
YVES SAINT LAURENT FRANCE BV	F 100.00	F 100.00
YSL BEAUTÉ NEDERLAND BV	F 100.00	F 100.00
SERGIO ROSSI NETHERLANDS BV	F 100.00	F 70.00
BOTTEGA VENETA BV	F 78.46	F 78.46
BOTTEGA VENETA ASIAN TRADE BV	F 78.46	Start-up
Portugal		
YSL BEAUTÉ SA	F 51.00	F 51.00
Switzerland		
LUXURY GOODS INTERNATIONAL SA	F 100.00	F 100.00
LUXURY TIMEPIECES INTERNATIONAL SA	F 100.00	F 100.00
LUXURY GOODS LOGISTIC SA (ex GUCCI FINANCE SA)	F 100.00	F 100.00
LUXURY TIMEPIECES DESIGN SA	F 100.00	F 100.00
LUXURY TIMEPIECES MANUFACTURING SA	F 100.00	F 100.00
YSL BEAUTÉ SUISSE	F 100.00	F 100.00
BOUCHERON INTERNATIONAL SA	F 100.00	F 100.00
BEDAT & Co SA	F 85.00	F 85.00
BEDAT GROUP HOLDING SA	F 85.00	F 85.00
LUXURY GOODS OPERATIONS (L.G.O.) SA	F 51.00	F 51.00
Canada		
LUXURY TIMEPIECES (Canada) Inc	F 100.00	F 100.00
GUCCI SHOPS OF Canada Inc	F 100.00	F 100.00
GUCCI BOUTIQUES, Inc	F 100.00	F 100.00
YSL BEAUTÉ Canada Inc	F 100.00	F 100.00
United States		
GUCCI AMERICA Inc	F 100.00	F 100.00
GUCCI NORTH AMERICA HOLDINGS Inc	F 100.00	F 100.00
YVES SAINT LAURENT AMERICA Inc	F 100.00	F 100.00
YVES SAINT LAURENT OF SOUTH AMERICA Inc	F 100.00	F 100.00
YVES SAINT LAURENT AMERICA HOLDING Inc	F 100.00	F 100.00
YSL BEAUTÉ Inc	F 100.00	F 100.00
YSL BEAUTÉ MIAMI Inc	F 100.00	F 100.00
SERGIO ROSSI USA Inc	F 100.00	F 70.00
BOUCHERON (USA) Ltd	F 100.00	F 100.00
LUXURY DISTRIBUTION Inc	Merger	F 100.00
PARFUMS BOUCHERON Corp.	F 100.00	F 100.00
MODE ET PARFUMS Corp.	Merger	F 100.00
BOUCHERON JOAILLERIE (USA) Inc	F 100.00	F 100.00
BALENCIAGA AMERICA Inc	F 91.00	F 91.00
BEDAT & Co USA LLC	F 85.00	F 85.00
BOTTEGA VENETA Inc	F 78.46	F 78.46
STELLA McCARTNEY AMERICA Inc	F 50.00	F 50.00
GUCCI GROUP WATCHES Inc	F 100.00	Start-up
Australia		
YSL BEAUTÉ AUSTRALIA PTY Ltd	F 100.00	F 100.00
GUCCI AUSTRALIA PTY Limited	F 100.00	F 100.00
New Zealand		
YSL BEAUTÉ NZ Ltd	F 100.00	F 100.00
China		
GUCCI GROUP (Hong Kong) Limited	F 100.00	F 100.00
LUXURY TIMEPIECES (HONG KONG) LIMITED	F 100.00	F 100.00
YSL BEAUTÉ HONG KONG Ltd	F 100.00	F 100.00
BOTTEGA VENETA HONG KONG LIMITED	F 78.46	F 78.46
Korea		
GUCCI GROUP KOREA Ltd	F 100.00	F 100.00
SERGIO ROSSI KOREA Ltd	F 100.00	F 70.00
BOTTEGA VENETA KOREA Ltd	F 78.46	F 78.46
United Arab Emirates		
YSL BEAUTÉ MIDDLE EAST FZCO	F 70.00	F 70.00
Guam		
GUCCI GROUP GUAM Inc	F 100.00	F 100.00
BOTTEGA VENETA GUAM	F 78.46	F 78.46
Japan		
GUCCI GROUP JAPAN LIMITED	F 100.00	F 100.00

Companies		% interest 2004		2003
GUCCI GROUP JAPAN HOLDING LIMITED	F	100.00	F	100.00
LUXURY TIMEPIECES JAPAN LIMITED	F	100.00	F	100.00
YUGEN KAISHA GUCCI	F	100.00	F	100.00
SERGIO ROSSI JAPAN LIMITED	F	100.00	F	70.00
YVES SAINT LAURENT FASHION JAPAN Ltd	F	100.00	F	100.00
YVES SAINT LAURENT PARFUMS KK	F	100.00	F	100.00
BOUCHERON JAPAN	F	100.00	F	100.00
BOTTEGA VENETA JAPAN LIMITED	F	78.46	F	78.46
Malaysia				
GUCCI (MALAYSIA) Sdn Bhd	F	100.00	F	65.00
BOTTEGA VENETA MALAYSIA Sdn Bhd	F	78.46		Start-up
Singapore				
GUCCI SINGAPORE Pte Limited	F	100.00	F	65.00
YSL BEAUTÉ SINGAPORE PTE Ltd	F	100.00	F	100.00
BOTTEGA VENETA SINGAPORE PRIVATE LIMITED	F	78.46	F	78.46
Taiwan				
GUCCI TAIWAN LIMITED	F	100.00	F	100.00
GUCCI GROUP WATCHES TAIWAN LIMITED	F	100.00	F	100.00
BOUCHERON TAIWAN CO LTD	F	100.00	F	100.00
Thailand				
GUCCI THAILAND CO LTD	F	100.00	F	100.00
CONFORAMA				
CONFORAMA	F	99.95	F	99.95
France				
CONFORAMA France	F	100.00	F	100.00
CONFO ON LINE	F	100.00	F	100.00
COGEDEM	F	100.00	F	100.00
CONFORAMA MANAGEMENT	F	100.00	F	100.00
IHTM FRANCE	F	100.00	F	100.00
RABINEAU	F	50.98	F	51.00
SODICE EXPANSION	E	31.98	E	31.98
Croatia				
FLIBA D.O.O.	F	100.00	F	100.00
Spain				
BRICO HOGAR	F	100.00	F	100.00
CONFORAMA ESPANA		Merger	F	100.00
KLASTEK INVEST		Merger	F	100.00
Hong Kong				
CONFORAMA TRADING LIMITED	F	100.00	F	100.00
Italy				
CONFO INVESTIMENTI SpA		Sale	F	100.00
CONFORAMA ITALIA	F	100.00	F	100.00
CREDIRAMA	E	49.00	E	49.00
EMMEZETA PADOVA Srl		Sale	F	100.00
GI EFFE EFFE SPA		Sale	F	100.00
IHTM ITALIE	F	100.00	F	100.00
SACA SRL		Sale	F	100.00
FLIE SA	F	100.00	F	100.00
Luxembourg				
CONFORAMA LUXEMBOURG	F	100.00	F	100.00
Poland				
IHTM POLOGNE	F	100.00	F	100.00
CONFORAMA POLSKA	F	100.00	F	100.00
Romania				
IHTM ROUMANIE	F	100.00		Start-up
Portugal				
HIPERMOVEL	F	100.00	F	100.00
Switzerland				
CONFORAMA SUISSE	F	100.00	F	100.00
IHTM	F	100.00	F	100.00
Singapore				
CONFORAMA ASIA	F	100.00	F	100.00
Vietnam				
IHTM VIETNAM	F	100.00		Start-up
FNAC				
FNAC SA	F	100.00	F	100.00
France				
ATTITUDE	F	100.00	F	100.00
BILLETEL	F	100.00	F	100.00
BILLETTERIE DISTRIBUTION	F	54.99	F	54.99
BILLETTERIE HOLDING	F	100.00	F	100.00
ÉVEIL ET JEUX	G	100.00	G	100.00
FNAC CHAMPS ELYSEES		Merger	F	100.00
FNAC CONCEPT		Merger	F	100.00
FNAC DIRECT	F	100.00	F	100.00
FNAC DISTRIBUTION SA	F	100.00	F	100.00
FNAC JUNIOR SA	F	100.00	F	100.00
FNAC LOGISTIQUE SAS	F	100.00	F	100.00
FNAC MEDIA		Merger	F	100.00
FNAC PARIS SA	F	100.00	F	100.00
FNAC SERVICE SARL	F	100.00	F	100.00
FNAC TOURISME SARL	F	100.00	F	100.00
FNAC VIDEO ENTREPRISE SNC	F	100.00	F	100.00
MSS	F	100.00	F	100.00
SNC CODIREP	F	100.00	F	100.00
SAS RELAIS FNAC	F	100.00	F	100.00
SFL (ALIZE)	F	100.00	F	100.00
SURCOUF	F	100.00	F	100.00
TICKSON		Merger	F	100.00
Belgium				
FNAC BELGIUM	F	100.00	F	100.00
Brazil				
FNAC BRÉSIL	F	100.00	F	100.00
Spain				
FNAC ESPANA SA	F	100.00	F	100.00

Companies	% interest 2004		% interest 2003	
Italy				
FNAC ITALIA SpA (ex CULTURA E COMUNICAZIONE SpA)	F	100.00	F	100.00
Monaco				
SAM FNAC MONACO	F	100.00	F	100.00
Portugal				
FNAC PORTUGAL	F	100.00	F	100.00
Switzerland				
FNAC SUISSE	F	100.00	F	100.00
PRINTEMPS				
FRANCE PRINTEMPS	F	99.96	F	99.96
France				
FERALIS	F	100.00	F	100.00
MADE IN SPORT	F	100.00	F	100.00
MADELIOS		Merger	F	100.00
MAGASINS REUNIS DE L'EST	F	94.86	F	94.85
PRINTEMPS DESIGN	F	100.00	F	100.00
PRINTEMPS VOYAGE	F	100.00	F	100.00
PRINTEMPS.COM	F	100.00	F	100.00
PROFIDA	F	100.00	F	100.00
SA DE LOGISTIQUE PRINTEMPS	F	100.00	F	100.00
SA MAGASINS REUNIS	F	95.34	F	95.34
SAPAC PRINTEMPS	F	100.00	F	100.00
USSELOISE	F	100.00	F	100.00
REDCATS				
REDCATS	F	100.00	F	100.00
France				
CYRILLUS SA	F	100.00	F	100.00
DIAM SA	F	100.00	F	100.00
HAVRAFI	F	100.00	F	100.00
INGENEERING GIE	F	100.00	F	100.00
LA MAISON DE VALÉRIE	F	100.00	F	100.00
LA REDOUTE	F	100.00	F	100.00
LES AUBAINES VPC	F	100.00	F	100.00
LES AUBAINES MAGASINS	F	100.00	F	100.00
LES DÉFIS	F	100.00	F	100.00
MOVITEX	F	100.00	F	100.00
REDCATS INTERNATIONAL	F	100.00	F	100.00
REDCATS MANAGEMENT SERVICES	F	100.00	F	100.00
REDINVEST	F	100.00	F	100.00
SADAS	F	100.00	F	100.00
SNC LES TROUVAILLES	F	100.00	F	100.00
SOGEP	F	100.00	F	100.00
SOMEWHERE	F	100.00	F	100.00
STE NVELLE D'EXPANSION REDOUTE (SNER)	F	100.00	F	100.00
THOMAS INDUSTRIES	F	100.00	F	100.00
Germany				
CYRILLUS DEUTSCHLAND Gmbh		Merger	F	100.00
FNAC DEUTSCHLAND Gmbh		Merger	F	100.00
MOVITEX ALLEMAGNE	F	100.00	F	100.00
Austria				
REDOUTE AUTRICHE	F	100.00	F	100.00
REDCATS BETEILIGUNG Gmbh	F	100.00	F	100.00
Belgium				
CYRILLUS BENELUX	F	100.00	F	100.00
MOVITEX BELGIQUE	F	100.00	F	100.00
REDOUTE CATALOGUE BENELUX	F	100.00	F	100.00
Denmark				
ELLOS AS DK	F	100.00	F	100.00
Spain				
REDOUTE CATALOGO SA	F	100.00	F	100.00
Estonia				
ELLOS ESTONIE OY	F	100.00	F	100.00
Finland				
ELLOS POSTIMYYNTI OY	F	100.00	F	100.00
ELLOS HOME ENTERTAINEMENT	F	100.00	F	100.00
ELLOS FINANS HOLDING OY	F	100.00	F	100.00
ELLOS TILI OY		Merger	F	100.00
Netherlands				
BARBICAM BV	F	100.00	F	100.00
United Kingdom				
CYRILLUS UK	F	100.00	F	100.00
EMPIRE STORES GROUP PLC	F	100.00	F	100.00
MOVITEX UK	F	100.00	F	100.00
REDOUTE UK	F	100.00	F	100.00
VERTBAUDET UK	F	100.00	F	100.00
REDCATS FINANCE UK	F	100.00	F	100.00
Hong Kong				
REDCATS ASIA	F	100.00	F	100.00
Norway				
ELLOS AS	F	100.00	F	100.00
ELLOS HOLDING AS	F	100.00	F	100.00
ELLOS KONTO A/S	F	100.00	F	100.00
JOTEX NORWAY AS	F	100.00	Acquisition	
Portugal				
REDOUTE PORTUGAL	F	100.00	F	100.00
VERTBAUDET PORTUGAL	F	100.00	F	100.00
Sweden				
ELLOS AB	F	100.00	F	100.00
ELLOS GRUPPEN AB	F	100.00	F	100.00
REDCATS NORDIC AB	F	100.00	F	100.00
REDOUTE SCANDINAVIE	F	100.00	F	100.00
TRUCKEN DISTRIBUTION JP AB	F	100.00	F	100.00
FINAREF KONTO AB	F	100.00	F	100.00

Companies	% interest			
	2004		2003	
FINAREF NORDIC HOLDING AB	F	100.00	F	100.00
FINAREF INVEST AB	F	100.00	F	100.00
JOTEX AB HOLDING COMPANY	F	100.00	Acquisition	
JOTEX SVERIDGE AB	F	100.00	Acquisition	
ALVSREDS POSTORDER AB	F	100.00	Acquisition	
OY MOBINA AB	F	100.00	Acquisition	
VARNAMO INKASSO	F	100.00	Acquisition	
Switzerland				
CYRILLUS SUISSE SA	F	99.75	F	99.75
REDOUTE CH. SA	F	100.00	F	100.00
Turkey				
REDCATS TURKEY	F	100.00	Acquisition	
United States				
BRYLANE INC.	F	100.00	F	100.00
REDCATS USA LLC	F	100.00	F	100.00
Japan				
CYRILLUS JAPON	F	100.00	F	100.00
ORCANTA				
ORCANTA	F	100.00	F	100.00
CFAO				
CFAO	F	99.93	F	99.93
France				
CONTINENTAL PHARMACEUTIQUE	F	73.19	F	72.72
COTAFI	F	100.00	F	100.00
CYCLEX	F	99.99	F	100.00
DEPHI	F	99.67	F	99.62
DOMAFI	F	100.00	F	100.00
EPDIS	F	99.67	F	99.67
EURAPHARMA	F	99.68	F	99.68
GEREFI	F	100.00	F	100.00
HOLDEFI	E	35.00	E	35.00
HOLDINTER	F	100.00	F	100.00
SECA	F	99.68	F	99.68
SEI	F	100.00	F	100.00
SEP	E	49.00	E	49.00
SEROM	F	99.90	F	99.90
SFCE	F	100.00	F	100.00
SOGECO	Liquidation		F	100.00
Switzerland				
EURALAB	F	99.68	Acquisition	
French overseas departments and territories				
SPA (French Antilles)	F	43.13	F	46.10
NCCIE (French Guiana)	F	100.00	F	100.00
SPG (French Guiana)	F	57.26	F	52.58
Société METO SA (New Caledonia)	F	50.00	F	50.00
O.C.D.P. (New Caledonia)	E	33.11	E	33.11
TAHITI PHARM (French Polynesia)	F	93.66	F	96.24
CMM (Reunion)	F	98.02	F	97.98
CMM UD (Reunion)	E	45.00	E	45.00
LOCAUTO (New Caledonia)	F	99.98	F	99.98
MENARD FRERES (New Caledonia)	F	99.98	F	99.98
SEIGNEURIE OCEAN INDIEN (Reunion)	E	49.00	E	49.00
SOREDIP (Reunion)	F	67.79	F	67.79
LABOREX SAINT MARTIN (French Antilles)	F	99.68	Start-up	
SOCIÉTÉ PHARMACEUTIQUE DES CARAIBES (French Antilles)	F	99.68	Start-up	
Algeria				
DIAMAL	F	60.00	F	60.00
ALBM	F	75.00	F	75.00
Benin				
PROMOPHARMA	F	50.27	F	50.27
SOBEPAT	F	88.56	F	88.56
Burkina Faso				
CICA BURKINA	F	73.09	F	73.09
LABOREX BURKINA	F	85.64	F	86.16
SIFA	F	58.71	F	58.71
LIPTINFOR	F	99.99	F	99.99
Cameroon				
CAMI	F	67.49	F	66.96
CEP	E	24.19	E	24.19
COMETAL	E	50.00	E	50.00
ICRAFON	F	52.23	F	52.23
LABOREX CAMEROUN	F	65.63	F	56.14
SOCADA	F	100.00	F	100.00
SOCCA	E	27.09	E	26.82
SUPERDOLL	E	45.00	E	45.00
SOPHITEK	F	85.10	F	84.85
Central African Republic				
CFAO CENTRAFRIQUE	F	100.00	F	100.00
Congo				
CFAO CONGO	F	100.00	F	100.00
LABOREX CONGO	F	71.46	F	69.41
LES BRASSERIES DU CONGO	F	50.00	F	50.00
Ivory Coast				
CFAO CÔTE D'IVOIRE	F	96.38	F	96.22
CIDP	F	100.00	F	100.00
COMPAGNIE PHARMACEUTIQUE ET MÉDICALE	F	56.96	F	57.02
MAC	F	89.78	F	89.78
MIPA	F	99.98	F	99.98
SAFCA	E	23.85	E	23.85
SARI	F	89.77	F	89.77
SILF	Liquidation		F	100.00
SEP LE PARIS	Liquidation		F	100.00
TECHNOLOGIE CÔTE D'IVOIRE LTD	F	96.38	F	96.21

Companies	% interest 2004		% interest 2003	
Egypt				
SICEP	E	30.77	E	30.77
IBN SINA LABOREX	F	66.46	F	50.81
Gabon				
AGLF	Liquidation		F	82.86
CFAO GABON	F	96.87	F	96.87
PHARMAGABON	F	55.14	F	54.34
SOGABAIL	Merger		E	40.26
SOGACA	E	46.04	E	50.86
TECHNOLOGIE GABON LTD	F	99.99	F	99.99
SPLV	F	100.00	Acquisition	
Gambia				
CFAO GAMBIA	F	78.95	F	78.95
Ghana				
CFAO GHANA	F	88.21	F	88.21
PENS & PLASTICS	F	100.00	F	100.00
Guinea-Bissau				
LABOREX GUINEE	F	81.85	F	81.85
Equatorial Guinea				
SEGAMI	F	100.00	F	100.00
Kenya				
DT DOBIE KENYA	F	100.00	F	100.00
EPDIS KENYA Limited	F	99.68	F	99.68
EXONIA	Liquidation		F	93.12
HOWSE AND MCGEORGE LABOREX	F	99.68	F	50.84
TRIDECON	F	100.00	F	100.00
Malawi				
CFAO MALAWI LIMITED	F	99.99	F	99.99
Mali				
DIAMA	F	90.00	F	90.00
IMACY	F	100.00	F	100.00
LABOREX MALI	F	54.44	F	54.43
COPREXIM INTERNATIONALE	F	95.58	F	100.00
Morocco				
DIMAC	F	99.91	F	66.52
INTER MOTORS	F	100.00	F	99.99
FANTASIA	F	84.20	F	77.65
SUD PARTICIPATIONS	F	84.20	F	77.65
COMAMUSSY	F	84.20	F	77.61
ISUZU MAROC	Merger		F	100.00
MUSSY BOIS	F	84.19	F	77.60
MANORBOIS	F	84.20	F	77.65
Niger				
CFAO NIGER	F	99.85	F	99.85
CENTRALPHARM	F	50.43	Acquisition	
Nigeria				
GROUPE CFAO NIGERIA	F	65.33	F	64.71
Democratic Republic of Congo				
AFRIMA	F	100.00	F	100.00
AFRIMTRANSIT	F	99.00	F	99.00
AUTO ONE	F	100.00	F	100.00
Senegal				
CFAO SÉNÉGAL	F	84.94	F	84.47
LABOREX SÉNÉGAL	F	58.18	F	58.08
ASLF	Liquidation		F	100.00
POINT MICRO	F	100.00	F	100.00
PM II	F	100.00	F	100.00
Tanzania				
DT DOBIE TANZANIA	F	100.00	F	100.00
Tchad				
LABOREX TCHAD	F	69.79	F	76.23
SOCOA TCHAD	F	99.00	F	85.41
TCHAMI	F	96.25	F	69.25
Togo				
CFAO CICA TOGO	F	69.72	F	69.72
STOCA	E	37.46	E	37.46
Uganda				
HOWSE ANS MC GEORGE UGANDA	F	99.68	F	50.12
Zambia				
CFAO ZAMBIA	F	100.00	F	100.00
Mauritius				
CFAO MAURITUS INVESTMENT	Liquidation		F	100.00
CFAO MAURITUS LTD	Liquidation		F	100.00
CAPSTONE	F	100.00	F	100.00
IMC	F	100.00	F	100.00
MASCAREIGNE DE PARTICIPATION	E	48.99	Acquisition	
Madagascar				
SICAM	E	27.39	E	27.39
SIGM	E	49.00	E	49.00
SIRH	E	48.98	E	48.98
SOCIMEX	E	48.79	E	48.79
SOMADA	E	27.44	E	27.44
SOMAPHAR	F	88.86	F	86.52
AUSTRAL AUTO	E	48.79	E	48.79
NAUTIC ILES	E	24.88	E	24.88
United Kingdom				
EURAFRIC TRADING	F	100.00	F	100.00
MASSILIA HOLDING	F	100.00	F	100.00
OTHER				
France				
KADEOS	F	99.99	F	99.99
United States				
MOBILEPLANET	F	100.00	F	100.00

Companies	% interest 2004		% interest 2003	
HOLDING COMPANIES AND OTHER				
France				
BUYCO	F	100.00	F	100.00
CAUMARTIN PARTICIPATIONS	F	100.00	F	100.00
CFP	F	100.00	F	100.00
CONSEIL ET ASSISTANCE	F	100.00	F	100.00
DISCODIS	F	100.00	F	100.00
FINANCIÈRE MAROTHI	F	100.00	F	100.00
GECCA	F	100.00	F	100.00
LOCUTION	F	100.00	F	100.00
MANAGECO	F	100.00	F	100.00
PPR FINANCE	F	100.00	F	100.00
PPR INTERACTIVE	F	100.00	F	100.00
PPR PURCHASING	F	99.99	F	99.99
SAPARDIS	F	100.00	F	100.00
SAPRODIS	F	100.00	F	100.00
SFGM	F	100.00	F	100.00
Italy				
REXCOURTA	F	100.00	F	100.00
Luxembourg				
PPR INTERNATIONAL	F	100.00	F	100.00
PRINTEMPS REASSURANCE	F	100.00	F	100.00
Netherlands				
SCHOLEFIELD GOODMAN BV	F	100.00	F	100.00
Switzerland				
PPR MARKETING SERVICES	F	100.00	F	100.00
FINANCE				
FINAREF	Sale		E	24.50
France				
ARGENCE INVESTISSEMENT (SAS) *	Sale		F	100.00
ARGENCE MANAGEMENT GEIE *	Sale		F	100.00
ARGENCE DEVELOPPEMENT GEIE *	Sale		F	100.00
ARGENCE GESTION ASSURANCE GEIE *	Sale		F	100.00
BANQUE FINAREF *	Sale		F	100.00
FINAREF ASSURANCES *	Sale		F	100.00
FINAREF RISQUES DIVERS *	Sale		F	100.00
FINAREF VIE *	Sale		F	100.00
Belgium				
FINAREF BENELUX *	Sale		F	100.00
Finland				
ELLOS FINANS OY **	Sale		E	24.50
Ireland				
SPACE HOLDING *	Sale		F	100.00
FINAREF INSURANCE *	Sale		F	100.00
FINAREF LIFE *	Sale		F	100.00
SPACE REA *	Sale		F	100.00
Luxembourg				
SPACE LUX *	Sale		F	100.00
Norway				
ELLOS FINANS A/S **	Sale		E	24.50
Sweden				
FINAREF SVERIGE AB **	Sale		E	24.50
FINAREF SECURITIES AB **	Sale		E	24.50
FINAREF GROUP AB **	Sale		E	24.50

** In 2003, companies within the the Finaref Group structure fully consolidated in the Finaref sub-Group, and consolidated by the equity method at 24.5% within Pinault-Printemps-Redoute following the sale of Finaref, representing Finaref's stake in these companies.*

*** In 2003, Finaref Nordic companies consolidated by the equity method following their sale in 2002.*

REXEL				
REXEL	Sale		F	73.75
France				
ASFORDIS ASSOCIATION	Sale		F	100.00
BRETAGNE ENTRAINEMENT	Sale		F	100.00
CONNECTIS	Sale		F	100.00
DISMO France	Sale		F	100.00
DXI	Sale		F	100.00
REXEL France	Sale		F	100.00
REXEL DÉVELOPPEMENT	Sale		F	100.00
SOCIETE DE LOGISTIQUE APPLIQUEE	Sale		F	100.00
SOCIÉTÉ IMMOBILIÈRE D'INVESTISSEMENTS	Sale		F	100.00
SRP Ile-de-France / Centre	Sale		F	100.00
SRP NORD-EST	Sale		F	100.00
SRP OUEST	Sale		F	100.00
SRP SUD-EST	Sale		F	100.00
SRP SUD-OUEST	Sale		F	100.00
CDME WORLD TRADE	Sale		F	100.00
REXEL FINANCEMENT	Sale		F	100.00
REXEL MANAGEMENT France	Sale		F	100.00
REXEL SERVICES	Sale		F	100.00
SOTEL	Sale		F	100.00
Germany				
REXEL GmbH	Sale		F	100.00
REXEL DEUTSCHLAND	Sale		F	100.00
COSY ELECTRONICS	Sale		F	100.00
Australia				
ARW	Sale		F	100.00
REXEL AUSTRALIE	Sale		F	100.00
REXEL PACIFIC	Sale		F	100.00
REXEL PAGE	Sale		F	100.00
Austria				
ERMANN	Sale		F	100.00
HIGH SPEED CABLINF	Sale		F	100.00
REXEL AUSTRIA & CENTRAL EUROPE	Sale		F	100.00
REGRO	Sale		F	100.00

Companies	% interest 2004		2003
SCHÄCKE	Sale	F	100.00
SCHRACK ENERGIETECHNIK GmbH	Sale	F	100.00
Belgium			
REXEL BELGIUM	Sale	F	100.00
SCHRACK	Sale	F	100.00
Brazil			
REXEL DISTRIBUICAO	Sale	F	100.00
REXEL AMÉRIQUE LATINE	Sale	F	100.00
Canada			
REXEL CANADA ELECTRICAL INC	Sale	F	100.00
REXEL NORTH AMERICA INC	Sale	F	100.00
Chile			
ELECTRA	Sale	F	100.00
FLORES Y KERSTINFG	Sale	F	100.00
REXEL CHILE	Sale	F	100.00
China			
REXEL HAILONGXING	Sale	F	65.00
COMREX INTERNATIONAL TRADING SHANGAI	Sale	F	100.00
COMREX HONG KONF	Sale	F	100.00
Cyprus			
CDME MIDDLE EAST	Sale	F	100.00
Croatia			
SCHRACK	Sale	F	100.00
Spain			
UTISAN	Sale	F	100.00
United Kingdom			
CDME UK Ltd	Sale	F	100.00
DENMANS ELECTRICAL WHOLESALERS	Sale	F	100.00
DEREK LANE	Sale	F	100.00
JOHN GODDEN	Sale	F	100.00
MULTI VIDEO DISTRIBUTORS	Sale	F	100.00
REXEL SENATE	Sale	F	100.00
SUNBRIDGE	Sale	F	100.00
Hungary			
MILE	Sale	F	100.00
SCHRACK	Sale	F	100.00
Italy			
REXEL ITALIA	Sale	F	100.00
CONFORDIS	Sale	F	100.00
ELFIN	Sale	F	100.00
REXCOURTA Spa	Sale	F	100.00
Luxembourg			
HTF	Sale	F	100.00
MEXEL	Sale	F	99.80
New Zealand			
REDEAL Ltd	Sale	F	100.00
Netherlands			
REXEL NEDERLAND BV	Sale	F	100.00
CDME BV	Sale	F	100.00
Poland			
SCHRACK	Sale	F	100.00
Portugal			
REXEL DISTRIBUICAO DE MATERIAL ELECTRICO	Sale	F	100.00
TLD	Sale	F	100.00
Czech Republic			
REXEL CZ	Sale	F	100.00
SCHRACK	Sale	F	100.00
Romania			
SCHRACK	Sale	F	100.00
Russia			
EST-ELEC	Sale	F	100.00
Slovakia			
HAGARD HAL	Sale	F	100.00
SCHRACK	Sale	F	100.00
Slovenia			
ELECTRONABAVA	Sale	F	100.00
SCHRACK	Sale	F	100.00
Sweden			
SELGA	Sale	F	100.00
Switzerland			
FINELEC SA	Sale	F	100.00
FINELEC DEVELOPPEMENT SA	Sale	F	100.00
United States			
SOUTHERN ELECTRIC SUPPLY COMPANY INC	Sale	F	100.00
CES BAHAMAS LIMITED	Sale	F	100.00
SUMMERS GROUP INC	Sale	F	100.00
REXEL NORCAL VALLEY INC	Sale	F	100.00
MAVERICK ELECTRIC SUPPLY INC	Sale	F	100.00
REXEL INC	Sale	F	100.00
EUREKA HOLDINGS INC	Sale	F	100.00
SPT HOLDINGS INC	Sale	F	100.00
BRANCH GROUP INC	Sale	F	100.00

Statutory Auditors' report
on the consolidated financial statements (for the year ended December 31, 2004)

Dear Shareholder,

Pursuant to the mandate entrusted to us by your Annual General Meetings, we have examined the consolidated financial statements of Pinault-Printemps-Redoute SA for the year ended December 31, 2004, as enclosed with this report.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. These standards require that we assess the consolidated financial statements to obtain a reasonable assurance that they are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as assessing the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view, in accordance with French accounting principles, of the financial position, assets and liabilities and results of the companies included in the consolidation.

Justification for the assessments

Pursuant to the provisions of Article L. 225-235 of the *Code de Commerce* (French Commercial Code) governing the justification for our assessment, we draw your attention to the following:
The net book value of the goodwill and other intangible assets was subject to review by the Company as described by note 1.8 of the notes to the financial statements. We have verified the validity of the methodology applied, reviewed where necessary the documents drawn up accordingly, and assessed the data and assumptions made by the Company, on which these valuation tests are based.
These assessments were performed as part of our audit approach to the consolidated financial statements taken as a whole, and therefore contributed to forming our opinion as expressed in the first part of this report.

Specific procedure

We have also performed certain procedures on the information given in the Group's management report. We have no matters to report regarding the fairness of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 16, 2005
The Statutory Auditors

Deloitte & Associés		KPMG Audit Department of KPMG SA
Pascale Chastaing-Doblin	Amadou Raimi	Patrick-Hubert Petit

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters.
These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the financial statements. Such report, together with the statutory auditors report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

Parent company financial sta

Parent company balance sheet

As of December 31, 2004, 2003 and 2002

ASSETS

(in € million)	2004	2003	2002
Fixed assets			
Long-term investments [1]	7,903.9	5,806.3	7,432.0
Less allowances	(38.4)	(158.5)	(511.0)
	7,865.5	5,647.8	6,921.0
Other investments	19.7	14.5	24.8
Less allowances	(12.5)	(10.7)	(15.1)
	7.2	3.8	9.7
Total fixed assets	7,872.7	5,651.6	6,930.7
Current assets			
Receivables [2]	200.1	185.8	201.5
Marketable securities	345.8	372.7	320.2
Cash	730.6	2,749.4	3,484.3
Total current assets	1,276.5	3,307.9	4,006.0
Total assets	**9,149.2**	**8,959.5**	**10,936.7**
[1] Of which due within less than one year:	*0.4*	*0.4*	*4.8*
[2] Of which due in over one year:	*-*	*82.2*	*66.7*

LIABILITIES

(in € million)	2004	2003	2002
Shareholders' equity			
Share capital	489.7	489.6	489.6
Additional paid-in capital	1,789.6	1,788.3	1,787.9
Retained earnings	2,014.2	821.1	843.1
Net income for the year	559.5	1,476.6	244.4
Total shareholders' equity	4,853.0	4,575.6	3,365.0
Reserves for contingencies and losses	144.1	139.8	100.1
Liabilities			
Borrowings (excluding accrued interest) [1]	3,860.5	3,863.7	7,108.3
Other liabilities [2]	291.6	380.4	363.3
	4,152.1	4,244.1	7,471.6
Total liabilities & shareholders' equity	**9,149.2**	**8,959.5**	**10,936.7**
[1] Of which due in over one year:	*3,303.7*	*2,468.9*	*4,542.3*
[2] Of which due in over one year:	*1.3*	*1.6*	*2.2*

Parent company income statement and cash flow statement

for the years ended December 31, 2004, 2003 and 2002

Income statement

(in € million)	2004	2003	2002
Operating income	42.4	37.3	48.4
Operating expenses	(64.0)	(56.1)	(62.0)
Operating income	(21.6)	(18.8)	(13.6)
Financial income	428.5	606.7	818.9
Operating income before non-recurring items and tax	406.9	587.9	805.3
Non-recurring items	70.7	964.0	(767.2)
Tax and employee profit-sharing	81.9	(75.3)	206.3
Net income	**559.5**	**1,476.6**	**244.4**

Cash flow statement

(in € million)	2004	2003	2002
Net cash from operating activities	354.0	740.6	1,065.5
(Acquisition)/Disposal of operating assets	(3.4)	9.5	15.2
Net change in medium- and long-term loans	-	-	-
Changes in investments	(2,096.6)	2,068.8	(455.6)
Net cash used by investing activities	(2,100.0)	2,078.3	(440.4)
Changes in borrowings	(17.2)	(3,235.1)	2,665.6
Capital increases	1.4	0.4	-
Exit Tax	(5.0)	-	-
Dividends paid by Pinault-Printemps-Redoute	(278.9)	(266.6)	(278.4)
Net cash from financing activities	(299.7)	(3,501.3)	2,387.2
Net change in cash and cash equivalents	**(2,045.7)**	**(682.4)**	**3,012.3**
Cash and cash equivalents at the beginning of the year	3,122.1	3,804.5	792.2
Cash and cash equivalents at the end of the year	1,076.4	3,122.1	3,804.5

Statement of changes in shareholders' equity of the parent company

(in € million) (Before income appropriation)	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Net income for the year	Shareholders' equity
As of December 31, 2002	**122,394,480**	**489.6**	**1,787.9**	**843.1**	**244.4**	**3,365.0**
Appropriation of 2002 income				244.4	(244.4)	
Dividends paid				(266.6)		(266.6)
Exercise of stock options	12,500		0.4			0.4
Changes in untaxed reserves				0.2		0.2
2003 Net income					1,476.6	1,476.6
As of December 31, 2003	**122,406,980**	**489.6**	**1,788.3**	**821.1**	**1,476.6**	**4,575.6**
Appropriation of 2002 income				1,476.6	(1,476.6)	
Dividends paid				(278.9)		(278.9)
Exercise of stock options	27,500	0.1	1.3			1.4
Changes in untaxed reserves				0.4		0.4
Exit Tax				(5.0)		(5.0)
2004 Net income					559.5	559.5
As of December 31, 2004	**122,434,480**	**489.7**	**1,789.6**	**2,014.2**	**559.5**	**4,853.0**

Notes to the financial statements

1. 2004 highlights

In 2004, Pinault-Printemps-Redoute:

- in March 2004, sold 14.5% of Finaref to Crédit Agricole SA,
- on March 19, 2004, issued bonds representing €650 million (650,000 bonds with a face value of €1,000), maturing on March 29, 2011 and bearing a 5.25% coupon. The issue was increased to €800 million on July 8, 2004. The transaction was part of the EMTN program (Euro Medium Term Note),
- on April 1, 2004, made a public offer (the "Offer") for all the outstanding ordinary shares of Gucci Group NV that Pinault-Printemps-Redoute did not own at that date, at a price of USD 85.52 per share. By May 20, 2004, when the subsequent offer period ended, 34,906,084 Gucci shares had been tendered in the Offer,
- in June 2004, sold 1,300,000 company shares classified under "Other investments",
- in September 2004, implemented strategies for hedging stock options via the purchase of call options. Company shares initially earmarked for stock options were reallocated to stabilize the share price,
- on October 7, 2004, issued bonds representing €400 million (400,000 bonds with a face value of €1,000) in FRNs (Floating Rate Notes) maturing on October 22, 2007; the bond was issued at 99.883% and is indexed to the 3-month Euribor + 50 bps. The transaction was part of the EMTN program (Euro Medium Term Note),
- recorded an exceptional bond tax of 2.5% in the special long-term capital gain reserves (Article 39 of the Amended Finance Act No. 2004-1485 of December 30, 2004). The tax was entered after deduction of retained earnings and was offset by booking a €4,987,500 debt to the government.

2. Accounting rules and methods

The 2004 financial statements are prepared in accordance with the provisions of the *Comité de la Réglementation Comptable* (CRC, Accounting Regulation Board) No. 99.03 dated April 29, 1999, relating to the revised General Accounting Plan.

2.1 Long-term investments

Investments in non-consolidated companies

Investments classified as "Investments in non-consolidated companies" are those considered useful to the Company's activity, particularly because the Company has an influence over the issuing company or can control it.

The gross value of affiliates is recorded at cost less purchasing expenses, except for certain investments that underwent a legal revaluation in 1976.

At year-end, the gross value of investments is compared with their value in use to the Company, determined according to the subsidiary's estimated value and in consideration of the purposes of the original transaction. This value in use is determined based on the Group's percentage interest in shareholders' equity or revalued net assets in the Company.

A reserve is booked when this value is lower than the gross value.

Other investments

Other investments are those that the Company plans or is required to retain on a permanent basis, but the ownership of which is not deemed necessary for the Company's activity.

The gross value corresponds to the cost less purchasing expenses.

A reserve for impairment is booked based on the value in use of these investments for the Company.

Shares bought back by Pinault-Printemps-Redoute and not expressly allocated to employees or used for the stabilization of the share price are classified as other investments.

At year-end, the cost is compared with the average market price of the last month of the fiscal year.
A reserve for impairment is booked if the price is less than the book value.

2.2 Marketable securities and money market securities

Company shares

Company shares bought back by Pinault-Printemps-Redoute are recorded under marketable securities as assets on the balance sheet if they are acquired in order to be allocated to employees or to stabilize the share price.

At year-end, the cost is compared with the average market price of the last month of the fiscal year.
A reserve for impairment is booked if the price is less than the book value.

Other shares

Shares are recorded at cost. A reserve for impairment is booked if the year-end price is less than the book value.

Bonds

Bonds are stated on their acquisition date at their face value adjusted for the premium or discount. Accrued interest at the acquisition date and at year-end is recorded under “non-operating receivables”.

At year-end, the cost is compared with the market price in the last month without accounting for accrued interest.

Mutual funds

Shares in mutual funds (SICAVs) are stated at cost excluding subscription fees. At year-end, they are estimated at their net asset value. A reserve for impairment is booked for any potential unrealized capital loss. Any potential unrealized capital gain is not taken into account.

Certificates of deposit

Certificates of deposit, financing company notes. These money market securities are purchased on the primary or secondary market. They are stated at cost after deduction of accrued interest at the acquisition date, if acquired on the secondary market.

Prepaid interest is credited to interest income on an accruals basis.

Financial instruments

All exchange and interest rate positions are taken through instruments listed on exchange-traded or over-the-counter markets representing minimal counterparty risk. Any income or loss generated from financial instruments used in hedging transactions is booked symmetrically as income or loss on hedged items.

If the financial instruments do not qualify as a hedge, any gains or losses arising from changes in market price are recorded in the income statement, except for over-the-counter transactions. For these transactions, a reserve is booked for any unrealized losses, while unrealized gains are not recorded.

Currency transactions

Currency income and expenses are recorded on the basis of their foreign currency equivalent at the transaction date. Borrowings, receivables and liquidity positions are translated at the exchange rate on the last day of the fiscal year.

The foreign exchange difference resulting from the valuation of currency borrowings and receivables is recorded in accruals accounts, as an asset for an unrealized loss and as a liability for an unrealized gain. A reserve for risks is booked for non-hedged unrealized losses.

2.3 Bond issue and capital increase fees
Bond redemption premiums

Bond issuance fees are recorded as expenses at the issue date. Costs associated with increases in capital, mergers or restructuring are charged against the share premium arising from the merger or restructuring.

Bond issues are recorded at their nominal value for ordinary and convertible bonds and at their indexed value for indexed bonds.

Any issue or redemption premiums are assigned to the relevant balance sheet item and amortized over the life of the bond. For convertible bonds, the redemption premium is spread over the life of the bond, in accordance with preferential accounting methods.

3. Operating income

Operating income includes the following items:

(in € million)	12.31.2004	12.31.2003
Group management fees	32.4	29.2
Real estate rental revenue	8.0	8.1
Payroll expenses	(15.6)	(16.0)
External purchases and expenses & taxes	(45.6)	(37.5)
Amortization	(1.9)	(1.7)
Other income and expenses	1.1	(0.9)
Total	**(21.6)**	**(18.8)**

4. Financial income

The financial income of the parent company breaks down as follows:

(in € million)	12.31.2004	12.31.2003
Net interest expense	(113.3)	(110.9)
Expenses and interest on non-Group debt	(147.6)	(152.5)
Interest on intercompany current accounts	34.3	41.6
Income and expenses on long-term investments	541.8	717.6
Dividends received	541.8	717.6
Interest on receivables assigned to investments	-	-
Total	**428.5**	**606.7**
Of which concerning affiliates:		
- Interest on intercompany current accounts	34.3	41.6
- Dividends received	541.8	717.6
- Interest on receivables assigned to investments	-	-

5. Non-recurring items

Non-recurring items of the parent company break down as follows:

(in € million)	12.31.2004	12.31.2003
Income on the sale of fixed operating assets	-	4.2
Income from the disposal of shares, depreciation and ancillary transactions	73.1	1,012.6
Income on assets	**73.1**	**1,016.8**
Costs related to claims, litigation and restructuring	0.1	(17.2)
Other non-recurring items	(2.5)	(35.6)
Total	**70.7**	**964.0**

6. Corporate tax – Employee profit-sharing

This item breaks down as follows:

(in € million)	12.31.2004	12.31.2003
Corporate tax	(24.2)	(215.4)
Tax consolidation benefits	107.4	141.1
Corporate tax	**83.2**	**(74.3)**
Employee profit-sharing	(1.3)	(1.0)
Total	**81.9**	**(75.3)**

Under a tax consolidation agreement which came into effect on January 1, 1988, Pinault-Printemps-Redoute pays the tax due by the members of the consolidated group and fulfils all tax obligations on its behalf.

The tax consolidated structure comprised 116 companies in 2004, versus 113 in 2003. Each subsidiary records in its accounts the amount of tax that it would have paid on a stand-alone basis. The tax savings achieved by the Group through consolidation are retained by Pinault-Printemps-Redoute, as parent company of the consolidated group.

7. Net long-term investments

(in € million)	Investments in non-consolidated companies	Other investments	Loans	Other	Total
As of December 31, 2003	5,519.8	126.1	0.7	1.2	5,647.8
Increases					
Exercise of the Gucci put	2,506.0				2,506.0
Acquisition of Gucci shares	2.7				2.7
Rental guarantee				0.1	0.1
Decreases					
Sale of Finaref shares	(188.9)				(188.9)
Rental guarantee				(0.1)	(0.1)
Treasury stock [1]					
Acquisitions		1.1			1.1
Sales		(223.0)			(223.0)
Write-back of amortization following sale		120.5			120.5
Amortization		(0.7)			(0.7)
As of December 31, 2004	7,839.6	24.0	0.7	1.2	7,865.5

[1] The amount corresponding to treasury stock is unavailable in merger premiums.

Of which concerning affiliates:					
2003	5,519.8	-	-	-	5,519.8
2004	7,839.6	-	-	-	7,839.6

8. Other fixed assets

Changes in other fixed assets break down as follows:

(in € million)	Land and buildings	Plant and equipment	Other	Total
Gross values				
December 31, 2003	6.0	0.4	8.1	14.5
Acquisitions	1.1	0.1	2.1	3.3
Disposals			(0.1)	(0.1)
Account transfers	1.2		0.7	1.9
December 31, 2004	8.3	0.5	10.8	19.6
Depreciation and reserves				
December 31, 2003	(5.2)	(0.4)	(5.1)	(10.7)
Allowances	(0.5)		(1.3)	(1.8)
Disposals			0.1	0.1
December 31, 2004	(5.7)	(0.4)	(6.3)	(12.4)
Net values				
December 31, 2003	0.8		3.0	3.8
December 31, 2004	2.6	0.1	4.5	7.2

9. Marketable securities and cash (excluding interest)

These items break down as follows:

(in € million)	12.31.2004	12.31.2003
Treasury stock [1]	509.4	552.3
Impairment	(163.6)	(179.6)
Marketable securities	**345.8**	**372.7**
Bank deposits and transfers of funds	46.3	28.4
Current cash accounts in debit	684.3	2,721.0
Cash	**730.6**	**2,749.4**
Cash and cash equivalents	**1,076.4**	**3,122.1**

[1] The amount corresponding to treasury stock is unavailable in the regulated reserves.

Of which concerning affiliates:		
Current cash accounts in debit	684.3	2,721.0

10. Reserves and retained earnings

The reserves and retained earnings of the parent company, before income appropriation, break down as follows:

(in € million)	12.31.2004	12.31.2003
Legal reserve	49.0	49.0
Regulatory reserves	1,493.6	646.2
Other reserves	45.3	45.3
Reserves	**1,587.9**	**740.5**
Retained earnings	423.2	77.9
Revaluation differences	0.2	0.2
Regulatory reserves	2.9	2.5
Total	**2,014.2**	**821.1**

11. Reserves for contingencies and losses

(in € million)	at 01.01.2004	Allowance	Used write-backs	Unused write-backs	at 12.31.2004
Reserves for claims with authorities	46.8	4.6		24.0	27.4
Reserves for claims with third parties	20.1	22.5	1.8	8.9	31.9
Reserves for subsidiary risk	45.9	14.5			60.4
Reserves for IFC & other	10.4			0.6	9.8
Other reserves for contingencies	16.7	8.5	6.3	4.3	14.6
Reserves for contingencies and losses	**139.9**	**50.1**	**8.1**	**37.8**	**144.1**

12. Borrowings

Bonds

(in €)	Coupon	Date of issue	Hedging	Maturity	12.31.2004	12.31.2003
Index-linked bonds [1]	Zero coupon	01.30.98	3-month Euribor floating rate swap for full issue	01.31.05	106,714,312.07	106,714,312.07
Bonds [2]	Fixed 5.20%	05.27.98	3-month Euribor floating rate swap for full issue	05.27.05	304,898,034.48	304,898,034.48
Issue of bonds convertible and/or exchangeable for new or existing shares (OCEANE) [3]	Fixed 1.50%	11.08.01	1-month Euribor floating rate swap for €149m	01.01.07	149,211,562.50	163,284,550.00
Issue of bonds convertible and/or exchangeable for new or existing shares (OCEANE) [4]	Fixed 2.50%	05.21.03	-	01.01.08	1,079,500,000.00	1,079,500,000.00
Bonds [5]	Fixed 5.00%	07.23.03	3-month Euribor floating rate swap for €500m	01.23.09	750,000,000.00	750,000,000.00
Bonds [6]	Fixed 5.25%	03.29.04	3-month Euribor floating rate swap for €650m	03.29.11	800,000,000.00	-
Bonds [7]	3-month Euribor +0.50%	10.22.04	-	10.22.07	400,000,000.00	-

[1] ***Issue price:*** *indexed bond issue represented by 70,000 bonds with a face value of €1,524.49.*
Redemption: *on January 31, 2005 at a price between 100% and 228% of the bond's face value. The redemption price is determined by applying an indexation formula based on the increase of the Pinault-Printemps-Redoute share price.*
Gross yield to maturity: *between 0% and 12.5% depending on the Pinault-Printemps-Redoute share price.*

[2] ***Issue price:*** *conventional bond issue represented by 400,000 bonds with a face value of €726.25.*
Redemption: *in full on May 27, 2005.*
Gross yield to maturity: *4.99%.*

[3] ***Issue price:*** *issue of bonds convertible and/or exchangeable for shares (OCEANE) on November 8, 2001, represented by 8,492,308 bonds with a face value of €162.50.*
Conversion and/or exchange for shares: *until December 31, 2001 on the basis of 1,157 shares per bond, and as of January 1, 2002, on the basis of one share per bond.*
Normal redemption: *in full on January 1, 2007 at a price of €162.50.*
Gross yield to maturity: *1.5%.*
Balance outstanding at 12.31.2004 includes:
the conversion of 3,077,000 bonds by Artémis in 2001,
the purchase of 107,422 bonds for €17,456,075 in 2002,
the purchase of 17,609 bonds for €2,861,462.50 in 2003,
the early redemption, after the exercise of the investor Put, of 4,285,376 bonds for €696,373,600,
in 2003 the early redemption, after the exercise of the investor Put, of 86,603 bonds for €14,072,987.50 in 2004.

[4] ***Issue price:*** *issue of bonds convertible and/or exchangeable for shares (OCEANE) on May 21, 2003, represented by 12,500,000 bonds with a face value of €86.36.*
Conversion and/or exchange for shares: *at any time as of May 21, 2003 on the basis of one share per bond.*
Normal redemption: *the bonds will be fully redeemed on January 1, 2008 at a price of €91.14 per bond, or 105.535% of the bond's face value.*
Gross yield to maturity of unconverted bonds: *3.6250%.*

[5] ***Issue price:*** *bonds issued on July 23, 2003, represented by 750,000 bonds with a face value of €1,000 as part of the EMTN program.*
Redemption: *in full on January 23, 2009.*

[6] ***Issue price:*** *issue of bonds, represented by 800,000 bonds with a face value of €1,000 as part of the EMTN program.*
650,000 bonds were issued on March 29, 2004, and a further 150,000 on July 23, 2004, taking the total for the issue to 800,000 bonds.
Redemption: *in full on March 29, 2011.*

[7] ***Issue price:*** *bonds issued on October 22, 2004, represented by 400,000 bonds with a face value of €1,000 as part of the EMTN program.*
Redemption: *in full on October 22, 2007.*

Other borrowings
On February 2, 2004, Pinault-Printemps-Redoute took out a loan redeemable in Pinault-Printemps-Redoute shares, represented by 1,168,224 shares with a face value of €107, or in cash, and maturing on February 6, 2006. The transaction was in the amount of €125,000,000 based on a fixed rate of 2,6130%. The loan is fully hedged through an interest rate hedge indexed on a 3-month Euribor variable rate.

12.1 Breakdown by category

(in € million)	12.31.2004	12.31.2003
Convertible bonds	1,228.7	1,242.8
Other bonds	2,254.9	1,354.9
Index-linked bonds	199.1	185.7
ABN-AMRO loan	125.0	-
BLB/CCF loan	-	750.0
Crédit Agricole Indosuez loan	-	327.0
Short-term Crédit Agricole IDF loan	50.0	-
Short-term bank loans and overdrafts	2.8	3.3
Borrowings	3,860.5	3,863.7
Current accounts	-	-
Total	**3,860.5**	**3,863.7**

Of which: transactions with related companies:		
Credit balances on current accounts	-	-

As of December 31, 2004 and 2003, no borrowings were secured by collateral.

12.2 Breakdown by maturity

(in € million)	12.31.2004	12.31.2003
Due within one year	556.8	1,394.8
Due in one to five years	3,303.7	2,468.9
Total	**3,860.5**	**3,863.7**

12.3 Net indebtedness

(in € million)	12.31.2004	12.31.2003
Borrowings	3,860.5	3,863.7
Marketable securities	(345.8)	(372.7)
Cash	(730.6)	(2,749.4)
Net indebtedness	**2,784.1**	**741.6**

12.4 Information on interest rates

	12.31.2004	12.31.2003
Average rate of interest for the year	4.21%	4.04%
Average fixed rate debt	70%	73%
Average floating rate debt	30%	27%

The rise in the average interest rate for 2004 in relation to 2003 is mainly due to:
- the full-year impact of the long-term refinancing in May 2003 of a €1,079.5 million OCEANE bond issue with a gross yield to maturity of 3.625%, and in July 2003 of a €750 million conventional bond issue, bearing a 5% coupon.
- a new €800 million bond issue at 5.25% in 2004. The issue was in two tranches, €650 million in March 2004 followed by a further €150 million in July 2004.

13.Off-balance sheet commitments

13.1 Exposure to share price fluctuation

Pinault-Printemps-Redoute uses options to manage the risk generated by share price fluctuation. Its option commitments are as follows:

	12.31.2004	N+1	N+2	N+3	N+4	N+5	Beyond
Purchase options of Pinault-Printemps-Redoute shares							
Number of shares	1,040,998				265,125	344,050	431,823
Maximum commitment of PPR (in € million)	195.7				36.1	64.0	95.6

The options were purchased in September 2004 in order to enable Pinault-Printemps-Redoute to issue shares when employees exercised their stock options.
However, all the options set up in 2004 to cover the stock option plans were "out of the money" at the share price on the closing date and could not therefore be exercised.

Their book value was also low at the closing date.

13.2 Interest rate hedging instruments

(in € million)	12.31.2004	12.31.2003
SWAPS: fixed rate lender	1,835.8	1,060.5

In accordance with the Group's policy on the hedging of interest rate risk, Pinault-Printemps-Redoute set up interest rate swaps to back the various bond issues:

1- Issue of a €304.9 million bond maturing in May 2005, fully swapped versus 3-month Euribor.
2- Issue of bonds indexed on the Pinault-Printemps-Redoute share, for €106.7 million, maturing in January 2005, fully swapped versus 3-month Euribor.
3- Issue of bonds convertible and/or exchangeable for new or existing shares (OCEANE) maturing in January 2007, €149.2 million of which was swapped versus 1-month Euribor.
4- Bond issue maturing in January 2009, €500 million of which was swapped versus 3-month Euribor.
5- Bond issue maturing in March 2011, €650 million of which was swapped versus 3-month Euribor.
6- Private exchangeable €125 million bond issue, maturing in February 2006, fully swapped versus 3-month Euribor.

All other off-balance sheet transactions designed to hedge against interest rate risk were performed by PPR Finance.

13.3 Commitments in terms of retirement benefits and bonuses

The collective labor agreement for Department Stores provides for the payment of a retirement bonus upon departure.

With a total of 130 employees as of December 31, 2004 and an average number of employees for the year of 130, the amount of retirement benefits and bonuses came out at €0.3 million (the calculation method takes into account the number of years with the company, a mortality table and a discount rate).

13.4 Other off-balance sheet commitments

(in € million)	12.31.2004	12.31.2003
Endorsements and guarantees in favor of:		
affiliates	-	-
non-Group third parties	0.8	-
Endorsements and guarantees	0.8	0.0
Collateral:		
in favor of subsidiaries	-	0.0
in favor of third parties maturing in March 2004	-	327.0

Direct subsidiaries and affiliates as of December 31, 2004

(in € thousand)		Share capital	Shareholders' equity excl. capital and income	Percent interest
I - DETAILED INFORMATION				
A - Subsidiaries (at least 50%-owned)				
CAUMARTIN PARTICIPATIONS	10, avenue Hoche - 75008 Paris	6,132	74,182	100
CONFORAMA HOLDING	80, boulevard du Mandinet in Lognes 77432 Marne-la-vallée	73,805	258,449	93
CLUB DE DÉVELOPPEMENT PPR	10, avenue Hoche - 75008 Paris	15,000	(10,381)	60
DISCODIS	10, avenue Hoche - 75008 Paris	153,567	14,879	100
FINANCIÈRE MAROTHI	10, avenue Hoche - 75008 Paris	388,457	2,042,819	100
France PRINTEMPS	102, rue de Provence - 75009 Paris	56,047	137,190	100
PPR INTERACTIVE	10, avenue Hoche - 75008 Paris	22,500	(28,942)	100
REDCATS	110, rue de Blanchemaille 59100 Roubaix	61,300	115,376	100
SAPRODIS	10, avenue Hoche - 75008 Paris	619,798	142,136	82
SFGM	10, avenue Hoche - 75008 Paris	4,500	5,622	100
TEAMTEL	10, avenue Hoche - 75008 Paris	786	(910)	100
B - Affiliates (less than 50%-owned)				
GUCCI GROUP NV	The Rembrandt tower Amstelplain 1096 ha Amsterdam-Netherlands	108,235	2,915,790	33
II - GENERAL INFORMATION				
A - Subsidiaries not listed in I				
a) French subsidiaries (total)				
b) Foreign subsidiaries				
- PPR Luxembourg	25, route d'Esch - Luxembourg			
- Au Printemps Réassurances	19, rue de Bitbourg - Luxembourg			
- Other (total)				
B - Affiliates not listed in I				
a) French companies (total)				
b) Foreign companies (total)				
Total				

Note: The absence of information on certain issues means "none".

Book value of shares		Outstanding loans granted by the company	Guarantees given by the company	Last published net sales	Last published net income/(loss)	Dividends received during the year	Comments
Gross	Net						
82,348	82,348				28,690		
252,348	252,348			10,655	62,189	51,673	
9,147	2,925				76		
299,735	299,735				151,092	38,392	
2,685,468	2,685,468				(38,268)		
132,445	132,445			885,632	5,504	3,984	
22,867	22,867				(843)		
1,232,496	1,232,496			39,981	282,724	273,997	
568,830	568,830				7,501	144,500	
7,313	7,313				24	119	Revaluation difference +180
5,896	5,896				(9)		
2,508,750	2,508,750			32,261	(179,052)	17,453	11-month period ending December 31, 2004
12,438	10,559					9,570	
14,416	14,416						
10,188	10,188						
1,968	1,968						
294	294					9	
758	758					2,058	
7,847,705	**7,839,604**						

Securities portfolio
as of December 31, 2003

Company name (in € thousand)	Interests Number of shares	%	Gross value	Allowances	Net book value
1 - Long- and short-term investments in French companies with a book value by category of securities equal to or in excess of €15,000					
BALZAN	2,994	99.80	48.7		48.7
BARYUM	182,990	99.99	2,745.6		2,745.6
CAUMARTIN PARTICIPATIONS	875,750	99.98	82,348.4		82,348.4
CLUB DE DÉVELOPPEMENT PPR	599,994	60.00	9,146.9	6,222.0	2,924.9
CONFORAMA	4,284,633	92.89	252,348.3		252,348.3
DISCODIS	3,199,302	100.00	299,734.9		299,734.9
FINANCIÈRE MAROTHI	20,443,682	99.99	2,685,468.0		2,685,468.0
FRANCE PRINTEMPS	3,589,654	99.95	132,444.9		132,444.9
GECCA	995	99.50	1,036.6		1,036.6
KADEOS	58,000	33.33	292.5		292.5
LOCUTION	2,990	99.67	45.6		45.6
MOBILE PLANET	2,994	99.80	45.6		45.6
MOBILE PLANET EUROPE	9,900	99.00	150.9	150.9	
PINAULT-PRINTEMPS-REDOUTE	4,888,132	3.99	560,927.5	192,166.8	368,760.7
PPR FINANCE	9,990	99.90	152.3		152.3
PPR INTERACTIVE	1,499,989	100.00	22,867.2		22,867.2
PRODISTRI	14,994	99.96	228.6		228.6
PPR PPR-PURCHASING	787,500	70.00	3,161.2		3,161.2
REDCATS	400,626	100.00	1,232,495.5		1,232,495.5
SAPARDIS	182,992	100.00	2,745.6	38.0	2,707.6
SAPRODIS	33,920,229	82.09	568,830.2		568,830.2
SAVOISIENNE	129,690	99.00	1,977.1	1,689.8	287.3
SOCIÉTÉ FINANCIÈRE DE GRANDS MAGASINS	298,502	99.50	7,313.4		7,313.4
TEAMTEL	392,991	100.00	5,895.6		5,895.6
TREMI	2,994	99.80	48.7		48.7
VARIANTE	2,994	99.80	48.7		48.7
2 - Long- and short-term investments in French companies with a book value by category of securities representing less than €15,000			4.8		4.8
3 - Other service, real estate and other companies			1,370.4	368.2	1,002.2
4 - Shares in foreign companies					
GUCCI GROUP NV	34,944,681	32.93	2,508,749.7		2,508,749.7
OTHER			27,498.8	169.3	27,329.5
TOTAL			**8,410,172.2**	**200,805.0**	**8,209,367.2**

Parent company's financial results for the last five years

	2000	2001	2002	2003	2004
Share capital at year-end					
Share capital (in €)	362,155,766	489,577,920	489,577,920	489,627,920	489,737,920
Number of shares outstanding	118,779,305	122,394,480 [1]	122,394,480	122,406,980	122,434,480
Maximum number of shares to be issued	5,374,152	10,734,387 [1]	6,221,620	14,843,644	16,354,464
- on conversion of bonds	5,237,152	10,652,387 [1]	5,307,813	13,504,828	14,586,449
- on exercise of stock options	137,000	82,000 [1]	913,807	1,338,816	1,768,015
Results of operations (in € thousand)					
Income from operating activities	36,388	41,611	34,831	29,179	32,365
Income/(loss) before tax, employee profit-sharing depreciation, amortization and allowances	87,926	146,304	608,311	1,223,086	341,368
Corporate tax (charge)/benefit	105,188	116,925	207,573	(74,306)	83,202
Employee profit-sharing	1,041	1,288	1,362	960	1,261
Income/(loss) after tax, employee profit-sharing depreciation, amortization and allowances	155,296	161,953	244,391	1,476,590	559,515
Total dividends	258,941	281,507	281,507	293,777	308,535 [2]
Per share data (in €)					
Income/(loss) before tax, employee profit-sharing depreciation, amortization and allowances	1.62	2.14	6.65	9.38	3.46
Income/(loss) after tax, employee profit-sharing depreciation, amortization and allowances	1.31	1.32	2.00	12.06	4.57
Dividends:					
- net dividend per share	2.18	2.30	2.30	2.40	2.52 [2]
- total revenue per share (50% tax credit) [3]	3.27	3.45	3.45	3.60	- [4]
Employee data					
Average number of employees	99	110	134	133	130
Total payroll (in € thousand)	8,055	9,587	11,573	10,998	10,790
Total benefits (in € thousand)	4,276	4,116	5,862	5,024	4,777

[1] August 30, 2001, translation of share capital into € with a par value of €4 per share..

[2] Subject to approval at the Annual General Meeting on May 19, 2005.

[3] Subject to a tax credit, which is reduced depending on the beneficiary.

[4] In accordance with Article 243a of the General Income Tax Code, the entire dividend paid to private individuals domiciled in France for tax purposes qualifies for the 50% tax credit provided for under Article 158-3 2° of the General Income Tax Code.

Parent company management report

The Company's revenue consists primarily of dividends received from subsidiaries, rental revenue from real estate holdings, financial income and advisory fees received from subsidiaries, determined as a percentage of their sales, in accordance with standard practice.

In February 2004, the Company sold a 14.5% stake in Finaref to Crédit Agricole SA. On April 1, 2004, it also launched an offer (the "Offer") for all the ordinary shares of Gucci Group NV ("Gucci") not held by the Group on that date at a price of USD 85.52 per share. On expiry of the offer period on May 20, 2004, 34,906,084 Gucci shares had been tendered into the Offer increasing the Group's stake in Gucci's capital to 99.39% at that date. At the end of the fiscal year, the Group's stake in Gucci stood at 99.41%.

In accordance with Article 39 of the Amended Finance Act of December 30, 2004, the Company booked an extraordinary tax of 2.5% on special long-term capital gains reserves. In accordance with the aforementioned Act, you are requested to approve the transfer of €200 million from the special long-term reserve account to an ordinary reserve account. The amount of the ordinary reserve will be deducted from the extraordinary tax by means of a credit to retained earnings.

Financial activity

As part of its EMTN (Euro-Medium-Term Notes) program, the Company completed two new bond issues. The first, an €800 million issue, was swapped in an amount of €650 million at a 3-month Euribor variable rate. The second was a €400 million variable-rate issue. These issues, maturing respectively on March 29, 2011 and October 22, 2007, are aimed at extending debt maturity and diversifying the Company's funding resources. The two issues have a BBB- rating from Standard & Poor's.

Pinault-Printemps-Redoute also set up a five-year revolving syndicated loan of €715 million maturing on May 26, 2009. This facility had not been used as of December 31, 2004.

The Company's remaining cash requirements were funded entirely by the medium-term credit lines already in place. Cash surpluses were invested via the current account borrowings from PPR Finance, which manages the Group's cash.

Results

The parent company posted an operating loss of €21.6 million in 2004, versus a loss of €18.8 million in the previous fiscal year.

Financial income totaled €428.5 million, versus €606.7 million in 2003. This includes dividends received from subsidiaries and debt service charges.

Non-recurring items totaled €70.7 million, compared to €964 million in 2003.

The Company, which is the parent company consolidating some of the Group's French subsidiaries for tax purposes, recorded a tax credit of €83.2 million, as against a net charge of €74.3 million in the previous fiscal year.

The Company's total net income was €559.5 million, compared with €1,476.6 million in 2003.

Income appropriation

We propose a dividend payment of €2.52 per share, payable on June 3, 2005.

The recommended income allocation is as follows:

(in €)	
Source	
Unappropriated retained earnings	423,199,784.99
Net income for the year	559,514,936.80
Total amount to be allocated	**982,714,721.79**
Allocations	
Legal reserve	11,000.00
Dividends	308,534,889.60
Unallocated retained earnings	674,168,832.19
Total allocation	**982,714,721.79**

In accordance with Article 243 bis of the General Income Tax Code, the entire dividend paid to private individuals domiciled in France for tax purposes qualifies for the 50% tax credit provided for under Article 158-3 2° of the General Income Tax Code.

Dividends paid in the last three years:

Year of payment	Net dividend	50% tax credit	Total income
2002	€2.30	€1.15	€3.45
2003	€2.30	€1.15	€3.45
2004	€2.40	€1.20	€3.60

Share buyback program

At the General Shareholders Meeting of May 25, 2004, you authorized the Management Board to buy back up to 10% of the Company's shares on the open market, just as you had authorized at the General Shareholders Meeting of May 22, 2003.

On May 3, 2004, Pinault-Printemps-Redoute terminated the liquidity contract granted on May 28, 2003 to a financial intermediary to improve transaction liquidity and help stabilize the share price. An amount of €30 million, 50% in cash and 50% in securities, was allocated to this contract.

On May 26, 2004, Pinault-Printemps-Redoute put in place a new liquidity contract with another financial intermediary for the same purpose. The total amount initially allocated to this contract was €40 million, 50% in cash and 50% in Pinault-Printemps-Redoute shares. A further amount of €20 million in cash was allocated to the contract on September 3, 2004.

These two liquidity contracts comply with the provisions of the Professional Code of Conduct established by the *Association Française des Entreprises d'Investissement* (A.F.E.I., French Association of Investment Companies).

During the year, the Company sold 1,300,000 Company shares previously classified as other long-term investments. All other sales and purchases of treasury shares during 2004 occurred in the context of the two contracts referred to above.

The authorization granted by the General Shareholders Meeting of May 25, 2004, was used during the fiscal year for acquisitions of 1,291,215 shares totaling €100,706,015 and at an average purchase price of €77.99 and for sales of 2,703,715 shares totalling €219,801,245. On the same date, the Company held 4,805,632 shares representing 3.93% of the share capital. Under the share buy-

back program approved by the General Shareholders Meeting on May 25, 2004, the Company also acquired 1,040,998 call options on PPR shares representing a maximum commitment of €195,677,167. These options were acquired in September 2004 for allocation to the stock purchase option plans in favor of the Group's corporate officers and employees. As compared to the share trading price at the end of the fiscal year, all of the call options acquired in 2004 to cover these stock option purchase plans were out-of-the-money, and therefore could not be exercised.

Including the shares held as part of previous buyback programs, 304,615 shares are classified as long-term investments and the balance are booked to share price stabilization, and to interventions depending on market conditions.

In the context of the share buyback program approved at the General Shareholders Meeting of May 24, 2004, the Management Board decided on March 30, 2005 to reduce the share capital by €8 million by cancellation of 2 million treasury shares.

On April 5, 2005, the Management Board acknowledged that pursuant to the exercise of stock subscription options since January 1, 2005, the share capital was increased by 3,750 shares.

On April 5, 2005, the Company's share capital amounted to €481,752,920 divided into 120,438,230 shares at a par value of €4 each.

On April 6, 2005, the Company announced its intention to sell all of its treasury shares, i.e. approximately 2.7 million shares, except those allocated to the liquidity contract described above.

We are recommending that you approve a new share buyback program, for a period of eighteen months, to acquire Company shares, subject to a maximum of 10% of the share capital, in order to:

- provide liquidity or volume to the market in the context of a liquidity contract with an independent financial services company,
- implement stock purchase option plans for the Group's employees and corporate officers and to sell or allocate shares to employees in accordance with the law,
- acquire equity interests or raise financing in exchange for Company shares, in connection with external growth transactions or the issue of securities providing allocation rights on Company shares,
- cancel the shares acquired in accordance with the authorization granted by the Extraordinary General Shareholders Meeting.

Under the authorization, the shares may be acquired by any appropriate means, including the use of derivatives or the acquisition of an unlimited block of shares.

Shares thus acquired may subsequently be held, sold or transferred by any means, including by contribution or exchange, or allotted, sold or transferred under stock option schemes or employee ownership schemes. They may also be cancelled in accordance with the law.

The maximum purchase price is set at €200 per share.

The maximum total amount of the acquisitions would thus be set at €2,408.8 million.

The shares acquired under the buyback program could be cancelled pursuant to the authorization granted by the General Shareholders Meeting of May 19, 2005.

A complementary information notice is made available to shareholders following its approval by the *Autorité des Marchés Financiers* (AMF, French Financial Markets Regulatory Authority).

Company shares

In connection with the share buyback programs authorized by the shareholders, the Company acquired 1,260,890 shares at an average price of €78.47 in 2004. It sold 2,758,370 shares at an average transaction price of €82.00. The related transaction costs totaled €0.4 million.

At the end of the fiscal year, 4,888,132 shares with a par value of €4 per share, representing 3.99% of the capital, were carried as treasury stock, totaling €368.8 million net of reserves, of which 304,615 were booked to other long-term investments and the remainder to share price stabilization.

Stock option plans

In 2004, the Company set up two stock option plans for the Group's senior executives, amounting to 540,970 shares at a price of €85.57 per share and 25,000 shares at a price of €84.17 per share respectively.

Information concerning stock subscription option and stock purchase option plans is provided in the section "Legal and stock market information - General Information".

Regulated Agreements

During the fiscal year, the Company entered into various agreements falling within the scope of Article L. 225-86 of the Commercial Code.

- **Liquidity contract** with Rothschild et Compagnie Banque.
- **Sale of Rexel**
  - Reinvoicing contract signed with Rexel relating to bonuses to Rexel Group's senior executives
  - Consultancy agreement signed with Calyon
  - Consultancy agreement signed with Rothschild et Compagnie Banque
- **Amendments to the President of the Management Board's employment agreement**
- **Changes to the complementary retirement regime in favor of the top executives of the Group**

Information on these agreements and the impact, during the fiscal year, of previously entered into regulated agreements is provided in the Statutory Auditor's Special Report.

Share capital

At the end of 2004, the Company's share capital stood at €489,737,920.

At the end of the fiscal year, staff of the Company and the Group held 841,206 shares with a par value of €4 representing 0.7% of the share capital of the Company pursuant to the provisions of Article L. 225-102 of the Commercial Code.

Following a reduction of the share capital through the cancellation of 2,000,000 shares decided on March 30, 2005 and the exercise of 3,750 stock options between January 1, 2005 and April 5, 2005, the Company's share capital stands at €481,752,920 divided into 120,438,230 shares of €4 each.

At the Extraordinary General Shareholders Meeting of May 25, 2004, you authorized the Management Board to undertake issues of securities that might provide immediate or subsequent entitlement to participate in capital increases of the Company, and to conduct capital increases by capitalization of reserves, profits or bonuses. The Management Board did not use these authorizations in the past fiscal year.

Details of the breakdown of the share capital and changes in the capital during the fiscal years are given in the section "Legal information - General Information".

Appointments, duties and remuneration of senior officers

Details regarding the appointments, duties and remuneration of senior officers are provided in the section "Legal and stock market information - Corporate Governance".

Statutory Auditors

The Supervisory Board requests that you acknowledge the replacement of the principal Statutory Auditor, Deloitte Touche Tohmatsu, following its merger-absorption by Deloitte Touche Tohmatsu Audit, the Alternate Statutory Auditor, now called Deloitte & Associés, and that you appoint BEAS as a new Alternate Statutory Auditor.

In the past two years, Deloitte & Associés and BEAS were not required to verify any contribution or merger of the Company or companies in the Group. Neither of them are in violation of the compatibility provisions of the Commercial Code.

Subsidiaries and affiliates

As a holding company, the Company carried out various transactions with its subsidiaries: subscriptions to increases in capital, reallocation of affiliates and acquisitions and sales of shares.

Information about the business and financial results of subsidiaries and affiliates, equity interests acquired during the year and changes in percentage interests in Group companies is provided in the Group section of the report and the notes to the consolidated financial statements (see the list of the main consolidated subsidiaries, pages 213 to 220).

Change of name

You are requested to approve the adoption of a new company name: PPR. This change is in line with the desire for continuity while also reflecting the Group's new profile. The former name only referred to part of its businesses. It is also in line with the decision to adopt a new corporate logo.

Adoption of a management structure based on a Board of Directors

You are requested to approve a new management structure featuring a Board of Directors rather than management by a Management Board and a Supervisory Board, the structure that has been in place since 1982.

The Articles of Association presented to you have been duly amended to take account this new structure. They include provisions making it possible to fulfill the principles of sound corporate governance that have always been a feature of the Company's governance under a Management Board and Supervisory Board. The new version of the Articles of Association enables the Board of Directors to issue non-convertible debt instruments without the prior authorization by the General Shareholders Meeting, in keeping with recent reform of the securities regulations. In accordance with the recommendations of the 2002 Bouton Report, Directors shall be appointed for a term of four years. The Articles of Association also enable the Board of Directors to appoint special committees and Advisors to the Board (*censeurs*), whose tasks shall be determined by the Board. The Articles of Association submitted for your approval allow the Board of Directors to appoint an Honorary Chairman who may attend Board meetings on a consultative basis, and a Vice Chairman elected from among the members of the Board. The other provisions of the Articles of Association have only been amended for the purposes of simplification.

If you approve this proposal, you are requested to duly appoint directors and set the amount of directors' fees.

To enable the Board of Directors to duly perform its duties, you are requested to grant it powers in respect of various issues provided for under the new rules of the Commercial Code.

Authorization to issue securities

1. You are asked to grant the Board of Directors (or the Management Board should you decide not to adopt the new management structure) various delegations or authorizations enabling it at any time to raise the capital required to undertake the investment operations deemed necessary and decide, at the appropriate time, on the financial transactions best suited to the market situation or to conduct capital increases by capitalization of reserves.

a) Firstly, you are requested to authorize the requisite powers for the issue of shares with pre-emptive subscription rights, with or without equity warrants, warrants and/or share equivalents providing immediate or subsequent entitlement to Company shares, except for the issue of preferred shares. The total amount of warrants and/or share equivalents issued may not exceed €6 billion, and the total amount of direct or indirect capital increases may not exceed €200 million, not including any potential adjustments.

b) You are also requested to authorize the requisite powers for the issue of shares with or without equity warrants, warrants and/or share equivalents providing immediate or subsequent entitlement to Company shares, except for the issue of preferred shares.
Pursuant to this authorization, the Board of Directors (or the Management Board should you decide not to adopt the new management structure) may make issues in order to pay for listed shares tendered to the Company as part of a public exchange offer and the issue of shares by the Company pursuant to issues by its direct or indirect subsidiaries of securities with subscription or allocation rights on the Company' shares.

You are requested to cancel the pre-emptive subscription right on shares, warrants and share equivalents that could be issued in order to facilitate the placement of these securities on financial markets or to carry out, where applicable, exchange transactions.

The total amount of warrants and/or share equivalents issued may not exceed €6 billion, and the total amount of direct or indirect capital increases may not exceed €200 million, not including any potential adjustments.

The procedures and issue price for securities issued in cash pursuant to these authorizations shall be determined in such a way that the amount that accrues, or may accrue, to the Company for each of the shares issued shall at least match the minimum value determined by the regulations in force at the time of issue (this is currently the weighted average of the prices of the last three trading sessions preceding the date on which the price is determined, less a maximum discount of 5%, if appropriate).

In the event of the issue of warrants or securities other than ordinary shares, the procedure for allocation of the shares to which such warrants or securities grant entitlement and the dates on which the allocation rights may be exercised shall be determined by the Board of Directors at the time the issue is approved.

When it decides to conduct the issue, the Board of Directors shall also determine the type and number of securities to be issued, the currency or unit of issue, the value of each security and the amount of issues and subscriptions.

c) You are also requested to authorize the Board of Directors (or the Management Board should you decide not to adopt the new management structure) to make one or more capital increases by capitalization of reserves, profits or additional paid-in capital, merger or contribution premiums up to a maximum amount of €200 million.

These three authorizations are granted for a period of twenty-six months as from the date of the General Shareholders Meeting.

d) You are requested to authorize the Board of Directors (or the Management Board should you decide not to adopt the new management structure) in respect of issues undertaken pursuant to the authorization referred to in b) above, subject to a maximum of 10% of the share capital each year, to determine the issue price of shares as follows: the amount that accrues or may accrue to the Company by virtue of each of the issues should be at least equal to 10% of the weighted average of the prices for the last three trading days prior to the date on which the terms of the issue are set, in order to facilitate the placement of the securities issued and to meet the implementation deadlines. In the event of the issue of warrants, the issue price of these warrants shall be taken into account when calculating the issue price of the shares.

The maximum amount of capital increases that may be made pursuant to these four authorizations is set at €200 million and the total amount of securities issues is set at €6 billion.

2. You are also requested to grant the authorizations required to perform capital increases in consideration of in-kind contributions of shares or securities providing entitlement to shares in the capital that do not form part of a public exchange offer. These transactions, which may only involve a maximum 10% of the share capital, may facilitate taking participating interests or controlling interests in companies within deadlines more in line with business requirements. In accordance with the law, the Board of Directors (or the Management Board should you decide not to adopt the new management structure) shall, in that case, comply with the procedures applicable to in-kind contributions and opine on the Statutory Auditor's report on the contributions.

3. You are also requested to grant the Board of Directors (or the Management Board should you decide not to adopt the new management structure) the powers required to pursue its human resources policy, enabling it:

a) to allocate to the employees and corporate officers of the Company and its affiliate companies, options on Company shares up to a maximum of 2,500,000 shares. The subscription or purchase price may not be lower than the limit determined by law.

b) to perform capital increases reserved for employees and former employees who have subscribed to an employee savings scheme, by issuing shares or securities giving access to the share capital, up to a maximum of 1,200,000 shares. The subscription price shall be set by the Management Board, subject to the conditions prescribed by law. It shall not, however, be less than 80% of the average share price in the twenty trading sessions preceding the date on which the decision to open subscriptions is taken. Shares may be issued for the benefit of the Company's mutual fund or SICAVs. The amount of capital increases will depend on the amount of shares subscribed and the limits mentioned above.

c) to grant free shares issued or to be issued to the employees and corporate officers of the Company and its affiliate companies or groups, subject to a limit of 0.5% of the share capital. The shares may only be granted after a period of two years, and the beneficiaries must hold the shares for at least two years.

You are also requested to approve a recommendation for share repurchases under a share buyback program in compliance with the regulations of the *Autorité des Marchés Financiers* (AMF, French Financial Markets Regulatory Authority), and to grant the powers required to cancel treasury shares by means of a capital decrease, if required.

If you approve these proposals, you are requested to adopt the resolutions submitted to you.

Information on the Company's operations, development, outlook and significant post year-end events, and information on the employee-related and environmental impact of the Company's activities, is provided in the other sections of the Group's Management Report and in the notes to the Annual Report.

A table showing the Company's results over the last five years is provided in the notes to this report.

Statutory Auditors' report
on the financial statements (for the year ended December 31, 2004)

Ladies and Gentlemen,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2004, on:
- the audit of the accompanying financial statements of Pinault-Printemps-Redoute SA,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements, based on our audit.

Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2004, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

Justification of our assessments

Pursuant to Article L.225-235 of the *Code de Commerce* (French Commercial Code) governing the justification of our assessments, we hereby report on the following:
Note 2.1 of the notes to the financial statements presents the accounting methods used to value long-term investments. We have verified the validity of these accounting methods and the consistency of the fair value of participating interests used in particular for preparing the consolidated financial statements.
These assessments were performed as part of our audit approach to the financial statements taken as a whole and therefore contribute to the expression of the unqualified opinion given in the first part of this report.

Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.
We have no comment to make as to the fair presentation and consistency with the financial statements of the information given in the report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements. Pursuant to the law, we have verified that the report of the Management Board contains the appropriate disclosures as to the acquisition of participating and controlling interests and to the percentage interests and votes held by shareholders.

Neuilly-sur-Seine and Paris La Défense, March 16, 2005
The Statutory Auditors

Deloitte & Associés		KPMG Audit Department of KPMG SA
Pascale Chastaing-Doblin	Amadou Raimi	Patrick-Hubert Petit

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. The statutory auditors' report includes for the information of the reader, as required under French law in any auditor's report, whether qualified or not, an explanatory paragraph separate from and presented below the audit opinion discussing the auditors' assessment of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account caption or on information taken outside of the financial statements.
Such report, together with the statutory auditors report addressing financial reporting in management's report on internal control, should be read in conjunction and construed in accordance with French law and French auditing professional standards.

Special Report by the Statutory Auditors
on regulated agreements (year ended December 31, 2004)

Dear Shareholder,

As statutory auditors of Pinault-Printemps-Redoute SA, we hereby present our report on the regulated agreements.

1. Agreements authorized during the period

Pursuant to Article L.225-86 of the Commercial Code, we have been informed of the agreements covered by the prior authorization by your Supervisory Board.
It is not our responsibility to seek out any other agreements, but to communicate to you, based on the information provided to us, the basic characteristics, terms and conditions of those of which we were informed, with no requirement to express an opinion on the usefulness or merit thereof. It is your responsibility, under Article 92 of the decree of March 23, 1967, to assess the merit of these agreements for approval purposes.

Consulting agreement with Calyon Bank

• Director (board member) concerned

Mr. René Barbier de la Serre, director of Pinault-Printemps-Redoute SA and Calyon Bank.

• Nature and purpose

The September 28, 2004 meeting of the Supervisory Board authorized the company to enter into a consulting agreement with Calyon Bank in structuring and services rendered as a joint book runner should the total or partial divestment of Rexel take the form of an international private placement.

• Terms and conditions

The total budget allocated for this mandate consists of a fixed amount of €5,000,000 and a variable amount based on the sale price of the Rexel stock. Total remuneration of the bank under this mandate will be a maximum of €9,500,000. In its December 31, 2004 financial statements, Pinault-Printemps-Redoute set aside a provision of €9,500,000 under this agreement, as no amount was paid during the period.

Consulting agreement with Rothschild & Compagnie

• Director concerned

Mr. François Henrot, director of Pinault-Printemps-Redoute SA and managing partner of Rothschild et Cie Banque.

• Nature and purpose

The September 28, 2004 meeting of the Supervisory Board authorized a consulting agreement with Rothschild et Compagnie, including an evaluation of bids should the total or partial divestment of Rexel be completed by means of a sale to investors.

• Terms and conditions

The total budget allocated for this mandate consists of a fixed amount of €5,000,000 and a variable amount to be based on the sale price of the Rexel stock. Total compensation of the bank under this mandate shall be a maximum of €9,500,000.
In its financial statements ended on December 31, 2004, Pinault-Printemps-Redoute set aside a provision of €9,500,000 under this agreement, as no amount was paid during the period.

Reinvoicing agreement between Pinault-Printemps-Redoute and Rexel concerning the granting of an exceptional bonus

• Director concerned

Serge Weinberg (Chairman of the Management Board of Pinault-Printemps-Redoute SA and director of Rexel SA).

• Nature and purpose

The September 1, 2004 meeting of the Supervisory Board authorized the granting of an exceptional bonus to some of Rexel's senior executives and managers in the event PPR carries out any transaction, either directly or indirectly, resulting in a reduction of its stake in Rexel to a level equal to or less than 40% of the equity in Rexel. Payment of this bonus is consideration for the work done by these recipients in preparing the conditions for properly carrying out the transaction assessed with a view to continued growth by Rexel.

• Terms and conditions

After the sale of PPR's stake in Rexel, twelve people shall receive this exceptional bonus, which includes a fixed amount payable at the time the transaction is conducted, and a discretionary variable portion to be evaluated by a board of independent experts three months after the transaction is completed. The total amount of this exceptional bonus shall be between €2,200,000 and €9,900,000 (excluding employer contributions). Rexel shall reinvoice 70% of these taxes to PPR. In the financial statements for the year ended December 31, 2004, Pinault-Printemps-Redoute recorded charges of €10,000,000 (including the employer's share of payroll taxes) under this agreement.

Amendments to the employment agreement of the Chairman of the Management Board

• Director concerned

Serge Weinberg (Chairman of the Management Board of Pinault-Printemps-Redoute SA).

• Nature and purpose

In its September 1, 2004 meeting, and after approval by its Remuneration Committee, the Supervisory Board authorized amendments to the terms of employment for Mr. Serge Weinberg at Conseil & Assistance, combined with his tenure as Chairman of the PPR Management Board; these amendments concern the provisions for remuneration under the agreement should he leave the Group or should his position as Chairman of the Management Board be terminated.

• Terms and conditions

These include the following provisions:

- in the event the position of Mr. Serge Weinberg is terminated for any reason other than (i) gross negligence or misconduct (ii) resignation for personal reasons or (iii) departure from the Group after the age of sixty-eight, Mr. Weinberg, who then agrees not to assume for at least two years any operating functions that compete with the main activities of Pinault-Printemps-Redoute and to hold at least two significant corporate positions in the Group for at least the same period, would receive compensation under the agreement equivalent to a gross lump sum equal to twice the highest of the total remuneration received in the last two years in the Group in any capacity whatsoever.
- under the same circumstances as described in the foregoing paragraph, Mr. Weinberg would be entitled to exercise at any time during the term thereof, with no time limit, all or part of the stock purchase or subscription options granted to him under any present or future stock option plan.
- under the same circumstances as those described in the first paragraph, Mr. Weinberg would be entitled to receive a benefit equivalent to the one under the supplementary defined benefit retirement scheme now in force in PPR as approved by decision of the March 3, 2004 meeting of the Supervisory Board, irrespective of whether or not this scheme is in force on his departure date. It is also agreed that Mr. Weinberg would be entitled, if he so desired, to liquidate any annuity in the form of a lump sum, with actual payment to be made in full on the date his duties are terminated.

These new provisions of the agreement came into force on January 1, 2005. An opportunity to apply them arose when Mr. Weinberg left the Group on March 21, 2005. At that time, the company Conseil et Assistance granted severance pay to Mr. Weinberg as stipulated in the contract in the amount of €5,328,946.

Liquidity agreement with Rothschild et Cie Banque

• Director concerned

Mr. François Henrot, director of Pinault-Printemps-Redoute SA and managing partner of Rothschild & Cie Banque.

• Nature and purpose

In its May 25, 2004 meeting, the Supervisory Board authorized, under the share buyback program, a liquidity agreement to be entered into with Rothschild & Compagnie Banque to replace the agreement that expired on May 3, 2004 with Crédit Lyonnais Securities Europe.

• Terms and conditions

This agreement involves €250,000 shares of Pinault-Printemps-Redoute SA stock and the sum of €20,000,000; it complies with the Ethics Charter prepared by the AFEI. Remuneration for this service is set at €400,000 per year. The commission owed under this contract for the period ended December 31, 2004 amounts to €445,555.

Modifications to the supplementary retirement scheme for the Group's main senior executives

• Nature and purpose

In its March 3, 2004 meeting, the Supervisory Board changed the eligibility terms (broadening the eligibility criteria) and the level of services to be rendered under the supplemental retirement scheme for the Group's senior executives, as previously approved by the February 28, 2001 meeting of the Supervisory Board.

• Terms and conditions

Under the terms and conditions of this scheme, it must be possible to offer the opportunity of receiving a partially reversible and adjustable life annuity, with the amount to be calculated at the rate of 1.5% of the reference remuneration per year of participation on the Executive Committee and/or 1% per year of seniority with a minimum of three years' attendance necessary, with an overall cap of the average gross compensation received during the 36 most lucrative months in the Group, not including non-recurring bonuses, but including in-kind benefits as well as a notional amount of 60% of the benefits received as a corporate officer and/or non-salaried employee paid by any company in the Group.
As of December 31, 2004, total payments made by your company to the fund designed to cover commitments to all the members of the Management Board and the senior executives concerned totalled €9,417,570. No payment was made in 2004.

2. Agreements approved in prior fiscal years that continued to be implemented during the period

In addition, pursuant to the decree of March 23, 1967, we were informed that the following agreements, which were approved in prior fiscal years, continued to be implemented during the last fiscal year.

Agreement between Pinault-Printemps-Redoute and Gucci Group NV

Under the Amended and Restated Strategic Investment Agreement, (the "RSIA"), the Supervisory Board in its September 5, 2001 meeting authorized the Management Board to enter into an agreement with Gucci Group NV under which Pinault-Printemps-Redoute grants to the shareholders of Gucci Group NV a put option for their stock at a price of $101.5 per share, exercisable from March 2004.
In fiscal year 2003, owing to the capital repayment of €13.50 per share made by Gucci Group NV on October 2, 2003, under Article 2.6 of the RSIA, the Gucci Group NV independent directors adjusted the exercise price of the put option granted by Pinault-Printemps-Redoute to Gucci Group NV shareholders by $15.98, reducing it to $85.52 per share.
Under this agreement, a takeover bid was launched on April 1, 2004 on all the outstanding stock at a price of $85.52 per share; it ended on May 20, 2004. Following the bid, PPR raised it stake to 99.39% of the capital of Gucci Group NV at a total acquisition cost of €2,630.7 million. As a result of the fact that PPR held more than 85% of the equity capital in Gucci Group, the settlement agreement and the RSIA automatically became null and void.

Payment for services rendered by Artémis

Under an agreement entered into between the two companies on September 27, 1993, Artémis carries out research and consulting services for Pinault-Printemps-Redoute in the following areas:
- strategy and growth of Pinault-Printemps-Redoute and support in conducting complex operations of a legal, tax-related, financial or real estate nature;
- providing opportunities for business growth in France and abroad or cost-cutting factors.

The Pinault-Printemps-Redoute Supervisory Board authorized payment for these services at 0.037% of net pre-tax consolidated sales at its March 10, 1999 meeting.
For fiscal year 2004, this agreement gave rise to a payment of €8,777,103.

Agreement between Pinault-Printemps-Redoute and Redcats, and PPR and Crédit Agricole, regarding the sale of Finaref

In its October 29 and December 18, 2002 meetings, the Supervisory Board authorized the Management Board to enter into an agreement involving Pinault-Printemps-Redoute, Redcats and Crédit Agricole to sell the entire Finaref business, excluding Facet, for a total price of €2,525,000,000. The agreement entered into on December 20, 2002 called for the following:
- the sale of 61% of Finaref stock;
- prior to that, Redcats and Pinault-Printemps-Redoute sold, at an identical price per share, Finaref shares to France Printemps, La Redoute and Fnac, with these three companies retaining a 10% stake in Finaref;
- the sale of 29% of Finaref stock in January 2004. Under this second tranche, share purchase options were granted to Crédit Agricole from on 29% of the share capital of Finaref and 29% of the share capital of Finaref Nordic, with put options having been granted under identical financial terms to Pinault-Printemps-Redoute by Crédit Agricole.

In 2003, the parties attempted to change the exercise period for these options. Under an agreement entered into on December 1, 2003, 14.5% of the capital of both companies was sold to Crédit Agricole, with the remainder earmarked for cross-options, as before, exercisable from March 29, 2004 with the terms and conditions for determining the final price of these sales remaining unchanged.

In 2004, the Group sold its remaining stake (24.5%) to Crédit Agricole for a total of €636,754,131. The sale was conducted in two phases: in March 2004, 14.5% for €371,597,727, and in December 2004, the remaining 10% for €265,156,404.

At the same time, both companies (Pinault-Printemps-Redoute and Crédit Agricole) announced they had agreed to bolster their agreements in the interest of a long-term relationship between Finaref and the companies in the Pinault-Printemps-Redoute group.

We conducted out audit according to the professional standards applicable in France. These procedures require that we verify whether the information given to us is consistent with the source documents from which it is drawn.

Neuilly-sur-Seine and Paris La Défense, March 16, 2005
Statutory Auditors

Deloitte & Associés		KPMG Audit Department of KPMG SA
Pascale Chastaing-Doblin	Amadou Raimi	Patrick-Hubert Petit

This is a free translation into English of the statutory auditors' reports issued in the French language and is provided solely for the convenience of English speaking readers. In addition, it should be understood that the agreements reported on are only those provided by the Code de Commerce *(French Commercial Code) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

Table of Contents

Legal and stock market information

252 GENERAL INFORMATION

- 252 General information about the Company
- 254 General information about the Company's share capital
- 255 Shareholding and stock market
- 261 Pacts and agreements

267 CORPORATE GOVERNANCE

- 267 Division of powers
- 267 Management of the Group
- 269 Supervisory Board
- 269 Information on Supervisory Board and Management Board members
- 275 Report of the Chairman of the Supervisory Board
- 283 Statutory Auditors' Report
- 284 Supervisory Board Internal Rules
- 287 Report of the Supervisory Board

288 RESOLUTIONS SUBMITTED TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS MEETING OF MAY 19, 2005

301 ANNEX: TEXT OF THE ARTICLES OF ASSOCIATION SUBMITTED TO THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING (TENTH RESOLUTION)

313 STATUTORY AUDITORS' SPECIAL REPORT

General information

General information about the Company

Company name and registered office

Company name: Pinault-Printemps-Redoute
Registered office: 10, avenue Hoche - Paris 75008 - France

Legal form

A limited company (société anonyme) with a Management Board and Supervisory Board governed by the Commercial Code.

The text of the Company's new Articles of Association changing the management structure to a Board of Directors will be submitted to the Combined Ordinary and Extraordinary General Shareholders Meeting on May 19, 2005 (see "Resolutions" and "Annex: Text of the Articles of Association submitted to the Extraordinary General Shareholders Meeting (Tenth Resolution)").

Applicable law

The laws of France.

Date of incorporation and term

The Company was incorporated on June 24, 1881 for a term of 99 years. The term was extended to May 26, 2066 by the Extraordinary General Shareholders Meeting held on May 26, 1967. The Company may be wound up in advance or its term may be extended, subject to shareholder approval at the Extraordinary General Shareholders Meeting.

Corporate purpose

The Company's corporate purpose is as follows:

- to purchase and to sell, on a retail or wholesale basis, directly or indirectly, by any appropriate method and using any and all existing or future techniques, any and all goods, products, produce and services,
- to create, acquire, lease, operate or sell, directly or indirectly, any and all facilities, stores or warehouses used for the sale, on a retail or wholesale basis, by any appropriate method and using any and all existing or future techniques, of any and all goods, products, produce and services,
- to manufacture or produce, directly or indirectly, any and all goods, products or produce for business purposes,
- to provide any and all services, directly or indirectly,
- to purchase, use or sell any and all real estate that may be used in the business,
- to create any and all trading, non-trading, industrial, financial, securities, real estate, service or other ventures, to acquire interests in such ventures by any appropriate method including subscription to a share issue, acquiring shares in exchange for assets or by way of a merger, and to manage these interests,
- and generally to carry out any and all trading, non-trading, industrial, financial, real estate or securities transactions and perform any and all services related directly or indirectly to the above purposes or any similar, complementary or related purposes or any purposes that may contribute to the implementation or furtherance of the above-mentioned purposes.

(Article 5 of the Articles of Association)

Incorporation details

552 075 020 RCS Paris
APE business identifier code: 741J

Consultation of official legal documents

The Articles of Association, minutes of General Shareholders Meetings and other official company documents may be consulted at the Company's registered office, in compliance with legal regulations.

Fiscal year

The company's fiscal year begins on January 1 and ends on December 31 of the same year.

Appropriation of income

One-twentieth of net income for the year, less any losses brought forward from previous years, is allocated to the "legal reserve". This allocation is no longer required when it reaches one-tenth of the Company's share capital.

Income available for distribution corresponds to net income for the year less any losses brought forward from previous years, any transfer made to the legal reserve as explained above and any amounts to be transferred to reserves in accordance with the law plus any unappropriated retained earnings brought forward from the previous year. The allocation of this amount is decided at the General Shareholders Meeting based on recommendations made by the Management Board. The General Shareholders Meeting may decide to carry forward all or part of the amount to the following year, or to allocate all or part of the amount to extraordinary, general or special reserves to be used for the purposes specified at the General Shareholders Meeting.

Any balance remaining after these allocations is distributed to shareholders.

The General Shareholders Meeting may decide, based on Company's results, to grant each shareholder the option to receive all or part of the final dividend or any interim dividends in the form of cash or shares.

(Article 22 of the Articles of Association)

Dividends not claimed after five years are paid over to the State.
Dividends paid in the last three years are presented on page 239.

General Shareholders Meetings – Double voting rights

General Shareholders Meetings are convened by the Management Board or the Supervisory Board and deliberate on the agenda in accordance with the law.

Meetings are held at the Company's registered office or at any other venue specified in the meeting notice.

All shareholders are entitled to participate in General Shareholders Meetings in person or by proxy, in accordance with the law, upon presentation of proof of identity and proof of ownership of shares. Ownership of registered shares is evidenced by an entry in the Company's share register, recorded no less than three clear days before the date of the meeting. Shareholders may, at the discretion of the Management Board, attend meetings by videoconference or other means of telecommunication that enable them to be identified as required by applicable regulations. Shareholders may also cast votes by mail, by returning the duly completed postal voting form to the Company as required by applicable regulations. For postal votes to be taken into account, the Company must receive the corresponding form at least three days prior to the date of the meeting. The Management Board may, however, reduce this deadline for the benefit of all shareholders. Shareholders living outside France may appoint a proxy in accordance with applicable regulations.

General Shareholders Meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the member of the Supervisory Board designated to chair the meeting. If no member of the Supervisory Board is designated, the General Shareholders Meeting will elect its own Chairman.

Shareholder Meeting minutes are drawn up and their copies certified and delivered in accordance with the law.

Fully paid-up shares that have been registered for at least two years in the name of the same nominal holder carry double voting rights at all General Shareholders Meetings.

Double voting rights may be cancelled at any time by decision of the Extraordinary General Shareholders Meeting, ratified by a special meeting of holders of shares with double voting rights.

(Article 20 of the Articles of Association)

Pursuant to the relevant legislation, double voting rights may be cancelled for any share converted to bearer ownership or in the event of a transfer of ownership except in the case of a transfer following inheritance, liquidation of property between spouses, or donation between living family members (spouse or relative).

The legal and regulatory disclosure thresholds apply. No specific disclosure thresholds are set in the Company's Articles of Association.

General information about the Company's share capital

The Company is authorized to obtain details of the identity of holders of shares carrying immediate or future-voting rights at General Shareholders Meetings, as provided for by law.

(Article 7 of the Articles of Association)

In addition to the voting rights attached to shares in accordance with the law and the provisions of Article 20 of the Articles of Association, each share carries entitlement to a fraction of net assets pro rata to the number and par value of existing shares, as well as a fraction of earnings net of any deductions made pursuant to the law or the Articles of Association, and any liquidation surplus.

In order to ensure that the same net amount is paid on each share, without distinction, and to allow the shares to be quoted on the same line, the Company pays any proportional taxes levied on some shares but not on others, notably in connection with the dissolution of the Company or a reduction in capital except in cases where this is not permitted by law. Proportional taxes will not be paid by the Company, however, in the event they are levied equally on all shares of the same class, in the event that several classes of shares carrying different rights are issued and outstanding.

In all cases where it is necessary to hold several shares in order to exercise a given right, shareholders shall be solely responsible for grouping their shares with other shareholders to achieve the requisite number.

(Article 8 of the Articles of Association)

In the event of liquidation of the Company, the reserves remaining after repayment of the par value of the shares will be allocated among the shareholders pro rata to their respective interests in the capital.

(Article 24 of the Articles of Association)

Changes in the Company's share capital and the rights attached to shares are governed by the relevant provisions of the law and the specific provisions of the Articles of Association summarized below.

Article 17 of the Articles of Association stipulates that under the Company's internal rules, decisions by the Management Board to issue shares and share equivalents require prior approval by the Supervisory Board.

Share capital as of december 31, 2004

As of December 31, 2004, the Company's share capital amounted to €489,737,920 divided into 122,434,480 shares with a par value of €4 each, all fully paid up. The number of voting rights at the same date totaled 159,797,228.

On the same date, to the best of the Company's knowledge:

- The members of the Supervisory Board and the Management Board held directly 0.18% of the share capital representing 0.23% of the voting rights,
- 4,888,132 shares were held as treasury stock in connection with the Company's share buyback programs, more fully detailed on page 239. None of the Company's shares were held by controlled companies.

Shareholding and stock market

1. Change in shareholding and voting rights

	2003		2002	
	% share capital	% voting rights [1]	% share capital	% voting rights [1]
Artémis Group	42.2	56.8	42.2	57.0
Guilbert-Cuvelier	2.5	3.8	2.5	3.7
Pinault-Printemps-Redoute	5.2	-	4.7	-
Employees	0.7	0.7	0,8	0.7
Public	49.4	38.7	49.8	38.6
Total	**100**	**100**	**100**	**100**

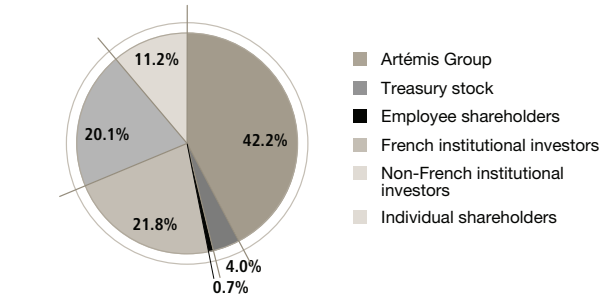
	2004		
	Number of shares	% share capital	% voting rignts [1]
Artémis Group	51,616,206	42.2	57.2
Pinault-Printemps-Redoute	4,888,132	4.0	-
Employees	841,206	0.7	0.6
Public [2]	65,088,936	53.1	42.2
Total	**122,434,480**	**100**	**100**

Artémis is wholly owned by Société Financière Pinault, itself controlled by the Pinault family.
There is no treasury stock in the subsidiaries.

[1] Shares held for more than two years in a registered account in the name of the same shareholder carry double voting rights (see General Information about the Company – General Shareholders Meetings).

[2] Including Guilbert-Cuvelier.

Shareholding
at 12/31/2004



As of December 31, 2004, the Group's share ownership structure included 143,197 individual shareholders, as compared to 159,733 in 2003, representing 11.2% of the share capital. Institutional investors owned 41.9% of the share capital, of which 20.1% was held by non-residents (representing 34.8% of the float).
Among the international institutional investors, the United States represented 38.4%, Continental Europe 41.4% (of which Germany 11.6%, Italy 7.4%, Luxembourg 8.7%) and the United Kingdom 17.1%.
As of December 31, 2004, Pinault-Printemps-Redoute held 4.0% of its share capital. The main changes in the shareholding breakdown compared with the previous year are notably the increase in the percentage of non-resident investors (up 9.9% in number of shares) and the decline in the number of individual shareholders (down 16.2% in number of shares). (Source: Identifiable Bearer Shareholders as of December 31, 2004).

As of April 5, 2005 [1]	% share capital	% voting rights
Artémis Group	42.9	57.4
Pinault-Printemps-Redoute	2.3	-
Employees	0.7	0.6
Public	54.1	42.0
Total	**100**	**100**

To the Company's knowledge, there are no other shareholders who directly or indirectly or jointly hold 5% or more of the share capital or voting rights.

2. Stock market information

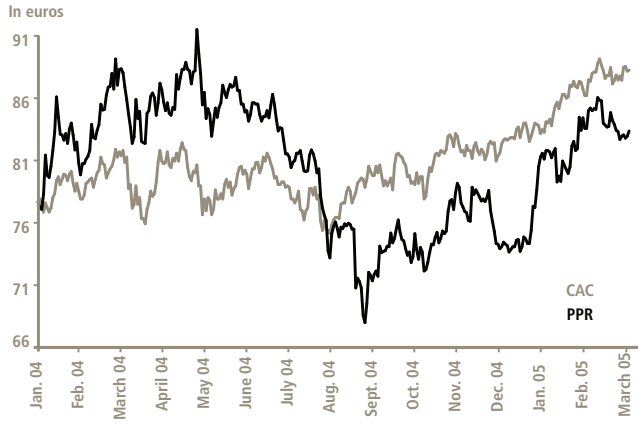
• The Pinault-Printemps-Redoute share

Place of listing	Paris
Market	Premier marché
Benchmark index	CAC 40
IPO	10/25/88 on the Second marché 02/09/95 in the CAC 40
Number of shares [1]	120,438,230
Codes	ISIN: FR 0000121485 Reuters: PRTP.PA Bloomberg: PPFP

[1] The number of shares which constitute the Company's share capital was reduced from 122,434,480 to 120,438,230 following the cancellation of 2,000,000 treasury shares on March 30, 2005 and the exercise of 3,750 stock options on April 5, 2005.

• Stock market performance in 2004

Performance of the Pinault-Printemps-Redoute share price compared with the CAC 40 index since January 1, 2004



Source: Fininfo.

As the uncertainties relating to the completion of the strategic shift were gradually extinguished with the sale of Rexel and the operating integration of the Luxury Goods business, the PPR share price, which was slightly down by 3.9% in 2004, posted a strong increase since the beginning of the year of 12.0% at March 31, 2005. The share price recorded a 7.6% increase since the beginning of 2004, slightly underperforming the CAC 40, which was up 14.3%.

• Market price and trading volume of the Pinault-Printemps-Redoute share

	2000	2001	2002	2003	2004
High (€)	268.0	235.3	154.7	88.9	90.7
Low (€)	185.2	97.1	53.9	44.5	67.5
Price at 12/31 (€)	228.9	144.6	70.1	76.7	73.7
Market capitalization at 12/31 (million)	27,189	17,698	8,580	9,382	9,017
Average daily trading volume	273,786	428,865	650,232	671,756	552,669
Number of shares at 12/31	118,779,305	122,394,480	122,394,480	122,406,980	122,434,480

Source: Euronext Paris SA.

• Listed securities of the Group as of December 31, 2004

Securities listed on the Paris Stock Market (SRD)	ISIN code
Share	
Pinault-Printemps-Redoute	FR 00 00 121 485
Bonds	
PPR 5.25% March 2011	FR 00 10 068 486
PPR 5% January 2009	FR 00 10 002 121
PPR Euribor 3 months + 0.50% October 2007	FR 00 10 125 831
PPR 5.20% May 2005	FR 00 00 209 181
PPR indexed January 2005	FR 00 00 208 704
Convertible bonds	
OCEANE PPR 1.5% Coupon January 2007	FR 00 00 188 047
OCEANE PPR 2.5% Coupon January 2008	FR 00 00 103 053

OCEANE: Bonds convertible into new shares and/or exchangeable for existing shares.

• **Stock market statistics**

o The Pinault-Printemps-Redoute share

2003	Price (€)			Monthly change	Volume		
	Average	High	Low		Average daily trading volume	Volume (€M)	Volume (number of shares)
January	67.3	74.6	61.4	+0.0%	549,997	809	12,099,936
February	63.6	71.0	54.5	-15.1%	469,815	583	9,396,302
March	51.7	60.3	44.6	-20.8%	698,014	782	14,658,303
April	54.6	63.0	45.6	+32.8%	661,958	721	13,239,154
May	66.8	72.5	60.0	+12.7%	1,058,508	1,457	22,228,659
June	67.7	73.0	63.1	-7.0%	675,917	958	14,194,256
July	67.0	72.3	61.8	+9.7%	627,258	961	14,426,924
August	73.1	79.9	68.4	+8.8%	614,457	959	12,903,595
September	76.8	85.1	69.8	-9.9%	695,796	1,194	15,307,503
October	79.4	88.2	70.0	+24.3%	647,900	1,194	14,901,701
November	82.9	88.9	78.2	-6.7%	830,824	1,377	16,616,476
December	78.0	83.4	74.7	-6.3%	539,281	885	11,324,901
Average 2003	**69.1**	**76.0**	**62.7**	**+1.9%**	**671,756**	**990**	**14,274,809**

2004	Price (€)			Monthly change	Volume		
	Average	High	Low		Average daily trading volume	Volume (€M)	Volume (number of shares)
January	80.8	85.2	75.8	+5.7%	512,616	872	10,764,931
February	82.6	87.8	79.1	+7.2%	452,132	750	9,042,639
March	84.5	89.2	80.6	-2.1%	547,556	1,059	12,593,798
April	85.6	87.9	82.1	+1.2%	511,617	874	10,232,336
May	85.3	90.7	81.7	-0.1%	547,474	984	11,496,949
June	84.5	87.4	82.8	-1.9%	597,315	1,109	13,140,935
July	81.3	86.3	79.0	-4.0%	433,846	780	9,544,605
August	76.1	81.4	71.2	-7.5%	432,681	721	9,518,988
September	71.9	75.5	67.5	-1.4%	832,503	1,320	18,315,057
October	73.5	76.0	71.4	-0.1%	603,696	935	12,677,623
November	76.0	79.6	73.2	+5.9%	642,343	1,082	14,131,556
December	75.4	78.6	73.0	-5.8%	507,905	889	11,681,811
Average 2004	**79.8**	**83.8**	**67.5**	**-0.2%**	**552,669**	**948**	**11,928,436**

2005	Price (€)			Monthly change	Volume		
	Average	High	Low		Average daily trading volume	Volume (€M)	Volume (number of shares)
January	77.3	81.8	73.1	+9.8%	763,292	1,246	16,029,129
February	81.2	84.5	77.6	+4.2%	662,447	1,069	13,248,949
March	83.2	85.1	81.3	-2.1%	569,442	994	11,958,273

Source: Euronext.

o OCEANE

o Pinault-Printemps-Redoute OCEANE, 1.5% coupon, December 2001

Month	Price (€)			Volume		
	Average	High	Low	Average daily trading volume	Volume (€M)	Volume (number of bonds)
November/December 2001	177.1	184.0	165.7	3,940	28.0	157,582
January/March 2002	167.1	180.0	155.1	3,100	32.8	192,194
April/June 2002	165.1	172.0	155.1	523	5.3	31,916
July/September 2002	156.6	166.0	150.0	3,792	38.5	246,467
October/December 2002	161.9	169.7	157.0	4,805	49.9	307,533
January/March 2003	161.3	163.5	152.1	4,010	30.5	188,473
April/June 2003	160.2	163.2	146.9	36,203	100.2	615,457
July/September 2003	157.0	158.0	156.0	19	0.0	56
October/December 2003	160.8	162.0	160.0	2,016	1.6	10,079
January/March 2004	160.6	165.0	160.0	32	0.0	255
April/June 2004	167.0	174.0	160.0	46	0.0	92
July/September 2004	-	-	-	-	-	-
October/December 2004	148.0	160.0	135.1	2	0.0	10
January/March 2005	152.0	152.0	152.0	43	0.0	43

Source: Fininfo.

o Pinault-Printemps-Redoute OCEANE, 2.5% coupon, May 2003

Month	Price (€)			Volume		
	Average	High	Low	Average daily trading volume	Volume (€M)	Volume (number of bonds)
May/June 2003	92.9	95.6	86.4	5,317	10.3	111,650
July/September 2003	93.9	101.0	89.1	5,403	22.5	243,126
October/December 2003	98.1	102.4	93.5	3,676	18.4	187,485
January/March 2004	98.1	103.4	94.5	2,278	13.9	143,511
April/June 2004	98.9	101.4	96.7	1,230	6.2	62,734
July/September 2004	95.8	99.5	92.4	3,459	21.7	228,321
October/December 2004	95.5	99.0	92.0	404	2.5	26,285
January/March 2005	95.2	96.1	92.2	1,092	6.4	67,684

Source: Fininfo.

3. Financial communications policy

The Group's financial communications policy consists in disseminating accurate, reliable information. Its actions are targeted and customized to offer different audiences, individual shareholders and the financial community, messages suited to their respective needs, in accordance with the recommendations of the *Autorité des Marchés Financiers* (AMF, French Financial Markets Regulatory Authority) regarding equal access to information.

• To individual shareholders

Individual shareholders have access to a number of media and tools providing updates on Group news and share performance, including the Shareholders' Newsletter, published twice a year, the dedicated website www.pprfinance.com, the Shareholders' hotline (+33 (0)1 45 64 61 22), legal announcements in the financial press, the Annual Report and site visits. In 2004, the Group organized six site visits which enabled nearly 170 shareholders to better understand the inner workings of the business, including the Fnac store in Monaco, the Fnac logistics center in Massy, the Fnac test laboratory located in Paris, and Printemps de la Beauté in Paris. In early 2005, three visits were made to the Madelios store in Paris and to the new Fnac store in Lille.

• To the financial community

The Group maintains close relations with the French and international financial community. It meets with any investor or analyst who requests an appointment. A number of communication initiatives are designed to keep the financial community informed of the performance of its businesses, its strategy and its perspectives. Pinault-Printemps-Redoute has expanded its communication by organizing conference calls at the release of quarterly sales figures and large meetings to present its annual and half-yearly results. Daylong workshops provide financial analysts with the opportunity to take an in-depth look into the Group's businesses. In 2004, these theme-based workshops provided analysts with a close-up look at the worlds of Gucci Group, Fnac, Printemps and Conforama. PPR also participates regularly in industry conferences held by major banks. It meets with investors during road shows held in the major financial centers in Europe, the United States and Asia. On January 17, 2005, the Group held a presentation on the transition to IFRS international accounting standards.

• 2005 Financial Calendar

- **April 28, 2005** First quarter sales
- **May 19, 2005** Annual General Shareholders Meeting
- **July 28, 2005** Second quarter sales
- **September 8, 2005** First half 2005 results
- **October 27, 2005** Third quarter sales

Pacts and agreements

1. Agreements

- To the Company's knowledge, there are no contractual provisions involving shares or voting rights that should have been disclosed to the *Autorité des Marchés Financiers* (French Financial Markets Regulatory Authority) in accordance with Article 233-11 of the French Commercial Code.

- On September 10, 2001, Pinault-Printemps-Redoute entered into (i) a Settlement and Stock Purchase Agreement with LVMH Moët Hennessy-Louis Vuitton SA and Gucci Group NV (the "Settlement Agreement") and (ii) an Amended and Restated Strategic Investment Agreement with Gucci Group (the "RSIA"). These agreements were filed with the SEC on September 12, 2001 in accordance with US regulations. Under the terms of the RSIA, half of the Gucci Group Supervisory Board was made up of members appointed by Pinault Printemps Redoute. The other half (made up of independent directors) appointed the Chairman of the Board. Pursuant to the Settlement Agreement, Pinault-Printemps-Redoute launched an offer ("the Offer") for Gucci Group shares at a price of US$ 85.52 per share in April 2004. At the conclusion of the Offer on May 20, 2004, PPR owned 99.39% of the share capital, and the independent directors resigned from the Gucci Board. Because Pinault Printemps Redoute held more than 85% of the share capital in Gucci Group as a result of the Offer, the Settlement Agreement and the RSIA became null and void under their own terms. As of December 2004, Pinault-Printemps-Redoute held 99.41% of the Gucci Group share capital and the Gucci Group Supervisory Board consisted of Mrs. Patricia Barbizet and Messrs. François-Henri Pinault, Serge Weinberg and Patrice Marteau.

Changes in share capital

Year	Description	Issue Premium	Change in share capital	New share capital (as of December 31)	Cumulated number of common shares
2004	Exercise of options	€1,301,830	€110,000		27,500 [1]
		€1,301,830	€110,000	€489,737,920	122,434,480 [1]
2003	Exercise of options	€379,266	€50,000		12,500 [1])
		€379,266	€50,000	€489,627,920	122,406,980 [1]
2002	–	–	–	€489,577,920	122,394,480 [1]
2001	Conversion of capital into euros, increase in par value to €4		€113,009,005		
	Exercise of options	€2,308,163	€172,449		55,000 [1]
	Conversion of OCEANE	€485,783,887	€14,240,700		3,560,175 [1]
		€488,092,050	€127,422,154	€489,577,920	122,394,480 [1]
2000	Shares issues reserved for employees	FRF876,562,559	FRF15,984,160		799,208 [2]
	Exercise of options	FRF2,234,000	FRF100,000		5,000 [2]
	Cancellation of shares	FRF(1,794,240,942)	FRF(24,120,060)		- 1,206,003 [2]
		FRF(915,444,383)	FRF(8,035,900)	FRF2,375,586,100	118,779,305 [2]

[1] Shares with a par value of €4.
[2] Shares with a par value of FRF 20.

The share capital could be increased by:
- 13,418,225 shares (11.14% [1] of the capital) through requests to convert, if the Company chooses this option, bonds (OCEANE) issued in 2001 and 2003 (conversion or exchange parity: one share for one bond). The main characteristics of these issues are provided in note 22.4 of the consolidated accounts;

[1] Based on the number of shares which constitute the Company's share capital at April 5, 2005, or 120,438,230.

• 1,768,015 shares (1.47% [1] of the share capital) through the exercise of stock options (see stock options table page 264 and 265).

[1] Based on the number of shares which constitute the Company's share capital at April 5, 2005, or 120,438,230.

2. Share pledges

As of December 31, 2004, 11,000,000 Pinault-Printemps-Redoute shares held by registered shareholders were pledged to various lenders.

Pledges as of December 31, 2004

Name of registered shareholder	Beneficiary	Start date of pledge	Expiry of pledge	Terms of cancellation of the pledge	Number of shares of the issuer pledged	% of share capital of the issuer pledged
Artémis SA	Calyon	06/08/2000	Indefinite	[1]	8,000,000	6.5%
Artémis SA	Calyon-ING Barings [2]	05/18/1998	Indefinite	[1]	3,000,000	2.5%
Total					**11,000,000**	**9%**

[1] Full reimbursement or repayment of the loan.
[2] And other financial institutions.

3. Authorized unissued capital, capital increase contingencies (as of April 5, 2005)

The Management Board is authorized to carry out the following securities issues pursuant to resolutions adopted at the Extraordinary General Shareholders Meetings:

Type of issue	Amount of equity warrants and/or securities issued	Maximum capital increase	Authorization date	Duration of the authorization
Capital increase via share issue(s) with pre-emptive subscription rights, equity warrants and/or other share equivalents convertible either immediately or in the future into Company shares through capitalization of reserves, earnings or additional paid-in capital [1]	€6 billion	€200 million	EGM of May 25, 2004	26 months
Capital increase via shares issue(s), with waiver of pre-emptive subscription rights, equity warrants and/or share equivalents, convertible either immediately or in the future into Company shares and which can be used in payment of securities tendered in a public exchange offer [1]	€6 billion	€200 million	EGM of May 25, 2004	26 months
Capital increase via issue of shares, equity warrants and/or share equivalents without pre-emptive subscription rights convertible either immediately or in the future into Company shares reserved for a specific category of beneficiaries [1]	€1,250 billion	€50 million	EGM of May 25, 2004	2 years
Share issues reserved for Group employees in the amount of 1,200,000 shares [1]		€4.8 million	EGM of May 25, May	26 months
Stock option plans exercisable for up to 2,500,000 shares [2]		€10 million	EGM of May 21, 2002	38 months

[1] Authorizations not used.
[2] Authorization used in 2004 for two stock option plans involving 565,970 shares.

The Management Board was also authorized by the Extraordinary General Shareholders Meeting of May 18, 2001, for a period of five years to reduce the share capital pursuant to the provisions of the law by the way of cancellation of shares acquired in the context of its share buyback program.

Stock option plans

In 2004, the Company set up two stock option plans for the Group's senior managers, involving 540,970 shares at €85.57 per share and 25,000 shares at €84.17 per share.

The policy regarding the granting of stock options has been extended since 1998 to senior managers of the Group and of the various companies, who receive a number of options according to their individual duties and responsibilities.

The option plans have a term of ten years. Since 2001, the options exercise price have not included a discount from the share price (5% discount until 2000) and must be held for four years following grant. Employees who leave the Group before exercising their options may lose their option rights depending on their period of employment in the Group since the granting of the stock options and the reasons of their departure.

Options are granted to members of the Management Board by decision of the Supervisory Board, based on the recommendations of the Remuneration Committee created by the Supervisory Board.

The exercise by the beneficiaries of all of the share subscription options would give rise to the creation of 1,768,015 new shares, representing 1.47% of the share capital.

PPR stock option plans at 12/31/2004

	1996 Exercisable for new shares	1997/1 Exercisable for new shares	1997/2 Exercisable for new shares	1998 Exercisable for existing shares	1999/1 Exercisable for existing shares	1999/2 Exercisable for existing shares	1999/3 Exercisable for existing shares	2000/1 Exercisable for existing shares
Date of the AGM	06/18/1992	06/18/1992	06/05/1997	06/05/1997	06/05/1997	06/05/1997	06/05/1997	06/05/1997
Date of the Management Board Meeting	03/27/1996	01/22/1997	06/05/1997	06/05/1998	01/20/1999	21/05/1999	12/08/1999	01/26/2000
Number of options granted at the outset	95,000	100,000	13,250	347,050	27,495	25,455	412,350	12,100
of which: to members of the Management Board [1]	-	30,000	-	60,000	-	-	52,400	-
to the top ten employees	-	-	-	-	-	-	-	-
Number of options exercised as of 12/31/2004	85,000	70,000	10,000	0	0	0	0	0
Cancelled options (as of 12/31/2004)	0	1,250	0	168,175	15,200	12,275	105,765	3,350
Number of options outstanding as of 12/31/2004	10,000	28,750	3,250	178,875	12,295	13,180	306,585	8,750
Number of beneficiaries	5	9	3	257	36	44	560	26
Starting date of the stock option plan	05/01/1996	04/01/1997	08/01/1997	08/01/1998	04/01/1999	07/01/1999	12/27/1999	03/01/2000
Expiry date of the plan	04/30/2006	03/31/2007	07/31/2007	07/31/2008	03/31/2009	06/30/2009	12/26/2009	02/28/2010
Exercise price	€33.72	€61.41	€71.16	€135.98	€154.58	€144.83	€189.19	€227.15

Note: Each option is convertible or exchangeable for one share.

[1] In its structure at 31/12/2004.

[2] Adjusted to take account of the stock split.

Stock option subscription or stock option purchase plans granted by Pinault-Printemps-Redoute and associated companies to top ten employees (excluding corporate officers) and options exercised by them

Stock option subscription or stock option purchase plans granted to the top ten employees (excluding corporate officers) of the granting company the options exercised by them	Total number of options allocated/options subscribed or purchased	Weighted average price (in €)	PPR Plans	Gucci Plans
Options granted during the fiscal year by the issuer and all companies within the stock option allocation structure to the ten employees of the issuer and all companies included in this structure, with the highest number of options granted	330,500	85.52	-	330,500
Options held by the issuer and above-mentioned companies, exercised during the fiscal year by the ten employees of the issuer and those companies, with the highest number of options purchased or subscribed	1,706,590	44.15	-	1,706,590

2000/2 Exercisable for existing shares	2001/1 Exercisable for existing shares	2001/2 Exercisable for existing shares	2002/1 Exercisable for new shares	2002/2 Exercisable for new shares	2003/1 Exercisable for new shares	2003/2 Exercisable for new shares	2004/1 Exercisable for new shares	2004/2 Exercisable for new shares
06/05/1997	06/05/1997	05/18/2001	05/18/2001	05/18/2001	05/21/2002	05/21/2002	05/21/2002	05/21/2002
05/23/2000	01/17/2001	05/18/2001	05/03/2002	05/03/2002	07/09/2003	07/09/2003	05/25/2004	07/07/2004
93,100	340,240	87,260	438,296	410,271	528,690	5,430	540,970	25,000
-	52,000	-	45,000	45,000	109,000	-	90,000	25,000
-	22,970	14,000	24,320	24,320	37,855	-	36,305	-
0	0	0	0	0	0	0	0	0
25,270	75,484	16,774	81,906	79,120	50,811	1,230	9,575	0
67,830	264,756	70,486	356,390	331,151	477,879	4,200	531,395	25,000
125	722	206	1,074	1,053	721	18	846	1
07/01/2000	02/01/2001	06/01/2001	05/03/2002	05/03/2002	07/09/2003	07/09/2003	05/25/2004	07/07/2004
06/30/2010	01/31/2011	05/31/2011	05/02/2012	05/02/2012	07/08/2013	07/08/2013	05/24/2014	07/06/2014
€202.91	€225.01	€225.01	€128.10	€140.50	€66.00	€67.50	€85.57	€84.17

4. Employee incentives

(Employee bonus and profit sharing agreements)

4.1. Employee profit-sharing agreement

The agreement, signed on December 2, 1998, is automatically renewable.
The amount credited to the profit-sharing scheme each year is equal to 0.8% of the dividend paid by the Company after closing of the fiscal year. A cap is applied based on dividend growth. The scheme is shared among eligible employees according to their respective salaries for the reference year. Employees who have been on the Group's payroll for at least three months prior to the end of the reference year are eligible to participate in the profit-sharing scheme.
The amounts distributed under this agreement in the past five years were as follows: €805,601 in 2000, €985,395 in 2001, €1,081,057 in 2002, €1,067,966 in 2003 and €1,120,729 in 2004.

4.2. Bonus agreement: none

5. Decisions submitted to the General Shareholders Meeting

The General Shareholders Meeting on May 19, 2005 will examine the parent company and Group consolidated annual accounts, the allocation of profits, the amount of the dividend, the Statutory Auditors Special Report on regulated agreements, the transfer of the special long-term capital gains reserve, the merger of a Principal Statutory Auditor, the appointment of an Alternate Statutory Auditor and the changing of the corporate name to "PPR".

The General Shareholders Meeting will also deliberate on changing the Company's management structure to a Board of Directors, adopting the text of the Company's new Articles of Association, appointing directors, setting the amount of directors' fees, authorizing the

implementation of a new share buyback program as well as authorizations to issue marketable securities with or without pre-emptive subscription rights, including those reserved for employees, the ability to cancel Company shares, the allocation of stock subscription or stock purchase options and the granting of bonus shares to employees and corporate officers.

If approval is given by the General Shareholders Meeting, the Board of Directors would be authorized to carry out the following:

Type of issue	Amount of equity warrants and/or securities issued	Maximum capital increase	Authorization date	Duration of the authorization
Capital increase via issue with of shares pre-emptive subscription rights, equity warrants and/or other share equivalents convertible either immediately or in the future into equity capital or debt securities (1)	€6 billion	€200 M	GM of May 19, 2005	26 months
Capital increase via issue of shares, equity warrants and/or share equivalents without pre-emptive subscription rights, convertible either immediately or in the future into Company shares, including for the purpose of paying for any shares contributed in connection with a public exchange offer or debt securities (1)	€6 billion	€200 M	GM of May 19, 2005	26 months
Capital increase via capitalization of reserves, income or additional paid-in capital (1)		€200 M	GM of May 19, 2005	26 months
Capital increase to pay for in-kind contributions up to a limit of 10% of the share capital		€48.9 M	GM of May 19, 2005	26 months
Stock option plans totalling 2,500,000 shares		€10 M	GM of May 19, 2005	38 months
Allocation of bonus shares reserved for employees and corporate officers		€2.4 M	GM of May 19, 2005	38 months
Issuance of shares reserved for Group employees		€4.8 M	GM of May 19, 2005	26 months

(1) For these issues, the total amount of the capital increases may not exceed €200 M.

Furthermore, the Management Board would be authorized for 26 months to reduce the share capital, pursuant to applicable legal provisions, by canceling any shares acquired in the context of its buyback program.

Corporate governance

Pinault-Printemps-Redoute reinforced its corporate governance policy in 2004 by paying ever greater attention to the deliberation process of the Supervisory Board and its Committees and by establishing audit committees within the Group's companies.

At the next Annual General Shareholders Meeting, shareholders will be asked to vote on converting the Group's management structure from the current Management Board and Supervisory Board to a Board of Directors.

Division of powers

Management Board

The Management Board, which is a collegial body made up of senior Group executives, manages the business, approves the annual and half-yearly consolidated and parent company accounts and defines the overall operating and development policies and the long-term strategy in compliance with requirements of the Articles of Association and applicable provisions of the law.

The Management Board meets as often as necessary, in the interests of the Company and the Group. It is assisted by several Committees comprised of members of senior management, notably the Executive Committee.

Members of the Management Board

François-Henri Pinault
Chairman of the Management Board (effective March 21, 2005)

Serge Weinberg
Chairman of the Management Board (until March 20, 2005)

Thierry Falque-Pierrotin

André Guilbert (until February 16, 2004)

Per Kaufmann (until February 3, 2005)

Denis Olivennes

Robert Polet (effective July 7, 2004)

Supervisory Board

The Supervisory Board is made up of persons drawn from various fields. It oversees the management of the business, reviews the consolidated and parent company accounts and deliberates on various authorizations in accordance with the Articles of Association and the law.

Members of the Supervisory Board

Patricia Barbizet
Chairman of the Supervisory Board

François-Henri Pinault (until March 20, 2005)
Vice-Chairman of the Supervisory Board (until March 20, 2005)

René Barbier de La Serre
Vice-Chairman of the Supervisory Board (effective March 21, 2005)

Pierre Bellon

Allan Chapin

Luca Cordero di Montezemolo

Anthony Hamilton

François Henrot (until March 29, 2005)

Philippe Lagayette

Alain Minc

François Pinault

Baudouin Prot

Bruno Roger

Management of the Group

The Executive Committee

The Executive Committee meets every month, bringing together the various company CEOs and senior executives of Pinault-Printemps-Redoute. As an operational body of the Group, the Executive Committee focuses on strategic planning of the Group's activities, co-ordination and sharing of inter-company initiatives and monitoring cross-functional projects. Executive Committee meetings are held both at the Pinault-Printemps- Redoute head office and on a decentralized basis in France and abroad.

Members of the Executive Committee

François-Henri Pinault (effective March 21, 2005)
Chairman of the Management Board

Serge Weinberg (until March 20, 2005)

Christophe Cuvillier (effective February 8, 2005)
Chairman and CEO, Conforama Holding

Laurence Danon
Chairman of the Management Board, France-Printemps

Thierry Falque-Pierrotin
Chairman and CEO, Redcats

Thomas Kamm
Vice-President, Communications and Corporate Affairs

Per Kaufmann (until February 7, 2005)
Chairman and CEO, Conforama Holding

Philippe Klocanas
Vice-President, Planning and Corporate Development

Alain Luchez (effective April 4, 2005)
Vice-President, Human Resources

Patrice Marteau
Chief Financial Officer

Denis Olivennes
Chairman and CEO, Fnac

Jean-Charles Pauze (until March 16, 2005)
Chairman and CEO, Rexel

Robert Polet (effective July 7, 2004)
Chairman and CEO, Gucci Group NV

François Potier (until April 1, 2005)
Vice-President, Human Resources

Alain Viry
Chairman and CEO, CFAO

The Management Committee

The Management Committee, which comprises certain head office functional managers and the heads of the Apparel and Lifestyle and Home and Leisure divisions, meets every week with the Chairman of the Management Board.

Members of the Management Committee

François-Henri Pinault (effective March 21, 2005)
Chairman of the Management Board

Serge Weinberg (until March 20, 2005)

Thierry Falque-Pierrotin

Thomas Kamm

Patrice Marteau

Denis Olivennes

Alain Luchez (effective April 4, 2005)

François Potier (until April 1, 2005)

Monthly activity and budget review meetings

In 2004, the senior management of Pinault-Printemps-Redoute held monthly meetings with the company CEOs and corporate secretaries to assess the various company activities. Both operational and financial elements were assessed.

Group organization and planning

Each company draws up a medium-term plan, covering strategic, operational and financial objectives. Strategic planning covers the long-term development of the businesses, the growth outlook for the key markets and competitors' positioning. Operating objectives are produced through strategic planning that has been transposed into distinct, priority action plans. The financial plan reflects the impact of these action plans on the company's operating performance and on the accounts and financial situation. Each year, a summary of these plans forms the basis of an in-depth presentation given during the strategy seminar held by the Executive Committee to discuss major strategic issues and Group projects.

Corporate social responsibility

Reporting to the Management board, the Committee for Ethics and Corporate Social Responsibility is constituted by employees of the Company and the Group companies that provide their expertise in a variety of areas: purchasing, human resources, risk prevention, communication, sustainable development, legal affairs and company management. There is also a non-Group Committee member with expertise in social responsibility and company risk. The role of the Committee for Ethics and Corporate Social Responsibility is to collect pertinent data on all of these subjects, to review the Group's current policies and to establish methods for creating and implementing new policies.

Supervisory Board

Supervisory Board composition and operating modalities

The Supervisory Board is made up of thirteen members. Details of their professional activities and remuneration are detailed hereafter. In accordance with the Articles of Association, each member of the Supervisory Board must hold at least five hundred Company shares.

The rules and operating modalities of the Supervisory Board are governed by the law, the Company Articles of Association and the internal rules of the Supervisory Board and its Committees (see the Chairman's Report and Internal Rules).

The Supervisory Board met seven times in 2004. The average attendance rate was 82%. During its various meetings, the Supervisory Board notably examined, for verification and control purposes, the annual and half-yearly accounts.

Information on Supervisory Board and Management Board members

Appointments and duties held in 2004 by the members of the Supervisory Board and the Management Board. Remuneration and benefits paid by the Company and received from controlled companies during the 2004 fiscal year and the period of the corporate officer's appointment (gross amounts); variable remuneration (gross amount) for 2004 paid in 2005 to the members of the Management Board; reminder of gross remuneration and benefits paid in 2003. No member of the Supervisory Board or Management Board received compensation from the company that controls Pinault-Printemps-Redoute (Artémis) during the year.

Supervisory Board

Patricia Barbizet

Chairman of the Supervisory Board
Member of the Supervisory Board (since December 11, 1992 – current term expires in 2010), born on April 17, 1955

CEO of Financière Pinault
Member of the Supervisory Board of Financière Pinault [1]
CEO and Director of Artémis
Chairman and CEO of Piasa
Chairman of the Board of Directors of la Société Nouvelle du Théâtre Marigny
Chairman of Christies International Plc (UK)
Director of:
- Air France
- Fnac SA
- TF1

Member of the Supervisory Board of:
- Gucci Group NV (Netherlands)
- Yves Saint Laurent Parfums [1]
- Yves Saint Laurent

Permanent Representative of Artémis on the Board of Directors of:
- Agefi
- Bouygues
- Sebdo Le Point

Member of the Managing Board of Château Latour

Remuneration and benefits in 2004: €335,562 (including €45,562 in attendance fees and €60,000 in director's fees paid by Gucci Group NV).
Remuneration and benefits in 2003: €341,136.
Number of shares held: 1,040.

[1] Terms of office or duties starting or ending in 2004.
Main appointments and duties in bold.

François-Henri Pinault

Vice-Chairman of the Supervisory Board (from March 20, 2005)
Member of the Supervisory Board (from January 17, 2001 – to March 20, 2005), born on May 28, 1962

Chairman of the Management Board (effective March 21, 2005)
General Manager of Financière Pinault
Chairman of the Board of Directors of Artémis
Director of:
- Afipa
- Fnac SA
- Soft Computing
- TV Breizh [1]

Member of the Supervisory Board of Gucci Group NV
Permanent Representative of Artémis on the Board of Directors of Conforama Holding
Permanent Representative of Financière Pinault on the Bouygues Board of Directors
Chairman and CEO of Simetra Obligations
Member of the Managing Board of Château Latour

Remuneration and benefits paid in 2004: €156,927 (including €51,775 in attendance fees and €59,417 in director's fees paid by Gucci Group NV).
Remuneration and benefits in 2003: €136,761.
Number of shares held: 78,390.

René Barbier de La Serre

Member of the Supervisory Board (since May 10, 1999 – term expires in 2010), born on July 3, 1940

Vice-Chairman of the Supervisory Board (effective March 21, 2005)

Director of
- Calyon [1]
- Sanofi Aventis
- Schneider Electric
- Tawa UK Ltd. [1]

Member of the Supervisory Board of:
- Compagnie Financière Saint Honoré
- La Compagnie financière Edmond de Rothschild Banque
- Euronext NV (Netherlands)

Advisor to the Board of:
- Fimalac
- Nord Est

Acting Director of Harwanne Compagnie de participations industrielles et financières SA (Switzerland)

Remuneration and benefits 2004: €68,562 (including attendance fees of €45,562).
Remuneration and benefits in 2003: €69,340.
Number of shares held: 1,500.

Pierre Bellon

Member of the Supervisory Board (since December 19, 2001 – term expires in 2008), born on January 24, 1930

Chairman of the Board of Directors and CEO of Sodexho Alliance
Chairman of the Supervisory Board of Bellon SA
Director of different subsidiaries of Sodexho Group
Vice-Chairman of the Medef
Director of the Association Nationale des Sociétés par Actions – ANSA

Remuneration and benefits 2004: €35,207 (attendance fees).
Remuneration and benefits in 2003: €34,755.
Number of shares held: 1,170.

Allan Chapin

Member of the Supervisory Board (since May 21, 2002 – term expires in 2008), born on August 28, 1941

Partner in Compass Advisers LLP
Director of:
- InBev
- General Security National Insurance Company
- Scor Reinsurance Co.
- Scor SA
- Taransay Investment Limited [1]
- French American Foundation

Advisory Board Member of Toronto Blue Jays [1]
Chairman of The American Friends of the Pompidou Foundation

Remuneration and benefits in 2004: €27,958 [2] (attendance fees).
Remuneration and benefits in 2003: €24,328 [2].
Number of shares held: 500.

Luca Cordero di Montezemolo

Member of the Supervisory Board (since December 19, 2001 – term expires in 2010), born on August 31, 1947

Chairman of Ferrari (Italy)
Chairman of:
- Bologna Fiere
- Bologna Congressi
- Fiat [1]
- Fieg [1]
- Imprenditori Associati [1]
- Maserati
- Montezemolo & Partners

Vice-Chairman of ITEDI
Member of the Board of Directors of:
- Aelia
- Bologna Football Club 1909
- Editrice La Stampa

[1] Appointments or duties starting or ending in 2004.
[2] Amount paid after withholding taxes.
Main appointments and duties in bold.

IFI Iniziative Fieristiche Internazionali
Itama Cantieri Navali
Linea Pelle
Merloni Elettrodomestici
Parco di Roma
Tod's
Unicredit Banca d'Impresa [1]
Victoria 2000

Remuneration and benefits in 2004: €18,639 [2] (attendance fees).
Remuneration and benefits in 2003: €22,591 [2].
Number of shares held: 500.

Anthony Hamilton

Member of the Supervisory Board (since May 21, 2002 – term expires in 2008), born on October 11, 1941

Chairman AXA UK Plc
Chairman, Corporate Finance of Fox-Pitt Kelton Group Limited (UK) [1]
Chairman of Axa Equity & Law plc (UK)
Director of:
Axa Financial Inc. (USA)
Binley Limited (UK)
CX Reinsurance Company Limited (UK) [1]
Fox-Pitt, Kelton Limited (UK) [1]
Fox-Pitt, Kelton Group Limited (UK) [1]
Swiss Re Capital Markets Limited (UK)
Tawa UK Limited [1]
Member of the Supervisory Board of Axa

Remuneration and benefits in 2004: €30,289 [2] (attendance fees).
Remuneration and benefits in 2003: €24,328 [2].
Number of shares held: 1,000.

François Henrot

Member of the Supervisory Board (from September 20, 1995 – to March 29, 2005), born on July 3, 1949

Managing Partner of Rothschild et Cie Banque
Director of:
Carrefour
Eramet
Member of the Supervisory Board of:
Cogedim
Vallourec

Remuneration and benefits in 2004: €38,314 (attendance fees).
Remuneration and benefits in 2003: €38,231.
Number of shares held: 500.

Philippe Lagayette

Member of the Supervisory Board (since January 20, 1999 – term expires in 2006), born on June 16, 1943

Chairman and CEO of JP Morgan et Cie SA
Director of:
Eurotunnel [1]
Fimalac
La Poste
Managing Director and Chairman of the Paris Management Committee of JP Morgan Chase Bank

Remuneration and benefits in 2004: €41,420 (attendance fees).
Remuneration and benefits in 2003: €34,755.
Number of shares held: 500.

Alain Minc

Member of the Supervisory Board (since November 27, 1991 – term expires in 2008), born on April 15, 1949

Chairman of AM Conseil
Chairman of the Supervisory Board of Le Monde
Director of:
Fnac SA
Valeo
Vinci

Remuneration and benefits in 2004: €310,684 (including €37,278 in attendance fees and €273,406 relating to services provided by AM Conseil).
Remuneration and benefits in 2003: €315,112 (including €41,706 in attendance fees and €273,406 relating to services provided by AM Conseil).
Number of shares held: 500.

François Pinault

Member of the Supervisory Board (since May 5, 1993 – term expires in 2010), born on August 21, 1936

General Manager of Financière Pinault
Director of Artémis
Chairman and CEO of Garuda
Member of the Managing Board of Château Latour
Director of Renault [1]

Remuneration and benefits in 2004: €37,278.
Remuneration and benefits in 2003: €59,499 (including €41,706 in attendance fees).
Number of shares held: 500.

[1] Appointments or duties starting or ending in 2004.
[2] Amount paid after withholding taxes.
Main appointments and duties in bold.

Baudouin Prot

Member of the Supervisory Board (since March 11, 1998 – term expires in 2008), born on May 24, 1951

Chairman and CEO of BNP-Paribas
Director of:
- Veolia Environnement
- Pargesa Holding SA [1]

Member of the Supervisory Board of ERBE [1]
Permanent Representative of BNP-Paribas on the Supervisory Board of Accor

Remuneration and benefits in 2004: €28,994 (attendance fees).
Remuneration and benefits in 2003: €34,755.
Number of shares held: 625.

Bruno Roger

Member of the Supervisory Board (since February 18, 1994 – term expires in 2006), born on August 6, 1933

Chairman of Lazard Frères SAS
Member of the Supervisory Board of Eurazeo [1]
Advisor to the Board of Eurazeo [1]
Director of:
- Cap Gemini
- Compagnie de Saint-Gobain
- Sofina (Belgium) [1]

Member of the Supervisory Board of Axa

Remuneration and benefits in 2004: €37,278 (attendance fees).
Remuneration and benefits in 2003: €46,340.
Number of shares held: 1,000.

Management Board

Serge Weinberg

Chairman of the Management Board (until March 20, 2005) (Member of the Management Board from June 17, 1993 to March 20, 2005), born on February 10, 1951

Chairman of the Supervisory Board of:
- France-Printemps
- Gucci Group NV (Netherlands) [1]
- Redcats

Member of the Supervisory Board of Gucci Group NV (Netherlands)
Director of:
- Fnac SA
- Rexel

Permanent Representative of Tennessee on the Board of Directors
- of Bouygues

General Manager of:
- Adoval
- Maremma
- Serole

Remuneration and benefits in 2004: €2,226,525 including €762,252 in annual remuneration as Chairman of the Management Board, €737,748 in fixed annual employee remuneration, €300,000 in guaranteed variable remuneration for 2004, €300,000 in variable remuneration paid in 2004 for 2003, €4,525 in in-kind benefits (company car), and €122,000 in director's fees.
Variable remuneration paid in 2005 for 2004: €800,000.
Remuneration and benefits in 2003: €1,869,115.
Number of shares held: 119,900.

Thierry Falque-Pierrotin

Member of the Management Board (since December 19, 2001 – term expires in 2007), born on November 1, 1959

Chairman and CEAO of Redcats
Chairman of Redcats International
Non-executive director of Redcats UK PLC
Board Member of Redcats Nordic [1]
Chairman of the Board of:
- Redcats USA LLC
- Redcats USA Inc.

Chairman of the Supervisory Board of Rouafi (Orcanta) [1]
Permanent Representative of Redcats, Director of La Redoute [1]
Director of IMS International Metal Service [1]
Member of the Supervisory Board of:
- Conforama Holding [1]
- Finaref

Remuneration and benefits in 2004: €935,664 including €658,652 in total fixed annual remuneration, €21,348 in annual remuneration as a Member of the Management Board, €250,000 in variable remuneration for 2003 paid in 2004 and €5,664 in in-kind benefits (company car).
Variable remuneration paid in 2005 for 2004: €275,498.
Remuneration and benefits in 2003: €765,829.
Number of shares held: 17,200.

André Guilbert

Member of the Management Board (from June 5, 1998 to February 16, 2004), born on February 16, 1932

Remuneration and benefits in 2004: €2,761 (annual remuneration as a Member of the Management Board).
Remuneration and benefits in 2003: €21,348.
Number of shares held: 2,348,925.

[1] Appointments or duties starting or ending in 2004.
[2] Amount paid after withholding taxes.
Main appointments and duties in bold.

Per Kaufmann

Member of the Management Board (from January 21, 1998 to February 3, 2005), born on March 30, 1956

Chairman and CEO of Conforama Holding
Chairman of the Board of Directors of:
- Conforama España [1]
- Conforama France [1]
- Conforama Italia
- Conforama Luxembourg
- Conforama SA (Switzerland)
- Hipermovel Mobiliario e Decoraçao (Portugal)
- IPEA

Chairman of Cogedem
Director of:
- Conforama Investmenti [1]
- Conforama Asia Pte Ltd. (Singapore)
- Copres Corporation Ltd. (Taiwan) [1]
- Facet
- Finaref
- FNAEM
- Klastek Invest SL (Spain) [1]
- Chairman of the Supervisory Board of Conforama Polska (Poland)

Member of the Supervisory Board of SNFA
General Manager of Conforama Management Services

Remuneration and benefits in 2004: €576,497 including €466,500 in total annual fixed remuneration, €21,348 in annual remuneration as a Member of the Management Board, €83,811 in variable remuneration for 2003, and €4,838 in in-kind benefits (company car).
Variable remuneration paid in 2005 for 2004: €83,811.
Remuneration and benefits in 2003: €588,215.
Number of shares held: 5.

Denis Olivennes

Member of the Management Board (since September 4, 2002 – term expires in 2007), born on October 18, 1960

Chairman and CEO of Fnac SA
Member of the Board of Directors of Conforama Holding
Chairman of the Board of Directors and Acting Director of:
- Grandes Almacenes Fnac España
- Fnac Belgium

Chairman of the Board of Directors of Fnac Switzerland
Vice-Chairman of Fnac Italy
General Manager of Fnac Portugal
Member of the Supervisory Board of Finaref
Director of Cineteve

Remuneration and benefits 2004: €1,111,696 including €828,652 in total fixed annual remuneration, €21,348 in annual remuneration as a Member of the Management Board, €255,737 in variable remuneration for 2003, and €5,959 in in-kind benefits (company car).
Variable remuneration paid in 2005 for 2004: €428,488.
Remuneration and benefits in 2003: €940,209.
Number of shares held: 200.

Robert Polet

Member of the Management Board (since July 7, 2004 – term expires in 2007), born on July 25, 1955

Chairman of the Management Board and CEO of Gucci Group NV [1]
Member of the Board of Directors of:
- Bedat SA [1]
- Bedat Holding SA [1]
- Gucci America Inc. [1]
- Gucci Group Japan Limited [1]
- Gucci Group Holding Limited [1]
- Gucci Korea Limited [1]
- Gucci Luxembourg SA [1]
- Luxury Timepieces International [1]
- Yugen Kaisha Gucci [1]

Chairman of the Board of Directors of:
- Gucci Logistica SpA [1]
- Guccio Gucci SpA [1]
- Luxury Goods International [1]
- Luxury Goods Italia SpA [1]

Remuneration and benefits in 2004: €604,764 including €589,326 in total fixed annual remuneration, €10,351 in annual remuneration as a Member of the Management Board, and €5,087 in in-kind benefits (company car).
Variable remuneration paid in 2005 for 2004: €1,200,000.
Number of shares held: 0.

[1] Appointments or duties starting or ending in 2004.
[2] Amount paid after withholding taxes.
Main appointments and duties in bold.

Stock option or stock purchase plans granted to corporate officers and options exercised

Stock option or stock purchase plans granted to each corporate officer and options exercised by the latter	Number of options granted Number of shares subscribed or purchased [1]	Price	Maturity dates	Plans
Serge Weinberg	50,000	85.57	05/24/2014	PPR stock option subscription plan 2004-I
Thierry Falque-Pierrotin	15,000	85.57	05/24/2014	PPR stock option subscription plan 2004-I
Per Kaufmann	10,000	85.57	05/24/2014	PPR stock option subscription plan 2004-I
Denis Olivennes	15,000	85.57	05/24/2014	PPR stock option subscription plan 2004-I
Robert Polet	25,000	84.17	07/06/2014	PPR stock option subscription plan 2004-II
Options exercised by each corporate officer during the year	–	–	–	–

[1] None.

No loan or guarantee has been granted by the Company in favor of a member of the Management Board or Supervisory Board. There are no assets used in connection with the Group that belong either directly or indirectly to the Company's senior managers.

Fees paid by the Group to the Statutory Auditors and to the members of their organisations

(Amounts in € thousands)	2004				2003			
	KPMG Audit		DTT		KPMG Audit		DTT	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory auditors, certification, review of individual and consolidated accounts	4,256.3		4,121.4		3,765.0		4,080.9	
Other assignments [1]	4,229.1		892.6		1,832.8		1,630.3	
Sub-total	8,485.4	97.6%	5,014.0	92.1%	5,597.8	89.2%	5,711.2	81.9%
Other services								
Legal, tax, human resources [2]	209.0		324.2		678.4		1,209.7	
Consulting	-		-					
Other	-		106.0				52.0	
Sub-total	209.0	2.4%	430.2	7.9%	678.4	10.8%	1,261.7	18.1%
TOTAL	**8,694.4**	**100.0%**	**5,444.2**	**100.0%**	**6,276.2**	**100.0%**	**6,972.9**	**100.0%**

[1] In 2004, the other assignments concerned mainly the sale of Rexel as well the technical and methodological support in connection with the first application of the new IFRS accounting standards.
In 2003, the other assignments concerned mainly the sale of Guilbert and Gardiner as well as the technical and methodological support provided in connection with the first application of the new IFRS accounting standards.
[2] Mainly concerns foreign subsidiaries.

Report of the Chairman of the Supervisory Board on the preparation and organization of the Board's work and the internal control procedures implemented by the Company

Pursuant to Article L. 225-68, paragraph 6 of the Commercial Code, the report below discusses the conditions under which the work of the Supervisory Board is prepared and organized, as well as the internal control procedures put in place by the Company.

Conditions for the preparation and organization of the work of the Supervisory Board

The conditions for the preparation and organization of the work of the Supervisory Board are defined by the law, the Company Articles of Association, the Internal Rules of the Board and its specialized committees provided for in said rules.

The Board is made up of thirteen members with extensive experience in the areas of corporate strategy, finance, accounting, distribution, political economy and the management and supervision of commercial companies.

Pursuant to its internal rules and the law, the Supervisory Board meets at least four times a year. In order to help the Board members prepare for the subjects to be examined at each meeting, they receive in advance a file containing comprehensive information by topic on all agenda items.

In order to strengthen its functional procedures and to take into account the recommendations of the Viénot and Bouton reports, the Supervisory Board completed its Internal Rules in 2003. These Internal Rules set out and formalize the rules governing the organization and functional modalities of the Supervisory Board and the missions of its three committees: the Audit Committee, the Remuneration Committee and the Appointments Committee. (See Internal Rules).

The Internal Rules also reiterate the applicable legal provisions and also establish restrictions on the trading of shares of listed Group companies by defining closed periods and requiring the declaration of all dealings in Company shares. They define the frequency and modalities of Board meetings, and provide for attendance at Board meetings by videoconference. The Internal Rules also include the principle of the regular assessment of the Board's operations and define the criteria used to allocate attendance fees.

In the context of its overall control and supervisory functions, and without prejudice to the legal provisions governing the authorizations that the Board is required to grant (regulated agreements, endorsements, pledges and guarantees, divestments or sale of property, etc.), certain transactions by virtue of their nature or significance also require the prior authorization of the Supervisory Board.

The Supervisory Board carefully examines such transactions. Its Chairman ensures that he has received all of the necessary information from the Management Board within a suitable timeframe so that the Board can deliberate in a satisfactory manner.

Supervisory Board members' independence

In order to promote sound corporate governance, the Supervisory Board has decided to draw on the proposals contained in the Bouton Report, which are particularly aimed at single board limited companies (sociétés anonymes à Conseil d'administration). The Board has thus adopted the criteria set out in the Bouton Report in order to qualify members of the Supervisory Board as independent and to identify any potential conflict of interest, with the exception of the criterion of length of appointment. The Board does not consider this criterion essential given the considerable experience and knowledge of the company acquired by the Board members and the confidence placed in them by the shareholders. Based on these criteria, the following five members were qualified as independent members of the Supervisory Board, without prejudice to the independence of the other members: Messrs René Barbier de La Serre, Pierre Bellon, Allan Chapin, Luca Cordero di Montezemolo and Anthony Hamilton, or over one third of the Board members and two thirds of the Audit Committee and Appointments Committee members. The most senior term held by an independent member is that of René Barbier de la Serre, a member of the Supervisory Board since 1999.

Audit Committee

Within the limits of the functions delegated to the Supervisory Board and the Management Board, the main role of the Audit Committee is to ensure that the Company's accounting methods are appropriate, permanent and reliable, and to review the effective implementation of internal control and risk management procedures.

The Audit Committee is made up of three members of the Board: Messrs. René Barbier de La Serre, Chairman, Anthony Hamilton and François-Henri Pinault.

Remuneration Committee

The role of the Remuneration Committee is to make proposals to the Supervisory Board on the remuneration and stock options granted to members of the Management Board and the remuneration of the Chairman and Vice-Chairman of the Supervisory Board.

The Remuneration Committee is made up of five members of the Board: Mrs. Patricia Barbizet, Chairman, and Messrs. François Henrot, Philippe Lagayette, François-Henri Pinault and Bruno Roger.

Appointments Committee

The role of the Appointments Committee is to examine the proposals for appointments to the Management Board and those concerning members of the Supervisory Board before they are presented to the General Shareholders Meeting for approval or to the Supervisory Board in the event of a vacancy. The Committee is also responsible for assessing the independence of the Supervisory Board members, on the basis of criteria defined by the Board.

The Appointments Committee is made up of three members of the Board: Mrs. Patricia Barbizet, Chairman, and Messrs. Pierre Bellon and Allan Chapin.

Activity of the Supervisory Board in 2004

The Supervisory Board met seven times in 2004, with an average attendance rate of 82%.

Date	Number of Directors present (Attendance rate)
March 3, 2004	13/13 (100%)
May 25, 2004	12/13 (92%)
July 7, 2004	11/13 (85%)
September 1st, 2004	13/13 (100%)
September 28, 2004	8/13 (62%)
November 29, 2004	8/13 (62%)
December 8, 2004	10/13 (77%)

The work of the Supervisory Board mainly involved reviewing the annual and half-yearly accounts, performing checks on the work of the Management Board and assessing strategic issues.

After examination by the Audit Committee, the Supervisory Board reviewed the 2003 annual accounts at its March 3, 2004 meeting, and the Group's half-year accounts as approved by the Management Board at its September 1, 2004 meeting.

Last year, the Supervisory Board authorized the Management Board to proceed with the sale of Rexel to a consortium made up of Clayton, Dubillier & Rice, Eurazeo, and Merrill Lynch Global Private Equity.

On the recommendation of the Appointments Committee (deliberating without the presence of its Chairman), the Board also renewed the term of office of Mrs. Patricia Barbizet as Chairman of the Board, and Chairman of the Appointments Committee and the Remuneration Committee. It also appointed Mr. Robert Polet, Chairman of Gucci Group NV, to the Management Board.

On the recommendation of the Remuneration Committee, the Supervisory Board set the remuneration and the stock options to be granted to the members of the Management Board and authorized some changes to the employment agreement of the Chairman of the Management Board.

The Supervisory Board distributed the attendance fees authorized by the General Shareholders Meeting in accordance with the modalities provided for in its internal rules. The total amount of attendance fees paid during the fiscal year amounted to €526,886, including a special fee of €23,000 paid to the Chairman of the Audit Committee. The Chairman and Vice-Chairman of the Supervisory Board both receive remuneration, which is set by the Board (€230,000 and €45,735 respectively in 2004).

Activity of the Supervisory Board in 2005 until March 16

Between the beginning of the year and March 16, 2005, the Supervisory Board met three times. It acknowledged the resignation of Mr. Per Kaufmann from the Management Board effective February 3, 2005 and the departure of Mr. Serge Weinberg effective March 20, 2005. On the recommendation of the Appointments Committee, the Board appointed Mr. François-Henri Pinault as member and Chairman of the Management Board effective March 21, 2005.

After examination by the Audit Committee during its March 16, 2005 meeting, the Supervisory Board examined the 2004 annual accounts as approved by the Management Board. It also took note of the resignation of Mr. François-Henri Pinault as member and Vice-Chairman of the Supervisory Board effective March 20, 2005, and appointed Mr. René Barbier de la Serre as Vice-Chairman of the Supervisory Board effective March 21, 2005.

Assessment of the Supervisory Board

In accordance with its internal rules, the Supervisory Board conducted its annual evaluation for 2003 by means of a questionnaire filled out by each member of the Board. The results of this exercise were discussed during the Supervisory Board meeting of March 3, 2004. The same procedure designed to evaluate the operations of the Supervisory Board in 2004 was followed at the March 16, 2005 meeting and it confirmed that major issues were properly reported, examined and discussed during meetings under suitable conditions, and the contribution of each member to the work of the Board was assessed.

Activity of the Audit Committee in 2004 and in 2005 up to March 16, 2005

The Committee met four times in 2004 (100% attendance every time). Two of its meetings were devoted mainly to a review of the half-year and annual accounts, and two meetings were devoted more specifically to different subjects related to the Committee's mission, namely general risks, financial and cash management policy, accounting standards, the internal audit plan and the monitoring of internal auditing assignments within the Company and the Group. The transition to IFRS standards and/or the internal resources implemented to apply them were discussed at all the Audit Committee meetings in 2004 and 2005.

Last year, the Committee reviewed the 2003 annual accounts and the Group's half-year accounts as approved by the Management Board. This review focused in particular on the scope of consolidated companies, the existing control procedures and major risks and off-balance sheet commitments. To this end, the Committee interviewed representatives of the Company's finance and accounting departments, the internal audit department and the Statutory Auditors. It also interviewed the Statutory Auditors regarding their assignments at the consolidated companies outside the presence of the company's management. The audit assignments carried out by the Statutory Auditors, as well as their fees, were closely examined.

Between the beginning of the year and March 16, 2005, the Committee met twice (100% attendance). It reviewed the 2004 annual accounts as approved by the Management Board. The review covered the scope of consolidated companies, the auditing procedures in effect, as well as any significant off-balance sheet risks or commitments. To this end, the Committee interviewed representatives of the Company's finance and accounts departments, the internal audit department and the Statutory Auditors. The audit assignments carried out by the Statutory Auditors, as well as their fees, were closely examined. It also recommended that the Supervisory Board approve the appointment of BEAS as an Alternate Statutory Auditor.

The Audit Committee submitted the results of its work and proposals to the Supervisory Board.

Activity of the Remuneration Committee in 2004 and in 2005 up to March 16, 2005

The Committee met four times in 2004 (90% attendance rate) to inform itself of the general remuneration policy and the allocation of options to executive managers and to consider the allocation of options and the remuneration policy for members of the Management Board. The remuneration of members of the Management Board includes a fixed amount and a variable amount calculated both on the basis of profitability indicators, such as operating income and return on capital, and on the basis of specific targets relating to their respective areas of responsibility, compared to budget forecasts. The Committee also discussed and formulated recommendations to the Supervisory Board concerning certain changes to the employment agreement of the Chairman of the Management Board; it reviewed the contractual indemnity provisions of all of the members of the Management Board, the conditions in which the latter apply and their amount which range between one and three years annual global gross remuneration.

Between the beginning of 2005 and March 16, the Committee met twice (80% attendance rate). It ensured the strict application of the employment agreement of the Chairman of the Management Board regarding the terms of his departure on March 20, 2005. It also held discussions aimed at preparing proposals concerning remuneration of the members of the Management Board, specifically fixed remuneration for 2005 and the variable remuneration for 2004.

The Remuneration Committee submitted the results of its work and recommendations to the Supervisory Board

Activity of the Appointments Committee in 2004 and in 2005 up to March 16, 2005

The Committee met three times in 2004 (89% attendance rate) to make recommendations to the Supervisory Board regarding the renewal of the appointments of members of the Supervisory Board, the renewal of Mrs. Patricia Barbizet's appointment as Chairman of the Supervisory Board, an assessment of the independence of the members of the Supervisory Board and the appointment of Mr. Robert Polet as a member of the Management Board.

The Appointments Committee met once in 2005 (100% attendance rate) to recommend the appointment of Mr. François-Henri Pinault as member and Chairman of the Company's Management Board effective March 21, 2005.

The Appointments Committee submitted the results of its work and recommendations to the Supervisory Board.

Internal control procedures implemented by the company

Pinault-Printemps-Redoute (PPR) is the holding company of the Pinault-Printemps-Redoute Group, the European leader in specialized distribution and a major player in the luxury goods industry. The main consolidated companies include Fnac, Conforama, Printemps, Redcats, CFAO and Gucci Group.

As a holding company, Pinault-Printemps-Redoute's main activity consists in managing its investments, financing the activities of its subsidiaries, ensuring support and communication functions and developing cross-functional resources for the entire Pinault-Printemps-Redoute Group, notably in the area of purchasing (PPR Purchasing, Buyco, and GNX).

Outline of the objectives of internal control procedures

Internal control at the Pinault-Printemps-Redoute Group is structured in order to help ensure that the parent company and consolidated financial statements provide a fair and accurate view of its financial position and offer a reasonable assessment of risks of any nature the company may face. In order to do so, this process is applied at every level of the organization within each company and is overseen by the operating and functional departments.

At the Pinault-Printemps-Redoute level, a structure has been set up that defines the area of responsibility of each major operational or functional department and any related authorizations.

The senior managers of the Company have been given the responsibility of implementing internal control procedures to ensure consistency and reliability in the consolidated financial statements and to provide a true and fair view of the Company's financial position and risks of any nature that may prevent the company from achieving objectives that fall into the following categories:

- Performance and optimization of operations,
- Reliability of financial information,
- Compliance with laws and regulations in force.

Internal control assists the management in decision-making, enabling managers to reach these objectives.

It is important to note that, regardless of the quality of internal control and the degree to which it is applied, it can provide only a reasonable assurance as to whether the above objectives have been met.
In fact, the probability of meeting them is subject to the limits inherent in any internal control system, such as:
• human error or malfunctions occurring when decisions are made or when they are applied,
• deliberate collusion amongst several individuals, enabling them to elude the control system,
• cases where a control is put in place and even maintained when it is more costly than the risk it is supposed to address.
Furthermore, it is understood that in pursuing the objectives indicated above, the company is faced with events and unexpected occurrences beyond its control (unexpected changes in the markets and in the competition, unexpected changes in the geopolitical situation or in the assessment of the effects of such changes on the organization, etc.).

General organization of internal control procedures

• All levels of the organization have day-to-day responsibilities in terms of internal control procedures, in particular:

1. At the Supervisory Board level, which relies on the work carried out by the Audit Committee, whose role includes overseeing the effective implementation of internal control procedures and managing risk. Its operating procedures are outlined in its internal rules;

2. At the Audit Committees level established in every company in the Group in 2004, the members of which come from the different Boards of Directors. These Committees have been established based on the Group's Audit Committee and are organized according to the specific risk characteristics of the different businesses, thereby enhancing the pyramidal structure of the internal control procedures.

3. At the level of the other control functions, including:

   The Group's Internal Audit Department, which, in coordination with the Statutory Auditors and the Audit Committee, is responsible for checking the control procedures implemented by other departments. It presents the progress reports on the audit plan at least twice a year to the Audit Committee. Its operating procedures are outlined in the Audit Charter;

   The Group's Financial Control Department, which contributes to Group management through the coordination of the planning and reporting processes, is responsible for monitoring company activities and overseeing the preparation of the Group's consolidated financial statements.

• At the operating level, internal control procedures refer to the following documents which are distributed to the various managers and their teams:

The Code of Ethics describes the values of integrity and professionalism on which the Group is founded. Its recommendations serve as a reference for all of the Company's operating and functional departments;

The Code of Business Conduct, the deployment of which was gradually implemented in 2004 and will continue in 2005, outlines clear principles and basic rules to guide employees' day-to-day actions and behavior.

The Pinault-Printemps-Redoute Audit Charter defines the organization and operating procedures of the Company's Internal Audit department as well as the interaction with other control functions of the Group and companies and with the Statutory Auditors;

Some Company functions are also based on procedure manuals which outline the best practices to be applied within the scope of their respective businesses, for example in terms of accounting, financial or cash management procedures.

- Financial and accounting information is provided by the Corporate Secretary's department, which oversees the Financial Control and the Finance and Treasury Departments.

- The Statutory Auditors certify the Group's parent company and consolidated financial accounts on an annual basis and issue a limited report on the Group's half-yearly consolidated financial accounts.

Summary of internal control procedures

Given the decentralization of functions and responsibilities, the internal control system was structured around a number of policies, procedures and practices which aim to ensure that the necessary measures are taken to control the risks that could have a significant impact on the Company's financial position or the achievement of its objectives. In accordance with the recommendations of the COB, in particular that of January 16, 2003 on the preparation of the 2002 reference documents and the recommendation of the AMF of January 23, 2004, the management of the different risks is presented in the Company's Annual Report.

- The Pinault-Printemps-Redoute Group's strategy and objectives are discussed annually through a number of medium-term plans and budgets of operating units of each Group company.

- Within each company, management defines for employees its operating policies and procedures which aim to harmonize working methods and improve the efficiency of the operations.

- As for human resources management, the Group implements policies in order to improve professional performance and personal development, applying high standards of employee dialogue and participation in the business, both in terms of the choice of union representation and sharing development results, and has set up tools to assess its human resources environment (opinion polls). It also oversees the proper allocation of resources within the Group, notably through regular appraisals of positions, remuneration levels, skills and staffing. The employee succession plans for key positions also contribute to the development of the organization.

- At the IT resources level, the Information Systems Department participates in the technical and financial assessment carried out by companies when selecting IT solutions, notably when the budgets and medium-term plans are defined. The Group's main IT projects are monitored continually to ensure that they are carried out smoothly.

- Representatives of Group companies meet regularly to share information on operations and strategy, exchange skills and deploy best practices throughout the Group, for example, through strategic committees coordinated by Pinault-Printemps-Redoute's Strategy and Planning Department (E-commerce Committee and Customer Marketing Committee) or Country Committees which bring together senior managers from each company with operations in a given foreign country.

This organization is strengthened by the centralization of technical expertise applied at the Group level.

- The Strategy Department assists Group companies in defining their strategy and participates in projects by providing them with a number of support services (market intelligence, research, etc.). It also manages and coordinates all of the Group's cross-functional projects.

- The Corporate Development Department coordinates the Group's annual planning process by contributing to the definition of the strategy and operations set out in the medium-term plans of companies.

- The Communications and Corporate Affairs Department oversees the external communication on the Group (in terms of financial information, strategy, labor issues, etc.) with the exception of customer communication (sales, advertising, marketing, etc.) which is defined and managed at the company level.

- The Finance and Treasury Department ensures the implementation of interest rate and currency derivative transactions and coordinates the cash management of the subsidiaries. It provides instructions in terms of the allocation of transactions by bank, coordinates Group bids and ensures consistency between published financial information and policies governing interest rate, currency and liquidity risk management. Almost all of the financing is set up by Pinault-Printemps- Redoute or PPR Finance. Exceptions are analyzed on a case-by-case basis according to specific opportunities or restrictions, notably in the case of listed subsidiaries, and require the approval of Pinault-Printemps-Redoute.

- The Legal Department assists the companies on significant legal matters and coordinates research and analysis on common subjects of interest to the companies or on subjects of particular interest to the Group.

- The Tax Department coordinates the Group's tax policy, advises and assists the companies on all issues related to tax law as well as in the implementation of tax consolidation in France.

- The Real Estate Department manages and coordinates significant real estate deals for the entire Group.

- The Insurance Department is responsible for implementing and monitoring the Group's various insurance policies.

Description of internal control procedures concerning the presentation of accounting and financial information

The production and analysis of financial information is based on a set of finance management procedures including:

- Medium-term plans, which measure impacts on the Group's financial structure and management. They also serve as a basis for the Group's annual assessment of the carrying value in use of assets in relation to the various operating units;

- Budgets, drawn up on the basis of discussions between the operating departments and the Group's Senior Management, are broken down into two phases: a pre-budget describing the financial structure and operating action plans is defined in the fourth quarter of the previous year and approved early in the first quarter of the following year, taking into account significant intervening events, where applicable;

- The Group's reporting, which monitors company performances throughout the year using specific indicators whose consistency and reliability have been reviewed by the Financial Control Department. Since 2004, the Group's reporting is based on a new consolidation/reporting tool that provides an additional level of security in the transmission of financial data as a result of a more complete management process (central administration of the database including data validation levels at each consolidation threshold) as well as new functions that can be used to develop additional indicators. The Financial Control Department also ensures that the accounting methods applied by the companies are consistent with Group rules and performs a comparative analysis with the budget and the previous year's figures in conjunction with the financial controllers of the companies;

- The Company's senior management and the Chairmen and corporate secretaries of Group companies hold a meeting every month to assess company activities on the basis of financial results and operations;

- The statutory consolidation of the financial statements is established at the end of June and the end of December using the Group's consolidation tool. The companies' consolidation packages are validated by the Statutory Auditors and signed by the companies' financial directors or accounting managers who are accountable for the reliability of their content. Before each consolidation, the Group's Financial Control Department provides the companies with instructions specifying the list of reports to be sent, the common assumptions to be used and the specific points to be taken into account;

- Group investments are broken down into two threshold categories and approved accordingly:
  - Strategic investments over the fixed limit of €15 million are subject to review by the Executive Committee of Pinault-Printemps-Redoute, while those over €500 million are subject to approval by the Management Board and Supervisory Board.
  - Each year for operating investments, the Group defines a budget for the year ahead and ensures that expenditure does not exceed the pre-defined amount.

- The Group regularly monitors changes in the off-balance sheet commitments of its companies. This check is carried out as part of the statutory consolidation process whereby companies are required to provide an exhaustive list of their commercial or financial commitments along with a follow-up from year to year.

Analysis of internal control procedures of Pinault-Printemps-Redoute

The internal control procedures implemented by Company managers and incorporated into their day-to-day functions as described above are part of an ongoing strategy designed to identify, assess and manage company risks. In this regard, and as anticipated in our previous Report, Pinault-Printemps-Redoute continued the analysis it began in 2003 of the internal control procedures used in its activities with the aim of assessing their adequacy and effectiveness.

The risk management department of an international auditing firm, which is not the Company's Statutory Auditor, also participated in the analysis.

The purpose of this approach is to further improve the management and efficiency of its operations in order to achieve both general and specific Group objectives and to specify the role of the operating departments in internal control matters.

The methodology applied is based on the following principles:

- appraisals were performed with approximately 200 key operating staff (approximately 80 in 2003) in major entities involving 650 points of control according to the segmentation by key process done in 2003:
  - strategic processes,
  - operating processes,
  - support processes.
- a summary of these appraisals was submitted to the Management of each company and to the Group's Management Board;
- the approach was presented to the Audit Committee of the Supervisory Board and the Executive Committee.

At this stage, the information resulting from this exercise serves as an additional indicator for each operating manager in the assessment of the quality of the internal control procedures for which they are responsible, thus making it possible to launch action plans for improvement, if necessary.
This exercise also contributes to the establishment of the Group's audit plan and improves the scope and efficiency of both internal and external audit assignments.

An analysis of the internal control procedures will now be formalized every year in order to update the Group's internal controls from a strategic, opeating and financial level and to ensure that they conform with the regulatory changes recommended by the *Autorité des Marchés Financiers* (AMF, French Financial Markets Regulatory Authority).

This analysis will be broadened to include a wider coverage of business activities as well as a higher level of detail of information by:
- increasing the number of appraisals,
- performing tests on key processes,
- identifying areas of improvement,
- implementing corrective measures where necessary.

This analysis will be based on a standardized evaluation internationally if such a standard is implemented in the future.

Progress reports will be sent to the Audit Committee of the Supervisory Board on a regular basis. The main conclusions will serve as a basis for this report.

Chairman of the Supervisory Board

Statutory Auditors' Report prepared pursuant to the last paragraph of Article L. 225-235 of the Commercial Code, regarding the report by the Chairman of the Supervisory Board on internal control procedures related to the preparation and treatment of the accounting and financial data

for the year ended December 31, 2004

Dear Shareholder;

As Statutory Auditors of Pinault-Printemps-Redoute and pursuant to the provisions of the last paragraph of Article L. 225-235 of the Commercial Code, we hereby present our conclusions on the report prepared by the Chairman of the Supervisory Board of your company, in accordance with the provisions of Article L. 225-68 of the Commercial Code for the year ended December 31, 2004.

It is the responsibility of the Chairman of the Supervisory Board to describe in her report the conditions for preparing and organizing the work of the Supervisory Board and the internal control procedures established by the company. It is our responsibility to report any comments we may have based on the information given in the Chairman's report, concerning the internal control procedures related to the preparation and treatment of the accounting and financial data.

We conducted our audit in accordance with professional standards applicable in France. This requires conducting checks to assess the accuracy of the information provided in the Chairman's report, concerning the internal control procedures related to the preparation and statement of accounting and financial information. These procedures consist of the following:

- examining the objectives and overall organization of internal control, as well as the internal control procedures related to the preparation and statement of the accounting and financial information submitted in the Chairman's report;
- examining the procedures underpinning the information thus given in the report.

Based on this audit, we have no comment to make on the information given concerning the company's internal control procedures related to the preparation and treatment of the accounting and financial information contained in the report by the Chairman of the Supervisory Board, prepared in accordance with the provisions of the last paragraph of Article L. 225-68 of the Commercial Code.

Neuilly-sur-Seine and Paris La Défense, March 16, 2005.
The Statutory Auditors

Deloitte & Associés	KPMG Audit Department of KPMG SA
Pascale Chastaing-Doblin Amadou Raimi	Patrick-Hubert Petit

Supervisory Board Internal Rules

Supervisory Board Meetings

The Supervisory Board meets at least four times a year. The Chairman ensures that the information provided to the members of the Supervisory Board by the Management Board is sufficient to enable the Board to deliberate in possession of all necessary information.

Members of the Supervisory Board and other persons attending the meetings, whether on an occasional or consultative basis, are bound by an obligation of confidentiality towards the Company. They are informed of this obligation by the Chairman at the latest during the first meeting they attend.

Pursuant to article L.225-82 of the Commercial Code, Board members who take part in a Board meeting by videoconference facilities are deemed to be present for the purposes of calculating the quorum and the majority. However, this provision is not applicable in the case of the decisions provided for in Articles L. 225-59 (appointment of the members and Chairman of the Management Board) and L. 225-81 of the French Commercial Code (election of the Chairman and Vice-Chairman of the Supervisory Board and the setting of their compensation). The videoconference facilities used must comply with technical requirements enabling the users to actually take part in the Board meeting the proceedings of which must be transmitted without interruption.

Members of the Supervisory Board who, while attending a meeting, do not wish to cast a vote, are counted in the quorum and are not counted in the vote calculation.

Supervisory Board Authorizations

In the context of its control and supervisory functions, and without prejudice to the authorizations which must be granted by the Supervisory Board in accordance with the law (regulated agreements, endorsements, pledges and guarantees, divestments or sale of real property, etc.), pursuant to the Articles of Association, the prior authorization of the Supervisory Board is required for the Management Board to proceed with the following:

a) transactions which might substantially affect Group strategy, its financial structure or its scope of activity,
b) issuance of shares and share equivalents, which could result in a change in share capital,
c) the following transactions provided that each one exceeds a certain sum as fixed by the Supervisory Board:

- any acquisitions in any existing or new companies, any equity participation in the establishment of any company, associations or organizations, any subscription to share issues, partnership shares, or bonds,
- any exchanges, with or without a cash balance, regarding goods, shares or securities, the acquisition of real estate or similar assets, any purchase or sale, by any means of any type of debt.

These transactions are carefully examined by the Supervisory Board. The Chairman of the Supervisory Board ensures that the necessary information is provided by the Management Board in sufficient time and detail to allow the Supervisory Board to deliberate appropriately.

Committees

To enable it to carry out its control and supervisory functions in the best possible conditions and in accordance with the law, particularly as regards the powers of the Management Board, the Supervisory Board, in its concern for sound corporate governance, has established three committees: the Audit, Remuneration and Appointments Committees. The members of these committees are selected freely by the Supervisory Board from among its members.

Each committee defines its own means of organization and operation while adhering to the collegial principle of the Supervisory Board.

The Committees report to the Supervisory Board on a regular basis.

Any Committee member may at any time, and as he or she sees fit, update the Chairman of the Supervisory Board on any aspect of the Committee's work.

Committee members are bound by the same confidentiality obligation as in their capacity as members of the Supervisory Board. Other persons attending the Committee meetings, be it on an occasional or consultative basis, are bound by the same obligation; they are informed of their confidentiality obligation by the Committee Chairman at the latest during the first meeting they attend.

Audit Committee

Within the limits of the powers delegated to the Supervisory Board, the mission of the Audit Committee is to ensure that the Company's accounting methods are appropriate, permanent and reliable, and to review the effective implementation of internal control and risk management procedures.

Each year it reviews the fees charged by the Company's Statutory Auditors and assesses their independence.

The Committee deliberates on the prior checks that need to be conducted in connection with producing the annual and half-year accounts.

It may interview, question, and request explanations from the Company's and the Group's consolidated companies' Statutory Auditors and has access to all documents in order to perform their duties.

With the prior agreement of the Management Board, it may interview any staff member, board member or third party, as well as the Company's finance department.

The Audit Committee's mission also includes reviews of candidates for Statutory Auditor positions prior to their appointment by the General Shareholders Meeting. In this context, it examines their fees and assesses their independence. The Committee can also initiate the review of any potential candidate for appointment as Statutory Auditor.

The Committee may meet at any time, at the request of its Chairman, in the context of its missions.

Remuneration Committee

The mission of the Remuneration Committee is to make proposals to the Supervisory Board with respect to the compensation and stock options to be granted to members of the Management Board as well as the compensation of the Chairman and Vice-Chairman of the Supervisory Board.

The Committee deliberates prior to the decision of the Supervisory Board which determines the compensation or the share options to be granted.

Appointments Committee

The mission of the Appointments Committee is to examine and recommend to the Supervisory Board the appointment of the Management Board members.

The Appointments Committee also examines the candidacies of members of the Supervisory Board before their appointment is submitted to the General Shareholders Meeting, or before their appointment by the Supervisory Board in the case of a vacancy.

Prior to appointment or at any time deemed useful, the Committee examines, pursuant to the independence criteria as defined by the Supervisory Board, the positions of independent Board members declared at any time by each member of the Supervisory Board with each member declaring his or her own position.

The Committee can initiate the review of any potential candidate for appointment to the Management Board or to the Supervisory Board.

Transactions in company shares

The members of the Supervisory Board are required to refrain from trading in shares of any listed company of the Group during the six weeks prior to the publication of the annual or half-year results. In no way does this closed window period replace the legal regulations as regards insider trading with which each member of the Board must comply at the time he decides to trade, no matter when this might occur outside the defined closed window periods.

All transactions in Company shares by members of the Supervisory Board are made public in accordance with the regulations in force. Supervisory Board members are required to declare all of their share dealings to the Company within one open trading day following the transaction.

Supervisory Board members must register all the shares they hold in the Company in a nominal registered account.

Assessment of the Supervisory Board

In order to ensure the efficient fulfillment of its duties, the Supervisory Board assesses its own performance each year. In performing this evaluation, the Supervisory Board assesses its operating methods, the way matters are reported to it, the quality of the information made available to it, the preparation of its deliberations and decisions, as well as the effective contribution of each member to the work of the Board and its Committees.

At a minimum every three years the Supervisory Board also conducts an assessment of its Members and activity by means of an independent member appointed by the Board.

Directors fees

The directors fees allocated to members of the Supervisory Board at the General Shareholders Meeting are made up of a fixed portion, granted to all Board members, and a variable portion which is based on their attendance record at Board meetings. The members of the Audit Committee, the Remuneration Committee and the Appointments Committee receive, in addition, a half portion which is a fixed sum and a half portion which is variable, based on the same criteria. The Supervisory Board may decide, on the recommendation of the Appointments Committee, to grant to one or more members, a special portion taken from the global sum allocated, before proceeding with the distribution as described above.

Report of the Supervisory Board

To the Shareholders,

The Supervisory Board has regularly obtained information about the business and activity of the Company and the Group in compliance with statutory and legal requirements. As part of its supervisory role, it carried out the checks and controls that it deemed necessary.

Your Supervisory Board has examined the 2004 annual accounts presented to it by the Management Board, and has examined its report on the activity of the Company and its Group during the year. It was informed of the findings of the Audit Committee, which examined the structure of the consolidated companies, the control procedures in effect and any significant off-balance sheet risks or commitments.

The Supervisory Board also reviewed the terms of the agreement between the Group and its parent company, Artémis. It examined the services provided, the benefits derived for the Group and the related fees paid in 2004 with respect to this agreement which it previously authorized.

The Supervisory Board approved the annual accounts, as presented in this report, and analyzed the information given in the Management Board's report. We do not have any particular comments for shareholders regarding this information. You are requested to approve the parent company and consolidated annual accounts for 2004 as well as Statutory Auditors Special Report on the agreements governed by Articles L.225-86 et seq. of the Commercial Code.

We ask that you approve the change in the company name to "PPR" and the adoption of a management structure based on a Board of Directors. The amended Articles of Association of the Company, which are proposed in this regard include provisions for applying the principles of sound corporate governance, which have always characterized your Company in its Management Board/Supervisory Board form of management. In this connection, you are asked to appoint Mrs. Patricia Barbizet and Messrs. François-Henri Pinault, René Barbier de la Serre, Pierre Bellon, Allan Chapin, Luca Cordero di Montezemolo, Anthony Hamilton, Philippe Lagayette and Baudouin Prot as members of the Board of Directors and to fix the annual amount of directors' fees. The Articles of Association proposed for adoption at the Extraordinary Shareholders Meeting also provide for the Board of Directors to appoint an honorary Chairman to attend the Board meetings on a consultative basis, as well as a Vice-Chairman chosen among its members and one or more Advisors to the Board (*censeurs*).

The Supervisory Board asks you to acknowledge the replacement of a Principal Statutory Auditor, Deloitte Touche Tohmatsu, following its merger with Deloitte Touche Tohmatsu Audit, the Alternate Statutory Auditor, the new name of which is Deloitte & Associés, and to appoint a new Alternate Statutory Auditor, BEAS.

You are also asked to authorize the acquisition of shares in your Company as part of a new share buyback program.

Lastly, you are asked to grant the authority to the Board to issue securities with and without pre-emptive subscription rights and to issue securities reserved for former and current employees.

The Board has examined these authorization requests, and has no particular comments to make with respect thereto.

We would like to thank all members of staff and the members of the Management Board for their hard work throughout the year.

We ask that shareholders approve the 2004 annual accounts, the recommended allocation of profits and the various resolutions presented at the General Shareholders Meeting.

Resolutions submitted to the combined ordinary and extraor

First resolution
(Approval of the annual accounts)

The General Shareholders Meeting, acting as an Ordinary Meeting, after reviewing the following:

- the report by the Management Board for the 2004 fiscal year,
- the observations of the Supervisory Board,
- the Statutory Auditors' report on the completion of their assignment during the said fiscal year,

hereby approves the annual accounts for the 2004 fiscal year as presented together with the transactions reflected in these accounts and summarized in these reports.

Second resolution
(Approval of the consolidated accounts)

The General Shareholders Meeting, acting as an Ordinary Meeting, after reviewing the following:

- the report by the Management Board on the management of the Group in 2004,
- the observations of the Supervisory Board,
- the Statutory Auditors' report on the 2004 consolidated accounts,

hereby approves the consolidated accounts for 2004 as presented together with the transactions reflected in these accounts and summarized in these reports.

Third resolution
(Agreements referred to in Articles L. 225-86 et seq. of the Commercial Code)

The General Shareholders Meeting, acting as an Ordinary Meeting, after reviewing the Statutory Auditors Special Report on the agreements referred to in Articles L. 225-86 et seq. of the Commercial Code, hereby approves the report and the agreements described therein.

Fourth resolution
(Allocation of earnings)

The General Shareholders Meeting, acting as an Ordinary Meeting, after approving the annual accounts as presented to it, which show:

a profit of	€559,514,936.80
which, together with previous retained earnings of	€423,199,784.99
show a positive balance of	€982,714,721.79
allocates to the legal reserve	€11,000.00
and acknowledges a balance available for distribution	
in the amount of	€982,703,721.79
which it decides to allocate as follows:	
- to shares as a dividend payment in the amount of	€308,534,889.60
- and to retained earnings in the amount of	€674,168,832.19
Total equal to	**€982,703,721.79**

The General Shareholders Meeting hereby resolves to pay out as from June 3, 2005 a net amount of €2.52 per share. Any dividend amounts included in this distribution that apply to shares held by the Company on the distribution date or to any shares cancelled shall be allocated to retained earnings.

Pursuant to Article 243 bis of the General Tax Code, the dividend distributed to individuals resident for tax purposes in France is entirely eligible for the 50% tax credit provided for in Article 158-3 2° of the General Tax Code.

The General Shareholders Meeting acknowledges that the income per share over the past three years is as follows:

Year of payment	Net Dividend	Tax credit of 50%	Total income
2002	€2.30	€1.15	€3.45
2003	€2.30	€1.15	€3.45
2004	€2.40	€1.20	€3.60

Fifth resolution
(Transfer from the special long-term capital gains reserve)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby resolves to transfer €200 million from the special long-term capital gains reserve account to an ordinary reserve account pursuant to Article 39 of the Amending Finance Law No. 2004-1485 as of December 30, 2004. The compulsory exceptional tax amount shall be debited from ordinary reserve and credited to the retained earnings account.

Sixth resolution
(Merger of a Principal Statutory Auditor)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby acknowledges that, following the merger of Deloitte Touche Tohmatsu, the Principal Statutory Auditor, with Deloitte Touche Tohmatsu Audit, the company Deloitte Touche Tohmatsu Audit under its new name of Deloitte & Associés shall pursue the mandate of Principal Statutory Auditor entrusted to Deloitte Touche Tohmatsu for the latter's term of office, or until the adjournment of the General Shareholders Meeting convened to approve the 2007 annual accounts.

Seventh resolution
(Appointment of an Alternate Statutory Auditor)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints BEAS as an Alternate Statutory Auditor, to replace Deloitte Touche Tohmatsu Audit for the same term of office as its predecessor, or until the adjournment of the General Shareholders Meeting convened to approve the 2007 accounts.

Eighth resolution
(Change in company name)

The General Shareholders Meeting, acting as an Extraordinary Meeting, hereby resolves to change the company name from Pinault-Printemps-Redoute to PPR and accordingly to amend the first paragraph of Article 2 of the Articles of Association:

Article 2

Company name

Company name: PPR

Ninth resolution

(Change of the Company's management structure in favor of a Board of Directors)

The General Shareholders Meeting, acting as an Extraordinary Meeting, hereby resolves to change the management structure of the Company, which shall be governed notably by Articles L. 225-17 to L. 225-56 of the Commercial Code and managed by a Board of Directors. This decision will take effect upon the adjournment of this Shareholders Meeting.

The General Shareholders Meeting hereby declares that pursuant to the decision to establish a Board of Directors to manage the Company, the term of office of the members of the Supervisory Board and Management Board shall end upon the adjournment of this General Shareholders Meeting.

The General Shareholders Meeting hereby resolves that the Board of Directors shall draw-up and present the accounts opened on January 1, 2005, in accordance with the new legal rules and Articles of Association.

Tenth resolution

(Approving the text of the new Articles of Association)

The General Shareholders Meeting, acting as an Extraordinary Meeting, hereby approves the text of the new Articles of Association that shall govern the Company and come into effect upon the adjournment of this General Shareholders Meeting. A copy of the new Articles of Association will be annexed to the minutes of this General Shareholders Meeting.

Eleventh resolution

(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. François-Henri Pinault as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Twelfth resolution

(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mrs. Patricia Barbizet as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Thirteenth resolution

(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. René Barbier de la Serre as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Fourteenth resolution

(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Pierre Bellon as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Fifteenth resolution
(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Allan Chapin as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Sixteenth resolution
(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Luca Cordero di Montezemolo as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Seventeenth resolution
(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Anthony Hamilton as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Eighteenth resolution
(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Philippe Lagayette as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Nineteenth resolution
(Appointment of a Director)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby appoints Mr. Baudouin Prot as a Director, with effect as from the adjournment of this General Shareholders Meeting and for a term of four years, which shall end upon the adjournment of the Ordinary General Shareholders Meeting convened in 2009 to approve the 2008 accounts.

Twentieth resolution
(Fixing the amount of directors fees)

The General Shareholders Meeting, acting as an Ordinary Meeting, hereby resolves to allocate to the Directors a total annual amount of €570,000 by way of directors fees, in respect of 2005 and subsequent years.

Twenty-first resolution

(Authorization to purchase Company shares)

The General Shareholders Meeting, acting as an Ordinary Meeting, after reviewing the report by the Management Board and the information notice approved by the French Financial Markets Regulatory Authority (AMF), hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), pursuant to Articles L. 225-209 et seq. of the Commercial Code, to purchase on one or more occasions and at times to be determined by it, shares in the Company representing up to 10% of the share capital as of April 5, 2005, or 12,043,823 shares.

The shares may be purchased by any appropriate method, including the use of derivatives or in blocks of shares, in order to:

- provide liquidity or volume to the market in the context of a liquidity contract with an independent financial services company,
- grant stock purchase options to Group employees and corporate officers and sell or grant the shares to employees under stock ownership plans, as provided by law,
- acquire equity interests or raise financing in exchange of Company shares in connection with external growth transactions or the issuance of marketable securities exchangeable or redeemable for shares in the Company,
- cancel any shares purchased, in accordance with the authorization granted by the Extraordinary General Shareholders Meeting.

The shares acquired by the Company pursuant to this authorization may be kept, sold or transferred by any appropriate means, including the use of derivatives or in blocks of shares, or cancelled.

The maximum purchase price is set at €200 per share. In the event of a capital increase by capitalisation of reserves or the awarding of bonus shares, or in the event of a stock split or reverse split, such amount shall be adjusted by a multiplier equal to the ratio of the number of shares comprising the equity capital before the transaction and the number after the transaction.

Hence, the maximum amount of the transaction shall be set at €2,408,764,600.

The General Shareholders Meeting hereby grants full powers to the Board of Directors (or the Management Board if the ninth resolution is not adopted), with the authority to delegate, to carry out such transactions, to determine the terms and conditions thereof and to enter into any and all agreements and to carry out any and all formalities.

This authorization, which cancels the unused portion of the authorization granted to the Management Board by the General Shareholders Meeting of May 25, 2004, is granted for a period of 18 months as from the date of this Meeting.

Twenty-second resolution

(Authorization to reduce the share capital through the cancellation of shares)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), in accordance with the provisions of the Commercial Code, solely by its own decision, to reduce the share capital, on one or more occasions, through the cancellation of shares that the Company holds or may hold pursuant to the purchase of shares in accordance with Article L. 225-209 of the Commercial Code.

The General Shareholders Meeting hereby grants full powers to the Board of Directors (or the Management Board if the ninth resolution is not adopted) to carry out such transactions within the limits and at the times to be determined by it, to determine the terms and conditions thereof, to charge any costs to reserves, income or premiums and ensure the implementation thereof, to make any corresponding amendments to the Articles of Association and, generally, to take any necessary decisions and to carry out any and all formalities.

This authorization, which cancels the authorization granted to the Management Board by the General Shareholders Meeting of May 18, 2001, is granted for a period of 26 months as from the date of this Meeting.

Twenty-third resolution

(Authorization to issue, with pre-emptive subscription rights, shares and/or any marketable securities exchangeable or redeemable, immediately or in the future, for shares and/or marketable securities exchangeable or redeemable for debt securities)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report, and pursuant to the provisions of the Commercial Code, notably Articles L. 225-129-2 and L. 228-93:

1. Hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), with the authority to delegate to any person authorized by law, for a period of 26 months as from the date of this Meeting, to determine the issue, on one or more occasions, with pre-emptive subscription rights, both in France and abroad, of shares and/or any marketable securities exchangeable or redeemable, immediately or in the future, including stock and/or acquisition warrants issued autonomously, free of charge or for a consideration, either in euros or in foreign currencies or in any other unit of account established with reference to a set of currencies, subscribed in cash or backed by receivables, by conversion, exchange, redemption, presentation of a warrant or by any other method, for existing or new shares in the Company and/or pursuant to Article L. 228-93 of the Commercial Code, for shares in any company in which it owns directly or indirectly more than half the capital and/or, pursuant to Article L. 228-91 of the Commercial Code, marketable securities exchangeable or redeemable for debt securities.

The General Shareholders Meeting hereby resolves that issues of preferred shares and any marketable securities exchangeable or redeemable for preferred shares are expressly excluded from this authorization.

2. Hereby resolves that the total nominal amount of any capital increases made immediately or in the future pursuant to this authorization may not exceed two hundred million euros, or the exchange value of this amount, plus the nominal amount of any additional shares to be issued by law in order to preserve the rights of the bearers of marketable securities exchangeable or redeemable for shares.

The maximum nominal amount of any capital increases decided under this authorization shall be limited to the overall maximum set forth in the twenty-seventh resolution.

3. Hereby resolves that the total nominal amount of the debt securities which can be issued under the aforementioned authorization may not exceed six billion euros or the exchange value of this amount.

The maximum nominal amount of debt securities issues decided under this authorization shall be limited to the overall maximum set forth in the twenty-seventh resolution.

4. Should the Board of Directors (or the Management Board if the ninth resolution is not adopted) decide to use this authorization:

- hereby resolves that shareholders may exercise their irrevocable pre-emptive subscription rights in accordance with the law,
- pursuant to the law, the Board of Directors (or the Management Board if the ninth resolution is not adopted), shall have the option of instituting the right of shareholders to subscribe to a larger number of marketable securities on a revocable basis than they would be able to subscribe to on an irrevocable basis, proportionally to their subscription rights and, in any event, within the limits of their request,
- hereby resolves that the Board of Directors (or the Management Board if the ninth resolution is not adopted) may decide, if need be, to increase the number of shares issued as a proportion of the initial issue pursuant to the provisions of Article L. 225-135-1 of the Commercial Code and Article 155-4 of decree 67-236 of March 23, 1967,
- hereby acknowledges that, pursuant to Article L. 225-132 of the Commercial Code, this authorization shall automatically entail the waiver by the shareholders in favor of the bearers of marketable securities exchangeable or redeemable in the future for any shares in the Company, of their pre-emptive subscription rights to these shares.

5. Hereby resolves that the Board of Directors (or the Management Board if the ninth resolution is not adopted) shall have full powers, with the authority to delegate to any person authorized by law, to implement this authorization according to applicable law, notably:

- to set the terms and conditions of any capital increase and/or issue(s),
- to set the dates and terms of the issues, the type, form and characteristics of the marketable securities to be created, which may or may not be in the form of subordinated or fixed-term securities,
- in the case of a debt securities issue, to decide, notably, whether or not they are subordinated (and, if need be, their subordination ranking, pursuant to Article L. 228-97 of the Commercial Code), to set their interest rate, term, redemption price (fixed or variable, with or without a premium), the issue terms (including potential guarantees) and amortization terms based on market conditions and the terms under which the securities may be exchanged or redeemed for shares in the Company,
- to set the payment terms for shares and/or securities issued or to be issued in the future,
- to set the price and terms of the issues, determine the issue amounts and the amount of any potential issue premium,
- to set the terms that shall, if need be, preserve the rights of the bearers of marketable securities exchangeable or redeemable for Company shares, in accordance with legal and regulatory requirements, to set the coupon date (even retroactively) of securities to be issued,
- if need be, to set the terms that will give the Company the option of buying or trading on the market, at any time or during specific periods, securities issued or to be issued in the future,
- to allow for the option of suspending the exercise of share subscription and/or acquisition rights attached to marketable securities or to stock options issued, for a period not exceeding three months,
- to charge, if need be, any costs to the issue premium(s), particularly the costs incurred in carrying out the issues,
- to use, if subscriptions for irrevocable or, if necessary, revocable shares have not absorbed the entire issue of shares or marketable securities as defined above, one or more of the options set out hereafter in the order it deems appropriate:
    - to limit the issue to the amount of subscriptions, provided that this comes to a total of at least three-quarters of the approved issue,
    - to freely distribute some or all of any shares issued and not subscribed for,
    - to sell on the open market some or all of any shares not subscribed for,
- in general, to enter into any agreement, to take any steps and carry out any formalities required to successfully carrying out the issue or issues considered, to report any capital increases resulting from an issue and to amend the Articles of Association accordingly.

6. Hereby resolves to cancel the unused portion of the authorization for the same purpose granted to the Management Board by the General Shareholders Meeting held on May 25, 2004.

Twenty-fourth resolution

(Authorization to issue or authorize the issue, without pre-emptive subscription rights, of shares and/or any marketable securities exchangeable or redeemable, immediately or in the future, for shares and/or marketable securities exchangeable or redeemable for debt securities)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report and in accordance with the provisions of the Commercial Code, notably Articles L. 225-129-2 and L. 228-93:

1. Hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), with the authority to delegate to any person authorized by law and according to applicable law, for a period of 26 months from the date of this Meeting, to determine the issue by the Company through a public offering in France and abroad, on one or more occasions, of shares and/or any marketable securities exchangeable or redeemable, immediately or in the future, including stock and/or acquisition warrants issued autonomously, free of charge or for a consideration, either in euros or foreign currencies or in any other unit of account established with reference to a set of currencies, subscribed in cash or backed by receivables, by conversion, exchange, redemption, presentation of a warrant or by any other method, for shares in the Company and/or pursuant to Article L. 228-93 of the Commercial Code, for shares in any company in which it owns directly or indirectly more than half the capital and/or, pursuant to Article L. 228-91 of the Commercial Code, marketable securities exchangeable or redeemable for debt securities.

Under Article L. 225-148 of the Commercial Code, new shares may be issued as payment for shares tendered to the Company in a share purchase or exchange offer or a combination thereof involving a company whose shares are traded on the regulated market of a country that has signed the European Economic Space agreement or is a member of the Organisation for Economic Cooperation and Development.

The General Shareholders Meeting hereby resolves that this authorization expressly excludes issues of preferred shares and any marketable securities exchangeable or redeemable for preferred shares.

2. Hereby resolves that the total nominal amount of any capital increases made immediately or in the future under this authorization may not exceed two hundred million euros, or the exchange value of this amount, plus the nominal amount of any additional shares to be issued by law in order to preserve the rights of the bearers of marketable securities exchangeable or redeemable for shares.

The maximum nominal amount of any capital increases decided under this authorization shall be limited to the overall maximum set forth in the twenty-seventh resolution.

3. Hereby resolves that the total nominal amount of any debt securities likely to be issued under the aforementioned authorization may not exceed six billion euros, or the counter-value of this amount.

The maximum nominal amount of any debt securities issues decided under this authorization shall be limited to the overall maximum set forth in the twenty-seventh resolution.

4. Hereby resolves, pursuant to Article L. 225-135 of the Commercial Code, to waive the preferred rights of shareholders to future marketable securities, given that the Board of Directors (or the Management Board if the ninth resolution is not adopted) may provide for the capital increase to include a preferential subscription deadline in favor of shareholders for all or part of an issue, which shall not give rise to the issuance of negotiable rights.

5. Hereby resolves that, if the subscriptions of shareholders or the general public have not absorbed the entire issue of shares or marketable securities as defined above, the Board of Directors (or the Management Board if the ninth resolution is not adopted) may use one or other of the options set out hereafter and in the order it deems appropriate:

- to limit the issue to the amount of subscriptions, provided that this comes to a total of at least three-quarters of the approved issue,
- to freely distribute some or all of any issued, unsubscribed shares.

6. Hereby resolves that, the Board of Directors (or the Management Board if the ninth resolution is not adopted) may decide, if need be, to increase the number of securities issued as a proportion of the initial issue pursuant to the provisions of Article L. 225-135-1 of the Commercial Code and Article 155-4 of decree 67-236 of March 23, 1967.

7. Hereby acknowledges that, pursuant to Article L. 225-132 of the Commercial Code, this authorization shall automatically entail the waiver by the shareholders in favor of the bearers of marketable securities exchangeable or redeemable for any future Company shares, of their pre-emptive subscription rights to these shares (this includes the issue of shares related to marketable securities exchangeable or redeemable for shares in the Company and issued, pursuant to Article L. 228-93 of the Commercial Code, by a company in which the Company owns directly or indirectly more than half of the share capital).

8. Hereby resolves that, where marketable securities to be issued immediately or at a later date are equivalent to Company shares, the issue premium is to be determined in accordance with the provisions of Article L. 225-136 1° paragraph one of the Commercial Code and Article 155-5 of decree 67-236 of March 23, 1967.

9. Hereby resolves that, the Board of Directors (or the Management Board if the ninth resolution is not adopted) shall have full powers, with the authority to delegate, to implement this authorization according to applicable law, notably:

- to set the terms and conditions of any issue(s),
- to set, in the case of a preferential deadline, the subscription terms and conditions for revocable and, if applicable, irrevocable marketable securities,

- to set the dates and terms of the issue(s), the type, form and characteristics of the marketable securities to be created, which may or may not be in the form of subordinated or fixed-term securities (and, if need be, their subordination ranking, pursuant to Article L. 228-97 of the Commercial Code),
- to set the price and terms of the issues, determine the issue amounts,
- to set the payment terms for shares and/or securities issued or to be issued in the future,
- to set the coupon date (even retroactively) for future securities issues and, if need be, the terms and conditions applicable to any purchase or trading of the securities on the market, to suspend, if need be, the exercise of share subscription and/or acquisition rights attached to marketable securities issued, for a period not exceeding three months,
- to set the terms that will, if need be, preserve the rights of the bearers of marketable securities exchangeable or redeemable for Company shares, in accordance with legal and regulatory requirements,
- in the case of stock issued to pay for shares tendered under a share purchase or exchange offer or a combination thereof, to set the exchange ratio and, if need be, the amount of the cash balance, to establish the number of shares tendered in the exchange offer, to set the dates, issue terms, notably the price and coupon date of new shares or, if need be, of shares exchangeable or redeemable immediately or in the future for Company shares, to set the issue terms, to enter this information in a "transfer premium" account in the balance sheet liabilities which shall include the rights of all shareholders, the difference between the issue price and par value of new shares,
- to charge, if need be, any costs to the issue premium(s), particularly the costs incurred in carrying out the issues,
- in general, to take any steps and enter into any agreements to successfully carry out the issues considered, to carry out any formalities required, to report any capital increases resulting from an issue carried out under this authorization and to amend the Articles of Association accordingly.

In the case of a debt securities issue, the Board of Directors (or the Management Board if the ninth resolution is not adopted) shall have full powers, with the authority to delegate to any person authorized by law, notably to decide whether or not they are subordinated (and, if need be, their subordination ranking, pursuant to Article L. 228-97 of the Commercial Code), to set their interest rate, term, redemption price (fixed or variable, with or without a premium), amortization terms based on market conditions and the terms under which the securities shall be exchangeable or redeemable for Company shares, and generally to set all the terms and conditions.

10. Hereby decides to cancel the unused portion of the authorization granted to the Management Board by the General Shareholders Meeting of May 25, 2004.

Twenty-fifth resolution

(Authorization granted to increase the share capital through the capitalization of reserves, income or issue premiums)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and ruling pursuant to Article L. 225-130 of the Commercial Code, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), with the authority to delegate to any person authorized by law and according to applicable law, for a period of 26 months from the date of this General Shareholders Meeting, to carry out a capital increase, on one or more occasions, at times and under the terms and conditions to be determined by it, by capitalization of reserves, earnings or issue premiums, followed by the creation and allocation of bonus shares or an increase in the par value of any shares outstanding, or a combination of these two procedures.

The Board of Directors (or the Management Board if the ninth resolution is not adopted), may decide that fractional shares shall not be negotiable and that the corresponding shares shall be sold, with the proceeds of the sale allocated to the holders of the rights no later than thirty days after the date on which the whole number of shares allocated is registered in their accounts.

The amount of the capital increase likely to be realized under this resolution shall not exceed the total amount of the sums to be capitalized and, more generally, shall not exceed the overall ceiling set forth in the twenty-seventh resolution.

The General Shareholders Meeting grants the Board of Directors (or the Management Board if the ninth resolution is not adopted), with the authority to delegate according to applicable law, full powers to implement this resolution and, generally, to take all steps and carry out all the formalities required to ensure the success of each capital increase.

The General Shareholders Meeting hereby decides to cancel the unused portion of the authorization granted to the Management Board by the General Shareholders Meeting of May 25, 2004.

Twenty-sixth resolution

(Authorization for the purpose of setting the issue price of shares and/or marketable securities exchangeable or redeemable for Company shares under certain terms and conditions, and representing up to 10% of the share capital per year, through a share capital increase without pre-emptive subscription rights)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report, and pursuant to Article L. 225-129-2 and the second paragraph of Article L. 225-136 1° of the Commercial Code, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted) to set the issue price for issues decided in accordance with the twenty-fourth resolution and representing up to 10% of the share capital per year, based on the following terms and conditions: the amount that the Company receives, or should receive, for each of the shares issued under this authorization, after allowing for the issue price in the event of autonomous warrant issues, shall be at least equal to 90% of the weighted average share price over the last three trading sessions prior to the issue terms being set.

Twenty-seventh resolution

(Overall limit of the amount for issues carried out in accordance with the twenty-third, twenty-fourth, twenty-fifth and twenty-sixth resolutions)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report of the Management Board and as a result of adopting the twenty-third, twenty-fourth, twenty-fifth and twenty-sixth resolutions, hereby resolves:

- to set the maximum nominal amount for debt securities likely to be issued under the authorizations granted by the aforementioned resolutions at six billion euros, or the exchange value of this amount in the case of an issue in a foreign currency or a unit of account set by reference to several currencies, and,
- to set the maximum nominal amount of any capital increases made immediately or in the future under the authorizations granted by the aforementioned resolutions at two hundred million euros, or the exchange value of this amount, plus the nominal amount of any additional shares to be issued by law in order to preserve the rights of the bearers of marketable securities exchangeable or redeemable for shares.

Twenty-eighth resolution

(Authorization to increase the share capital by up to 10%, as payment for asset contributions comprised of shares or marketable securities exchangeable or redeemable for shares)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted) to carry out, pursuant to Article L. 225-147 of the Commercial Code, one or more capital increases representing up to 10% of the share capital at the time of the issue, in order to pay for assets contributed to the Company and consisting of shares or marketable securities exchangeable or redeemable for Company shares, where the contribution terms and conditions of a share exchange offer as defined in Article L. 225-148 of said Code do not apply.

The Board of Directors (or the Management Board if the ninth resolution is not adopted) shall approve the report on the asset contributions prepared by the Auditor(s), in accordance with Article L. 225-147 of said Code.

The General Shareholders Meeting grants the Board of Directors (or the Management Board if the ninth resolution is not adopted) full powers to approve or reduce the valuation of transferred assets, to realize the assets, to carry out a capital increase and to amend the Articles of Association accordingly.

This authorization is granted for a period of twenty-six months from the date of this Meeting.

Twenty-ninth resolution

(Authorization to offer stock options)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report by the Management Board and the Statutory Auditors Special Report prepared in accordance with legal requirements, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted) to offer, pursuant to Articles L. 225-177 to L. 225-186 of the Commercial Code, on one or more occasions, for the benefit of certain members of staff chosen from among employees and corporate officers of the Company and affiliates, pursuant to Article L. 225-180 of said Code, stock options exercisable for new Company shares to be issued in respect of a capital increase and stock options exercisable for shares purchased by the Company.

Stock options and purchase options offered under this authorization cannot be exercised for a total of more than 2,500,000 shares and are to be exercised within a period of 10 years.

The General Shareholders Meeting hereby grants full powers to the Board of Directors (or to the Management Board if the ninth resolution is not adopted) to set the terms and conditions governing stock options and, notably, to identify the companies, members of staff and corporate officers concerned, and the number of shares that each of them may subscribe to or purchase. The terms and conditions may include clauses prohibiting the exercise of options during one or more periods and clauses prohibiting the immediate sale of any or all of the shares, although the mandatory retention period for the shares shall not exceed three years from the exercise date.

The exercise price of stock options or purchase options shall be established by the Board of Directors (or the Management Board if the ninth resolution is not adopted), although the price cannot be lower than the price limit in force referred to in Article L. 225-177 of the aforementioned Code. In the case of purchase options, the price cannot, in addition, be lower than the price limit in force referred to in Article L. 225-179 of said Code. However, if during the exercise period, the Company carries out one of the financial transactions or securities transactions stipulated in Article L. 225-181 of said Code, the Board of Directors (or Management Board if the ninth resolution is not adopted) shall adjust the number and price of shares included in the stock options offered to beneficiaries thereof in accordance with the regulatory provisions governing such transactions.

The General Shareholders Meeting hereby grants the Board of Directors (or the Management Board if the ninth resolution is not adopted) full powers to purchase the Company shares required in respect of stock options pursuant to Article L. 225-208 or to use the shares acquired pursuant to Article L. 225-209 of the aforementioned Code.

This authorization shall entail the express waiver by the shareholders in favor of the beneficiaries of stock options, of their pre-emptive subscription rights to the shares issued as and when stock options are exercised. The increase in the share capital resulting from the exercise of stock options will effectively be implemented merely by declaring the exercise of stock options accompanied by the application forms and the final full payments, which may be made in cash or backed by receivables on the Company. The Board of Directors, or its Chairman (by delegation), or the Management Board (if the ninth resolution is not adopted) shall ascertain, in accordance with the law, the number and amount of shares issued following the exercise of stock options and shall make the necessary amendments to the clauses in the Articles of Association relating to the amount of share capital and the corresponding number of shares.

Lastly, the Board of Directors (or Management Board if the ninth resolution is not adopted) shall be granted full powers to set the exercise dates, to temporarily suspend the exercise of stock options in the event of financial transactions and to decide any other terms and conditions governing these transactions.

This authorization, which cancels the unused portion of the authorization granted to the Management Board by the General Shareholders Meeting of May 21, 2002, is granted for a period of 38 months as from the date of this Meeting.

Thirtieth resolution

(Authorization to grant bonus shares to Company employees and corporate officers)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report of the Management Board and the Statutory Auditors Special Report:

- hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), in accordance with the provisions of Articles L. 225-197-1 et seq. of the Commercial Code, to grant, on one or more occasions, for the benefit of the Company's salaried staff or certain categories thereof, and/or for the benefit of the corporate officers referred to in Article L. 225-197-1 II of the Commercial Code, as well as employees and corporate officers of companies or economic interest groupings affiliated to the Company pursuant to Article L. 225-197-2 of the Commercial Code, bonus shares in the Company, by way of existing shares or shares to be issued;
- hereby resolves that the total number of shares to be granted shall not exceed 0.5% of the share capital at the time of the grant, this figure having been calculated on the basis of said shares allocated and/or issued.

The General Shareholders Meeting hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), simultaneously or alternately, subject to the limits set forth in the previous paragraph:

- to grant shares arising from buybacks carried out by the Company pursuant to Articles L. 225-208 and L. 225-209 of the Commercial Code, and/or
- to grant shares to be issued in connection with a capital increase; in this case, the General Shareholders Meeting hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted) to increase the share capital by the maximum nominal amount corresponding to the number of shares allocated, acknowledges and resolves that, if need be, the allocation of shares to beneficiaries designated by the Board of Directors shall entail the express waiver by shareholders, in favor of said beneficiaries, of their pre-emptive subscription rights to the shares to be issued.

The General Shareholders Meeting:

- hereby sets the minimum acquisition period at two years from the date the allocation rights are granted by the Board of Directors (or the Management Board if the ninth resolution is not adopted), at the end of which the beneficiaries shall have definitively acquired the rights, bearing in mind that the rights are non-transferable until the end of this period, pursuant to Article L. 225-197-3 of the Commercial Code; however, in the event of the beneficiary's death, the heirs may apply, within six months of the date of death, for the share allocation;
- hereby sets the minimum holding period for beneficiaries of the shares at two years from the definitive allocation date.

The General Shareholders Meeting hereby grants the Board of Directors (or the Management Board if the ninth resolution is not adopted) full powers, within the limits set out above:

- to determine the beneficiaries, or the category(ies) of beneficiaries eligible for share allocations, bearing in mind that shares cannot be allocated to employees and corporate officers owning more than 10% of the share capital, and that the allocation of bonus shares must not cause the beneficiaries to exceed the holding threshold of more than 10% of the share capital,
- to distribute the share allocation rights, on one or more occasions, and at times it deems appropriate,
- to set, if need be, the share allocation terms and criteria, such as (without limitation): length of service, conditions relating to maintaining an employment relationship or corporate officer mandate during the acquisition period, and any other financial terms or terms related to individual or collective performance,
- to set the definitive duration of the acquisition period and the retention period for shares within the limits set out above by the General Shareholders Meeting,
- to set, if need be, the holding terms for shares during the retention period,
- to allocate to a statutory reserve, earmarked for beneficiaries' rights, a sum equal to the total amount of the par value of shares likely to be issued in connection with a capital increase, through the deduction of the necessary sums from any reserves, income or premiums available to the Company,
- to make the necessary deductions from this statutory reserve in order to pay the par value of shares to be issued in favor of the beneficiaries,
- in the event of a capital increase, to amend the Articles of Association accordingly, and to carry out all the necessary formalities,
- in the event of any financial transactions referred to in Article L. 228-99, paragraph one, of the Commercial Code, during the acquisition period, to take all the necessary steps to preserve and make appropriate adjustments to the rights of beneficiaries of shares in accordance with the provisions of clause 3° of said Article.

In accordance with Articles L. 225-197-4 and L. 225-197-5 of the Commercial Code, the Ordinary General Shareholders Meeting shall receive a special report each year informing it of any transactions carried out under the present authorization.

This authorization is granted for a period of 38 months from this Shareholders Meeting.

Thirty-first resolution

(Authorization to increase the share capital by issuing, without pre-emptive subscription rights, shares or share equivalents, reserved for employees and former employees belonging to an Employee Savings Scheme)

The General Shareholders Meeting, acting as an Extraordinary Meeting, after reviewing the report of the Management Board and the Statutory Auditors Special Report, hereby authorizes the Board of Directors (or the Management Board if the ninth resolution is not adopted), for a period of 26 months, to carry out, solely by its own decision, on one or more occasions, under the terms provided by law, notably Articles L. 225-138-1 and L. 225-129-6 of the Commercial Code and Articles L. 443-1 et seq. of the Labour Code, the share capital increase in a nominal amount not to exceed €4,800,000, by issuing shares or share equivalents reserved for employees and former employees of the Company or affiliates under the terms described in Article L. 233-16 of the Commercial Code belonging to an Employee Savings Scheme established for such purpose.

The total number of shares that can be subscribed under the terms of the current authorization may not exceed 1,200,000.

The General Shareholders Meeting hereby resolves that this authorization automatically entails waiver of the pre-emptive subscription rights of shareholders to any shares or share equivalents issued in favor of the aforementioned employees and former employees for whom they are reserved.

The share subscription price will be set at a minimum of 80% of the average price quoted for the Company's shares on the Euronext Paris SA Premier marché, over the twenty trading sessions prior to the day on which the Board of Directors (or the Management Board if the ninth resolution is not adopted) determines the opening date for subscriptions.

Pursuant to Article L. 443-5 of the Labor Code, the General Shareholders Meeting hereby resolves that the Board of Directors (or the Management Board if the ninth resolution is not adopted) may also award bonus shares or share equivalents under the legal and regulatory provisions in effect.

Each capital increase will be of an amount equal to the value of shares subscribed to by employees and former employees, individually or through the company's closed-end or open-end funds governed by Article L. 214-40-1 of the Monetary and Financial Code.

The General Shareholders Meeting grants full powers to the Board of Directors (or the Management Board if the ninth resolution is not adopted) to:

- establish the subscription price or prices of the shares to be issued and the coupon date,
- determine the companies and employees and former employees concerned,
- determine the characteristics and terms of issue of securities convertible into shares,
- decide whether or not the shares can be subscribed directly by the employees and former employees belonging to an Employee Savings Scheme or through an Employee Share Savings Fund or variable capital investment company governed by Article L. 214-40-1 of the Monetary and Financial Code,
- set the dates, deadlines and other terms and conditions for any issues to be made,
- report the completion of any capital increases,
- charge the cost of any capital increases to the amount of the premiums related thereto,
- add any corresponding amendments to the Articles of Association, apply for the quotation of the securities issued and in general take any decisions, enter into any agreements and carry out any and all formalities.

The General Shareholders Meeting hereby resolves to cancel the unused portion of the full authorization for the same purpose granted to the Management Board by the General Shareholders Meeting held on May 25, 2004.

Thirty-second resolution

(Proxies)

The General Shareholders Meeting, acting as an Extraordinary Meeting, hereby grants full powers to the bearer of a copy or an excerpt of the minutes of this Meeting to carry out all legal announcement formalities.

Annex: Text of the Articles of Association submitted to the extraordinary General Shareholders Meeting (Tenth resolution)

PPR

Public Limited Company ("Société Anonyme")
With a share capital of €481,752,920
Registered office: 10, avenue Hoche - 75008 Paris
Paris Companies Registration Office (RCS): 552 075 020

Article 1 - Form of the company

The Company, incorporated on June 24, 1881 in the form of a limited partnership with shares, was transformed into a limited company by decision of the Extraordinary General Shareholders Meeting of March 24, 1972.

It is governed by the provisions of the Commercial Code and by the special provisions of these Articles of Association. In particular, it is governed by Articles L.225-17 to L.225-56 of said Code by decision of the Extraordinary General Shareholders Meeting of May 19, 2005.

Article 2 - Company name

Company name: PPR

In all deeds and documents originating from the Company, the name is to be preceded by or immediately followed by the words: "société anonyme" (limited company) or "SA" and mention of the amount of the share capital.

Article 3 - Registered office

Registered office: 10, avenue Hoche - Paris 75008 - France

Article 4 - Date of incorporation and duration

The duration of the Company, originally set at ninety-nine years from the definitive date of incorporation, was extended by the Extraordinary General Shareholders Meeting of May 26, 1967, by ninety-nine years as from this latter date. The date of expiry is therefore May 26, 2066, unless the Company is wound up in advance or its term is extended by decision of the Extraordinary General Shareholders Meeting.

Article 5 - Corporate purpose

The company's corporate purpose is as follows:

- to purchase and to sell, on a retail or wholesale basis, directly or indirectly, by any appropriate method and using any and all existing or future techniques, any and all goods, products, produce and services,
- to create, acquire, lease, operate or sell, directly or indirectly, any and all facilities, stores or warehouses used for the sale, on a retail or wholesale basis, by any appropriate method and using any and all existing or future techniques, of any and all goods, products, produce and services,
- to manufacture or produce, directly or indirectly, any and all goods, products or produce for business purposes,
- to provide any and all services, directly or indirectly,
- to purchase, use or sell any and all real estate that may be used in the business,
- to create any and all trading, non-trading, industrial, financial, securities, real estate, service or other ventures, to acquire interests in such ventures by any appropriate method including subscription to a share issue, acquiring shares in exchange for assets or by way of a merger, and to manage these interests,
- and generally, to carry out any and all trading, non-trading, industrial, financial, real estate or securities transactions and perform any and all services related directly or indirectly to the above purposes or any similar, complementary or related purposes or any purposes that may contribute to the implementation or furtherance of the above-mentioned purposes.

Article 6 - Share capital

The share capital amounts to €481,752,920, divided into 120,438,230 shares with a par value of €4 each, all fully paid up.

Details of the Company's share capital are given in the appendix to these Articles of Association.

Article 7 - Form of shares - Identification of shareholders

The shares are registered or bearer shares, depending on the shareholder's preference. They are recorded in a share register in accordance with applicable regulations.

The Company is authorized to obtain details of the identity of holders of shares carrying immediate or future voting rights at General Shareholders Meetings, as provided for by law.

Article 8 - Rights attached to each share

In addition to the voting rights attached to shares in accordance with the law and the provisions of Article 20 of the Articles of Association, each share carries entitlement to a fraction of net assets pro rata to the number and par value of existing shares, as well as a fraction of earnings net of any deductions made pursuant to the law or the Articles of Association, and any liquidation surplus.

In order to ensure that the same net amount is paid on each share, without distinction, and to allow all the shares to be quoted on the same line, the Company pays any proportional taxes levied on some shares but not on others, notably in connection with the dissolution of the Company or a reduction in capital, except in cases where this is not permitted by law. Proportional taxes will not be paid by the Company, however, in the event they are levied equally on all shares of the same class, in the event that several classes of shares carrying different rights are issued and outstanding.

In all cases where it is necessary to hold several shares in order to exercise a given right, shareholders shall be solely responsible for grouping their shares with other shareholders to achieve the requisite number.

Article 9 - Paid-up shares

In the case of a cash subscription to a share issue, at least a quarter of the par value of the shares and, if applicable, the total additional paid-in capital shall be paid-up on subscription. The surplus shall be payable in one or more instalments at the dates specified by the Board of Directors in accordance with legal and regulatory provisions.

Subscribers and shareholders shall be notified of the dates in accordance with legal and regulatory provisions.

In case of a delay in payment, the balance due to the Company shall automatically bear interest at the official rate plus two percentage points, from the date on which the payment was due, without prejudice to any action that the Company may take against the shareholder and any execution proceedings provided for by law.

Article 10 - Administration of the company - Board of Directors

1. The Company is managed by a Board of Directors consisting of at least three and no more than eighteen members, subject to the exemptions provided for by the law, notably in the event of a merger.

2. No person over 70 years of age may be appointed director if, as a result of the appointment, more than one-third of the Board members are over this age. If a director already in office reaches the age of 70 and causes the one-third threshold to be exceeded, the eldest director is deemed to have resigned upon the adjournment of the next Ordinary General Shareholders Meeting.

3. Directors are appointed by the General Shareholders Meeting, in accordance with the law, for a period of four years. They may be re-elected.

4. In the event there are one or more vacant seats on the Board of Directors, the Board may appoint directors on a temporary basis, in accordance with the law, subject to their approval by the next Ordinary General Shareholders Meeting. The director term of office, appointed in these circumstances to replace another remains in office until the term of office of his predecessor expires.

5. Each director must own at least 500 shares in the Company.

Article 11 - Functions and powers of the Board of Directors

The Board of Directors assumes the functions and exercises the powers conferred to it by the law and these Articles of Association.

It determines and reviews the Company's strategic decisions, objectives and performances and ensures that they are implemented. Subject to the powers expressly attributed to the shareholders meetings and within the scope of the corporate purpose, it examines any and all issues affecting the efficient operation of the Company and settles by its deliberations matters which concern it.

The Board of Directors carries out any controls and checks it deems appropriate.

The Board of Directors may delegate any and all powers to its Chairman or any other corporate officers it designates, with or without the authority to delegate, subject to legal limits.

Article 12 - Chairman of the Board of Directors - Honorary Chairman - Vice-Chairman - Secretary

1. The Board of Directors elects a Chairman, a physical person, from among its members. He is appointed for the duration of his term of office as director and may be re-elected.

No member may be appointed Chairman of the Board of Directors if he is over sixty-five years of age. The Chairman is deemed to have resigned from office if he reaches this age.

2. The Chairman performs the functions and exercises the powers conferred on him by the law and the Articles of Association. He chairs Board meetings, organizes and manages the work of the Board and its meetings, for which he is accountable to the General Shareholders Meeting. He ensures that the various corporate bodies operate efficiently and, in particular, that the directors are in a position to perform their duties.

The Chairman chairs the General Shareholders Meetings and drafts the reports required by the law. He may also assume the general management of the Company as Chief Executive Officer if, when he was appointed or at any other date, the Board of Directors decides to combine the two functions. In this case, the provisions relating to the Chief Executive Officer also apply to him.

3. The Board of Directors may appoint an Honorary Chairman who is entitled to attend Board meetings in a consultative capacity.

4. The Board of Directors may appoint a Vice-Chairman from among its members who is entitled to chair meetings in the absence of the Chairman.

5. The Board of Directors may appoint a Secretary, who may or may not be a Board member.

Article 13 - Deliberations of the Board of Directors - Minutes

1. The Board of Directors meets as often as necessary in the interests of the company. Meetings are convened by the Chairman or at the request of at least one-third of the directors. They take place at the registered office or in any other location indicated in the notice of meeting. The meeting may be convened by any appropriate means, even verbally, by the Chairman, the Board Secretary (at the request of the Chairman), the Vice-Chairman (if the Chairman is unavailable) or the senior most director (if the Vice-Chairman is unavailable).

2. The Board of Directors can only form a quorum if at least half of its members are present. The Board can ensure that directors participating in the Board meeting are deemed present for majority and quorum purposes, by means of videoconferences or other appropriate means in accordance with legal and regulatory provisions. Any director may authorize (in writing) another director to represent him at a Board meeting. Each director is entitled to only one proxy per session.

3. Meetings are chaired by the Chairman of the Board of Directors, the Vice-Chairman (if the Chairman is unavailable), the most senior director (if the Vice-Chairman is unavailable) or any other director appointed by the Board of Directors. Decisions are taken by a majority of the members present, deemed present or represented by proxies. The Chairman has the casting vote in the event of a tie vote.

4. The Board of Directors may decide to set up committees to examine any issues raised by either the Board of Directors or the Chairman. The Board of Directors decides the composition and powers of the individual committees, as and when the need arises and in accordance with internal rules. The committees are accountable to the Board of Directors.

5. Any person called to attend a Board meeting is required to treat the confidential information presented as such by the Chairman with the utmost discretion, and is held to a general obligation of reserve.

6. The Board of Directors sets its own by-laws (*règlement intérieur*) in accordance with the law and the Articles of Association.

Article 14 - General management

In accordance with legal requirements, the general management of the Company is the responsibility of either the Chairman of the Board or any other individual appointed by the Board of Directors to act as Chief Executive Officer (*directeur général*).

The Board of Directors chooses between the two different management structures by means of a majority decision of the directors present, deemed present or represented by proxies. The choice is valid until the Board of Directors decides otherwise.

Article 15 - Chief executive officer - Appointment - Powers

1. Where it chooses to separate the functions of Chairman and Chief Executive Officer pursuant to Article 14, the Board of Directors is responsible for appointing the Chief Executive Officer (who may or may not be a Board member), setting his term of office, determining his remuneration and, if applicable, the limitations on his powers.

No person may be appointed Chief Executive Officer if he is over 65 years of age. An incumbent is deemed to have resigned from office if he reaches this age.

The Chief Executive Officer's powers are those conferred on him by the law. He is vested with the broadest powers to act in all circumstances on behalf of the Company. He is responsible for exercising these powers within the scope of the corporate purpose and subject to the powers that the law expressly confers on general shareholders meetings and the Board of Directors. He represents the Company in its dealings with third parties.

2. The following require the prior authorization of the Board of Directors:
- the decisions of the Chief Executive Officer and Deputy Chief Executive Officers regarding:
    - share issues and transactions having a substantial impact on the Group's strategy, financial position or area of activity,
    - except where decided to the contrary by the General Shareholders Meeting, any decision concerning any issues likely to alter the share capital,

- the following transactions by the Company or any entity controlled by the Group where the amount fixed annually by the Board of Directors is exceeded:
    - any investment or divestment, including the acquisition, disposal or exchange of shareholdings in any existing or future companies;
    - the purchase or sale of any real estate by the Company.

3. In accordance with legal requirements, the Board of Directors sets either a total amount, within which the Chief Executive Officer may, with or without the authority to delegate, enter into commitments in the form of guarantees on behalf of the Company, or it sets an amount above which individual commitments cannot be entered into. The authorization of the Board of Directors is required for any transaction where the overall maximum or the maximum amount set for each commitment is exceeded.

4. The Chief Executive Officer may delegate any and all powers to proxies he designates, with or without the authority to delegate, subject to legal constraints.

Article 16 - Deputy Chief Executive Officers - Appointment - Powers

1. Upon the Chief Executive Officer's proposal, whether the Chairman of the Board of Directors or another person assumes this position, the Board may appoint one or more individuals having the title of Deputy Chief Executive Officer (*directeur général délégué*) to assist him. The maximum number of Deputy Chief Executive Officers is five.

No person may be appointed Deputy Chief Executive Officer if he is over 65 years of age. An incumbent is deemed to have resigned from office if he reaches this age.

Where the Chief Executive Officer ceases or is prevented from performing his duties, the Deputy Chief Executive Officer(s) retain(s) his/their duties and powers until the new Chief Executive Officer is appointed, unless the Board decides otherwise.

2. The Board of Directors determines the extent and duration of the powers granted to Deputy Chief Executive Officers, in conjunction with the Chief Executive Officer.

The Deputy Chief Executive Officer(s) has/have the same powers as the Chief Executive Officer as regards third parties.

Article 17 - Remuneration of the Directors, Chairman, Chief Executive Officer, Deputy Chief Executive officers and Directors' proxies

1. The General Shareholders Meeting may allocate to the Board of Directors a fixed annual sum, in the form of attendance fees, to be distributed among the directors as it sees fit.

2. The Board of Directors may make one-off payments to directors or Advisors to the Board (*censeurs*) for specific assignments or mandates. It may authorize the reimbursement of costs and expenses that directors or advisors to the Board incur in the interests of the Company.

3. The Board of Directors determines the remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and Deputy Chief Executive Officers.

Article 18 - Advisors to the Board (*Censeurs*)

The Board of Directors may appoint individuals as Advisors to the Board, on the basis that they represent no more than one-third of the incumbent directors. Advisors to the Board participate in the work of the Board of Directors and in Board meetings in a consultative capacity.

Each of the Advisors to the Board is appointed for a specific period.

Advisors to the Board are invited to attend Board meetings and to take part in the deliberations in a consultative capacity.

The Board of Directors sets the assignments of Advisors to the Board, in accordance with the law and the Articles of Association.

Article 19 - Statutory auditors

On the proposal of the Board of Directors, the General Shareholders Meeting appoints at least two Principal Statutory Auditors and two Alternate Statutory Auditors, who carry out their assignment in accordance with legal and regulatory requirements.

The Statutory Auditors' fees are established in accordance with legal and regulatory requirements.

Article 20 - General Shareholders Meetings

General Shareholders Meetings are convened by the Board of Directors and deliberate on the agenda in accordance with the law and regulatory requirements.

Meetings are held at the Company's registered office or at any other venue specified in the meeting notice.

All shareholders are entitled to participate in General Shareholders Meetings in person or by proxy, in accordance with the law, upon presentation of proof of identity and proof of ownership of shares. Ownership of registered shares is evidenced by an entry in the Company's share register, recorded no less than three clear days before the date of the meeting. Under current regulations, holders of bearer shares are required to obtain a certificate from their bank or broker stating that their shares have been placed in a blocked account up to the date of the Meeting. The certificate must be filed at the address indicated in the notice of meeting, no less than three clear days before the date of the Meeting. Shareholders may, at the discretion of the Board of Directors, attend meetings by videoconference or other means of telecommunication that enable them to be identified as required by applicable regulations. Shareholders may also cast votes by mail, by returning the duly completed postal voting form to the Company as required by applicable regulations. For postal votes to be taken into account, the Company must receive the corresponding form at least three days prior to the date of the meeting. The Board of Directors may, however, reduce this deadline for the benefit of all shareholders. Shareholders living outside the European Union may appoint a proxy in accordance with applicable regulations.

General Shareholders Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the Board member designated to chair the Meeting. If no member of the Board of Directors is designated, the General Shareholders Meeting will elect its own Chairman.

Shareholder Meeting minutes are drawn up and their copies certified and delivered in accordance with the law.

Fully paid-up shares that have been registered for at least two years in the name of the same nominal holder carry double voting rights at all General Shareholders Meetings.

Double voting rights may be cancelled at any time by decision of the Extraordinary General Shareholders Meeting, ratified by a special meeting of holders of shares with double voting rights.

Article 21 - Powers specific to General Shareholders Meetings

The powers specific to general, ordinary, extraordinary or special General Shareholders Meetings are determined by the law.

Article 22 - Corporate accounts

The Company's fiscal year begins on January 1 and ends on December 31 of the same year.

One-twentieth of net income for the year, less any losses brought forward from previous years, is allocated to the "legal reserve". This allocation is no longer required when it reaches one-tenth of the Company's share capital.

Income available for distribution corresponds to net income for the year less any losses brought forward from previous years, any transfer made to the legal reserve as explained above and any amounts to be transferred to reserves in accordance with the law plus any unappropriated retained earnings brought forward from the previous year. The allocation of this amount is decided at the General Shareholders Meeting based on recommendations made by the Board of Directors. The General Shareholders Meeting may decide to carry forward all or part of the amount to the following year, or to allocate all or part of the amount to extraordinary, general or special reserves to be used for the purposes specified at the General Shareholders Meeting.

Any balance remaining after these allocations is distributed to shareholders.

The General Shareholders Meeting may decide, based on the Company's results, to grant each shareholder the option to receive all or part of the final dividend or any interim dividends in the form of cash or shares.

Article 23 - Bonds

Bonds are subject to the same terms and conditions as equities outlined in Article 7.

They are recorded in a bond register in accordance with legal and regulatory requirements.

Article 24 - Dissolution and liquidation

In the event of liquidation of the Company, one or more liquidators are appointed by the General Shareholders Meeting, in accordance with the quorum and majority rules governing Ordinary General Shareholders Meetings.

The liquidator represents the Company and is vested with the broadest powers to realize the Company assets, even through a private sale. He is authorized to pay the creditors and, if applicable, to distribute the balance.

The General Shareholders Meeting may authorize the liquidator to continue with any deals already in progress or to initiate new deals for the purposes of the liquidation.

The reserves remaining after repayment of the par value of the shares will be allocated among the shareholders pro rata to their respective interests in the capital.

Appendix to PPR's Articles of Association (updated on May 19, 2005)

I The share capital, which amounted to FF301,280,300 after the transformation of the Company and the compensation of limited partners, was increased by the following asset transfers approved by the General Shareholders Meeting of March 24, 1972:

a) the transfer of all the commercial operations of Société Alsacienne de Magasins Samag, consisting primarily of stores and investments; valued at FF154,943,461, the assets were paid for with 927,943 shares (Nos. 3,012,804 to 3,940,746);

b) the transfer, by way of a merger, of all the assets of Société des Nouveaux Magasins des Grands Boulevards; valued at FF5,715,000, the assets were paid for with 34,310 shares (Nos. 3,940,747 to 3,975,056);

c) the transfer by Société Nouvelle des Magasins de l'Est of 8,750 shares held in Société Savoisienne de Magasins, 49 shares in Société Wanecq et Taisant and 37 shares in the Société Immobilière in the Rue Sully in Nimes; valued at FF9,531,915, the assets were paid for with 57,087 shares (Nos. 3,975,057 to 4,032,143);

d) the transfer by Société Anonyme Financière et Auxiliaire du Textile Safat of 3,060 shares in the Société Anonyme des Magasins Economiques de Sucy-en-Brie and 3,100 shares in the Société Anonyme des Magasins Economiques de Clichy-sous-Bois; valued at FF1,019,600, the assets were paid for with 6,111 shares (Nos. 4,032,144 to 4,038,254);

e) the transfer by Mrs. André Maus, Mr. Jacques Maus, Mr. Bertrand Maus, Mr. Olivier Maus, Mr. Robert Nordmann and the Société Anonyme Financière et Auxiliaire du Textile Safat of 49,630 shares in the Société Française de Magasins; valued at FF9,015,786, the assets were paid for with 54,131 shares (Nos. 4,038,255 to 4,053,600 for shares allocated to the Société Anonyme Financière et Auxiliaire du Textile Safat and Nos. 4,053,601 to 4,092,385 for those allocated to the other transferees).

II On December 30, 1977, the share capital was increased by FF20,292,000 following the merger of Société des Magasins Prisunic S.M.P; valued at FF120,694,805, the merger was paid for with 202,920 new shares (Nos. 4,092,386 to 4,295,305) after Printemps' decision to relinquish payment for the shares it held in S.M.P. at the time of the merger.

III On June 22, 1979, the share capital was increased by FF1,041,600 following the merger of Société Financière des supermarchés Fisuma; valued at FF124,579,170.24, the merger was paid for with 10,416 new shares (Nos. 4,295,306 to 4,305,721) after Printemps' decision to relinquish payment for the shares it held in Société Financière des Supermarchés Fisuma at the time of the merger.

IV On June 20, 1980, the share capital was increased by FF17,180,000 following the merger of Société Immobilière Courbet Salamandre; valued at FF19,447,518.66, the merger was paid for with 171,800 new shares (Nos. 4,305,722 to 4,477,521).

V On June 19, 1981, the share capital was increased by FF655,200 following the merger of Société des Grands Magasins Jones; valued at FF29,383,068.96, the merger was paid for with 6,552 new shares (Nos. 4,477,522 to 4,484,073) after Printemps' decision to relinquish payment for the shares it held in Société des Grands Magasins Jones at the time of the merger.

VI At the meeting on November 4, 1981, the Board of Directors observed that, following various bond conversions (October 1980 bonds) since the beginning of the 1981 fiscal year, the share capital had increased by FF56,142,000 as a result of the issue of 561,420 corresponding shares valued at FF100 (Nos. 4,484,074 to 5,045,493).

VII At the meeting on January 13, 1982, the Board of Directors observed that, following various bond conversions (October 1980 bonds) since November 4, 1981, the share capital had increased by FF1,500 as a result of the issue of 15 corresponding shares valued at FF 100 (Nos. 5,045,494 to 5,045,508).

VIII At the meeting on January 24, 1983, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1982, the share capital had increased by FF50,100 as of December 31, 1982 as a result of the issue of 501 corresponding shares valued at FF100 (Nos. 5,045,509 to 5,046,009).

IX On June 17, 1983, various assets were transferred to the Company following the merger of Société Parisienne d'Achats en Commun "Sapac". The merger, valued at FF114,953,530.85, did not necessitate a capital increase.

X At the meeting on January 9, 1984, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1983, the share capital had increased by FF1,800 as of December 31, 1983 as a result of the issue of 18 corresponding shares valued at FF100 (Nos. 5,046,010 to 5,046,027).

XI At the meeting on January 2, 1985, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1984, the share capital had increased by FF3,060,000 as of December 31, 1984 as a result of the issue of 30,600 corresponding shares valued at FF100 (Nos. 5,046,028 to 5,076,627).

XII At the meeting on January 6, 1986, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1985, the share capital had increased by FF9,736,500 as of December 31, 1985 as a result of the issue of 97,365 corresponding shares valued at FF100.

XIII At the meeting on January 26, 1987, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1986, the share capital had increased by FF11,630,100 as of December 31, 1986 as a result of the issue of 116,301 corresponding shares valued at FF100.

XIV At the meeting on September 11, 1987, the Management Board observed that:

- Following various bond conversions (October 1980 bonds) between January 1, 1987 and August 21, 1987, the share capital had increased by FF129,000 as a result of the issue of 1,290 corresponding shares valued at FF100.

- Following the capital increase decided by the Management Board on June 24, 1987, on the authorization of the Extraordinary General Shareholders Meeting held the same day, the share capital was increased by FF105,831,600 as a result of the issue of 1,058,316 new shares with a par value of FF100 and issued at FF460, representing a total cash contribution of FF486, 825,360.

XV At the meeting on January 25, 1988, the Management Board observed that, following various bond conversions (October 1980 bonds) between August 22, 1987 and December 31, 1987, the share capital had increased by FF9,758,400 as of December 31, 1987 as a result of the issue of 97,584 corresponding shares valued at FF100.

XVI On July 26, 1988, various securities and real estate assets were transferred to the Company following the merger of the companies Savoisienne S.A., Prinform S.A., Immobilière Nancy-Raugraff S.i.n.r. and Joubert Auto Silo.

The merger, valued at FF7,768,621 did not necessitate a capital increase.

XVII On July 26, 1988, shareholders of S.A. La Redoute transferred 50,000 SA La Redoute shares valued at FF132,500,000 to the Company, which created 250,000 new shares valued at FF100 to pay for them.

XVIII At the meeting of January 24, 1989, the Management Board observed that, following various bond conversions (October 1980 bonds) in 1988, the share capital had increased by FF7,633,300 as of December 31, 1988 as a result of the issue of 76,333 corresponding shares valued at FF100.

XIX At the meeting of January 29, 1990, the Management Board observed that, following various bond conversions (October 1980 bonds) and the exercise of warrants in 1989, the share capital had increased by FF5,253,800 as of December 31, 1989 as a result of the issue of 52,538 corresponding shares valued at FF100.

XX At the meeting of January 17, 1991, the Management Board observed that, following various bond conversions (October 1980 bonds) and the exercise of warrants in 1990, the share capital had increased by FF4, 845,800 as of December 31, 1990 as a result of the issue of 48,458 corresponding shares valued at FF100.

XXI At the meeting of January 20, 1992, the Management Board observed that, following the exercise of warrants in 1991, the share capital had increased by FF532,500 as of December 31, 1991 as a result of the issue of 5,325 corresponding shares valued at FF100.

XXII At the meeting of August 31, 1992, the Management Board observed that, following the exercise of warrants between January 1 and July 31, 1992, the share capital had increased by F 83,868,600 at July 31, 1992 as a result of the issue of 838,686 corresponding shares valued at FF100.

XXIII On December 11, 1992, the share capital was increased by FF960,301,600 following the merger of Pinault; with a net value of FF4,227,644,586.04, the merger was paid for with 9,603,016 new shares having a par value of FF100 and allocated to Pinault shareholders. The share capital was subsequently reduced by FF388,513,300 through the cancellation of 3,885,133 shares transferred by the acquired company.

XXIV At the meeting of January 20, 1993, the Management Board observed that, following the conversion of 1988-1989 convertible bonds between December 24, 1992 and December 31, 1992, the share capital had increased by FF332,400 as of December 31, 1992 as a result of the issue of 3,324 corresponding shares valued at FF100.

XXV At the meeting of January 19, 1994, the Management Board observed that, following the conversion of 1988-1989 convertible bonds, the exercise of 1989 warrants and the exercise of stock options between January 1, 1993 and December 31, 1993, the share capital had increased by FF84,591,200 as of December 31, 1993 as a result of the issue of 845,912 corresponding shares valued at FF100.

XXVI At the meeting of March 30, 1994, the Management Board observed that, following the conversion of 1988-1989 convertible bonds and the exercise of 1989 warrants between January 1, 1994 and March 10, 1994, the share capital had increased by FF17,164,100 at March 10, 1994 as a result of the issue of 171,641 corresponding shares valued at FF100.

XXVII On May 18, 1994, the share capital was increased by FF144,575,800 by means of the special long-term capital gains reserve. The increase in capital was achieved through a bonus share issue of one new share for ten old shares.

XXVIII On May 18, 1994, the share capital was increased by FF578,570,000 following the merger of S.A. La Redoute; with a net value of FF6,631,787,120, the merger was paid for with 5,785,700 new shares having a par value of FF100 and allocated to shareholders of the acquired company.

XXIX At the meeting of January 16, 1995, the Management Board observed that, following the conversion of 1988-1989 convertible bonds and the exercise of stock options between May 18, 1994 and December 31, 1994, the share capital had increased by FF21,466,300 as of December 31, 1994 as a result of the issue of 214,663 corresponding shares valued at FF100.

XXX At the meeting of January 15, 1996, the Management Board observed that, following the conversion of 1988-1989 convertible bonds and the exercise of stock options between January 1 and December 31, 1995, the share capital had increased by FF48,166,500 as of December 31, 1995 as a result of the issue of 481,665 corresponding shares valued at FF100.

XXXI At the meeting of September 18, 1996, the Management Board observed that, following the exercise of stock options between January 1, 1996 and September 15, 1996, the share capital had increased by FF880,900 at September 15, 1996 as a result of the issue of 8,809 corresponding shares valued at FF100.

XXXII On December 5, 1996:

- The share capital was increased by FF2,000 following the merger of the Société Française d'Entrepôts; with a net value of FF577,164,314.52, the merger was paid for with 20 new shares having a par value of FF100 and allocated to shareholders of the acquired company.

- The mergers of both the Société Alsacienne de Magasins (net value of FF634,698,696.81) and the Société d'Investissement Iéna (net value of FF2,259,066,176.08) did not necessitate a capital increase since the acquirer owned the entire share capital of the acquired companies.

XXXIII At the meeting of January 15, 1997, the Management Board observed that, following the exercise of stock options between September 16, 1996 and December 31, 1996, the share capital had increased by FF580,000 as of December 31, 1996 as a result of the issue of 5,800 corresponding shares valued at FF100.

XXXIV At the meeting of January 15, 1998, the Management Board observed that, following the exercise of stock options between January 1, 1997 and December 31, 1997, the share capital had increased by FF2,058,700 as of December 31, 1997 as a result of the issue of 20,587 corresponding shares valued at FF100.

XXXV On March 9, 1998, the share capital was increased by FF105,993,300 following the transfer of 4,239,732 shares in Guilbert by Mr. André Guilbert, Mrs. Sylvie Carbonnaux, Mrs. Brigitte Guilbert, Mrs. Nathalie Delacommune, Mr. André Francis Guilbert, Mrs. Virginie Guilbert, Mrs. Delphine Peninque, Mr. Philippe Cuvelier, Mrs. Danièle Cuvelier, Miss Fleur Cuvelier, Mr. François-Xavier Cuvelier, Miss Marie Cuvelier, Mr. Matthieu Cuvelier, Mr. Jules Roche, Mrs. Sandrine Roche, Mr. Jean-Félix Francart and Compagnie Financière de Villemétrie. The transfer, with a total value of FF3,569,854,344, was paid for with 1,059,933 new shares having a par value of FF100 and allocated immediately to each of the transferees.

XXXVI At the meeting of July 7, 1998, the Management Board observed that, following the exercise of stock options between January 1, 1998 and July 7, 1998, the share capital had increased by FF400,000 as a result of the issue of 4,000 corresponding shares valued at FF100.

XXXVII On July 17, 1998, the implementation of the 5 for 1 share split decided by the Extraordinary General Shareholders Meeting of June 5, 1998 resulted in the exchange of one old share (par value of FF100) for 5 new shares (par value of FF20).

XXXVIII At the meeting of January 14, 1999, the Management Board observed that, following the exercise of stock options between July 8, 1998 and December 31, 1998, the share capital had increased by FF300,000 as of December 31, 1998 as a result of the issue of 15,000 corresponding shares valued at FF20.

XXXIX At the meeting of December 8, 1999, the Management Board decided to increase the share capital by FF24,120,060 through the issue of 1,206,003 shares (with a par value of FF20) to the shareholders of Guilbert who had tendered their shares in the Company's Share Exchange Offer. In addition, the Management Board observed that, following the exercise of stock options between January 1, 1999 and November 30, 1999, the share capital had increased by FF5,445,500 as a result of the issue of 272,275 corresponding shares valued at FF20.

XXXX At the meeting of January 13, 2000, the Management Board observed that, following the exercise of stock options between December 1, 1999 and December 31, 1999, the share capital had increased by FF5,304,640 as of 31, 1999 as a result of the issue of 265,232 corresponding shares valued at FF20.

XXXXI At the meeting of March 3, 2000, the Management Board decided to reduce the share capital by FF8 million through the cancellation of 400,000 shares valued at FF20.

XXXXII At the meeting of September 7, 2000, the Management Board observed that the share capital was increased by FF11,999,640 on August 16, 2000 following the issue of 599,982 shares (with a par value of FF20) to employees through the Corporate Collective Investment Funds, Via Classic and Via Plus.

XXXXIII At the meeting of September 26, 2000, the Management Board:

- Observed that, following the exercise of stock options between January 1, 2000 and September 25, 2000, the share capital had increased by FF100,000 as a result of the issue of 5,000 corresponding shares valued at FF20.

- Decided to reduce the share capital by FF12 million through the cancellation of 600,000 shares valued at FF20.

XXXXIV At the meeting of December 20, 2000, the Management Board:

- Observed an overall increase in the share capital of FF3,984,520 following the issue on December 15, 2000 of 199,226 shares (with a par value of FF20) to employees, directly or indirectly, through the Société Value In Action Holding SCA.

- Decided to reduce the share capital by FF4,120, 060 through the cancellation of 206,003 shares valued at FF20.

XXXXV At the meeting of August 30, 2001, the Management Board:

- Observed that following the exercise of stock options between January 1, 2001 and August 30, 2001, the share capital had increased by FF1,000,000 through the issue of 50,000 corresponding shares valued at FF20.

- Converted the share capital into euros and raised the par value of shares to €4 through the capital increase involving the special reserve of long-term capital gains, a decision taken by the Extraordinary General Meeting of Shareholders held on May 18, 2001.

XXXXVI At the meeting of December 14, 2001, the Management Board observed that, following the exercise of stock options and the conversion of bonds (with an option of conversion into new shares and/or exchange for existing shares) between August 31, 2001 and December 14, 2001, the share capital had increased by €14,260,356 as a result of the issue of 3,565,089 corresponding shares valued at €4.

XXXXVII At the meeting of March 1, 2002, the Management Board observed that, following the conversion of bonds (with an option of conversion into new shares and/or exchange for existing shares) between December 15, 2001 and December 31, 2001, the share capital had increased by €344 as a result of the issue of 86 corresponding shares valued at €4.

XXXXVIII At the meeting of February 25, 2004, the Management Board observed that, following the exercise of stock options between January 1, 2003 and December 31, 2003, the share capital had increased by €50,000 as a result of the issue of 12,500 corresponding shares valued at €4.

XXXXIX At the meeting of January 3, 2005, the Management Board observed that, following the exercise of stock options between January 1, 2004 and December 31, 2004, the share capital had increased by €110,000 as a result of the issue of 27,500 corresponding shares valued at €4.

L At the meeting of March 30, 2005, the Management Board decided to reduce the share capital by €8 million through the cancellation of 2,000,000 shares of €4 each.

LI At the meeting of April 5, 2005, the Management Board announced that following the exercise of stock options between January 1, 2005 and April 5, 2005, the share capital was increased by €15,000 through the corresponding issue of 3,750 shares of €4 each.

Statutory Auditors' special report

Combined ordinary and extraordinary general shareholders meeting of May 19, 2005

Ladies and Gentlemen,

As Statutory Auditors of Pinault-Printemps-Redoute SA (the Company) and in accordance with the provisions of the French Commercial Code, we are submitting this report regarding the following resolutions that you will be asked to adopt.

Capital reduction by share cancellation (twenty-second resolution)

Pursuant to the French Commercial Code, and in particular L. 225-209, paragraph 5 pertaining to capital reductions by cancellation of shares acquired, we are submitting this report expressing our opinion on the grounds and terms of the proposed capital reduction.
This report has been drawn up in accordance with French professional standards. These standards require the exercise of due diligence in examining the regulatory compliance of the grounds and terms of the proposed capital reduction.
This transaction pertains to the purchase by the Company of up to 10% of its own share capital under the terms set forth in article L. 225-209 of the Commercial Code. The authorization to purchase shares submitted for approval by the General Shareholders Meeting would be valid for a period of eighteen months.
The Management Board requests that you delegate to the Board of Directors (or, if the ninth resolution is not adopted, to the Management Board) the necessary powers – for a period of twenty-six months – to cancel shares acquired in this manner up to a limit of 10% of the share capital per twenty-four month period.
We have no observations to make regarding the grounds and terms of the proposed capital reduction. We would, however, note that the reduction can only be carried out if prior approval for the Company to acquire its own shares is granted at the Meeting.

Delegation to the Board of Directors (or, if the ninth resolution is not adopted, to the Management Board) of the power to issue marketable securities – with or without the cancellation of pre-emptive subscription rights (twenty-third and twenty-fourth resolutions)

Pursuant to the French Commercial Code, and in particular articles L. 225-135 and L. 228-92, we are submitting this report on the proposed issue of marketable securities as defined in the twenty-third and twenty-fourth resolutions.
On the basis of its report, the Management Board recommends the delegation for a period of 26 months to the Board of Directors (or, if the ninth resolution is not adopted, to the Management Board) of the power – including the option of sub-delegating to any legally authorized person – to issue, with or without the cancellation of pre-emptive subscription rights, shares and/or marketable securities carrying equity entitlements – whether immediately or at-term – and other marketable securities carrying entitlements to debt securities and to set the terms under which these are issued.
The total amount of debt securities that may be issued shall not exceed a maximum of €6 billion and the total nominal amount of capital potentially created – whether immediately or at-term – shall not exceed €200 million, which is within the limits proposed by the twenty-seventh resolution submitted to the Shareholders Meeting. These limits do not take into account additional shares that could be issued at the same price as in the initial offering over a period of 30 days starting from the closing of subscriptions and not exceeding 15% of the initial offering.
This report has been drawn up in accordance with French professional standards. We have no observations regarding the methods for setting the price at which securities are issued in accordance with the twenty-third resolution as these terms will be set at a later date by the Board of Directors (or, if the ninth resolution is not adopted, by the Management Board) on implementation of the delegation and are consequently not defined in the Management Board's report.

As the price at which the securities are to be issued has yet to be set, we shall be making no observations on the final terms under which the issues will be carried out and, as a result, on the proposed cancellation of pre-emptive subscription rights contained in the twenty-fourth resolution, the principle of which is, nonetheless, consistent with the transaction submitted for your approval.
In accordance with article 155-2 of the decree of March 23, 1967, we shall, if applicable, be drawing up an additional report on the exercise of this power by the Board of Directors (or, if the ninth resolution is not adopted, by the Management Board).

Delegation to the Board of Directors (or, if the ninth resolution is not adopted, to the Management Board) to set the price at which the shares and/or marketable securities shall be issued within a limit of 10% of the share capital per annum (twenty-sixth resolution), in accordance with the provisions pertaining to the issue of marketable securities contained in the twenty-fourth resolution.

In accordance with the provisions of the French Commercial Code and, in particular articles L. 225-135 and L. 225-136 1° second paragraph, we are submitting this report on the proposed plans contained in the twenty-sixth resolution to authorize the Board of Directors (or, if the ninth resolution is not adopted, the Management Board) to set the price of shares issued through the transaction proposed in the twenty-fourth resolution (limit of 10% of the share capital per annum).
On the basis of its report, the Management Board proposes to delegate to the Board of Directors (or, if the ninth resolution is not adopted, the Management Board) the power to set the price at which shares are issued. The price must be at least equal to 90% of the weighted average share price over the last three stock exchange trading sessions prior to the establishment of the issue terms.
This report has been drawn up in accordance with French professional standards.
Subject to subsequent examination of the terms of the issue, we have no observations to make regarding the setting of the price of the shares to be issued as described in the Management Board report.
As the price at which the shares will be issued has yet to be set, we shall be making no observations on the final terms under which the issues will be carried out.
Pursuant to article 155-2 of the decree of March 23, 1967, we shall, if applicable, be drawing up an additional report on exercise of this power by the Board of Directors (or, if the ninth resolution is not adopted, by the Management Board).

Stock subscription option or stock purchase option plans for employees and corporate officers (twenty-ninth resolution)

In accordance with the provisions of article L. 225-177 of the French Commercial Code and of article 174-19 of the decree of March 23, 1967, we are submitting this report on the launching of a stock option program for employees and corporate officers of the Company and its affiliates as defined in article L. 225-180.
The maximum number of shares that may be issued under the employee share ownership scheme in its entirety shall not exceed 2,500,000 and the options granted to subscribe to or buy shares must be exercised within a maximum period of ten years.
It is the responsibility of the Management Board to draw up a report regarding both the grounds for issuing stock option or stock purchase plans and the terms proposed for setting the subscription or purchase price.
Our report has been drawn up in accordance with French professional standards. These standards require due diligence in ascertaining whether the terms proposed for the setting of the subscription or purchase price are included in the Management Board's report and whether they comply with the provisions laid down in the texts, are clearly explained to shareholders, and are not obviously inappropriate.
We have no observations to make on the proposed terms.

Granting of existing or new bonus shares reserved for Company employees and corporate officers (thirtieth resolution)

In accordance with the provisions of article L. 225-197-1 of the French Commercial Code, we are presenting our report on the proposed authorization to grant existing or new bonus shares reserved for employees and/or corporate officers of Pinault-Printemps-Redoute SA and of its affiliates as defined in article L. 225-197-2 of the French Commercial Code. The Management Board proposes authorizing the Board of Directors (or, if the ninth resolution is not adopted, the Management Board) to carry out grant of existing or new bonus shares.
The maximum number of shares that can be issued is set at 0.5% of the company's share capital at the time of the grant. It is the Management Board's responsibility to draw up a report on the transaction that it is proposing.
It is our responsibility to inform you, if applicable, of our observations regarding the information that you have received about the proposed transaction.
Due to the non-existence of professional standards pertaining to this transaction, governed by the provisions of regulations introduced on December 30, 2004, we have applied the due diligence which are deen necessary and proper. That is to say, we have ascertained that the terms and figures proposed in the Management Board's report comply with French law.
We have no observations to make concerning the information contained in the Management Board's report on the proposed grant of bonus shares.

Issue of shares or other securities carrying equity entitlements reserved to current and former employees of the Company (thirty-first resolution)

In accordance with the provisions of article L. 225-135 of the French Commercial Code, we are submitting this report on the proposed capital increase reserved for current and former employees who have subscribed to an employee savings scheme. The proposed capital increase is subject to your approval pursuant to article L. 225-129-6 of the French Commercial Code and article L. 443-5 of the French Labor Code.
The maximum number of shares that may be issued must not exceed 1,200,000, or a total nominal consideration of no more than €4,800,000.
On the basis of its report, the Management Board proposes delegating to the Board of Directors (or, if the ninth resolution is not adopted, the Management Board) for a period of 26 months the responsibility for setting the terms of this transaction and proposes to cancel your pre-emptive subscription rights.
We have drawn up our report according to French professional standards. These standards require the exercise of due diligence in order to check the methods used to set the issue price.
Subject to a subsequent examination of the terms of the proposed capital increase, we have no observations to make on the methods for setting the issue price described in the Management Board's report.
As the issue price has yet to be fixed, we have no opinion to express regarding the final terms under which the capital increase will be carried out and, as a result, on the proposed elimination of pre-emptive subscription rights, the principle of which is, nonetheless, consistent with the transaction submitted for your approval.
In accordance with article 155-2 of the decree of March 23, 1967, we shall be drawing up an additional report when the Board of Directors (or, if the ninth resolution is not adopted, the Management Board) proceeds with the capital increase.

Neuilly-sur-Seine and Paris La Défense, March 16, 2005
The Statutory Auditors

Deloitte & Associés

Pascale Chastaing-Doblin Amadou Raimi

KPMG Audit
Department of KPMG SA

Patrick-Hubert Petit

Person responsible for the reference document

Person responsible for the reference document

François Henri-Pinault
Chairman of the Management Board, Pinault-Printemps-Redoute

Declaration by the person responsible for the reference document

To the best of our knowledge, the information contained in this reference document is correct and includes all the information required by investors to form an opinion on the assets, operations, financial position, results and outlook of the Company. No information has been omitted that would be likely to alter an investor's opinion.

Chairman of the Management Board
François Henri-Pinault

Statutory auditors

Incumbent

KPMG Audit Department of KPMG SA
1, cours Valmy, 92923 Paris La Défense
Patrick-Hubert Petit

First appointed

Annual General Meeting of June 18, 1992

Term of appointment and expiry date

From May 25, 2004 until the Annual General Meeting called to approve the 2009 financial statements.

Deloitte and Associés
185, avenue Charles de Gaulle, 92200 Neuilly-sur-Seine
Amadou Raimi Pascale Chastaing-Doblin

First appointed

Annual General Meeting of May 18, 1994

Term of appointment and expiry date

From May 21, 2002 until the Annual General Meeting called to approve the 2007 financial statements.

Substitute

SCP Jean-Claude André
2 bis, rue de Villiers, 92309 Levallois Perret

Term of appointment and expiry date

From May 25, 2004 until the Annual General Meeting called to approve the 2009 financial statements.

BEAS
7-9, Villa Houssay, 92524 Neuilly-sur-Seine Cedex

Term of appointment and expiry date

From May 19, 2005 until the Annual General Meeting called to approve the 2007 financial statements [1].

[1] Subject to the approval of the 7th resolution of the Annual General Meeting of May 19, 2005.

Auditors' opinion on the reference document

Year ended december 31, 2004

As statutory auditors of Pinault-Printemps-Redoute SA and in accordance with article 211-5-2 of the General Regulation of the Financial Markets Authorities (AMF), we have examined in accordance with French professional standards the information regarding the financial position and the historical financial statements included in this reference document.

This reference document is the responsibility of the Chairman of the Management Board of Pinault-Printemps-Redoute. We are required to express an opinion on the fairness of the information regarding the financial position and the financial statements contained in this reference document.

Our procedures, which were performed in accordance with French professional standards, required that we assess the fairness of the information regarding the financial position and the financial statements, and verify that this information is consistent with the financial statements audited by us. They also required that we read the other information contained in the reference document in order to identify any material inconsistencies in relation to the information regarding the financial position and the financial statements and report any manifestly incorrect information that came to our attention, based on our overall knowledge of the Company as acquired during our audit, bearing in mind that this reference document does not contain any forward looking information.

We have audited the annual and consolidated financial statements for the years ended December 31, 2002, 2003 and 2004, as approved by the Board of Directors. Our audits were performed in accordance with auditing standards generally accepted in France and were certified free of qualifications.

Based on the procedures described above and taking into account the comments made in our audit reports, as mentioned above, we have nothing to report with respect to the fairness of the information about the financial position and the historical financial statements contained in this reference document.

Neuilly-sur-Seine and Paris La Défense, April 11, 2005
The Statutory Auditors

Deloitte & Associates		KPMG Audit Departement of KPMG SA
Pascale Chastaing-Doblin	Amadou Raimi	Patrick-Hubert Petit

The present reference document also includes:
- the general report and the statutory auditors' report on the consolidated financial statements of December 31, 2004 (on pages 245 and 221 respectively of the reference document) including the justification of the statutory auditors' assessments, which were drawn up in accordance with the provisions of Article L.225-235 of the *Code de Commerce* (French Commercial Code);
- the Statutory Auditors report (page 283 of the reference document), drawn up in accordance with the provisions of the last paragraph of Article L.225-235 of the Code de Commerce , on the report drawn up by the Chairman of Pinault-Printemps-Redoute SA describing the creation and implementation of adequate and effective internal control procedures for the treatment of accounting and financial information.

Financial Communications Director of Pinault-Printemps-Redoute
David Newhouse – Tel.: +33 (0)1 45 64 63 23

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The reference document was submitted to the *Autorité des Marchés Financiers* (AMF, French Financial Markets Authorities) on April 11, 2005, in accordance with the terms of articles 211-1 to 211-42 of the AMF's General regulations. It may be used as support for financial transactions if accompanied by a prospectus issued by the *Autorité des Marchés Financiers* (AMF, French Financial Markets Authorities).

This is a free translation of the original text in French for information purposes only.

Contents of the reference

Information	Pages
STATEMENTS BY SENIOR MANAGEMENT	
- Statement by the persons responsible for the reference document	316
- Statement by the Statutory Auditors of the financial statements	316-317
- Information policy	260
GENERAL INFORMATION	
- Company	
• Applicable law	252
- Share capital	
• Specific requirements (limitations on the exercise of voting rights, etc.)	253-254
• Authorized, unissued capital	262 to 265
• Potential share capital	261-262
• Changes in share capital over five years	261
- Stock market information	
• Share price and trading volume over 18 months	256 to 259
• Dividends	239
SHARE CAPITAL AND VOTING RIGHTS	
- Current share ownership structure and voting rights	256
- Changes in share ownership	255-256
- Shareholders' agreements	261
GROUP ACTIVITY	
- Group structure (parent company/subsidiary relations, information on subsidiaries)	10 to 13, 68 to 119, 238 to 244 and 278 to 282
- Group key figures	6-7
- Information by sector (by activity, geographical area and/or country)	8-9, 68 to 119 and 164-165
- Markets and competitive positioning of the company	68 to 119
- Investment policy	150 to 154
- Performance indicators (creation of value for the company, etc.)	–

document

Information	Pages
ANALYSIS OF GROUP RISKS	
- Risk factors	
• Market risks (liquidity, interest rates, currency, equity portfolio)	155-156 and 202 to 206
• Specific risks linked to activity (dependence on suppliers, customers, subcontractors, agreements, manufacturing processes, etc.)	156 to 161 and 211
• Legal risks (specific regulations, concessions, patents, licenses, significant claims, non-recurring expenses, etc.)	157 and 212
• Industrial and environmental risks	38 to 52
- Insurance and risk coverage	155 to 159
ASSETS, FINANCIAL SITUATION AND RESULTS	
- Consolidated financial statements and notes	160 to 220
- Off-balance sheet commitments	207 to 211 and 233
- Fees paid to statutory auditors and members of their organisations	274
- Pro forma financial information	123 to 137 and 175 to 179
- Parent company financial statements and notes	222 to 244
CORPORATE GOVERNANCE	
- Composition and operating principles of administrative, management and supervisory bodies	267 to 286
- Composition and operating principles of committees	276 to 278 and 284-285
- Management and corporate officers (remuneration and benefits, stock options granted and exercised, warrants and equity warrants)	272 to 274
- Ten top employees excluding corporate officers (stock options granted and exercised)	264
- Regulated agreements	246 to 249
RECENT DEVELOPMENTS AND OUTLOOK	
- Recent developments	141
- Outlook	141

This document has been prepared by the Pinault-Printemps-Redoute's Financial Communication Department.

Design and production TERRE DE SIENNE PARIS - Tel.: + 33 (0)1 55 19 19 19

This is an English translation of the French original reference document filed with the AMF (French Financial MarketsRegulatory Authority) on April 11, 2005. In the event of any discrepancy between the French version and the English translation, the French version shall prevail in all cases.

PINAULT-PRINTEMPS-REDOUTE

Société anonyme with a Management Board and Supervisory Board Capital: €481,752,920

Head Quarter: 10, avenue Hoche – 75381 Paris Cedex 08

Tel.: +33 (0)1 45 64 61 00 – Fax: +33 (0)1 45 64 60 00

552 075 020 RCS Paris



10, avenue Hoche – 75381 Paris Cedex 08
Tel.: +33 (0)1 45 64 61 00 – Fax: +33 (0)1 45 64 60 00
www.pprgroup.com