EDITION 2009

# Reference document 2008

An adventure of enterprise

PPR

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# Table of contents


1 PPR in 2008 3

2 The Group's activities 11

3 Corporate Social Responsibility (CSR) at PPR 57

4 Financial information 127

5 Legal information 289

6 Corporate governance 301

7 Combined General Shareholders' Meeting on May 7, 2009 329

8 Person responsible for the reference document and Persons responsible for auditing the accounts 347

9 Cross-reference tables and Index 351

# 1 PPR in 2008


HISTORY 4

KEY CONSOLIDATED FIGURES 6

PPR
AN ADVENTURE OF ENTERPRISE 8

A decentralised structure where delegation is key 8

A group capable of transforming itself
to enhance future growth and profitability 8

A group that leverages brands and expertise
to build a project for the future 9

A balanced, diversified and solid group
that remains on course and will emerge
strengthened from the current economic turmoil 10

PPR Group Organisational Chart
as of December 31, 2008 10

# History

Established in 1963 by François Pinault in the timber and building material businesses, the PPR group positioned itself in the middle of the 1990s in the retail sector, in which it soon became a major player. The purchase of a controlling stake in Gucci Group in 1999 and the establishment of a multi-brand Luxury Goods group marked a new stage in the development of the Group. In 2007, the group seized a new growth opportunity with the purchase of a controlling stake in Puma, a world leader and benchmark in Sportlifestyle.

PPR thereby continued to develop its activities in the most buoyant markets, through strong and highly reputed brands.

**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 acquisition of Conforama, the Group enters into retail activity.

**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**
- Launch of the Group's first website, laredoute.fr.

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

**1997**
- Takeover by Redcats (PPR home shopping activity) of Ellos, the leader in the Scandinavian home shopping market.
- Creation of Fnac Junior, a store concept for children under 12.

**1998**
- Takeover of Guilbert, the European leader in office supplies and furnishings.
- 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 enters the Luxury Goods sector with the acquisition of 42% of Gucci Group NV.
- First steps towards the creation of 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 retailer.
- Acquisition by Gucci Group of Boucheron.
- Launch of Citadium, the new Printemps sports store.

**2001**
- Gucci Group acquires Bottega Veneta and Balenciaga and signs partnership agreements with Stella McCartney and Alexander McQueen.
- Conforama enters the Italian market with the purchase of the Emmezeta group, one of the leaders in the home furnishings market in Italy.
- Pinault-Printemps-Redoute raises its stake in Gucci Group to 53.2%.

**2002**
- The Group raises its stake in Gucci Group to 54.4%.
- Sale of Guilbert home shopping activity to Staples Inc.
- Sale of part of the Credit and Financial Services activity in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and to BNP Paribas (90% of Facet).

**2003**
- The Group raises its stake in Gucci Group to 67.6%.
- Sale of Pinault Bois & Matériaux to the Wolseley group in the UK.
- Sale of the Guilbert "contract" activity to the American group Office Depot.
- Further sale of 14.5% of Finaref.

**2004**
- The Group raises its stake in Gucci Group to 99.4% following a tender offer.
- Sale of Rexel.
- Sale of the 24.5% residual stake in Finaref.

**2005**
- Change in the corporate name: Pinault-Printemps-Redoute becomes PPR.
- Sale of MobilePlanet.
- Sale of the 10% residual stake in Facet.

**2006**
- Sale of 51% of France Printemps to RREEF and the Borletti group.
- Sale of Orcanta to the Chantelle group.
- Sale of the Bernay industrial site (YSL Beauté Recherche et Industrie).
- Termination of Fnac Service activities.
- Conforama acquires majority control of Sodice Expansion.
- Redcats Group acquires The Sportsman's Guide, Inc.

**2007**
- Sale of the 49% residual stake in France Printemps to RREEF and the Borletti Group.
- Sale of Kadéos to the Accor Group.
- Acquisition of a 27.1% controlling stake in Puma, followed by an increase in this stake to 62.1% on completion of a tender offer.
- Acquisition by Redcats USA of United Retail Group.

**2008**
- Sale of YSL Beauté to L'Oréal.
- Sale of Conforama Poland.
- Sale by Redcats UK of Empire Stores.
- Sale by Redcats USA of the Missy division.
- Purchase of a 23% stake in Girard Perregaux.

# Key consolidated figures

| *(in € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 20,201 | 19,098 | +5.8% |
| *Revenue generated outside of France (as a% of revenue)* | *61.1%* | *57.9%* | *+3.2pts* |
| Gross margin | 8,815 | 8,305 | +6.1% |
| **Recurring operating income** | **1,721** | **1,634** | **+5.4%** |
| *Operating margin (as a% of revenue)* | *8.5%* | *8.6%* | *-0.1pt* |
| **Net income attributable to equity holders of the parent** | **924** | **922** | **+0.2%** |
| **Free cash flow from operations** (1) | **1,004** | **1,346** | **-25.4%** |

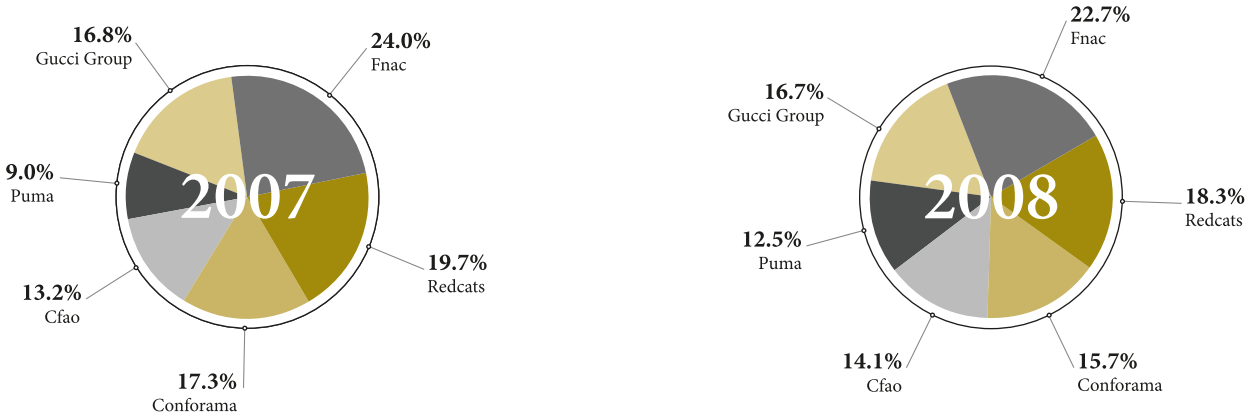
| **Per share data** *(in €)* | 2008 | 2007 | Change |
|---|---|---|---|
| Net income per share attributable to equity holders of the parent | 7.33 | 7.19 | +1.9% |
| Net dividend per share | 3.30 (2) | 3.45 | -4.3% |

Excluding non-recurring operating items, the change in net income from continuing operations attributable to equity holders of the parent was as follows:

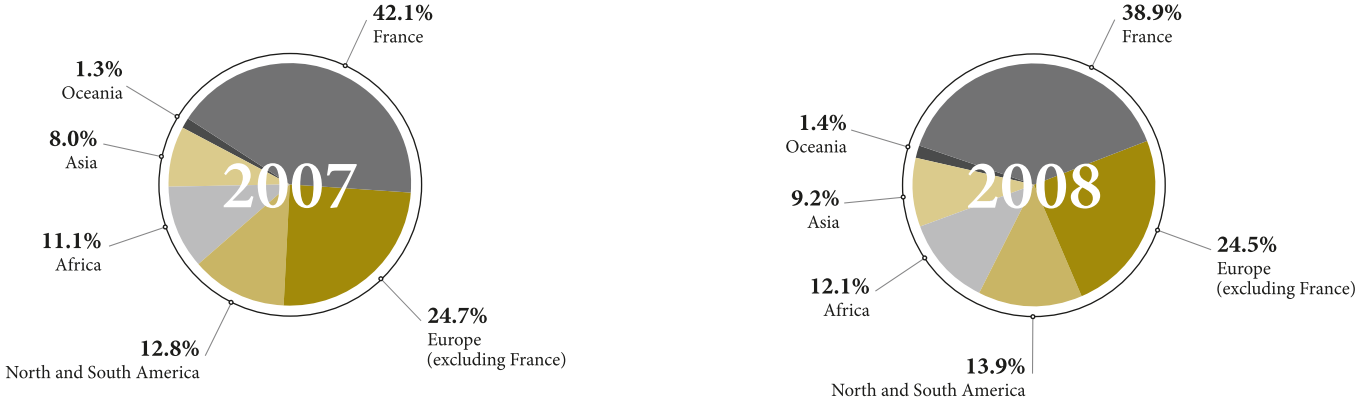
| | 2008 | 2007 | Change |
|---|---|---|---|
| Net income from continuing operations attributable to equity holders of the parent | 875 | 875 | +0.1% |
| Net income per share from continuing operations attributable to equity holders of the parent | 6.95 | 6.82 | +1.9% |

*(1) Net cash from operating activities net-acquisitions of intangible assets and property, plant and equipment.*
*(2) Submitted for the approval of the Shareholders' Meeting of May 7, 2009.*

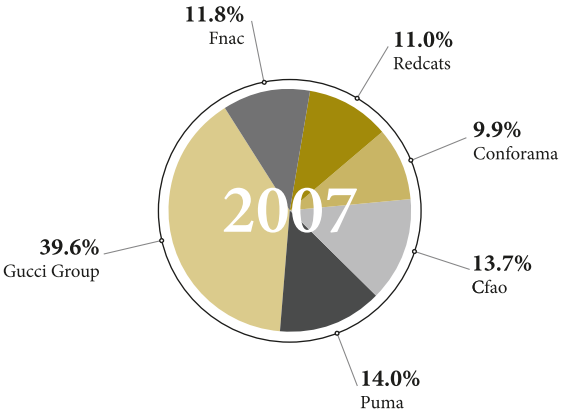
**BREAKDOWN OF REVENUE BY ACTIVITY**

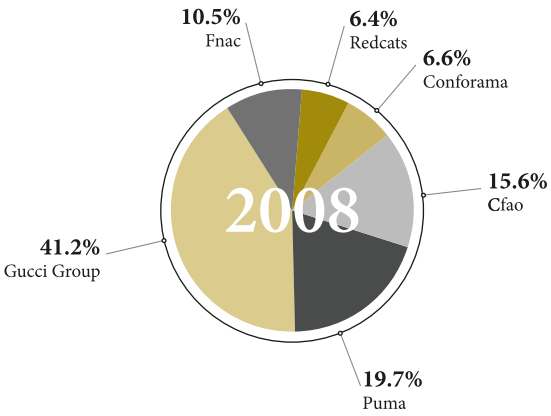



**BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA**



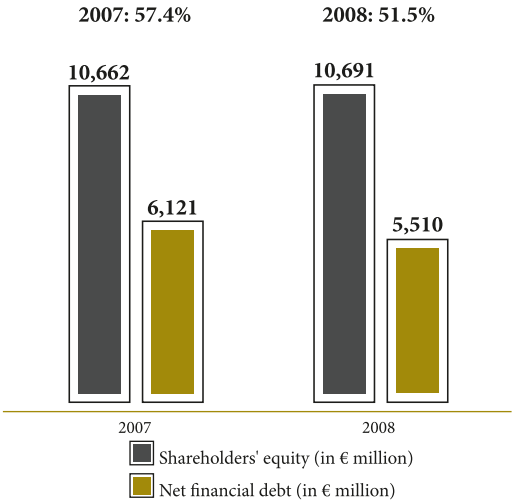
## BREAKDOWN OF RECURRING OPERATING INCOME BY ACTIVITY (1)



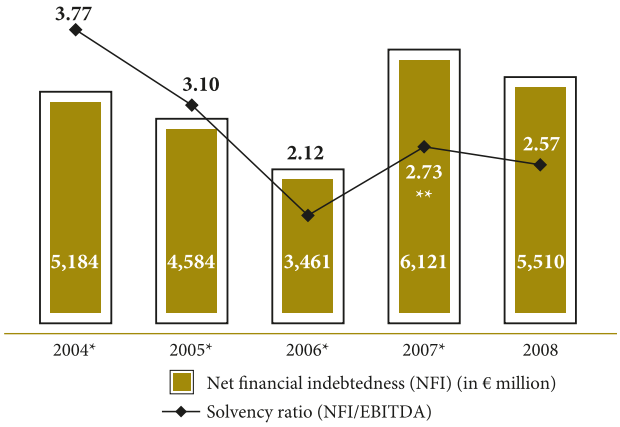

(1) Excluding holding companies and others.

## FINANCIAL POSITION - DEBT-TO-EQUITY RATIO(1)



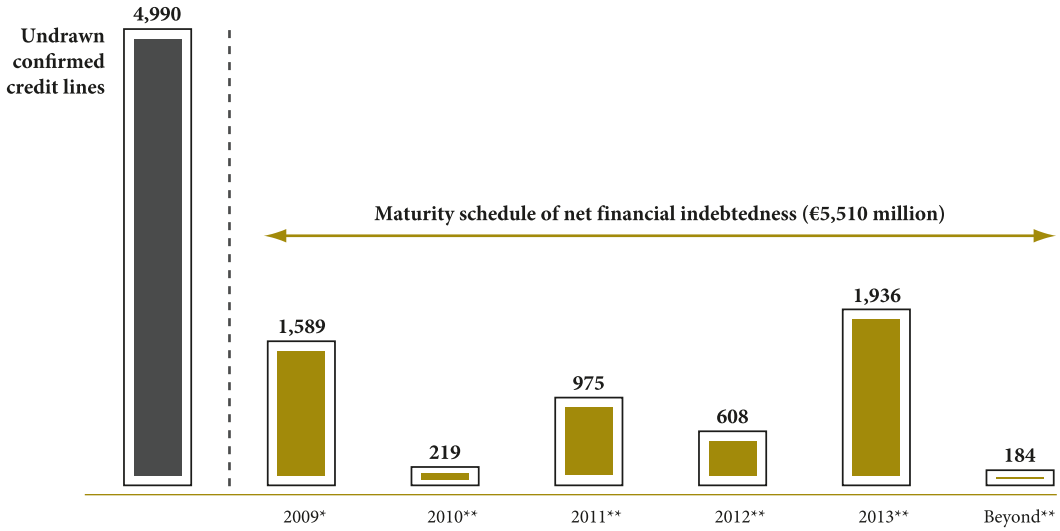

(1) Net financial debt as a percentage of shareholders' equity for the consolidated entity.

## SOLVENCY




* Not adjusted for application of IFRS 5.
** Pro forma.

## LIQUIDITY




* Gross borrowings after deduction of cash equivalents and financing of customer loans.
** Gross borrowings.

# PPR
# An adventure of enterprise

At the core of PPR's identity is a distinctive state of mind: the pervasive entrepreneurial spirit that has driven us since the Group's inception in 1963.

Over the years, as PPR underwent profound transformations, this spirit presided over all PPR's big strategic moves. At every stage in its construction, PPR acted boldly, imposed its culture of performance, invested resolutely in each of its business lines, and nurtured them so that they could look forward to strong growth.

The Group has always strived to reach ever higher and channel an ambitious vision of its future towards innovative, value-creating achievements. PPR's adventure is one of continuing metamorphosis, of constant forward motion to build new business areas, broaden the geographical coverage of Group companies, invent original products, formats and concepts, and apply fresh models for growth and improved performance.

This active, forward-looking culture encourages all our people to reach beyond their immediate horizons, assess risks, take responsibility and act decisively. Far from being content to follow established procedures, PPR's teams are driven by an urge to conquer, a spirit of inventiveness, the enthusiasm and ambition to succeed.

## A DECENTRALISED STRUCTURE WHERE DELEGATION IS KEY

PPR's strong entrepreneurial culture led it long ago to embrace the principle of decentralisation. Its structure creates a balance between the different operating branches, each of which enjoys extensive autonomy within a set framework, and a light-touch holding company responsible for the Group's strategic direction.

This form of organisation devolves responsibility and initiative to all Group employees who are then free to maximise value creation for PPR. Each employee is committed to developing the resources they are given and feels responsible and accountable for their performance.

On the ground, the subsidiaries have the executive power they need to run their businesses. Being close to their markets and customers, they are charged with developing strategy for the brands and chains and setting the direction for each business as well as taking all operational decisions. They are supported by quick, flexible and interconnected management structures. Such freedom of action for the operating teams helps keep employees committed and loyal to the Group. It also draws out the best talent.

The holding company defines PPR's high-level strategy and ensures the interests of the Group's various stakeholders remain aligned. It manages performance in all group entities through streamlined systems for orientation, regulation and control. It also manages certain areas that come under its exclusive remit for the Group as a whole, including mergers and acquisitions, treasury and finance, shareholder relations and Group corporate governance. In addition, it fulfils leadership, management, support and coordination roles in some other areas within the Group.

PPR looks to pool resources and facilities wherever this will add value for the branches and improve performance. It applies cross-functional policies to optimise specific key processes for the Group as a whole, notably talent management.

Sharing of knowledge and expertise throughout the group as well as dissemination of best practice is systematically encouraged. This helps drive creativity, innovation and excellence in processes, optimising the use of resources and cut costs.

PPR's culture naturally encourages the dialogue, free expression and conviviality that brings and holds the Group together and fosters a sense of solidarity among employees. This is well illustrated by the simple, direct and streamlined communication systems used throughout the company.

This unique management style lies at the heart of the Group's functioning and performance.

## A GROUP CAPABLE OF TRANSFORMING ITSELF TO ENHANCE FUTURE GROWTH AND PROFITABILITY

PPR is constantly seeking new sources of growth and profitability. It is this ambition for long-term expansion and value creation that has motivated the Group's various transformations over more than forty years in business.

This innovative development strategy hinges on exploiting the potential for growth lying latent within the Group's different assets. PPR has put together a remarkable portfolio of businesses, always picking leading brands and companies with differentiating qualities that enjoy exceptional appeal. Their commercial success stems in the large part from a capacity to anticipate market expectations. All the brands and companies enjoy strong potential for organic growth by leveraging their assets, and it ability to expand globally or move into new areas (products, segments, distribution channels, etc.).

PPR is committed to continuous progress, to achieve lasting improvements in the use of capital and boost profitability over the long-term. The Group companies are bound into a strong culture of cost-control and seek constantly to refine their business models to enhance operating profitability. They are equally concentrated on maximising returns on capital employed and keeping working capital to the minimum required for each business. Finally, through attention to detail and meticulous execution, they ensure the efficiency of the Group's processes and organisations. Passionate and talented teams, both in the operating businesses and in the support functions, coordinate optimisation of each link in the value chain.

PPR stands ready to fine-tune its portfolio of strategic assets wherever this will further improve its growth outlook and profitability. Group entities that no longer offer the required prospects for revenue or profit growth may be sold on, with due consideration for their history and their employees.

Mergers and acquisitions can also be an effective way to step up the pace of transformation in the Group. PPR has always been able to seize the moment, as in 1999 when it bought Gucci Group or more recently with Puma, to acquire a major asset that shifts the Group's centre of gravity, either by its size or its market positioning. PPR is also adept at mid-sized tactical investments that add new capabilities to the Group or complement existing brand or product portfolios.

Criteria applied to potential acquisitions are demanding. The Group only selects targets that match its strategy and that offer potential to develop and improve financial performance, which PPR can identify and exploit. Also, the Group only considers assets that fit with its policies for consolidated net income growth, financial solidity and return on investment.

## A GROUP THAT LEVERAGES BRANDS AND EXPERTISE TO BUILD A PROJECT FOR THE FUTURE

PPR has built up unrivalled expertise in retailing, with a multifarious range of formats, strongly differentiated models and highly innovative retail channels. Redcats, Fnac, Conforama and Cfao are all in their way trail-blazers in their respective fields and have all developed into essential players in their market. Notable achievements include the constant extension and renewal of product and service ranges, the roll-out of e-commerce, innovative ways of interacting with customers and the expansion of their networks.

In Gucci Group and Puma, PPR has two very different but coherent portfolios of prestigious brands. Both are global and complementary and positioned in a growth sector: personal goods. Gucci Group is active in the Luxury Goods market. Its brands are a roll call of the values and traditions of excellence. They remain true to their roots while bringing their aura and success into modern times. They evoke ultimate quality and exclusivity through an offer of prestigious and luxury goods. Puma is targeted at a broader consumer market and customers who seek to define themselves by shared and identifiable lifestyles. The brand draws its credibility from its identity, authenticity, technical quality and style. Its ranges and pricing make it accessible to large numbers of consumers.

Expertise in distribution and brand management gives PPR a special know-how when it comes to selling: the art of presenting products, selecting the most appropriate channel to promote them, exploiting the best positioning or best medium to market them or alternatively applying the most efficient relational marketing strategy to attract customers and instill brand loyalty. It is a question of creating the conditions that will not only bring a customer to the point of making a purchase but also transform it into a pleasant and valued experience. There is also supply chain management, an area where synergies are particularly well exploited among the Group's different entities. Whether in the Group's creative studios, purchasing agencies, supplier and sub-contractor relations and logistics units, backed by powerful IT tools and other facilities, all PPR branches are committed to the highest possible standards of quality and reliability throughout the process while also complying with the Group's corporate social responsibility charter.

By bringing together these exceptional skills PPR has gradually moved the centre of gravity of its core assets into a group of universal and powerful brands focused around personal goods. These include both established brands and rising stars, but all are distinguished by excellent long-term and renewed positioning, whether in the Luxury Goods or Consumer sectors. Their credibility is based on exceptional brand identity, the offer of authentic style and on rare and demanding expertise. All look to provide the best possible quality, associated with continuous innovation, inspired by the expectations of their markets and perfect management of the value chain serving their customers. Priority is given to those that hold the seeds of future development (expansion into new markets, internationalisation, retail channels, etc.). By applying these values and principles for action the Group ensures its asset portfolio remains internally coherent.

## A BALANCED, DIVERSIFIED AND SOLID GROUP THAT REMAINS ON COURSE AND WILL EMERGE STRENGTHENED FROM THE CURRENT ECONOMIC TURMOIL

In its current form, PPR has achieved a particular balance of customer profiles, brands, products, selling formats and geographical reach that offers a satisfactory diversification of risks and helps smooth performance.

In 2008, the global economy was hit by a shock of historic proportion, including a financial crisis of unprecedented severity. In this environment of slowing economy, poor visibility, weakened consumption outlook and evaporating liquidity, PPR stands on solid fundamentals. Its sound business model and unrivalled capacity to adapt should allow it to better resist fluctuations in the economic climate.

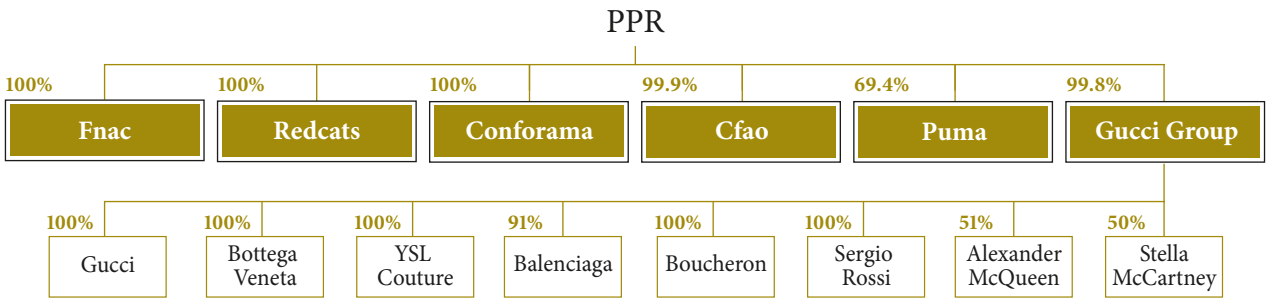
This complex and volatile environment makes it more vital than ever to reiterate PPR's strategic vision and confirm its medium- and long-term targets. Rigorous and frequent assessment of economic circumstances dictates the pace at which projects are implemented as well as their timetable for completion. The path that PPR has set out, notably with the acquisition of Puma in 2007, is unchanged. Only the speed of execution has been scaled back in the interests of realism and prudence demanded by current market uncertainties.

Short term, PPR is concentrating on the fundamentals: trading, costs, cash and staff. Accordingly, all the Group's entities are engaged in wide-ranging action plans designed to:

- improve commercial efficiency by better exploiting customer interactions and increasing gross margins. This can be done, for instance, by adjusting pricing and promotional policies or by focusing on the most profitable customer groups, product categories and range positioning. It also involves reallocating sales areas, refining merchandising, developing service sales and intensifying multi-channel and cross-selling;
- optimise cost structures and reduce breakeven points by restructuring organisations and operating systems (simplifying portfolios of activities, closing insufficiently profitable stores, pooling or sub-contracting support functions to better exploit economies of scale, etc.), by improving efficiency for all operating processes (new sourcing and procurement centralising practices, supply chain optimisation, reorganisation of capacity, productivity improvements, etc.) and by cutting indirect costs, overheads and other fixed costs (systematic drive for savings on all cost items, focusing of marketing and communications spend on tightly defined strategic priorities, etc.);
- increase cash flow by giving absolute priority to growing operating income, cutting stocks and other working capital items (strengthening controls, revising supply and production plans, reorganising logistics flows, re-examining payment/collection practices, etc.), by reviewing the process for allocating investments and reconsidering the project portfolio (greater selectivity, with some projects delayed or dropped, costs and deadlines revised, etc.);
- mobilise talents and develop skills while prioritising excellence in execution and the responsiveness of organisations, by identifying and rewarding high-potential employees, by enhancing loyalty to the Group and encouraging employees to share PPR's ambitions and values, by fostering a pride in belonging and making sustainable development and corporate social responsibility issues a core concern.

The determined and diligent implementation of these programmes will help in the short term to improve PPR's financial performance, partly in 2008 and fully in 2009. In this way, the Group can put itself ahead of the pack and position itself to seize a quick and decisive competitive lead when the economic upturn comes and the trend in consumer spending revives.

## PPR GROUP ORGANISATIONAL CHART AS OF DECEMBER 31, 2008



# 2 The Group's activities


| | | | |
|---|---|---|---|
| CONSUMER ACTIVITIES | 12 | LUXURY GOODS ACTIVITIES | 38 |
| FNAC | 13 | GUCCI GROUP | 39 |
| REDCATS GROUP | 20 | GUCCI | 43 |
| CONFORAMA | 26 | BOTTEGA VENETA | 46 |
| CFAO | 30 | YVES SAINT LAURENT | 49 |
| PUMA | 34 | OTHER BRANDS | 52 |

# Consumer activities



















- Leading retailer of cultural and technological products in France, Belgium, Spain and Portugal
- Active in eight countries: France, Belgium, Brazil, Spain, Italy, Portugal, Greece and Switzerland
- 3.3 million members
- Fnac.com, number one retail website by visitor numbers (1)
- Leading retailer of personal computers in France (1)
- 35,000 items in personal computers, photography, hi-fi, TV/video, software/games, office equipment/telephony
- Leading bookstore in France with 708,000 product items (1)
- Leading music store in France with 350,000 items in store (2)
- In France: 2.2 million members, 18 million customers a year and 150 million visits to stores

**4,587**
€ million of revenue in 2008

**186**
€ million of recurring operating income in 2008

**19,357**
employees at the end of 2008

**143**
directly-operated stores at the end of 2008 (excl. Fnac Éveil & Jeux) and 2 joint ventures in Greece

## BUSINESS CONCEPT

Since its creation in 1954, Fnac has pioneered new trends in order to offer a comprehensive range of cultural products to as many customers as possible, combined with access to technology.

Customers come to Fnac to enjoy a hugely diverse range of cultural and technological goods: this is how Fnac positions itself. The distinguishing feature of Fnac stores is the unrivalled selection of books, CDs, DVDs, video games and technological products available under one roof. This product range is supported by Fnac's independent, innovative positioning as an "impartial advisor" based on the independence of its buyers and sales force in relation to its suppliers and the work of its test laboratories. Fnac also has a unique consumer information policy, the main vehicles of which are the technological brochures distributed in stores and its "Contact" magazine sent to members' homes. Its physical and online stores are not only used for purchases; they provide a cultural, social and exchange forum, bringing a wide range of customers into contact with literary, musical and audiovisual creation and technological innovation. Fnac has enhanced its status as a cultural and technological player and a corporate citizen through the various annual events it organises in its stores and externally, its publications, its support for cultural diversity and freedom of expression and its commitment to combating illiteracy. Fnac is active in eight countries, namely France, Belgium, Switzerland, Italy, Spain, Portugal, Greece (two joint ventures) and Brazil, and has 145 stores, including 64 outside France, with a selling area of more than 329,000 square metres. In France, its 81 stores welcome over 150 million visits and serve nearly 18 million customers each year.

*(1) Source: Médiamétrie, December 2008.*
*(2) Source: GFK.*

## COMPETITIVE ENVIRONMENT

Fnac is one of the leading retailers of cultural and technological products in the majority of the countries in which it is active. In France, Fnac is the leading bookstore (708,000 product items and 48 million units sold), and the largest music store (with over 350,000 CDs available to order and 38.8 million units sold). It is also the leading retailer of personal computers, cameras, camcorders, MP3 players, PDAs and GPSs.

## STRATEGY

In 2008, Fnac reaffirmed the four key aims set out in its 100% Customers business project:

Conquest of the peri-urban market, excellence in its website Fnac.com, development of services and international expansion.

### Conquest of the peri-urban market

The peri-urban concept offers Fnac a vast pool of potential sites and represents a vital growth opportunity for Fnac in coming years.

These new openings are in line with Fnac's strategy. By taking its place in the new peri-urban retail parks, Fnac is adapting to changing trends in where and how its customers like to shop.

The concept offers a range of cultural and technological products to suit all the family, supported by a passionate, independent and expert sales force, in a contemporary, welcoming and lively environment.

In 2008, Fnac further increased the coverage of its network by opening four new peri-urban stores: Avignon-le-Pontet, Vannes, Sainte Geneviève-des-Bois and Villiers-en-Bière.

### Excellence at Fnac.com

Fnac.com has over 100,000 items in stock which can be delivered anywhere in France within 24 hours.

Fnac.com has been France's leading B-to-C e-commerce site by visitor numbers over the last five years [(1)] with more than 700,000 unique visitors a day.

With more than a million items on offer Fnac.com is also the biggest Fnac store in France by revenue.

In 2008, Fnac.com developed a personal "My Fnac" space which tracks and guides visitors through the site based on their artistic tastes. Shoppers can call up previous purchases, enter their areas of interest and post comments. Using this data the site generates its own selection of items that might interest the visitor.

2008 was also a year of sustained innovation for digital distribution of Fnac's cultural products, with the launch of the first e-book in partnership with Sony during the last quarter of 2008 and the inauguration of the Fnac Video on Demand service via Netgem boxes.

### Development of services

Fnac offers its customers a wide range of services. In 2008, sales associated with technological products experienced particularly strong growth.

Fnac also achieved great success during the year with the launch of a service new to the French market: the "replace with new" warranty for all technological products (computers, MP3 players, cameras, TVs, etc.). This new high value-added service guarantees that if a purchase breaks it will be replaced with a new identical or equivalent product. This service complements existing warranty extensions and offers a real time-saving for the customer who gets a new product rather than having to wait for their old one to be repaired.

Fnac has also started to develop personal services, offering a full range of home-help services: installation, training, support.

Fnac experts help customers through powerful and innovative personalised formulas that cover many services: computer configuration, software installation, setup of web or anti-virus connections, networking, beginners to advanced training, IT helpdesk, etc.

### International expansion

International expansion is one of the major themes of Fnac's development plans. Fnac is extending the coverage of its store chains in all countries where it is active and opened ten new stores outside France in 2008 (including a joint venture in Greece).

*(1) Nielsen-Netrating, September 2008.*

Despite a tough economic environment, international activities are expanding and generated nearly 30% of revenue in 2008. Since 2000, Fnac has tripled its number of international stores. Building on this expansion, the chain is now improving its international organisation by centralising certain activities. Accordingly, in 2008, Fnac extended pooled procurement of technological products in Europe by creating a continent-wide purchasing centre for the Group.

### Fnac specialist companies

**Fnac Éveil & Jeux** offers a range of educational games and toys, books and multimedia products, nursery accessories and decoration items for children up to the age of 12. The company uses three different distribution channels – catalogues, Internet and stores – enabling it to increase its recognition and offer each customer a tailor-made purchasing method. Fnac Éveil & Jeux is one of the leaders in online and home shopping for educational games and toys thanks to the originality and selective approach of its product offering. It now has 40 stores. In 2008, Fnac Éveil & Jeux recorded revenue of €130 million, with more than half of this through home-shopping.

## AN INCREASINGLY CUSTOMER-FOCUSED COMPANY

### Customer satisfaction

Fnac's goal is to become an increasingly customer-focused company. In order to improve the availability of its salespeople Fnac has launched a long-term programme with three main areas of focus: reducing subsidiary tasks, increasing the number of staff on hand at peak times and developing skills. The CAP 100 customer survey in 2008 found that over 70% of customers were "completely satisfied" with salespeople's availability, friendliness and willingness to listen, while 91% were "generally satisfied" with their visit to Fnac stores.

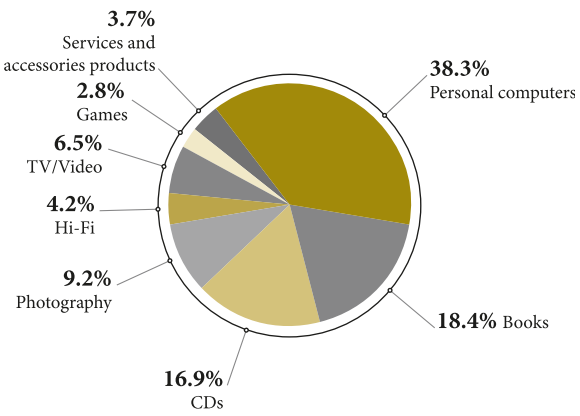
### Launch of the One loyalty card

Fnac launched a loyalty card for its high-spending members at seven stores in autumn 2008 which entitles them to an enhanced quality of service. Cardholders can access various services including a special service point in the store, a dedicated phone line available 7-days a week from 8:30 am to 10:30 pm and priority bookings for products, events and seats at shows or concerts. They also benefit from a dedicated after-sales service offering direct diagnostics of problems or, if necessary, a personalised meeting in one of the pilot Fnac stores. The programme could be rolled out to all Fnacs from early 2009.

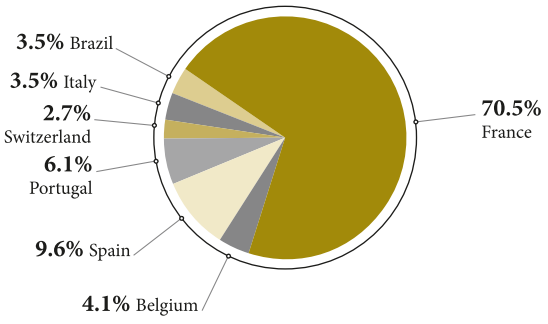
### In 2008, Fnac Logistique was 10 years old

Fnac Logistique, the nerve centre of the chain, supplies and delivers products for the chain's stores and for customers of Fnac.com. Operating out of two warehouses, one covering 56,000 square metres in Massy and another covering 20,000 square metres in Wissous, Fnac Logistique covers 26 business lines and works 24/7 during the year-end season. At the end of 2008 that meant delivering to over 120,000 customers every day.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



## A COMPANY WHERE THE ENERGY AND TALENT OF EMPLOYEES KNOWS NO LIMITS

In 2008, Fnac pressed ahead with its ambitious and aggressive programme for the forward management of jobs and expertise. The challenge is to offer employees in high-growth Fnac subsidiaries the opportunity to embark on a training programme that will lead to set qualifications.

At the same time, Fnac has substantially changed the elements that make up its employee remuneration packages to offer a fairer mechanism that rewards actual performance: statutory profit-sharing remains the remuneration tool based on Group results, while incentive schemes have been reviewed linking them to the performance of each store and incorporating a personal component reflecting the performance of each employee.

Fnac was also among the first European companies to launch a professional experience validation programme.

The programme has been running in France and Spain since 2004 and over 300 employees have completed it (50 in Spain and 250 in France).

In France, having begun with *bac pros* and then *Commercial BTS* (standard and advanced vocational diplomas) Fnac this year also validated more than ten Masters (among 35 marketing graduates).

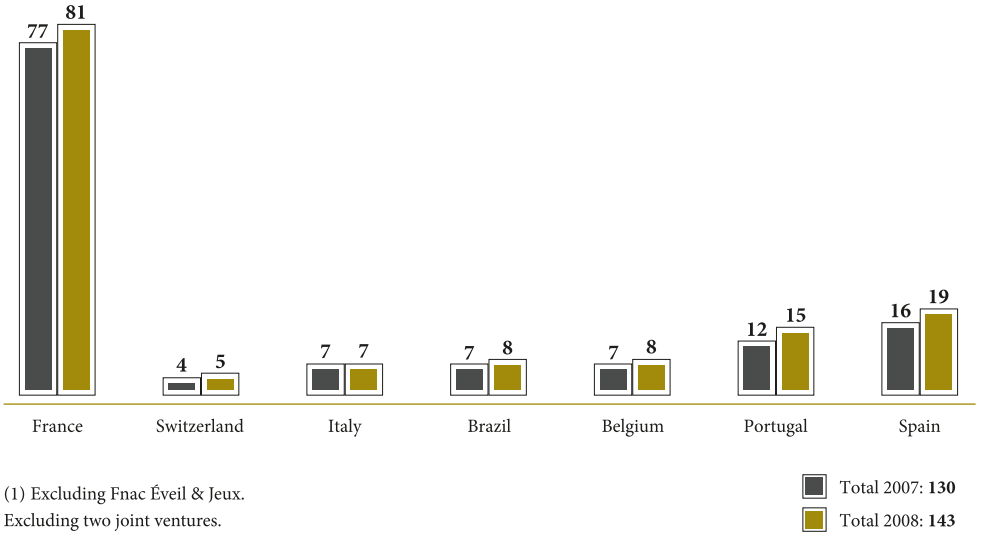
The company's commitment to the project has resulted in a pass rate of 86%.

Lastly, in 2008, Fnac completed its project to centralise back office functions. It will continue to refine its organisation in 2009.

## A KEY PLAYER IN CULTURE AND TECHNOLOGY

As well as being a flagship retailer Fnac also plays a leading role in the fields of culture and technology. Every year, Fnac organises and takes part in major events relating to books, music, photography, cinema from every country and for the last two years, new technology and computer games. Last year in France, for instance, Fnac organised nearly 7,000 cultural and technology events with the aim of sharing and bringing new experiences to the widest possible audience.

**NUMBER OF FNAC STORES EXCLUDING SUBSIDIARIES** (1)




(1) Excluding Fnac Éveil & Jeux.
Excluding two joint ventures.

## In books

- the *Prix Goncourt des lycéens*, a literary prize awarded by high-school students in partnership with the French Education Ministry and the Académie Goncourt, which aims to introduce high-school students to the pleasures of contemporary literature; the *Prix Fnac des premières lectures*, awarded in June, which seeks to introduce children to reading for pleasure and to combat illiteracy;
- the Fnac Novel Prize, selected independently by 400 members and 300 booksellers;
- the promotion of comic books in store through the organisation of events, signings, meetings and partnerships in France (in particular the Festival of Angoulême), Belgium, Switzerland, Spain and Brazil;
- World Book Day in Portugal: in 2008 Fnac published a luxury anthology of ten original novels by leading Portuguese writers.

## In music

- the "*Découvertes du Printemps de Bourges et de la Fnac*" talent contest, with some 3,900 artists participating this year in selections for regional and national auditions; on the same principle, Fnac Belgium created the "Unsigned Music Talents" competition to discover new artists on the Belgian scene;
- the Fnac Festival as part of Paris Plage festivities and as an extension of the annual "*Indétendances*" compilations, which honours new talent and attracted over 70,000 spectators in its fifth year. In Brazil, the Fnac in the Park festival showcases the best in Brazilian popular music and new talents in Brasilia, São Paulo and Rio de Janeiro;
- the "Novos Talentos" recordings released in Portugal last year included 30 previously unheard tracks by artists, in CD and MP3 formats, with profits going to the charity project "*Infothèque contre l'info-exclusion*" which combats digital exclusion.

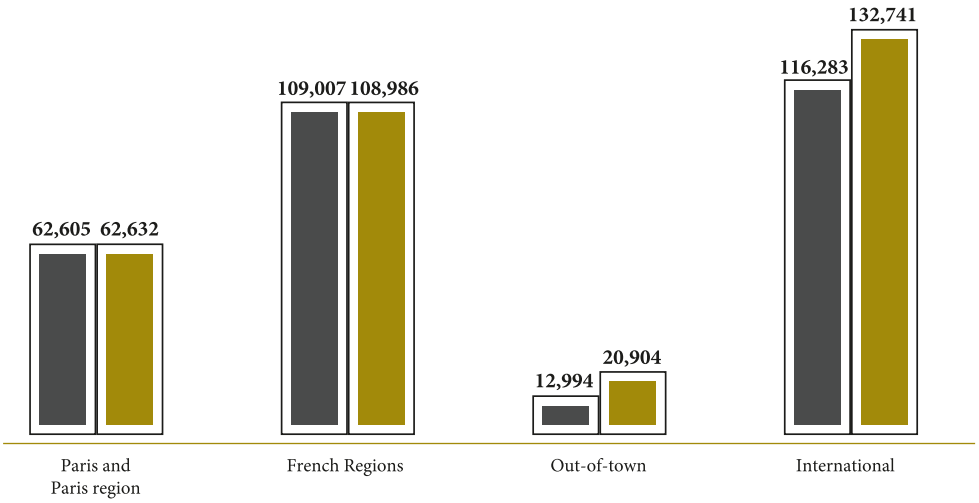
## In photography

- 180 exhibitions were held throughout France, including 32 new shows;
- eight exhibitions were organised in Brazil where Fnac sponsors "Paratay em Foco", the biggest photography event in Rio de Janeiro state;
- the Spanish, Portuguese and Italian stores organised the "New Photo Talent" competition and exhibited the winning entries while Fnac in Greece supported the Athens photography festival.

## In cinema

- the Master Classes, filmed sessions with masters of the cinema, were released in 2008 as a DVD exclusive to Fnac featuring Sylvester Stallone, Oliver Stone and the film team responsible for "*Entre les Murs*", which won the Palme d'Or at Cannes;
- meeting tours and multiple previews of film and DVD releases;
- the "Short Film Talent" award at the Clermont-Ferrand festival. This year, the film backed by Fnac won a César and an Oscar in Hollywood;
- in Belgium the "Mobile Film Festival" is a competition for mini-films made using mobile phones;

**FNAC STORES EXCLUDING SUBSIDIARIES** (1) **SELLING SPACE** (sq. m.)




(1) Excluding Fnac Éveil & Jeux.
Excluding two joint ventures.

- in Brazil, the chain participated in the *Mostra Internacional de Cinema* which took place in Brasilia, São Paulo and Rio de Janeiro;
- production of a DVD of short films by winners of the Drama Film Festival, Greece's biggest festival for short films.

### In new technologies

- organisation of the Fnac computer game trophies in every European country (over 800 events in France in 2008), as well as, for the second year, the Fnac European Trophy.

## A SOCIALLY RESPONSIBLE COMPANY

In 2008, Fnac reaffirmed its role as a responsible social and environmental player.

Fnac is particularly committed to its role in promoting literacy. For the 8th year Fnac has released a CD called "*On aime, on aide*" featuring 3 tracks by the group Dyonysos. All proceeds from the CD's sales go to charity.

In addition, Fnac in France offers its 2.2 million members a simple, transparent and effective way to support four charities by donating their Fnac loyalty card points. The four beneficiaries are the Association for the Promotion of Equal Opportunities at School (APFEE), the International Federation of Human Rights (IFHR), GoodPlanet.org (supporting innovative environmental initiatives) and the Secours Populaire Français.

As part of its commitment to freedom of expression Fnac has, over the past 15 years, forged a partnership with *Reporters without Borders*. In 2008, 3 albums of photos by *Reporters without Borders* were distributed throughout Fnac stores with profits going to the organisation.

This year, Fnac commemorated the 60th anniversary of the Universal Declaration of Human Rights by organising a photographic exhibition in its Montparnasse and Montpellier stores and sponsoring a series of debates in partnership with the three main international human rights associations: IFHR, Amnesty International and Human Rights Watch.

For three years Fnac has also collected printer ink cartridges and mobile phones in all its stores to encourage recycling.

## FINANCIAL RESULTS

Fnac reported revenue of €4,587 million in 2008, up 0.1% on 2007.

Recurring operating income was €186 million in 2008, giving an operating margin of 4.1%.

## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

### 2008 abroad

As part of its expansion policy, Fnac kept up the pace of new openings outside France in 2008, with ten new stores: three in Spain (including a 4th store in Madrid), three in Portugal (with the 6th in the Lisbon region), one in Bruges, Belgium, one in Basel (in German-speaking Switzerland), a 2nd store in Greece and an 8th in Brazil, at Porto Alegre.

Many stores were also remodelled or had new space added.

Some were heavily remodelled, notably the Belgian stores in Brussels and Leuven.

Children's areas were created in the Brazilian stores and Belgium as well as in the newly opened Portuguese stores.

Fnac also continued to introduce Apple spaces into its international stores: all Brazilian stores opened Apple shops this year as did the store in Verona, Italy.

In 2008, Spain and Portugal began to market merchandise products.

Fnac Spain also revamped its website during the year.

In Italy, logistics was reorganised with the opening of a new site in August 2008.

Finally, in 2008 Fnac celebrated the 10th anniversary of its presence in Portugal and the 15th anniversary in Spain with a series of marketing and cultural events.

## 2008 in France

In France, Fnac continued to expand its network with four new peri-urban stores: three in Ile-de-France and one in French region.

In e-commerce, the chain further harmonised its website and stores, confirming Fnac.com as the leading e-commerce site in the consumer sector by visitor numbers.

Also, Fnac is one of the leading home-help services and solutions companies thanks to its new offers.

New products and services introduced during 2008 included the One card (launched to high-spending members in 7 pilot stores) and the "replace with new" warranty for technological goods, a first in the French market. It also launched two new exclusive offers: the first e-book to be sold in France, the Sony Reader, and Netgem's video-on-demand (VOD) service.

Fnac also confirmed its role as a key cultural player, organising a string of events such as the Angoulême Comic Book Festival, Fnac Indétendances, the Bourges Spring Festival, the *Prix Goncourt des lycéens*… and over 7,000 in-store events.

## Fnac in 2009…

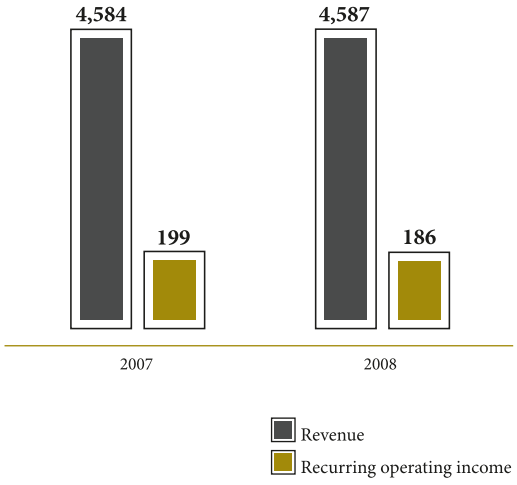
Fnac will continue to grow and innovate in 2009.

Fnac.com will be expanded to offer a second-hand product range and an online market place for additional products.

The website will also be progressively internationalised in 2009, which will give more countries access to an extremely powerful portal.

In France, the computer game range will be extended, notably through the second-hand offer to better meet customer demands. New products (merchandising products tying in with films, bands, etc.; stationery, toys and games etc.) will be tested in the course of 2009.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



- Market leader in France, Portugal and Scandinavia* in the B-to-C (1) home shopping market
- Active in 30 countries through 14 brands
- Three distribution networks:
  - More than 60 e-commerce sites
  - More than 30 catalogues
  - More than 600 stores in France and internationally
- 29 million active customers worldwide
- Around than 33 million unique visitors per month for all sites worldwide
- Around than 100 million parcels distributed yearly

**3,699**
€ million of revenue in 2008

**114**
€ million of recurring operating income in 2008

**20,031**
employees at the end of 2008

More than **60** e-commerce sites

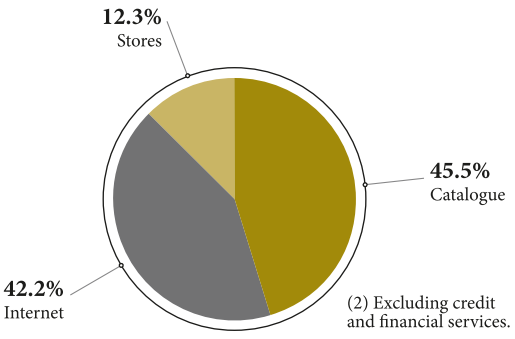
## BUSINESS CONCEPT

In fashion and home decoration, Redcats Group has created a set of international brands and multi-channel leaders in their respective markets while capitalising on opportunities presented by the web. Redcats Group's principal products are apparel and home furnishings and appliances. The company is active in 30 countries, including 17 directly and 13 through partnerships. The brand uses a multi-channel retail approach combining catalogues, internet sites and specialty stores, offering the customer holistic access and a faster response.

## A PORTFOLIO OF LEADING BRANDS

Redcats Group has a portfolio of prestigious brands. Whether specialists in a specific segment or multi-specialists serving a wider clientele, they develop new products and services, and continually refine their product ranges to better anticipate customers' expectations and meet their needs.

**BREAKDOWN OF 2008 REVENUE BY SALE FORMAT (2)**




*(1) B-to-C: Business to Consumer, i.e. sales made directly by a distributor to individual customers.*
** Sources: France – Fevad, Scandinavia – GFK 2008, Portugal – TNS-euroteste 2008.*

## EUROPEAN BRANDS

**La Redoute** offers its "French Touch" in 22 countries and retails its apparel offering through its multi-specialist catalogues and specialised catalogues such as Anne Weyburn (for older women) or Taillissime (for men and women's outsize clothes). The brand also offers customers home furnishings and decoration, notably through its specialist AM.PM. range.

La Redoute is number one in France for fashion and number two for home decoration internet sales (source: Médiamétrie multi-channel survey 2008). With an average of 6.5 million unique visitors every month in 2008 (source: Médiamétrie), laredoute.fr is France's fourth most visited e-commerce site (source: Nielsen Netratings sept. 08). The internet distribution channel now generates over 52% of the brand's home shopping revenue. Laredoute.fr was also voted "Best fashion site 2008" by web users (source: Fevad).

In 2008 La Redoute ran its first TV advertising campaign, with two commercials focused on apparel and home decoration, respectively. The presence on French TV screens served several aims. It established the new brand message: "Making Fashion Fun" It positioned La Redoute as a key player in ready-to-wear and home decoration and it heightened the company's image and brand recognition in its major product categories.

The brand also posted solid growth internationally. International sales contributed over 25% of revenue in 2008, driven mostly by Russia, Greece and Italy.

**La maison de Valérie** specialises in home furnishings. While maintaining a positioning geared towards easy credit, thanks to payment facilities and attractive pricing, La maison de Valérie has renewed its offering to reflect the lifestyles and needs of its customers and is underlining its rapport with customers and proximity in its communications. It is keen to exploit internet shopping, and the website now runs a monthly webcast called "All your deco desires".

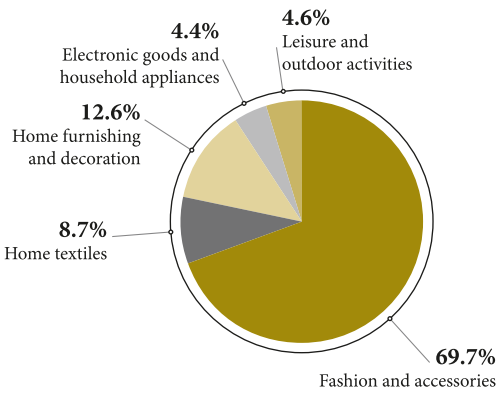
The children's specialist, **Vertbaudet**, publishes the catalogues *Histoires d'enfants* for ready-to-wear, *Histoires de chambres* for furniture, decoration and bed linen, and *VB2U* ("VB to you"), which is exclusively devoted to 10-15 year-olds. To better define and establish its offer for the baby market, in 2008 Vertbaudet created the dedicated "Miracle of Love" brand, which brings together its entire 0-3 year collection. Meanwhile the "Ori'jeans" line replaces the "Today" range. Vertbaudet directly manages 39 stores – plus nine in partnership – and is active in 13 countries via the Internet or catalogues.

**Cyrillus** launched its "Cyrillus Interiors" range in 2008, including a selection of bed-linen, decorative items and homewear for adults and children. The new line is available from a catalogue but also online and, on a trial basis, in a Paris concept store. Cyrillus publishes its catalogues in three languages – French, English and German – and also has a network of 54 directly-operated stores worldwide, 20 franchise stores (11 in Japan, eight in Germany and one in France) as well as internet sites.

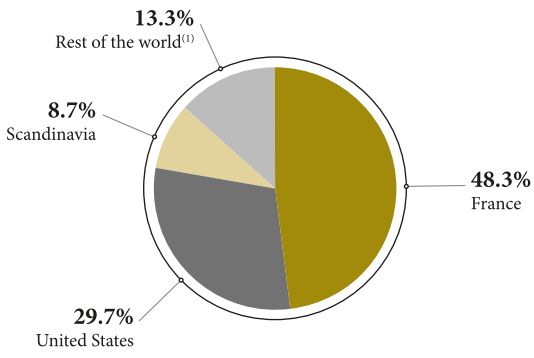
The **Somewhere** brand continues to defend its "casual chic" positioning and range. In 2008, it launched a mini-line "Personal care by Somewhere", offering products associated with relaxation, spas and yoga. Somewhere now has 25 directly-operated stores in France and is building up its international presence. It opened in four new countries in 2008 and is now active in a total of eight.

**Daxon** offers a well-being and home products range for seniors and also includes the specialist collections of Edmée (accessible casual wear) and Celaia (collection for active women over the age of 45). This year, Daxon successfully trialled a 100% lingerie catalogue for its male and female customers. The brand is active in France, Belgium and the UK.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**




(1) Belgium, Portugal, United Kingdom, Spain, Greece, Switzerland, Austria, Germany, Italy, Estonia, Luxembourg, Russia, Japan.

**Ellos** is the home shopping market leader in Scandinavia (source: GFK September 2008) offering an accessible and contemporary range for all the family under four own brand names: Sara Kelly (for active women), CW (for women seeking authenticity), JSFN (for trendy and original styling) and e-basics (for men, women and children).

As part of a simplified and more focused brand portfolio, three collection concepts complete the Ellos offering: **Josefssons** is concentrated on the modern young woman, **Jotex**, a home linen specialist, completes the textile product line and **Enjoy** distributes films and music.

Having run its first ever TV advertising campaign in 2007, Ellos followed this up in 2008 with commercials focused on the women's, children's and decoration segments. Outside Sweden, Ellos is active in Denmark, Finland, Norway, the Netherlands and Iceland. The brand's internet sales continued to grow sharply, accounting for 59.4% of home shopping revenue in 2008.

## AMERICAN BRANDS

In the United States, Redcats USA has established itself as *the* specialist in the "outsize" home shopping market, through five brands: **Jessica London**, **Roaman's** and **Woman Within** which has developed a line of womenswear and accessories and **KingSize**, which offers casual collections for men. With its strong brand image, **Avenue** reinforces the leadership of Redcats Group in the very promising "outsize" market, by attracting a younger clientele that likes fashion. The network of 484 stores complements the existing distribution channels and offers significant development potential. Avenue's points of sale are spread across 37 states.

OneStopPlus.com is a community e-commerce space dedicated to outsize. It hosts the ranges of the four other US outsize brands, that of Brylane Home and, a more recent addition, part of the French brand collection Taillissime. Since its launch in 2006 this first specialist "online mall" for outsize products has repeatedly attracted record traffic levels.

The Redcats USA "sports and leisure" business includes the brands **The Sportsman's Guide**, one of the leaders in online and catalogue sales of sports and leisure articles, and its subsidiary **The Golf Warehouse**, specialising in online sales of golf equipment. These two brands posted healthy growth in 2008, with strong internet sales by The Sportsman's Guide, which has added to its offer this year by launching a site dedicated to sailing and water sports (**www.boatingsavings.com**). The Golf Warehouse is also enjoying a strong revenue trend.

Finally, the **BrylaneHome** brand, devoted to home furnishings and decoration, is being refocused on a more selective offering, with greater added value, combining the *Home* and *Kitchen* collections.

In 2008, the American brands earned 54.4% of their home shopping revenue through the Internet.

## COMPETITIVE ENVIRONMENT

Redcats Group is the market leader in France, Scandinavia and Portugal in the B-to-C home shopping market for apparel and home decoration (sources: France – Fevad, Scandinavia – GFK 2008, Portugal – TNS-euroteste 2008). It is also number one in the US home shopping market for women's outsize apparel (source: NPD 2008).

The international home shopping market traditionally comprises mail order companies, which in the past have focused on apparel. The arrival of e-commerce has expanded the market and increased competition to include new players. These operate either exclusively online or adopt a multi-channel distribution strategy, combining store and internet sales. Faced with this development, customers are increasingly taking a multi-channel approach to shopping, and Redcats Group has responded by developing a store channel to support its home shopping brands.

## STRATEGY

Redcats Group is completing a radical transformation, from an entity of domestic mail-order businesses driven by consumer financing and services, to a coherent ensemble of international, multi-channel retail brands. Redcats Group implements a well-targeted strategy in the consumer equipment and home decoration segments. While certain Redcats Group brands focus on a given customer segment (senior consumers, children, large sizes...), others are multi-specialists, targeting a broader audience and distributing their collections through a variety of channels, including catalogues, websites and specialised stores.

### Active management of the brand portfolio

In 2008, Redcats Group successfully concluded the radical transformation of its activities and the **active management of its portfolio** to focus on market leading positions in home shopping on the one hand and enhanced expertise in stores on the other.

The sale of the Missy division brands (Chadwick's and Metrostyle) in the US, the closure of Empire Stores in the UK and the successful consolidation of the US store chain Avenue allowed the group to refocus its activity on its most promising brands and flesh out the Redcats Group portfolio.

### Standing out through creativity

**Creativity** is a major strategic focus for Redcats. It continues to bring in new talent to its product development teams and so broaden the appeal of the in-house brands that generate 80% of its apparel revenue. As part of this endeavour, the brands invite designers to their collections each season, along with celebrities who appear regularly and help boost brand appeal.

Thanks to the web, the product offering can be updated ever more rapidly and frequently. Accordingly, the Ellos and La Redoute websites now present new and up-to-date products to their customers every month.

### The multi-channel dynamic

Redcats Group operates via three distribution channels (the Internet, catalogues and stores), offering its customers permanent access and a faster response.

#### Internet innovation

The Internet continues to develop and has become an increasingly powerful channel for all brands and geographical areas. Building on its proven know-how in home shopping management and customer relations, and a logistics infrastructure that can deliver parcels at competitive prices, Redcats has developed a vast internet network of over 60 e-commerce sites. Through new offerings and innovative services, e-commerce has renewed and enhanced the relationship forged with customers.

The increasing use of the internet sales channel by Redcats Group was confirmed in 2008 by several successfully launched innovations. In France, Laredoute.fr revamped its home page, making the site clearer and trendier as well as adding new functionalities such as an availability check and a quick zoom option to bring up products instantaneously. Daxon launched its celaia.fr site aimed at baby boomers while Vertbaudet's planet.vertbaudet.com became the leading French community site visited by mothers (source: Institut des mamans – 2008 survey of mothers with children aged 0-36 months), with nearly 300,000 unique visitors per month. Elsewhere in Europe, Redcats launched a master site for young parents ("Young Fashion Family"), offering a selection of women's and children's fashions from the La Redoute UK and Vertbaudet collections. In Sweden, Ellos launched its distinctive concept store "Plus Collection" dedicated to the outsize market as well as "shop-in-shop" concepts featuring other brands such as Puma, Bruuns Bazaar or Esprit in 2008. The brand also inaugurated a new version of the Jotex site. In the US, the outsize division continues to enhance the functionalities of its sites. The Avenue store brand, for instance, worked hard in 2008 to develop its e-commerce space, making it considerably easier to use. The OneStopPlus.com community site, which showcases the ranges of US outsize brands and, since 2008, that of Taillissime as well, maintained its ranking as one of the 100 most visited e-commerce sites for fashion and accessories in the US (source: Hitwise 2008).

Alongside these innovations, the different brands also worked to exploit synergies between their operations. Part of the Somewhere and Vertbaudet collections were put online at Ellos.se, in Sweden. Vertbaudet is available through laredoute.pt in Portugal and Taillissime and Avenue have joined the range on offer at the US community website OneStopPlus.com.

Redcats Group has also expanded the pooling of IT resources in certain distribution channels to cut costs and improve team efficiency. Accordingly, the **Millena platform**, the result of a collaborative effort between French and US teams, has been extended to most of the La Redoute international sites. A major technological advance benefiting customers, the Millena platform's roll-out continues, with Redcats Group already generating more than two thirds of its revenue from the Internet.

In 2008, Redcats Group generated online revenue of €1,531 million, an increase of 5.9% on 2007. The internet sales channel contributed 42.2% of total 2008 revenue versus 39.2% in 2007.

#### New store concepts

Redcats Group complements its catalogue and internet home shopping channels with a store network that expands each year. In Europe, there are now more than 100 stores. In 2008, La Redoute opened its 14th So'Redoute store. These stores offer 200 square metres of selling space located in city high streets and shopping centres, entirely devoted to women's fashion and accessories. Somewhere has also launched a new store concept with a redesigned sales area.

Cyrillus, Vertbaudet and Somewhere continue to further extend and target their geographical coverage.

In the US, Avenue optimised its network and had 484 stores by the end of 2008.

## International development

Redcats Group is successfully globalising its brands either by establishing a direct presence or by leveraging Group infrastructure and resources already in place. In Belgium, for instance, Vertbaudet has relied on the presence of La Redoute, and in Sweden Somewhere is now available through the Ellos website. International expansion can also be done via external partnerships, such as Ellos and Wehkamp in the Netherlands, Cyrillus and Yamoto in Japan and Vertbaudet and Al Hokair in Saudi Arabia and now also Dubai in the UAE. In 2008, La Redoute entered into a partnership with AFC Romania to provide online sales in Romania.

As a result, La Redoute is now active in 22 countries and generates more than 25% of its revenue outside France; Vertbaudet is in 13 countries with 18% of revenue generated from abroad; Cyrillus is in five countries and generating 19% of its revenue abroad and Daxon is in three countries with nearly 21% of revenues generated abroad.

## Customer satisfaction is central to brand initiatives

The Internet is driving the development of a product range which is renewed at a pace similar to that of the specialised fashion chains. Also, because of significant efforts devoted to sourcing, Redcats Group is able to import 72.4% of its needs without an intermediary, which improves product availability in particular. The company maintains a network of seven purchasing agencies in Bangladesh, Brazil, China, India and Turkey, to ensure it gets the best procurement conditions.

Redcats Group has also endeavoured to reduce delivery times. Particular care has been devoted to customer delivery for residents in France. La Redoute now offers its clients the Colissimo© package in partnership with French postal service La Poste, as a supplement to the 24 hour service offered by Relais Colis® parcel depots. Daxon has also been offering the same service for €1 since its spring-summer 2008 season. Redcats Group is further enhancing its service range with the development of Relais Colis® Services points with touch screen terminals to speed up parcel returns, refunds and order exchanges. In the next few years, new points will be added to the 96 currently working in France. These innovative facilities are located in the approximately 4,000 Relais Colis® depots already in place across the country.

The brands have a range of tools available to strengthen the customer relationship. At La Redoute, the multi-channel Kangourou card, held by more than 2,500,000 customers, offers free or discount-rate payment facilities and access to special services such as a priority telephone number with a personalised welcome for more rapid ordering. La Maison de Valérie had previously launched the Mandarine card in 2007 as an extension of its easy credit positioning. Delivered free of charge, the card exempts the customer from payment on ordering and offers permanent reductions on the collection, payment facilities and partnership benefits (moving, florist, etc.). The in-store loyalty card at Somewhere has now gone multi-channel and can be used on the Internet and also over the phone as well. In the US, the outsize brands are developing similarly original services for their customers with the Bra Club card, launched to promote loyalty among lingerie customers.

As a result of these efforts, the brands and banners have often been recognised for their service quality and innovation.

## Redcats Group promises its employees a professional life full of adventure

One of the major strategies of the Redcats Group Human Resources policy is based on the will to build an employer-brand where diversity and dialogue are priorities that should govern the career path of each employee, so as to offer them a professional life rich in adventure. This year was notable for the increasing success of the in-house university SPEED (standing for Specific Education) and the development of two new modules: the "Best of SPEED – 4 in 1" programme to promote cross-functional training and the dedicated leadership training programme for senior managers. To date, more than 1,600 employees have received SPEED training.

To complement this strategy, tools have been deployed within the teams to get across key messages. *The Art of Engaging Dialogue* has established itself as a pioneering support tool for staff training. This guide, published in French and English and intended for all brand managers, helps improve the quality of communications relating to five Human Resources processes: Recruit, Integrate, Perform, Develop and Recognise.

## Ethics Committee for Corporate Social Responsibility

Corporate social responsibility (CSR) has for many years been at the heart of Redcats Group's values. Redcats Group is committed to forging clear and constructive relationships with its employees and business partners – whether suppliers or customers – and is involved in many initiatives to help the environment and reinforce social solidarity.

Redcats' CSR commitment prioritises a number of actions, organised around seven strategic tasks:

- develop the employability of employees through skill management and training;
- train every manager in diversity issues;
- include CSR criteria when choosing suppliers;
- measure and limit transport-related $CO_2$ emissions;
- reduce the environmental impact of stores and infrastructure;
- promote environmentally responsible products and practices;
- set up solidarity programmes that complement the activity of the brands.

## FINANCIAL RESULTS

In 2008, Redcats Group recorded revenue of €3,699 million, down 1.7% in actual terms and a 5.5% decrease on a comparable basis.

Recurring operating income totalled €114 million. Operating margin stood at 3.1% at the end of 2008.

## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

Redcats Group has completed its transformation into a multi-channel retail group and its model is now fully operational.

In 2008, Redcats Group continued its strategy of refocusing on leading brands, notably by closing Empire Stores in the UK, selling the Missy brands (Chadwick's and Metrostyle) in the US, incorporating Brylane Home into the US outsize division and grouping its senior concepts (Daxon, Celaia, Edmée) under the Daxon brand.

In the US, the outsize division completed the transition of the Lane Bryant brand into Woman Within, integrated the Jessica London teams in New York and Indianapolis and continued the successful integration of the Avenue brand.

In home shopping, Redcats Group reinforced the leadership of its main brands and companies in apparel and home decoration, La Redoute and Ellos, extending their product ranges either by incorporating other Group brands (such as Vertbaudet at La Redoute in Portugal and Belgium) or by bringing in external brands (such as Esprit or Mexx on the Ellos site). These initiatives helped strengthen international development for all of the Group's brands and boost performance in countries where the Group is already active.

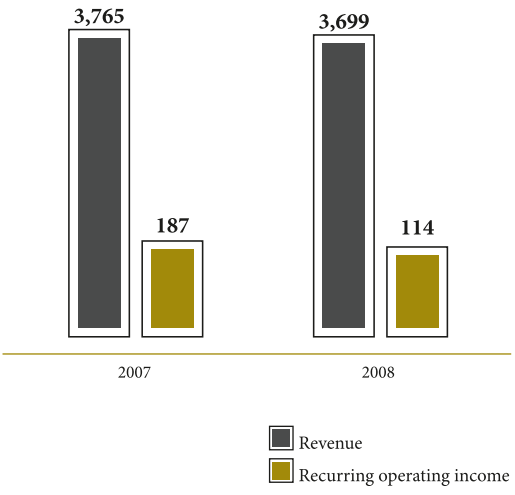
Regarding stores, Redcats Group focused on new openings and optimising networks for the Cyrillus, Vertbaudet, Somewhere and Avenue brands.

In 2008, the Internet, which provided 42.2% of total Redcats Group revenue, was once again the most important sales channel and the key medium for the Group's brand development strategy.

Similarly, plans were drawn up and launched in 2008 to improve the competitiveness of Redcats Group. In France, Daxon continued its "Reconquest" cost-cutting plan. At the end of the summer, the Redcats Nordic division decided to outsource its returns handling business to Poland and also announced plans to move its Jotex brand operation to the Viared site outside Borås, in Sweden. At the end of the year, La Redoute announced a recovery plan designed to restore competitiveness. Meanwhile, Redcats UK has downsized its logistics and customer departments to reflect the sale of Empire Stores and will now concentrate on developing the French brands active in the UK market: La Redoute, Vertbaudet and Daxon.

In 2009, Redcats Group will continue to refocus on its leading brands, seeking to strengthen its product offer and brand positioning, develop a multi-channel strategy driven by the web, further Europeanise its brands and concepts and support the CSR actions taken by the Group's companies.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



- Major player in European home furnishings
- A multi-product and multi-style discount offer
- 889,000 square metres sales area in directly-operated stores
- Active in seven European countries

**3,168**
€ million of revenue in 2008

**118**
€ million of recurring operating income

**14,697**
employees at the end of 2008

**216**
directly-operated stores at the end of 2008 (not including 27 affiliated stores)

## BUSINESS CONCEPT

Conforama is a major player in the European home furnishings market dedicated to "provide home comfort access to the greatest number according to their own taste and at the best price." It is positioned as a multi-specialist discounter in home furnishings, offering its customers one-stop shopping for a full range of furniture, electrical appliances, consumer electronics and decorative items, available immediately.

Conforama has 243 stores worldwide, of which 216 are directly-operated. Coverage in France is excellent, with 186 points of sale including 159 directly-operated stores and 27 franchises (20 in mainland France and 7 in the French overseas territorial collectivities). On the international scene, Conforama has a direct presence via a network of 57 stores in six European countries: Switzerland, Luxembourg, Spain, Portugal, Italy and Croatia.

The stores carry over 20,000 listed products, of which 80% are available immediately, displayed in selling area of 3,500 square metres on average. The product offering is supported by frequent high-profile advertising campaigns (12 to 25 times a year, depending on the format) and also presented on the company's e-commerce site.

## COMPETITIVE ENVIRONMENT

In France, where the chain has been market leader for over 40 years (by revenue and market share, source: IPEA), Conforama enjoys strong brand recognition and excellent coverage of the country, though it now faces an increasing number of new openings by several competitor chains.

Its main competitors, depending on the country concerned, are specialist retail chains, department stores and hypermarkets. Conforama stands out for its positioning as a multi-style discounter that simultaneously covers furnishings, home decoration and electrical appliances, which differentiates it from its rivals. The company adjusts its product range to suit each country.

## STRATEGY

Conforama's strategy is based on five inter-linked aims.

### Reaffirming its discounter positioning

"Comfort at home at an affordable price", Conforama's slogan matches its positioning as a discounter. The company plasters its stores with big price signs and relies on a "lowest price" range in all the countries in which it is present. This discount positioning is an advantage for Conforama in the current economic times, when consumers are particularly concerned about getting value for money from the products they buy.

### Continuing the company's modernisation

Conforama continues to modernise its stores while accelerating its move to a "clicks and mortar" model that also uses the Internet.

The stores are undergoing two types of transformation: complete remodelling for recently transferred stores with extensions to their selling areas, and basic renovations for the other stores, which helps keep down investment costs in most cases. The new layout of these stores encourages the use of realistic product settings (living room, dining room, kitchen, etc.) and self-service for less bulky products. Overall, 26 remodelling projects were carried out in 2008, including Italy. Conforama now has 145 stores under the new concept.

Conforama's modernisation also involves modernisation of the products on offer to attract the widest possible range of customers, in line with the company's mass market positioning.

Finally, the Internet is projected to capture 10% of the home furnishings market over the next three years (source: Forrester research) and Conforama is planning to use its web presence to broaden its offer and its service capability while maintaining on the strength of its store network. Conforama's e-commerce site in France was thoroughly overhauled at the start of 2008 and attracted 2.3 million unique visitors a month over the year, compared to 1.7 million at the end of 2007.

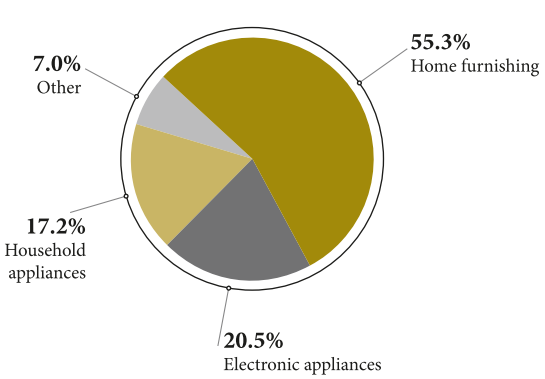
### Rationalising Conforama's international presence

Internationally, Conforama applies a distinctive local development strategy to each European country in which it is active.

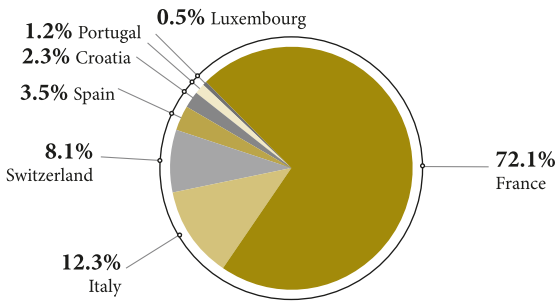
It has been in Switzerland since 1976, where it has adopted a strategy of dense geographical coverage with 13 stores throughout the country, making the chain one of the biggest players in the Swiss home furnishings market. In 2009, the Company is due to launch its Swiss e-commerce site: www.conforama.ch.

In Spain and Portugal, Conforama's market shares remain modest, with 16 stores in Spain and five in Portugal. The company decided at the end of 2008 to address a climate of falling household consumption by streamlining its organisation in Spain and Portugal. This involved merging central office functions and rationalising stores.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



In Italy, where the brand has been active since it bought Emmezeta in 2001, Conforama has continued to transform its existing stores. At the end of 2008, 14 out of 19 Italian stores were trading under the Conforama banner. In December 2008, in response to the slump in the economic environment, the company announced it was reorganising its Italian business: four stores that offer little prospect of profitable growth in the medium –or long– term will be closed in the first half of 2009 and administrative functions will be reorganised.

Conforama sold its three Polish stores early in 2008 as the chain saw no chance of breaking into the top three in the Polish home furnishings market.

## Optimising sourcing and improving the supply chain

Conforama's sourcing policy is focused on ensuring product quality while still delivering the best price for customers and good availability.

At the end of 2008, 90% of its supplies were sourced from within the EU.

Conforama continued to develop its remote sourcing activity and optimise merchandise purchases and flows. Procurement is based on six purchasing agencies, located in Paris, Milan, Warsaw, Bucharest, Ho Chi Minh City and Shenzhen, plus five Asian satellites: two in China, and one each in Pakistan, India and Indonesia. This network covers all the world's main production centres for furniture and home decoration articles.

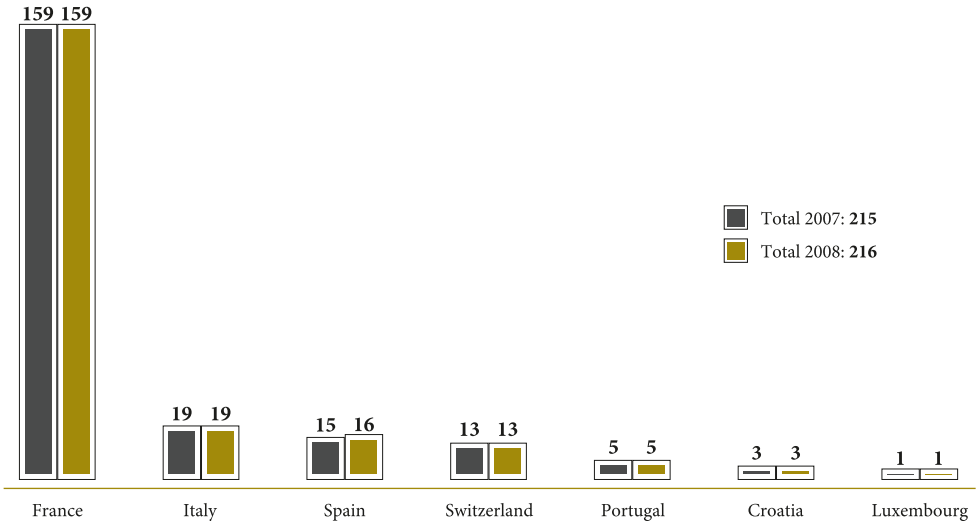
Logistics resources have been reorganised to fit the centralisation process, which is now complete. Warehouse surface areas now comprise 200,000 square metres spread over five major platforms in France. For environmental reasons Conforama prioritises river barge transportation, routing 90% of its containers using this method.

## Emphasising corporate citizenship and supporting people

In 2008, Conforama reaffirmed its commitment to corporate social responsibility (CSR), notably through its continued partnership with Secours Populaire Français and by co-funding the planting of a carbon sink in the Rhône-Alpes region.

Conforama has also intensified its policy for recruiting new talent and training. The number of training hours undertaken by employees rose significantly.

**NUMBER OF CONFORAMA STORES EXCLUDING AFFILIATES**



## FINANCIAL RESULTS

In 2008, Conforama reported revenues of €3,168 million, down by 4.4% compared to 2007.

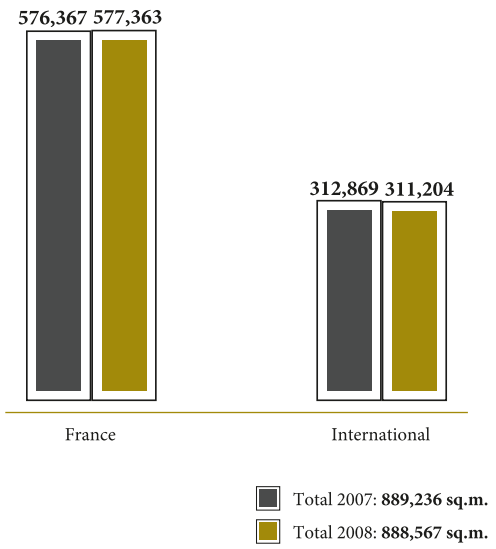
Recurring operating income amounted to €118 million. Operating margin was 3,7%.

## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

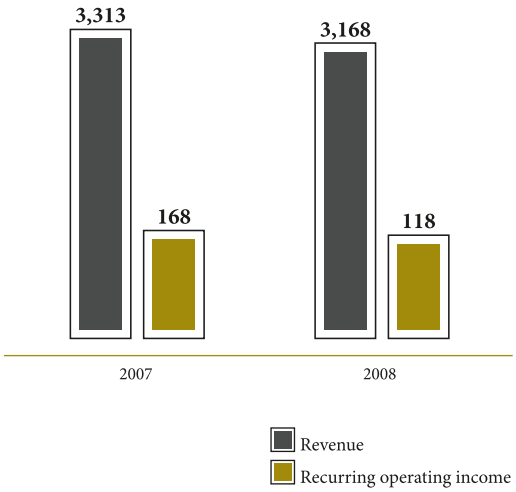
At the end of 2008, under new Chairman and CEO Thierry Guibert, Conforama developed a five-year business plan, Cap Confo, to reorganise the company and refocus on its commercial fundamentals: discounting and proximity to customers.

In 2009, Conforama will put the first stage of this plan into practice. The main focuses are: stores strategically centred on the customer (70% of store staff will be on sales and customer service duty compared to 50% at present), the development of new services to be offered either in-store, on the Internet or at customers' homes, an improved quality policy, greater efficiency in the supply chain, the reorganisation of the Italian business and revival of the Spain and Portugal operations.

**CONFORAMA STORES EXCLUDING AFFILIATES SELLING SPACE** (sq. m.)




**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



- **4 Business Units:**
- **CFAO AUTOMOTIVE:** a major player in African auto distribution
- **EURAPHARMA:** number 1 distributor of pharmaceutical products in Africa and French overseas collectivites (sources: IMS Health November 2008, GERS November 2008)
- **CFAO TECHNOLOGIES:** distribution and integration of new technologies
- **CFAO INDUSTRIES & TRADING:** production and distribution of consumer products
- Active in 33 African countries, six French overseas territorial collectivities and Vietnam
- 150 subsidiaries and 261 sites
- 88,100 new vehicles sold in 2008
- 6,000 pharmacies delivered daily and 145 million packages yearly

**2,864**
€ million of revenue in 2008

**277**
€ million of recurring operating income in 2008

**10,610**
employees at the end of 2008

## BUSINESS CONCEPT

Cfao is a leading specialised retail brand in Africa and the French overseas territorial collectivities.

Cfao addresses needs ranging from personal and goods transportation to healthcare, individual and corporate communications and the distribution of consumer products in an effective and professional manner to international quality standards and in a highly demanding environment.

Cfao's organisation is based on four Business Units**: Cfao Automotive** for auto sales, **Eurapharma** for the distribution of pharmaceutical products, **Cfao Technologies** for the distribution and integration of new technologies and **Cfao Industries & Trading** for the production and distribution of consumer goods.

Cfao is backed by dedicated teams of professionals in each of its activities. Its 10,610 employees work in 150 subsidiaries and 261 sites. The company has been in Africa for over 120 years and is now established in 33 African countries, where it makes 71% of its revenue. It is also present in six French overseas territorial collectivities and Vietnam.

## COMPETITIVE ENVIRONMENT

Cfao is a major auto distributor in Africa, the French overseas territorial collectivities and in Asia, selling 88,100 new vehicles and generating revenue of €1,765 million in 2008. The company acts as distributor for such major international carmakers as General Motors, Toyota, Renault/Nissan, Mercedes, PSA Peugeot Citroën, BMW, Ford and Suzuki. Cfao is also active in the utility vehicle sector with Volvo and Renault Trucks, Iveco, Isuzu and DAF.

Cfao is the leading pharmaceutical distribution and services company on the African continent and in the French overseas collectivities, with up to 39% of the pharmaceutical distribution market in Sub-Saharan Africa.

Cfao Technologies is a key player in new information and communication technologies in Africa, and represents global leaders in the sector such as IBM, Microsoft, Cisco, Oracle, Siemens, Motorola, Sharp, Lenovo and Otis.

Cfao Industries & Trading is involved in the production and distribution of consumer goods, working with well-known brands such as Heineken, Coca Cola, Bic and Peugeot Moto Cycles.

Cfao's expertise in its four core businesses coupled with its deep knowledge of the markets where it operates has allowed it to take leading positions in all the market segments in which it operates.

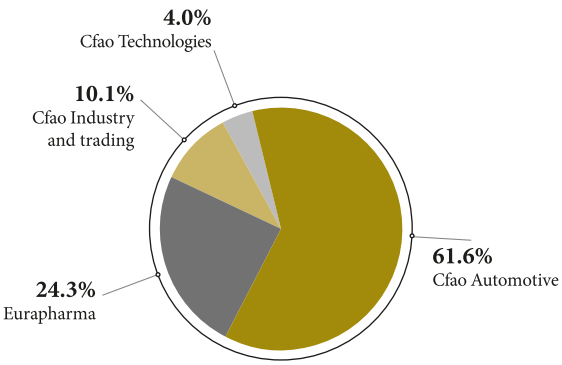
## STRATEGY

### Significant growth

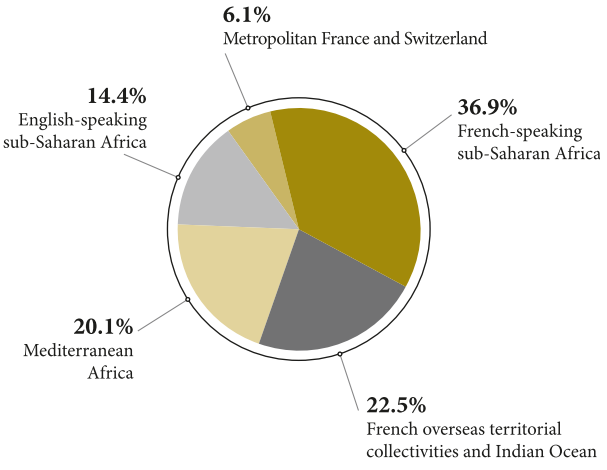
From 2000 to 2008, Cfao pursued an ambitious growth strategy, establishing new companies and acquiring import and distribution companies and licences. Over the period, Cfao established itself in 18 new countries.

The past ten years have been a period of outstanding growth and profitability for Cfao, in which revenue and recurring operating income have more than doubled. Its success has been based on sound management of risks and returns combined with a policy of geographical and business diversification. This performance underscores the success of its investment strategy, including in countries which are deemed high risk.

**BREAKDOWN OF 2008 REVENUE BY ACTIVITY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



## Cfao: a trusted, quality brand in its markets

As a distributor of major global brands, Cfao stands out from its competitors for its efficient before-and after-sales services, its constant emphasis on operational improvements (as illustrated by its showrooms, stores, warehouses, workshops, equipment, IT systems, etc.), and a supply chain able to swiftly supply markets that are far from production centres.

To ensure its services comply with the highest international standards, Cfao has mobilised its teams to improve customer service quality and has gradually introduced new tools and working methods. For example, Cfao has created an Automotive Quality Charter for use throughout its network of dealerships. Subsidiaries that meet their targets are "certified" by Cfao. Also, in pharmaceutical distribution, Cfao's Kenyan subsidiary was awarded ISO 9001 certification in 2008.

## Expanding market share in Mediterranean Africa, East Africa and Asia

One of the top priorities in Cfao's growth strategy is to focus on the markets of Mediterranean Africa, from Morocco to Egypt. In the automotive sector, Cfao has negotiated exclusive distribution agreements with General Motors, Isuzu and DAF in Morocco and with Opel, Chevrolet, Isuzu, DAF and BMW in Algeria. The Automotive business grew at double-digit rates in both countries during 2008. Eurapharma has also continued to develop its business in Algeria, which was launched in 2006.

In the medium term, Cfao hopes to generate a quarter of its revenue in the countries of Mediterranean Africa, compared to the current 20%. Algeria was Cfao's biggest revenue earner in 2007 for the first time. At the same time, Cfao plans to bolster its market share in English-speaking African countries, particularly East Africa.

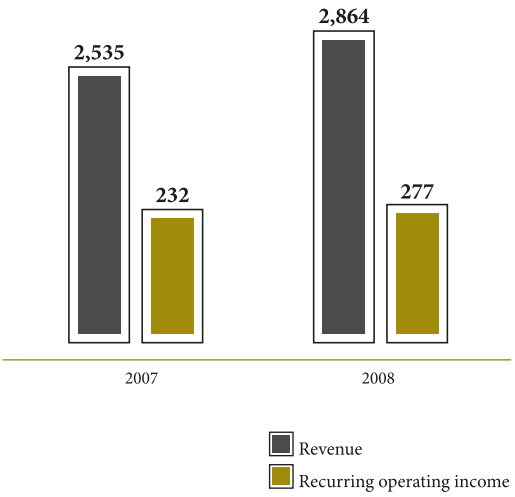
In Asia, Cfao has entered Vietnam with a unit that sells industrial equipment (Volvo Trucks and Sandvik) and a retailer of premium vehicles (Audi).

## 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.

In October 2002, the company set up the association Cfao Solidarité, which focuses chiefly on education (Cfao grants) and healthcare (particularly the fight against AIDS). In 2008, Cfao created a fully-fledged CSR department to spur its efforts in this field.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



## FINANCIAL RESULTS

In 2008, Cfao posted revenues of €2,864 million, an increase of 13.0% in actual terms and 13.6% on a comparable basis.

Recurring operating income grew by 19.1% to €277 million, driven by excellent performances in Sub-Saharan and Mediterranean Africa. Operating margin was 9.7%.

## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

2008 saw notable expansion by Cfao in countries where it was already active. Activity was particularly strong in the English-speaking countries of Sub-Saharan Africa and in Mediterranean Africa.

The Automotive business accelerated its growth trend in several countries. As well as a quickening pace of growth in the Maghreb (Algeria and Morocco), activity rose sharply in Nigeria thanks to the Nissan and General Motors licences. The new Vietnamese business continues to develop. After starting out as a seller of industrial equipment (mainly mining equipment), the company opened an Audi dealership in Ho Chi Minh City late in 2008.

Elsewhere, Cfao Automotive expanded its long-term leasing business in West Africa (Gabon, Cameroon, Senegal).

A number of dealerships designed to meet European automotive standards and fully focused on customer satisfaction were refurbished, primarily in Oran in Algeria and Ouagadougou in Burkina Faso.

Eurapharma, meanwhile, opened new operations in Ghana and Tanzania.

In 2009, Cfao, after three years of growth and significant development, plans to consolidate its existing positions.

- A Sportlifestyle brand that brings distinctive designs and a global outlook to its product range by blending influences of sport, lifestyle and fashion
- One of the world's largest providers of athletic footwear, apparel and accessories
- Brand equity built on strong sports heritage with a long tradition of innovation and sports performance through cooperation with major athletes and teams
- Owns the brands Puma, Tretorn and Hussein Chalayan
- Operates in more than 120 countries

Brand established in **1948**

**2,524**
€ million of revenue in 2008

**350**
€ million of recurring operating income in 2008

**11,645**
employees at the end of 2008

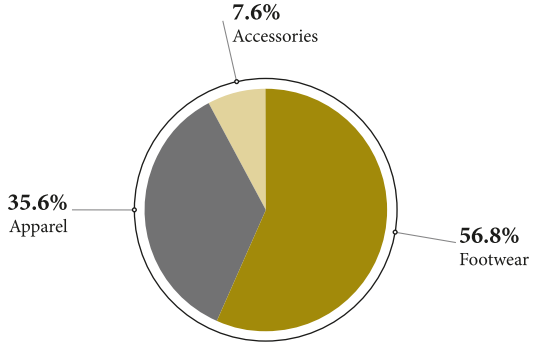
## BUSINESS CONCEPT

Puma's mission is to become "The Most Desirable Sportlifestyle Company". Puma is committed to working in ways that contribute to the world by supporting Creativity, SAFE Sustainability and Peace, and by staying true to the values of being Fair, Honest, Positive and Creative in decisions made and actions taken. Puma starts in Sport and ends in Fashion. Its Sport Performance and Lifestyle labels include categories such as Football, Running, Motorsports, Golf and Sailing. The Black label features collaborations with renowned designers such as Alexander McQueen, Yasuhiro Mihara and Sergio Rossi.

## COMPETITIVE ENVIRONMENT

Puma's competitors comprise global manufacturers of athletic footwear, apparel and accessories as well as designers and manufacturers of Sportlifestyle and sport fashion collections.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**



# STRATEGY

Puma's strategy is to become the most desirable Sportlifestyle company. Puma will make effective use of the many opportunities offered by the Sportlifestyle market in all its categories and regions, in order to bolster its position as one of the few true, multi-category brands. The company will fill those categories and business segments which offer the possibility to achieve sustained value increases through utilization of its unique brand positioning.

Puma management believes that this business model offers important sales potential in the long-term, and is articulated around three main areas:

- expansion of product categories;
- regional expansion;
- non-Puma brand expansion.

## Expansion of product categories

Puma's objective is to expand existing product categories as well as adding new categories to its portfolio in order to cover the entire spectrum of sports, Sportlifestyle and fashion.

New categories must have the potential to generate further growth, but also distinguish the Puma brand from the market and the competition in a unique way.

## Product development and design

Product development and design aim at strengthening Puma as a true multi-category brand which underpins the company's long-term mission – to become the most desirable Sportlifestyle company. Puma will continue to pursue its strategy to combine top sports performances and innovative technologies with fashion and lifestyle in an unmistakeable way. The Company will continue to launch products that set standards through creativity and innovation and will push the expansion of its product categories – by growing existing ones as well as entering new ones.

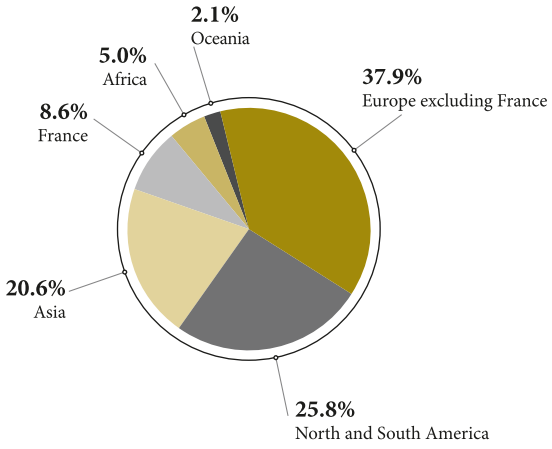
In 2008 Puma managed to successfully convey its brand message in the new Sailing category. By increasing brand awareness in Sailing, the company will reach new target consumers and create more growth potential. Puma will continue to further expand its position as one of the market leaders in the Sportlifestyle segment by enhancing authenticity and credibility of its products through top performances in its Sports Performance business on the one hand as well as through innovative cooperations with renowned designers on the other.

In February 2008, Puma hired the London-based fashion designer Hussein Chalayan as Creative Director. Chalayan is responsible for all creative direction for Puma Sport Fashion collections and is involved in all product categories including footwear, apparel and accessories. He works hands-on with the Puma design teams in Herzogenaurach in Germany, Boston and London. Cooperations with renowned external designers such as Alexander McQueen and Yasuhiro Mihara further highlight Puma's design skills. The company's goal is to satisfy and excite target groups through innovative product designs and in turn gain their loyalty to the brand over the long-term.

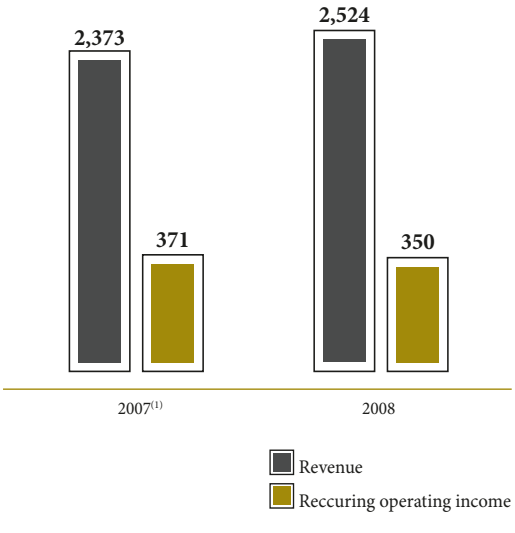
## Sustainable Products

For years now Puma has banned PVC from its entire product range as the production and disposal of PVC can cause damage to the environment. This policy is communicated to the consumers through a "PVC-free" product label. In 2008, Puma cooperated for the first time

**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**




**REVENUE AND RECURRING OPERATING INCOME**
(in € million)




(1) Pro forma 2007 revenues (12 months).

with the organisation "Aid by Trade" and produced 150,000 Puma shirts made of sustainable and eco-friendly cotton for the initiative "Cotton Made in Africa". The products came with a "Cotton Made in Africa" hang tag identifying the extraordinary ecological and social aspects of this pilot project that takes place in Southern Africa (Zambia, Burkina Faso, etc.)

### Expansion of directly-operated stores

Expansion of the Group's own retail activities progressed as planned during the 2008 financial year. Retail operations within the Puma Group are increasingly gaining in importance. Close proximity to consumers leads to more rapid product development and product launching. In addition, innovative products can be presented in a brand-oriented environment, thus also ensuring a unique brand experience.

In addition to retail stores, which further strengthen Puma's position as a Sportlifestyle brand, the company's retail operations include factory outlets ensuring regional availability and controlled sales of Puma products. On a pro-forma basis, sales from the company's own retail operations grew by 15.3% to €469 million in 2008 and accounted for 18.6% at the end of 2008 compared to 17.1% in 2007.

### Expansion of non-Puma brands

In addition to the Tretorn brand (in 2001) Puma does not rule out an expansion of non-Puma brands.

### Licence business

In addition to various product licences (such as fragrances, bodywear and watches), Puma also has distribution licences for several markets. In 2008, the distribution licence in Korea has been integrated within Puma consolidated business.

### Sourcing

#### Focus on Asia

A balanced portfolio of suppliers as well as efficient purchasing operations in three sourcing centres make it possible for Puma to achieve excellent purchasing terms and conditions. Product purchasing is allocated to several, mostly long-standing business partners who in turn maintain several local, independent production facilities. In order to optimise work flows, manufacturers are integrated into a "strategic supplier concept" within the framework of strategic partnerships.

The Asian market was the focus of Puma's own sourcing organisation "World Cat", which continued to grow as the main purchasing source in 2008.

## FINANCIAL RESULTS

Puma consolidated sales rose by 8.5% on a comparable exchange rate basis to €2,524 million in 2008, which represents a 14th consecutive year of increase.

Recurring operating income reached €350 million in 2008, compared to €371 million on a 2007 pro-forma basis. Operating margin stood at 13.9% compared to 15.7% on a 2007 pro-forma basis.

## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

### 2008 Highlights

2008 – marking Puma's 60th anniversary – embodied the very best of the Puma brand. Puma invested in major brand initiatives in order to take advantage of the opportunities provided by the year's highly visible sports events – the African Cup of Nations, EURO 2008, the Olympic Games in Beijing and, the toughest sailing competition worldwide, the Volvo Ocean Race. Through these impressive achievements on the pitch, on the track and on water, Puma successfully enhanced credibility as a performance brand.

To commemorate Puma's 60th birthday, the Puma 60th Anniversary Collection was launched. It included some of the most historic and iconic products from the earliest days of the brand, brought back to life with modern interpretations.

The goal was to become one of the leading three suppliers and brands in the market. Both sales and the strong brand visibility during the Africa Cup and the European Football Championship – the first two major events of 2008 – reflected that Puma reached that goal. At EURO 2008 Puma was once again in a strong position, sponsoring a portfolio of five national teams, including World Champion Italy, and the host nations Austria and Switzerland. The brand enjoyed strong visibility in 42% of games and the event was used as a platform to introduce innovative products like the X-Ray model of its v1.08 football boot.

It took just 9.69 seconds to make sports history in August 2008 when Jamaican Usain Bolt sprinted to a new world record in the 100 metres at the Beijing Olympics – in golden Puma Theseus II spikes. As Usain went on to set two more records and win two more gold medals – running the 200 m in 19.30 seconds and anchoring the 4x100m to a time of 37.10 seconds – his passion and style, two values shared by Puma, captivated millions of viewers worldwide and became an iconic image of the Summer Games. His achievements led the Jamaican team to finish third in the nation medal table for track and field with six gold, three silver and two bronze medals.

In addition, Cameroonian triple jumper Francoise Mbango and javelin thrower Andreas Thorkildsen from Norway won Olympic titles wearing Puma Runway apparel. The Olympic Games were the perfect platform to position Puma as a leading Sportlifestyle company through the combination of innovative design and outstanding performances on and off the track. The spirit, the passion and the style of the Olympics inspired the Puma Runway Sportlifestyle collection which fuses the best in terms of performance and fashion and is being supported by a major global marketing campaign featuring newcomer musician Paolo Nutini.

In 2008, Puma entered its own boat in the legendary around-the-world sailing competition, the Volvo Ocean Race – the toughest, longest and most challenging sailing competition in the world. The nine month race, which started in October 2008, has served so far as the primary platform for the new Puma Sailing Performance and Lifestyle Collections that were launched in 2008, which combine the high functionality demanded by extreme elements with Puma's signature progressive styling. Puma's participation in the race and the fight for the leading position have generated extensive international media coverage.

Puma's Motorsport category had another successful year, with impressive achievements from the Puma sponsored teams Scuderia Ferrari Marlboro, BMW Sauber F1 Team, ING Renault F1, Red Bull Racing F1 and Scuderia Toro Rosso in Formula 1 racing, as well as Ducati in MotoGP. Puma is the leading sponsor in Formula 1 and Puma-supplied teams won 12 out of 18 races, with Ferrari lifting a trophy eight times last year. Ferrari – with drivers Felipe Massa and Kimi Raikkonen – also claimed their 16th Formula One World Constructors' Championship title in Brazil, winning for the eighth time in ten years – an achievement unequalled at world level in any other team sport. In September, Puma made headlines when the Formula 1 Toro Rosso driver Sebastian Vettel outperformed the field at the Italian Grand Prix in Monza, racing to become the youngest winner in Formula One history ever at the age of 21. In MotoGP – a sport that Puma entered in 2007 – Puma continued its successful track record right from the start with Ducati and Casey Stoner finishing second in both the driver and constructors' championship. Meanwhile, Kasey Kahne continued his successful run in NASCAR by winning two races.

Puma used the year to expand and drive its Sport Fashion business forward by entering new designer collaborations. Puma sees collaborations in fashion as a way to explore new territories and enhance the brand experience for its consumers. In September, Puma showcased an exclusive women's footwear collection in Milan that was designed in cooperation with the Italian fashion label Sergio Rossi. The result of this collaboration was an assorted interpretation of Puma's iconic "Clyde" sneaker with a seductive and sophisticated Italian design. The partnership is an excellent opportunity to establish a new horizon for women's sport-fashion footwear with a collection that represents the brand essence of both Puma and Sergio Rossi. Sergio Rossi is another partner in Puma's line-up of successful designer collaborations in sport-fashion, including Alexander McQueen and Yasuhiro Mihara, who have designed and developed successful and innovative Sport Fashion collections for Puma for several years now.

Puma continued to pursue the expansion of its retail business by opening new stores in 2008.

## Outlook for 2009

Puma will continue to tap into its long-term company and brand potential by investing in major global sports events as well as design-forward initiatives, generating high brand visibility for Puma that will help to maintain industry-leading desirability and profitability.

The Company will use the awareness achieved through the Volvo Ocean Race to convey its brand message in the Sailing category. By increasing brand awareness in Sailing, Puma will reach new target consumers and create more growth potential for the company.

The Sport Fashion business will remain a development focus through the expansion of existing collaborations with famous fashion labels.

In 2009, Puma will be celebrating the 10th anniversary of its Motorsport category. Throughout this decade, Puma redefined Motorsport. Performance collections significantly influenced lifestyle fashion and vice versa, resulting in technically advanced and stylish performance products as well as lifestyle products firmly rooted in the world of Motorsport.

In January 2009, Puma acquired the Corporate Merchandising company "Brandon Company AB". Through the take-over of the Swedish firm, Puma strengthens its core business and expands in new business areas such as merchandising and event marketing. Further acquisitions may follow if, after thorough evaluation and examination, they can contribute to enhance sustained value for the Company.

# Luxury Goods activities

GUCCI GROUP

GUCCI

BOTTEGA VENETA

YVES SAINT LAURENT

BALENCIAGA

BOUCHERON

sergio rossi

ALEXANDER MCQUEEN

STELLA McCARTNEY

# GUCCI GROUP

- A worldwide player in Luxury Goods
- A portfolio of leading brands: Gucci, Bottega Veneta, Yves Saint Laurent, Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney

**3,380**
€ million of revenue in 2008

**731**
€ million of recurring operating income in 2008

**11,484**
employees at the end of 2008

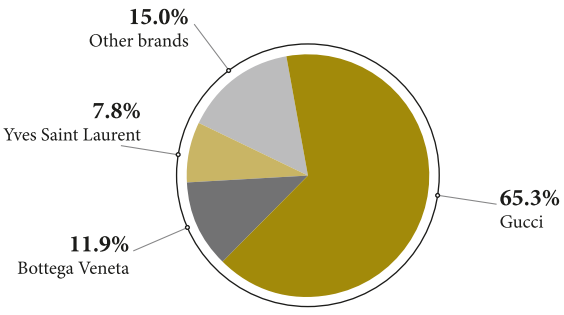
**560**
directly-operated stores at the end of 2008

## A LEADING PLAYER IN THE LUXURY GOODS INDUSTRY

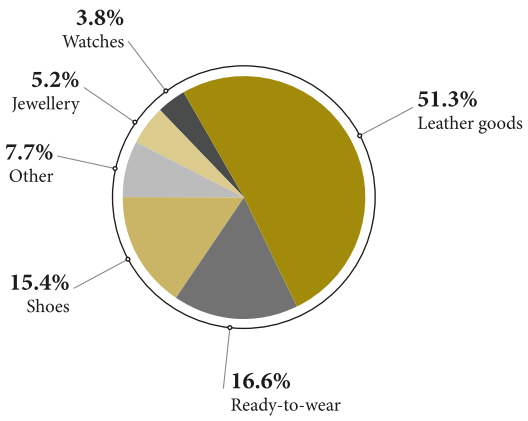
Gucci Group is one of the world's leading multi-brand Luxury Goods companies with a portfolio of premier brands. Gucci, Bottega Veneta and Yves Saint Laurent are the Group's flagship brands. They pave the way for younger edgier desirable brands with strong potential (Balenciaga, Alexander McQueen and Stella McCartney) and two well-established specialised brands like Boucheron and Sergio Rossi.

Gucci Group's competitors in the Luxury Goods market include multi-brands and multi-products groups, high-end Luxury Goods and ready-to-wear companies, along with jewellery and watch companies and groups whose origins are in fine leather goods and shoe manufacturing.

**BREAKDOWN OF 2008 REVENUE BY BRAND**




**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**



## STRATEGY

Gucci Group's strategy is based on two main objectives: to ensure revenue growth and profitability to the Group, and to assign a specific role to each brand within the Group, so as to maintain the consistency of their positioning in terms of market segment and product categories.

The Group supports "freedom within a framework" which means substantial autonomy, within specific guidelines, to the CEOs of the various divisions, who are responsible for design, merchandising and all aspects of the operating results of their respective brands.

Gucci Group designers have some of the greatest talent around today. They compose with their CEO an essential duet in the finest implementation of the triptych Creativity – Merchandising – Product Development.

## GLOBAL PRESENCE

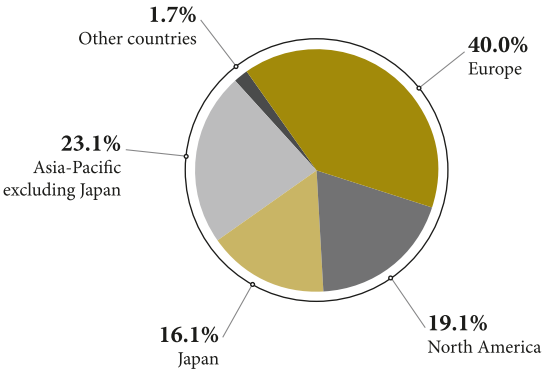
Gucci Group is present in all of the world's major Luxury Goods markets. The Group has consolidated and extended its positions in all regions in which its brands are present. In the recent years it has strengthened its foothold in regions where growth potential seemed the most promising, namely China, India, Russia and Central and South America. All the Gucci Group brands have developed a significant local client base, while continuing to seize the opportunities offered by the global tourist market.

Europe, the Group's biggest market, generating revenues of €1,351 million in 2008, was up 5.0% on a comparable exchange rate basis compared to 2007.

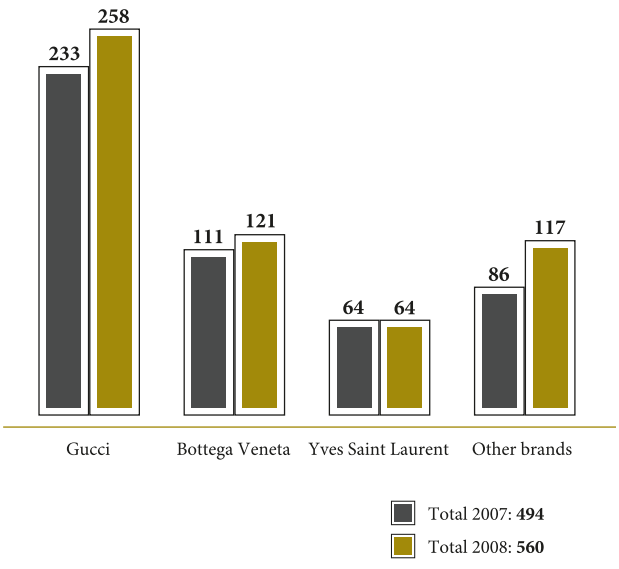
North America, the second market in terms of revenues, posted revenues of €645 million in 2008, an increase of 4.7% on a comparable exchange rate basis compared to 2007.

Gucci Group has significantly strengthened its positions in Asia, a key region for the Luxury Goods industry. Within Asia the most dynamic market is China where the Group had 28 directly-operated stores at the end of 2008. In fact, at the end of 2008, of the Group 560 directly-operated stores, 304 were located in this region. Furthermore, Asia will account for more than half of the 2009 openings.

**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**




**2008 NUMBERS OF DIRECTLY-OPERATED STORES**



## A RICH AND BALANCED PORTFOLIO OF BRANDS

Gucci Group designs, manufactures and markets high-end Luxury Goods products including, leather goods, shoes, ready-to-wear, watches and jewellery. The extensive product range is one of the Group's greatest strengths, the source of its organic growth and one of the keystones the acquisition policy conducted between 1999 and 2001.

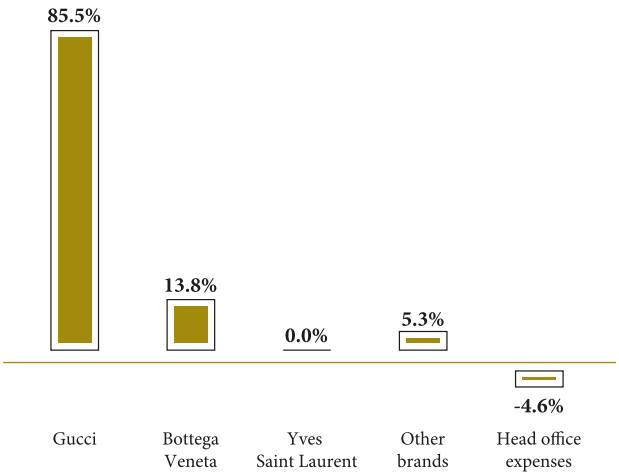
As a multi-brand group, Gucci Group has promoted the sharing of knowledge among its various brands, capitalising on the specific expertise of each of them.

## A HIGHLY CONTROLLED 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. The products are primarily sold through directly-operated stores, which are designed according to a specific concept for each brand, ensuring consistency in terms of product display and service quality around the world. In 2008, the 560 directly-operated stores generated 64% of Gucci Group revenues.

Gucci Group's products are also distributed through a limited number of exclusive franchise stores, as well as selected duty-free boutiques, department and specialty stores.

**CONTRIBUTION OF EACH BRAND TO GUCCI GROUP 2008 RECURRING OPERATING INCOME**
(as a % of recurring income)



## EXCEPTIONAL QUALITY

Through careful management of its supply chain, Gucci Group guarantees exceptional product quality. The Group selects the very best materials and puts in place very strict controls over production, whether in-house or by scrupulously selected and controlled external partners. Prototype development as well as the entire manufacturing process are monitored constantly for quality control. Permanent market intelligence ensures the highest level of performance in terms of its supply network.

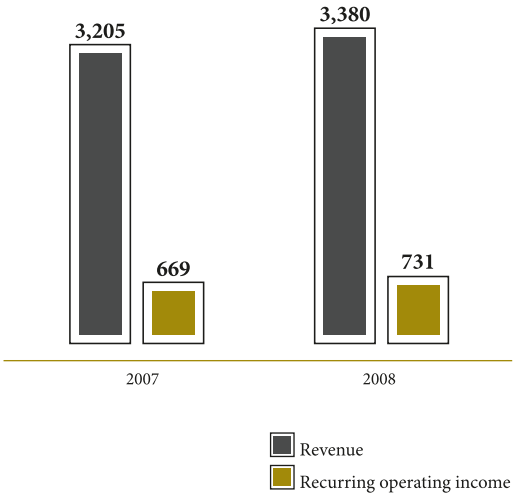
## A RIGOROUS COMMUNICATION POLICY

Through rigorous management of brand image, a tight communication policy, outstanding product quality and a carefully controlled distribution network, Gucci Group has reinforced its brand reputation and positioning over the past few years. Through collections, advertising campaigns, media relations, public relations, special events, stores and window displays, Gucci Group communication strategy seeks to preserve brand exclusivity, while ensuring a high-end image and reinforcing global positioning.

## FINANCIAL RESULTS

In 2008, Gucci Group posted revenue of €3,380 million, up 8.1% over the previous year on a comparable exchange rate basis. Fashion and leather goods were up 9.7% versus last year on a comparable exchange rate basis. Recurring operating margin stood at 21.6%.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



# GUCCI

Brand established in **1921**

**2,206**
€ million of revenue in 2008

**625**
€ million of recurring operating income in 2008

**7,123**
employees at the end of 2008

**258**
directly-operated stores at the end of 2008

## BUSINESS CONCEPT

Founded in Florence in 1921, Gucci is one of the world's leading Luxury brands.

Gucci designs, manufactures and distributes high-quality and highly desirable products such as leather goods (handbags, small leather goods, and luggage), shoes, ready-to-wear, silks, timepieces and fine jewellery. Eyewear and fragrances are manufactured and distributed under licence by global industry leaders.

Gucci's core values are uncompromised craftsmanship, outstanding quality and exclusively made in Italy (with the only exception of watches, which are produced in Switzerland).

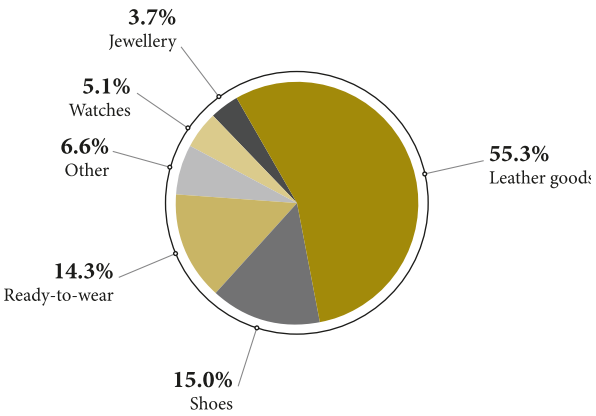
Gucci products are sold exclusively through a highly selected network of directly-operated stores (258 at the end of 2008), which represents nearly 70% of Gucci total revenues. Other significant channels are franchises, duty-free boutiques and large and small specialty stores mainly in Europe and North America. E-commerce is also a valuable complementary channel.

## POSITIONING

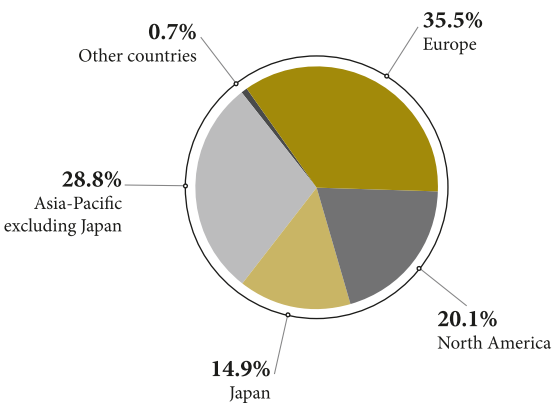
87 years of success and fascinating history have established Gucci as one of the most desirable Luxury brands in the world.

The unique brand positioning is based on three key principles: creativity, exclusivity and culture of Italian craftsmanship. "Made in Italy" is part of the essence of Gucci which intends to remain committed to that promise.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



Constant creativity and innovation are the key drivers of a global brand like Gucci. Creative Director Frida Giannini has successfully reinterpreted the brand historic icons into modern and innovative pieces, reaching a balance between the tradition of the brand and the customers' mood, creating glamorous and luxurious collections.

One brand, no second lines, no "non-core" businesses and two licences guarantee the highest exclusivity of the Gucci products.

## STRATEGY

Gucci is one of the most exclusive brands in the Luxury universe.

Its growth strategy emphasises three main fundamentals: distribution, product offering and brand positioning.

Retail Channel/Directly-operated stores represent 70% of total revenue. The selected network of stores around the world is the best way to offer the Gucci products and convey the brand philosophy.

In line with a well-balanced strategy, the Florentine house has consolidated its positioning in its historical markets like Europe and the United States while strengthening in newer markets, where customers have shown a strong desire for Gucci products.

The management's priority is to further strengthen the Luxury image of the brand. Gucci will continue to invest in communication as a driver of sales and profits, relying on the long lasting values of the Company: the Italian heritage, made in Italy and culture of craftsmanship.

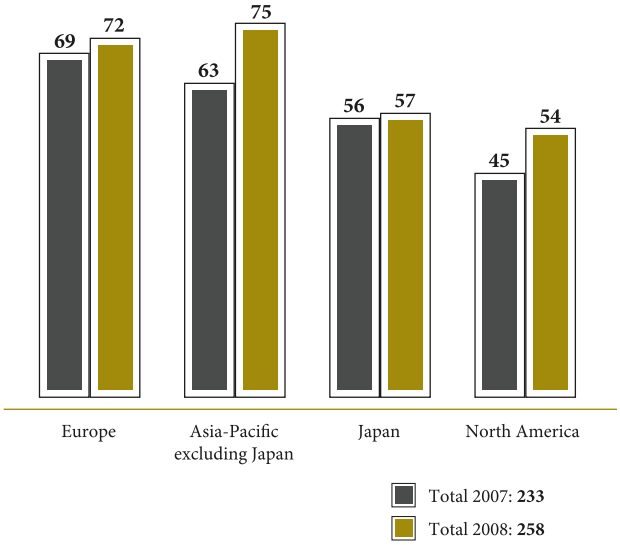
## FINANCIAL RESULTS

In 2008, Gucci revenues reached €2,206 million, posting an increase of 4.2% on a comparable basis versus last year.

Fashion and leather goods grew at a solid pace, up 7.1% on a comparable basis.

Gucci recorded a recurring operating income of €625 millions in 2008, with operating margin at 28.3%.

**2008 NUMBERS OF DIRECTLY-OPERATED STORES**



## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

2008 was a year of significant achievements for the Gucci brand.

Gucci was named the world's 2nd most valuable Luxury brand in the Top 100 Global Brands ranking (source: Interbrand, Best Global Brands 2008). For the seventh year running it was also the highest ranking Italian brand from any industry or sector on the list, with a brand value increase of 75% from 2004. (source: Interbrand, Best Global Brands 2008).

In the month of February 2008, Gucci inaugurated its New York Flagship Store on Fifth Avenue. This new store, the biggest Gucci store in the world – 4,500 square feet spanning three large floors – introduced the world to the new Gucci concept store, as conceived by Frida Giannini.

A few months later – in early July – Gucci celebrated the 70th anniversary of the opening of the Rome store on via Condotti – the second store that Gucci opened after the one in Florence in 1921 – with a series of specially dedicated events, including the Cruise 2009 Fashion Show.

In 2008 Gucci continued to reinforce its selected network of directly-operated stores in its historical markets through key openings in the USA and Europe and reaching new markets with directly-operated stores in key exclusive locations like Prague, Czech Republic; Macau; Auckland, New Zealand; Sao Paulo, Brazil and Budapest, Hungary.

In Greater China, which deserves a particular mention, Gucci reached 33 directly-operated stores at the end of the year (25 at the end of 2007), thanks to the great appreciation of Gucci's longstanding values of made in Italy, heritage and quality by Chinese Luxury Goods consumers.

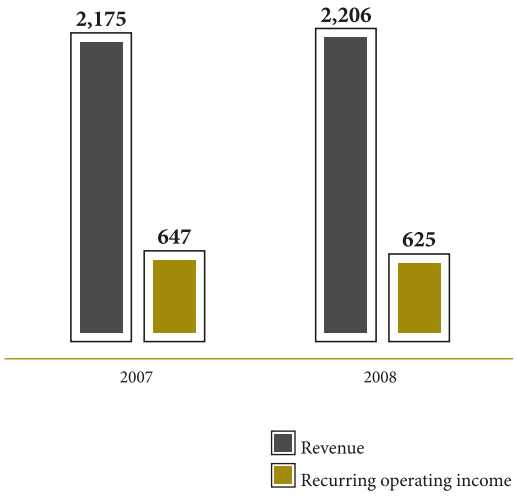
In the month of June, the new male fragrance Gucci by Gucci Pour Homme was launched in the US and Europe with dedicated events, receiving an excellent appreciation both from the press and the customers. The worldwide roll out of the fragrance started in Autumn 2008.

The Gucci brand achieved leadership in the industry by initiating a certification process in 2006. While in 2007 Gucci obtained the official certification of Corporate Social Responsibility (SA 8000) for the leather goods and jewellery supply chains, during the year 2008 the certification process was also extended to the shoe category.

As a tribute to the long-lasting partnership with UNICEF, Gucci executed the first advertising campaign dedicated to support and increase the exposure of Gucci's donation to the vital humanitarian organisation. The annual Gucci Campaign to Benefit UNICEF – which began in 2005 – consistently supports education, healthcare, protection and clean water programmes for orphans and children affected by HIV/AIDS in Sub-Saharan Africa.

Gucci's goal, under the responsibility of the newly appointed CEO, Patrizio di Marco, notwithstanding a challenging environment in 2009, is to further strengthen its leadership as a global Luxury Goods brand, reinforce its positioning in historical as well as in new markets, maintain its exclusivity and focus on its core business.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



# BOTTEGA VENETA

Brand established in **1966**

**402**
€ million of revenue in 2008

**101**
€ million of recurring operating income in 2008

**1,380**
employees at the end of 2008

**121**
directly-operated stores at the end of 2008

## BUSINESS CONCEPT

Bottega Veneta – meaning "Venetian atelier" – creates Luxury Goods based on its core values of quality, craftsmanship, exclusivity and discreet luxury. The brand began as a leather goods house made famous through its signature *intrecciato*, a unique leather weaving technique created by the Bottega Veneta craftsmen and it now has a full product range of leather goods (handbags, small leather goods and a complete luggage collection), men and women's ready-to-wear, shoes, fine jewellery, furniture, decoration accessories and other accessories.

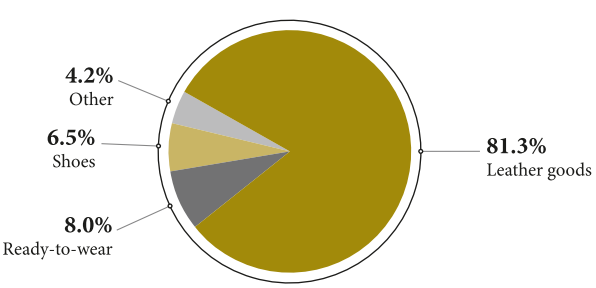
Bottega Veneta products are sold exclusively through a tightly controlled distribution network of directly-operated stores, exclusive franchise stores and strictly selected department and specialty stores around the world.

## POSITIONING

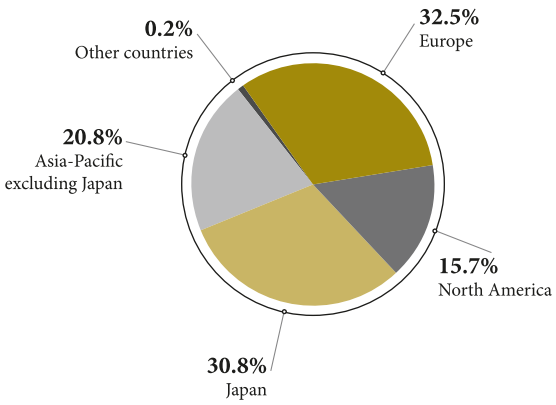
Since its inception, Bottega Veneta has been synonymous with the highest craftsmanship, the choice of finest materials, and a design style that is innovative yet understated. It was the first brand to introduce the deconstructed bag as opposed to the usual rigid construction of handbags coming from the French school.

Under the creative impetus of Tomas Maier and a new management team, Bottega Veneta has re-established its high-end luxury positioning with products that satisfy the most demanding clients. By combining traditional luxury values – exclusivity, craftsmanship and the highest quality – with innovation, Bottega Veneta products embody both modernity and timeless elegance. Bottega Veneta owes its exceptional product quality to the work of its meticulous craftsmen based in its Venice workshop. The brand's slogan, "When your initials are enough", and the Bottega Veneta signature found solely inside its products are testament to the brand's refined elegance.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



## STRATEGY

Bottega Veneta is determined to reinforce its established positioning as a luxury lifestyle brand through innovation and the preservation of exclusivity for its flagship leather goods and its most successful activities, namely ready-to-wear, shoes, jewellery and home furniture.

Iconic bags represent the core business of Bottega Veneta and are to be protected. Any opportunity in all other product categories, such as collaboration with established high end players such as Poltrona Frau or KPM, will be developed further.

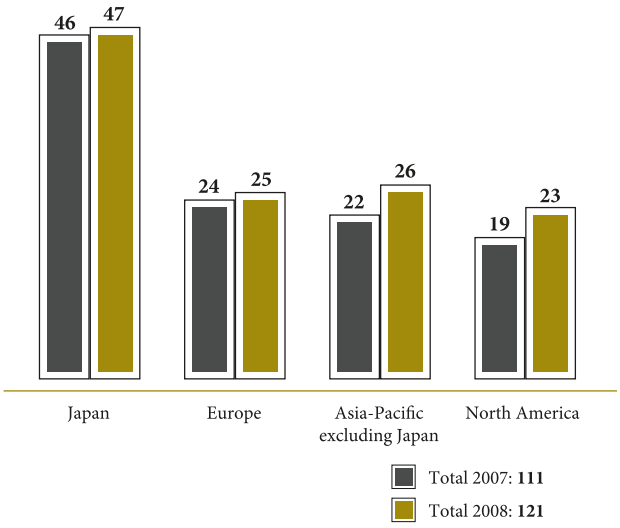
All product launches are part of a well-planned and carefully executed strategy.

Bottega Veneta is and will remain an exclusive Luxury Goods brand.

## FINANCIAL RESULTS

Bottega Veneta's revenue in 2008 grew to €402 million, an increase of 11.1% on a comparable exchange rate basis on the previous year. In 2008, Bottega Veneta posted recurring operating income of €101 million, up 9.2% versus last year (operating margin was 25.0%).

**2008 NUMBERS OF DIRECTLY-OPERATED STORES**



## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

Bottega Veneta opened ten new stores in 2008, increasing from 111 at the end of 2007 to 121 at the end of 2008 reinforcing its presence mainly in Asia (China) and in the USA. Retail continues to be the main driver for expansion in Asia, but the weight of "qualified" wholesale business through franchise stores, shop-in-shops and duty free boutiques in the emerging markets is anticipated to increase.

Bottega Veneta received the 2008 US's Luxury Institute award for the most prestigious women's Luxury fashion brand.

During the *Salone del Mobile* in Milan in April 2008, Tomas Maier introduced a new furniture collection, launched two new product categories (seating and porcelain collections in collaboration with Poltrona Frau and KPM) and inaugurated a retrospective of the classic iconic "Knot" bag.

The new furniture collection consisted of a set of four chests of drawers – the final pieces in the classic luggage-inspired collection that Bottega Veneta began two years ago.

The seating and porcelain collections were launched simultaneously in Milan and in the Bottega Veneta stores in New York, Hong Kong, Ginza and on the Bottega Veneta website. The new "Meta" armchair made in association with Poltrona Frau, international leading player in high-end furnishing, is the first in a planned collection of seating.

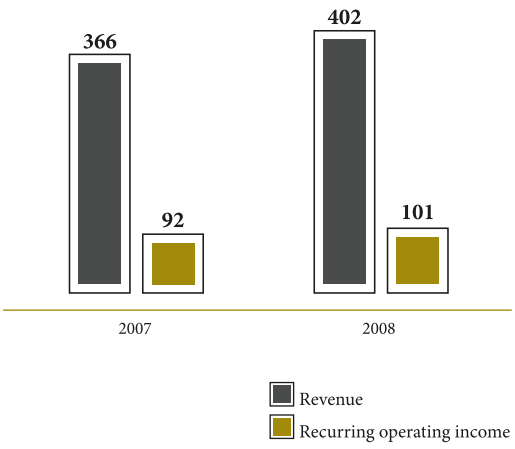
The nine piece "Intreccio Svanito" dinner service was produced in partnership with legendary German porcelain manufacturer KPM.

On April 17th 2008, Bottega Veneta announced the opening of "The Knot: A Retrospective," a traveling exhibition featuring the renowned handbag on the occasion of its 30th anniversary. The exhibit, consisting of over 50 versions of the iconic bag, has traveled to select Bottega Veneta stores around the world. Tomas Maier collaborated with well-known British photographer Nick Knight for the Fall/Winter 08-09 advertising campaign. The Bottega Veneta FW 08-09 Collection was an exploration of effortlessness in which dressing was distilled to form, colour, and function. The spare, bold impact of the clothes lent itself to Knight's famously graphic awareness.

Bottega Veneta introduced the first Cruise Advertising Campaign. The campaign, shot by American photographer Todd Eberle, started globally in December 2008. The architectural sensibility of the collection led Tomas Maier to Eberle, known for his photographs of modern architecture.

Furthermore, due to the overwhelming success of the first Early Fall Collection produced in 2007, Bottega Veneta produced in 2008 the first Early Fall Catalogue, increasing the number of catalogues per year from three to four.

**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



# YVES SAINT LAURENT

Brand established in **1961**

**263**
€ million of revenue in 2008

**0.3**
€ million of recurring operating income in 2008

**1,046**
employees at the end of 2008

**64**
directly-operated stores at the end of 2008

## BUSINESS CONCEPT

With more than 45 years of unique history, Yves Saint Laurent is one of the most prestigious Luxury Goods houses of the industry. Across barriers of time and borders, the Yves Saint Laurent signature means fashion and creativity, delivered in innovative ways.

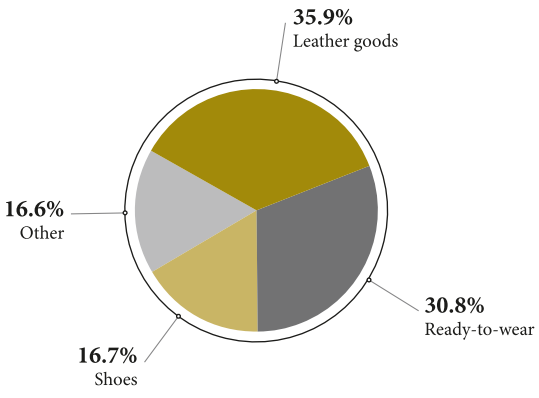
Yves Saint Laurent designs and markets a broad range of women and men's ready-to-wear products, leather goods, shoes and jewellery. Through a licence agreement with L'Oréal, Yves Saint Laurent is also a major brand in fragrance and cosmetics. A workshop in France manufactures women's ready-to-wear products.

The Yves Saint Laurent network currently consists of 64 directly-operated stores, including flagship stores in Paris, New York, London, Milan, Hong Kong and Berverly Hills. Those directly-operated stores generated more than 51% of Yves Saint Laurent revenues in 2008. The brand also has points of sales within the most prestigious boutiques and multi-brand department stores in the world.

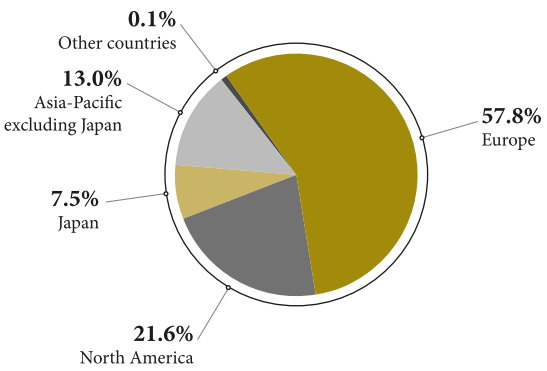
## POSITIONING

Since its creation, Yves Saint Laurent has indelibly influenced and marked the fashion industry. Throughout the years, the groundbreaking designs of the Couture house created innovative pieces of clothing that became classic icons, and its founder, the couturier Yves Saint Laurent, built a reputation as one of the 20th century's most innovative and provocative designers. He created some signature looks and styles, and left in heritage, timeless iconic products, such as the tuxedo, the pantsuit, the safari jacket and the trench coat. Yves Saint Laurent was also the first Couture house to launch, in 1966, the modern concept of luxury women's ready-to-wear, in a collection called 'Rive Gauche', which represented the first step in making luxury labels accessible to the wider public.

**BREAKDOWN OF 2008 REVENUE BY PRODUCT CATEGORY**




**BREAKDOWN OF 2008 REVENUE BY GEOGRAPHICAL AREA**



Acquired by Gucci Group in 1999, Yves Saint Laurent has always been positioned at the top end of the luxury goods market. Under the management of Valérie Hermann, CEO since 2005, and Stefano Pilati, Creative Director since 2004, the brand has renewed the exceptional legacy of its founder while bringing a contemporary approach to its collections. On top of the revisited legendary classic ready-to-wear products of the brand, Yves Saint Laurent has generated new iconic product lines in leather goods and shoes, such as the *Muse*, *Downtown*, *Tribute, Besace and Muse Two* handbags, and the *Tribute* shoes.

Around the world, Yves Saint Laurent is a signature combining elegance, discreet but recognisable lines, refined details and top-quality fabrics, synonymous with perfection for both men and women's Luxury wear.

## STRATEGY

Since 2005, Yves Saint Laurent has been implementing a strategic plan aimed at improving its financial performance by developing revenue and increasing its gross margin, while controlling operating costs and optimizing financial resources.

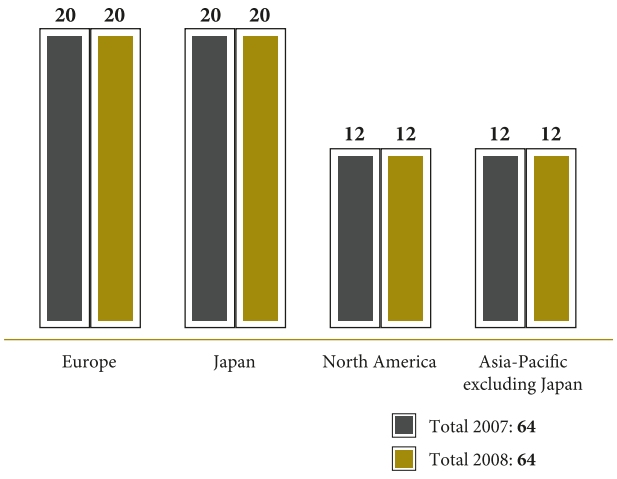
Within the framework of the brand's strategic plan, the Company's prime objective is to continue creating and marketing highly desirable products, reflecting in innovative ways the essence of the brand; leveraging its historical presence in ready-to-wear while broadening the product range by expanding into the strong-growth categories of leather goods and accessories and by developing its fragrance and cosmetics strategic partnership.

## FINANCIAL RESULTS

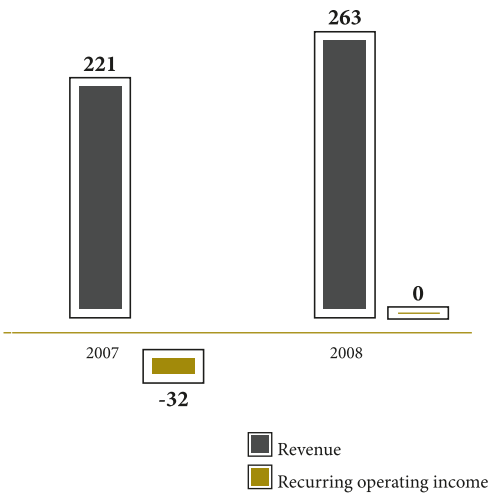
Yves Saint Laurent's revenue amounted to €263 million in 2008, increasing by 22.0% on a comparable exchange rate basis versus the previous year.

Yves Saint Laurent reported positive operating income this year compared to last year's €32 million operating loss.

**2008 NUMBERS OF DIRECTLY-OPERATED STORES**




**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



## 2008 HIGHLIGHTS AND OUTLOOK FOR 2009

In 2008, revenues were up 22%, on a comparable basis, and confirmed Yves Saint Laurent commercial succes of last year.

The ready-to-wear fashion shows were acclaimed by the press and celebrities. Yves Saint Laurent renewed the innovative Edition *24* collection, specifically designed for women travelling around the world that need both comfortable and elegant clothes, and launched two new collections: the *Unisex* collection, inspired by the Men's Spring Summer 2009 collection, and the *Edition Soir*, specifically targeting high-end customers of evening dresses.

In terms of communication, two *Manifestos* (that were revealed in 2007 as being a new way of bringing the brand's voice directly to consumers), were distributed in the streets of New York, London, Milan and Paris. The brand also rejuvenated the concept of the fashion show by organising two fashion events based on video projections for the Men's collections presented in 2008.

Yves Saint Laurent also confirmed its commercial successes in leather goods: the iconic *Muse*, launched at the end of 2005, confirmed its status as a best-seller, followed by the success of the *Downtown, Tribute, Besace* and *Muse Two* bags. In small leather goods, with the *Belle de Jour*, jewellery and shoes, with *Tribute*, Yves Saint Laurent also enjoyed strong growth momentum.

YSL Beauté distributes its fragrances and cosmetics through a licence agreement which was signed with L'Oréal in the first half of 2008.

Several freestanding stores under franchise agreements opened all around the world, notably in the Middle East and in Malaysia. In 2009, YSL will continue to open franchise stores, mainly in the Middle East and Asia Pacific.

# Other brands

**509**
€ million of revenue in 2008

**39**
€ million of recurring operating income in 2008

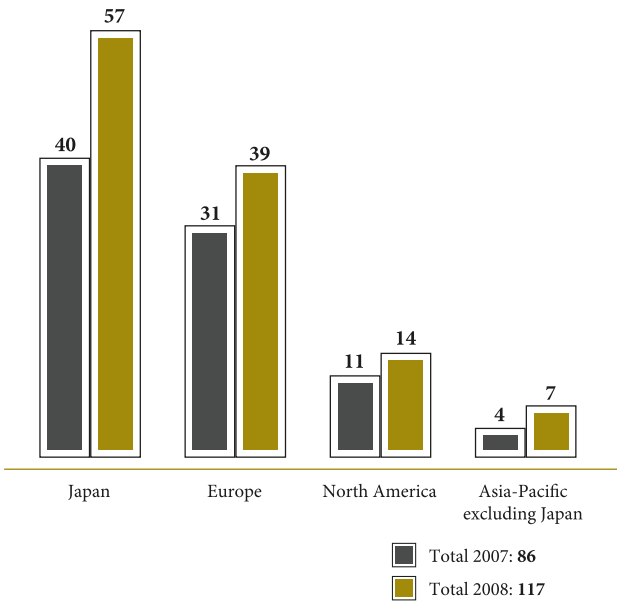
**1,935**
employees at the end of 2008

**117**
directly-operated stores at the end of 2008

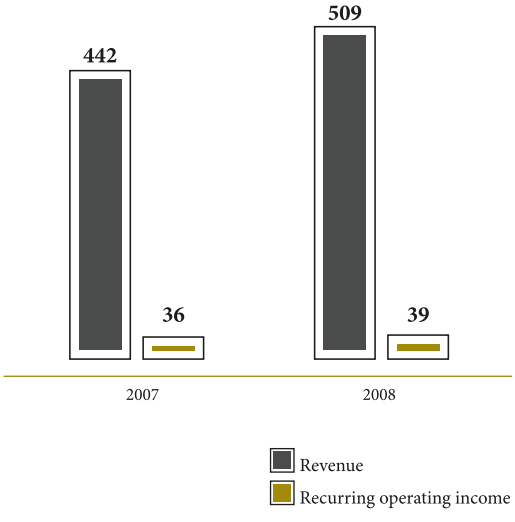
The following section covers Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney. Since joining Gucci Group, all of these brands have seen their sales increase significantly, thanks to the individual creative vision of their designers and the Group's financial support.

Gucci Group's support involved substantial investments to fund the development of collections, the opening of exclusive stores in various fashion capitals, the development of the wholesale network for department stores and specialty stores on a worldwide scale, and the implementation of infrastructure needed to manage growth.

**2008 NUMBERS OF DIRECTLY-OPERATED STORES**




**REVENUE AND RECURRING OPERATING INCOME**
(in € million)



# BALENCIAGA

The House of Balenciaga is one of the most influential forces in fashion today. Founded in 1919 by Cristóbal Balenciaga and established in Paris from 1936, it defined many of the greatest movements in fashion from the 1930s to the 1960s. The provocation of its design and vision, the mastery of techniques and cut, and the constant innovation in fabrics marked out a special place for Balenciaga in the hearts and minds of its privileged clients and followers.

In 1995, Nicolas Ghesquière joined Balenciaga and presented his first collection two years later, at the age of 26. The numerous distinctions awarded this young designer, who was able to capture the attention of both the media and clients, have largely contributed to the brand's commercial success.

While the brand's identity is firmly anchored and evoked in its highly symbolic ready-to-wear collections, the bag and shoe ranges have also enjoyed phenomenal success worldwide. The women's and men's ready-to-wear collections span a wide price range, from the most emblematic items to the more "universal" products, thus making Balenciaga's style to a wider public.

In the early years of its modern renaissance, Balenciaga deliberately prioritised the exclusivity of its distribution. With a solid product portfolio and strong demand for the brand's bags, clothes and shoes, Balenciaga is looking at selective international growth for its distribution network. The priority now is to ensure that the brand is represented in an environment that respects its spirit, not only in directly-operated stores but also via franchises and points of sale in the leading multi-brand stores.

A consistent plan aiming at building a directly-operated store network has been developed in 2008 giving full access to Balenciaga worldwide. This plan included the takeover of the Japanese Joint Venture effective beginning of January 2008 and numerous openings worldwide (London, Los Angeles and Cannes amongst others).

Recent openings in retail include London (February 2008) and Cannes (May 2008). Two corners in the department store Printemps in Paris have been converted into directly-operated stores and a new one opened in Galeries Lafayette. On the US market, new stores opened in Los Angeles (March 2008), Las Vegas (September 2008) and Costa Mesa (September 2008). Moreover, further retail expansion in Japan (on top of the five existing stores prior to the takeover) included the opening of four additional stores.

The franchise network continues to be expanded. Indeed, franchise and exclusive distribution arrangements include leading partners in key markets such as Taiwan, Singapore, South Korea, Russia, Turkey and the Middle East. New contracts were recently signed in Lebanon and Indonesia.

New openings are underway for 2009 in Japan, the US and in China to sustain retail growth while preserving wholesale momentum.

The launch of the US e-commerce website in May 2008 has been a great success.

# BOUCHERON
PARIS

Boucheron is the French jeweller "par excellence". Founded in 1858, Boucheron was the first to establish a jewellery boutique on the famous Place Vendôme in 1893. The House was also the first to use new materials in its collections and launch innovative products such as interchangeable watch straps. For 150 years, Boucheron has been a trend-setter in the exclusive world of High-Jewellery, acquiring an renowned international reputation.

A Gucci Group subsidiary since 2000, Boucheron creates, manufactures and markets jewellery, watches and luxury fragrances through its Place Vendôme flagshipstore in Paris, directly-operated stores, franchise stores, department stores, exclusive multi-brand boutiques and e-commerce site.

During 2008, Boucheron celebrated the House's 150th anniversary.

For this occasion, the company decided to create a commemorative 150th Anniversary High-Jewellery collection. The inspiration of this collection was drawn from the world of Boucheron and was given the name "Boucheron Enchanteur". The collection is divided into seven themes: Audacious, Voluptuous, Magic, Curious, Gourmand, Dangerous and Mysterious – each theme represents a fundamental characteristic of the House and is a sumptuous expression of the level of excellency Boucheron has come to represent over the past 150 years. From Paris and across the globe, Moscow, New York, Tokyo, Hong-Kong, the French Riviera, London and Dubai, the 150th Anniversary High-Jewellery collection of Boucheron has toured the world in celebration of this event.

Inspired by the 150th anniversary of Boucheron's exceptional creativity, Boucheron and Richard Mille have joined forces to create a unique and exceptional timepiece, the RM018 tourbillon wristwatch. An outstanding technological achievement, a timepiece creation with the wheels of the movement made from precious stones in a limited edition of 30 pieces.

Boucheron continues the development of its boutiques on an international scale. Free standing stores have been opened in Geneva, Taipei and Seoul. Flagship stores were inaugurated in Moscow and Dubai with franchise partners. The flagship store in Ginza opened its doors after renovation in accordance with the new boutique concept.

Distribution agreements have been signed for Greece, Cyprus and Australia. Boucheron is also present in Bal Harbour, Florida and Beverly Hills, California at Neiman Marcus with a selection of representative jewellery pieces since August 2008.

In November 2008, Boucheron signed a new licence agreement with Gold & Wood – for the design, production and worldwide distribution of high-end luxury eyewear products. Gold & Wood is a global leader in this field and well-known for sophisticated craftsmanship which makes its frames prestigious and unique in the optical world. The first collection will be launched in the summer of 2009.

## sergio rossi

Sergio Rossi is one of the most famous Italian shoemaker specialists. Since its creation in the late sixties in Italy, Sergio Rossi has become a world leader in women's luxury footwear. The brand has always been synonymous with glamour and style and acclaimed for its unique creativity and perfect fit. "Sexy, stylish and Italian" defines the essence of the brand, emphasizing its unique craftsmanship and enhancing a feminine silhouette. Sergio Rossi also started to articulate its vision through a comprehensive handbags and small leather goods collection. The iconic "Compact" clutch has become one of the "must haves" of the collection and a highlight for celebrities on the red carpet worldwide.

2008 has been a major turning point for Sergio Rossi with the appointment of Francesco Russo as new Creative Director. The brand also celebrated its 40th anniversary with a touring exhibition around the globe, the publishing of a book on its history and the new Milanese Showroom in a 19th-century palace in the Brera area, in the heart of Milan.

Sergio Rossi also launched a strategic partnership with Puma during 2008. The meeting of two internationally renowned brands, merging Italian Luxury and Sportlifestyle has launched a very special capsule collection of footwear in early 2009.

In a more challenging and competitive environment the enhancement of the brand value will give to Sergio Rossi various opportunities to grow, and gain market shares, while increasing its profitability, in both the footwear and the leather goods segments. Sergio Rossi products are sold in 50 directly-operated stores and more than 30 franchise boutiques as well as in selected department and specialty stores. In 2008, new franchise stores opened in Shanghai, Shenzhen, Taipei, Al Khobar in Saudi Arabia, Baku in Azerbaijan and Istanbul.

Sergio Rossi will close its directly-operated stores in the US during the first semester of 2009, since the Company has decided to focus on its wholesale, which has proven to be the correct channel for brand development and further expansion in the US and entered e-business inaugurating its first e-boutique on the US market.

## ALEXANDER McQUEEN

Known for his audacity and creativity, Alexander McQueen has an impressive reputation in the world of fashion.

A subsidiary of Gucci Group since 2001, Alexander McQueen primarily markets women's accessories and ready-to-wear. New categories of men's ready-to-wear, shoes and small leather goods have been added to the brand portfolio, broadening the offer.

Over the past few years, the accessory categories have developed to represent 30% of the total business, with both shoes and bags sold

in most major stores globally. This performance coupled with strong press exposure should ensure further growth in coming years.

As a result of this success, Alexander McQueen has enjoyed another year of good sales growth momentum.

In addition, Alexander McQueen has entered into several strategic licensing agreements that enabled the international marketing of its creations to a wider public. An exclusive three-year licensing agreement with Puma AG, involving a co-branded line of high-end sport shoes for men and women, was initiated in June 2005. This collaboration has been extended until 2011 and now includes a small apparel range.

Alexander McQueen products are distributed in directly-operated stores, department stores and high-end specialty stores. The brand has ten directly-operated stores. In the last few years, Alexander McQueen has also opened several shop-in-shops with leading store chains across the world, including Harvey Nichols, Selfridges and Saks 5th Avenue.

The brand's franchise programme began in late 2006 with the opening of Istanbul. This has been followed in 2007 and 2008 with a number of openings in key emerging markets.

## STELLA McCARTNEY

Created in 2001 in partnership with the Gucci Group, the Stella McCartney brand is the youngest brand of the group and one of the few brands in the industry where the Creative Director is also the brand.

Positioned as a modern, lifestyle, designer brand, the Stella McCartney collections have developed from a core business of Women's ready-to-wear, to include non-leather shoes and bags as well as the more recent addition: an Organic capsule collection, in line with the brand's ethical values.

Since its launch in 2001, the brand has entered several licensing partnerships with key partners worldwide, with the objective of extending the reach of the brand and enforcing the brands lifestyle appeal. In collaboration with YSL Beauté (acquired by L'Oreal in June 2008), the brand developed its first fragrance "Stella" which has come to be known as a fragrance classic, something to be highly regarded for a brand less than ten years old. The launch of the first luxury organic skincare line "Care" in 2007 further conveyed the ethical values of the brand to a wider audience.

The brand's partnership with Adidas in developing a line of technical, yet stylish performance sportswear continues to strengthen with key distribution through Adidas concept stores, selected partners and online, as well as strong public relations and media coverage highlighting its unique positioning in the market place. The launch of the Stella McCartney lingerie (first collection Spring/Summer 08) is a core extension of the brand's DNA with strong distribution in key department stores and speciality stores globally.

Stella McCartney products are distributed through top department stores and speciality stores in over 45 countries worldwide as well as the brand's own directly-operated stores in London, New York, Los Angeles and more recently the brand's new flagship concept in Paris' Palais Royal in December 5th 2008. This year has seen further retail expansion through selected franchise partnerships with new stores opening in Beijing, Shanghai, Hong Kong, Singapore, Bahrain and Bangalore and the most recent in Tokyo in November 2008. Further openings are planned for 2009 to include Hong Kong Landmark, Dubai Mall, Kuwait and Qatar.

The relaunch of the brand's website and the launch of its own online retail store in the US market further positions the brand as a modern lifestyle brand.

Stella McCartney has seen significant growth over the past year, securing a unique and consistent positioning in the market place. The brand continues to be recognised by the industry with several awards in 2008 including Designer of the Year, Elle Spain and Green Designer of the Year, ACE Awards, 2008.

# 3 Corporate Social Responsibility (CSR) at PPR


INTRODUCTION 58

A long-standing commitment to CSR 58
A unique and dedicated CSR organisation 60
2008 Highlights 60
2008 Key Indicators 61
The Group's human resources profile 62

STRATEGIC PRIORITY 1: ENHANCE EMPLOYABILITY THROUGH SKILLS MANAGEMENT AND TRAINING 69

Enhance employee skills and talents 69
Evaluate 74
Develop 75
Remuneration and employee benefits 75
Listen and engage with the social environment 76

STRATEGIC PRIORITY 2: TRAIN EACH MANAGER ON DIVERSITY ISSUES 78

A commitment undertaken at the highest level 78
Inter-company management 78
An approach based on analysis and performance monitoring 79
Awareness-raising and training 79
Equal opportunities in the Human Resources process: from recruitment to career management 80
The involvement of labour and management 80

STRATEGIC PRIORITY 3: INTEGRATE CSR CRITERIA INTO THE SUPPLIER SELECTION PROCESS 81

The cornerstones of PPR's commitment vis-à-vis its partners 81
Promoting respect for human, social and environmental rights to suppliers 83
Internal and external evaluations of suppliers 84
Support for social inclusion via the sheltered sector and economic activity 89

STRATEGIC PRIORITY 4: MONITOR AND LIMIT TRANSPORT-RELATED $CO_2$ EMISSIONS 90

Environnemental management 90
Transport and related $CO_2$ emissions 93

STRATEGIC PRIORITY 5: REDUCE THE ENVIRONMENTAL IMPACT OF SHOPS AND INFRASTRUCTURE 97

Intensification of measures 97
Energy consumption and related $CO_2$ emissions 98
Raw material optimisation 100
Waste management 105
Evaluating and managing environmental risks 109

PRIORITY 6: PROMOTE RESPONSIBLE PRODUCTS AND USAGE 111

Product quality and traceability 111
Development of responsible products 114
Responsible and supportive customers 116

PRIORITY 7: IMPLEMENT SOLIDARITY PROGRAMMES RELATED TO COMPANIES' BUSINESS ACTIVITY 118

Commitments at PPR Group level 118
Challenges that unite the companies 120

NRE – GLOBAL COMPACT COMPARISON 124

STATUTORY AUDITOR'S REPORT 125

# Introduction

## A LONG-STANDING COMMITMENT TO CSR

**1996**
- Group's first Ethics charter

**2001**
- Creation of the SolidarCité association
- First employee opinion survey

**2003**
- Creation of a Group Sustainable Development Department
- Creation of an environmental reporting platform

**2004**
- PPR Chairman's signature of the Diversity Charter and creation of the Diversity Committee and Mission Handicap

**2005**
- Signature of a partnership agreement with Agefiph, a French association promoting job placement and vocational training for the disabled
- Deployment of the Code of Business Practices and creation of an Ethics Committee for Corporate Social Responsibility
- Creation of the Télémaque Foundation

**2006**
- Structuring of Group commitments with respect to Corporate Social Responsibility based on four priorities: 1. Enhance the skills and talents of employees. 2. Establish lasting relationships with the Group's partners and local communities. 3. Support the Group's customers as responsible players. 4. Reduce the Group's environmental impact

**2007**
- Creation of the Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman's office
- Definition of seven key strategic priorities for the Group in 2008-2010
- Creation of a CSR Committee responsible for setting ambitious targets for addressing the Group's seven key strategic priorities, for implementing them and for the results obtained
- Second agreement with Agefiph to support employment of disabled people

**2008** marked an acceleration in the assimilation of CSR issues into the activities of the Group and an intensification of the projects undertaken.

At the end of 2007, following wide consultation with key stakeholders both inside and outside the Group (including NGOs, non-financial rating agencies, external experts, the Chairmen of Group Companies, Directors and the Sustainable Development and Human Resources teams), benchmarking of CSR initiatives adopted by other companies and analysis of the CSR policies already in place, PPR defined seven strategic priorities for 2008-2010:

1. Enhance employability through skills management and training;
2. Train each manager regarding diversity issues;
3. Integrate CSR criteria into the supplier selection process;
4. Monitor and limit transport-related $CO_2$ emissions;
5. Reduce the environmental impact of shops and infrastructure;
6. Promote responsible products and usage;
7. Implement solidarity programmes related to companies' business activity.

As well as identifying these seven strategic priorities, which were presented and explained to the leadership of the Group in March 2008, PPR has put in place a CSR Committee drawn from members of its Executive Committee. The CSR Committee sets ambitious objectives for progress on the priorities and stipulates the concrete results expected from the policies and projects that flow from them. The CSR Committee met twice during the year, in June and December 2008.

The seven strategic priorities now structure the CSR approaches taken by the Group and the Subsidiaries and act as a common point of reference. As a result, much work was done in 2008 to take on board and develop them in each Subsidiary, adapting them to their specific environment and culture.

Finally, the Group Code of Business Practices, which is the basis for all the steps taken by PPR's CSR, was updated by members of the Ethics Committee for Corporate Social Responsibility (ECCSR) in 2008, and the revised version will be redistributed to all Group employees in the first half of 2009 in the 14 languages most spoken within the Group.

## A UNIQUE AND DEDICATED CSR ORGANISATION

CSR is addressed at the highest level of PPR's organisation, notably through a CSR Committee and dedicated CSR Department operating at Group level. To turn the strategy into concrete initiatives and to keep pace with the operational realities on the ground, PPR has a dedicated CSR network active in each of its Subsidiaries.

- **PPR Group's CSR Committee.** This committee, whose membership is drawn from the Group's Executive Committee, meets twice a year. Its role is to define formal objectives for each of the six Subsidiaries and PPR head office and to monitor their implementation. Since it was set up, the CSR Committee has met three times (in December 2007, June 2008 and December 2008).
- **A CSR Department for the PPR Group**. The Group-wide CSR department was created in 2007 and has eight members. It reports directly to the Group Chairman and CEO and is represented on the Executive Committee. The mission of PPR Group's CSR Department is to define Group policy on Corporate Social Responsibility, to support Subsidiaries in meeting the CSR priorities, to address legal obligations related to CSR, to anticipate and prepare the Group for future obligations that may be introduced and to set up projects on a Group-wide scale. The CSR Department works closely with Group Human Resources on CSR issues relating to employee welfare.
- **A CSR or Sustainable Development Department in each Subsidiary**. In each of the Group's six Subsidiaries there is a Head of CSR or Head of Sustainable Development responsible for implementing the general CSR policy of their Subsidiary as well as precise action plans, consistent with the seven key strategic priorities that form the Group's benchmarks. In 2008, 21 people were working directly on CSR issues in the Group's six Subsidiaries in addition to the eight employed centrally at PPR.

PPR and its Subsidiaries have alsoset up two major networks of global contributors within the framework of social and environmental reporting.

## 2008 HIGHLIGHTS

### PPR Group joins UN Global Compact

In 2008 the PPR Group decided to sign up to the Global Compact, underlining its commitment to the Compact's ten principles on human rights, labour, the environment and anti-corruption. This participation is in line with the ethical principles and commitments of the Group as set out in its Code of Business Practices, updated in 2008 by PPR's Ethics Committee for Corporate Social Responsibility (ECCSR) and which is to be redistributed to Group employees during the first half of 2009.

### The Group is committed to employing disabled people and seniors

PPR Management and the members of its European Works Council successfully negotiated two Charters designed to strengthen the Group's commitment to employing disabled people and seniors. The two agreements lay down guidelines for action by PPR's various brands and companies in Europe on these issues. Each Group company determines its own action plans in light of the guidelines laid down by these two charters and sets targets and deploys resources accordingly. A progress review will be carried out once a year and reported to the members of the European Works Council.

### PPR creates the PPR Corporate Foundation for the Dignity and Rights of Women

The aims of the foundation are to stand up against all forms of violence to women and promote support for female-focused development policies. It backs projects in partnership with local and international associations, encouraging Group employees to commit themselves to five priorities: the fight against violence and support for development, provision of micro-finance, sponsorship of social entrepreneurs, awareness-raising and prevention initiatives and other projects specific to each brand and company.

### Group companies and brands take ownership of and develop the seven key strategic priorities set out for 2008-2010

Each of the Group's companies took personal ownership during the year of the seven strategic priorities for 2008-2010, which the Group set out at the end of 2007, setting themselves individual targets for the next three years. Depending on their business, each company defined the ambition of their target, selecting some priorities above others dependending on their circumstances or specific aspects of their business.

### The Group strengthens its environmental management

The Group is increasing its awareness-raising effort and implementation of projects to help the environment. It has established inter-Subsidiary working groups on REACH, the EuP Directive, sustainable construction and equipment of buildings, participation in external working groups on environmental labelling and carbon footprints of sites reflecting the Subsidiaries' business. All these initiatives highlight the now general awareness of environmental challenges across the Group and the mobilisation of employees in their specific fields.

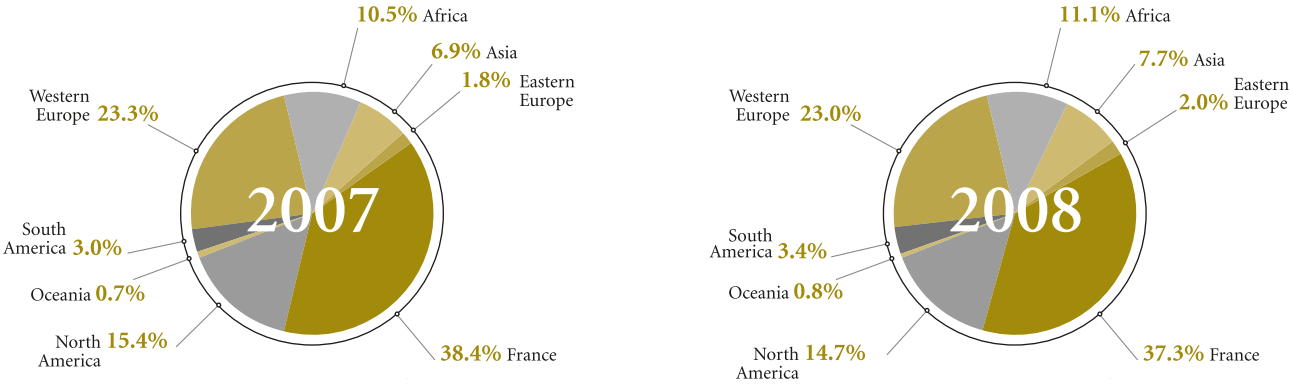
## 2008 KEY INDICATORS

- 88,025 Group employees as at December 31, 2008, 52.6% of whom are women;
- 1,240 disabled workers;
- 90.4% of employees are under permanent employment contracts;
- 46.3% of managers are women;
- 58.7% of new recruits are women;
- 13,708 of employees on permanent contracts work part time, 82.7% are full time;
- 81.2% of part-time employees are women and 97% are non-managers;
- 78.6% of non-management permanent employees work full time;
- 37 is the average age of employees on permanent contracts in 2008;
- 8.2 years is the average length of service of employees on permanent contracts;
- 948,912 hours of training delivered in the year;
- 58,766 employees trained;
- 24 employee projects supported by SolidarCité at a cost of €107,000;
- 15 employees granted solidarity leave;
- 934 social audits of Group suppliers, i.e. an increase of over 27% on 2007;
- 85% of hazardous waste and 59% of total Group waste have been recycled;
- Nearly 65% of direct paper purchases by the Group came from sustainably managed woodland;
- 100% of the Group's paper suppliers are ISO 14001 certified.

## THE GROUP'S HUMAN RESOURCES PROFILE [1]

### Number of employees

**BREAKDOWN OF EMPLOYEES AS AT DECEMBER 31 BY GEOGRAPHICAL AREA [2] (in %)**




*(Rate of coverage: 100%).*

**BREAKDOWN OF EMPLOYEES AS AT DECEMBER 31: MEN MANAGERS/WOMEN MANAGERS/ NON-MANAGER MEN/NON-MANAGER WOMEN BY GEOGRAPHICAL AREA (number)**

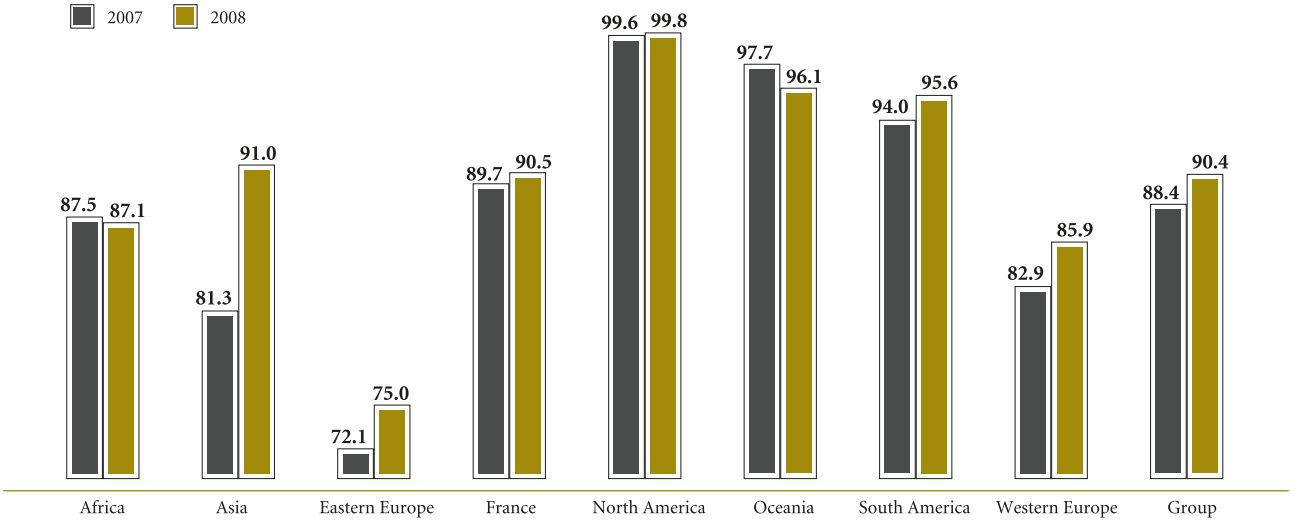
| | Managers | | | | Non-managers | | | |
|---|---|---|---|---|---|---|---|---|
| | Women | | Men | | Women | | Men | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Africa | 237 | 232 | 1,304 | 1,268 | 1,346 | 1,267 | 6,862 | 6,549 |
| Asia | 516 | 400 | 552 | 428 | 4,066 | 3,765 | 1,682 | 1,547 |
| Eastern Europe | 135 | 103 | 102 | 72 | 965 | 897 | 512 | 483 |
| France | 3,768 | 3,828 | 3,769 | 3,797 | 13,186 | 13,968 | 12,133 | 12,582 |
| North America | 1,266 | 1,378 | 716 | 766 | 8,139 | 8,522 | 2,812 | 3,047 |
| Oceania | 28 | 30 | 60 | 59 | 275 | 266 | 359 | 302 |
| South America | 103 | 85 | 223 | 202 | 974 | 846 | 1,661 | 1,504 |
| Western Europe | 1,062 | 1,092 | 1,513 | 1,525 | 10,263 | 10,456 | 7,436 | 7,649 |
| **TOTAL** | **7,115** | **7,148** | **8,239** | **8,117** | **39,214** | **39,987** | **33,457** | **33,663** |

*(Rate of coverage: 100%).*

*(1) For each social indicator we give a rate of coverage calculated as a percentage of the Group's total employees on December 31, 2008.*

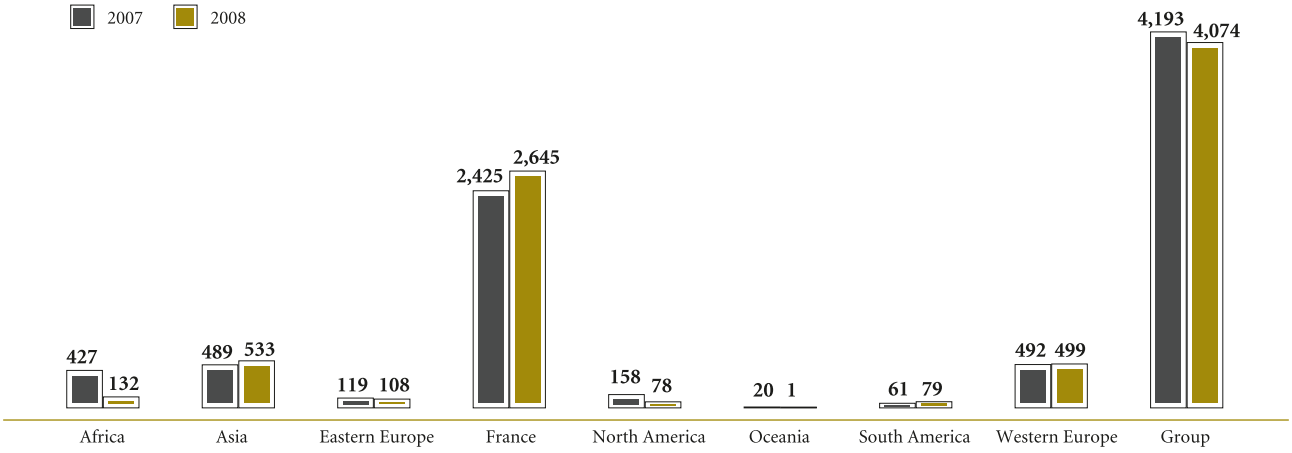
*(2) All charts showing the Group's different geographic areas include the following countries and territories:* **Africa***: Angola, Benin, Burkina Faso, Central African Republic, Ivory Coast, Cameroon, Democratic Republic of the Congo, Congo, Algeria, Gabon, Ghana, Guinea, The Gambia, Guinea-Bissau, Equatorial Guinea, Kenya, Morocco, Madagascar, Mali, Mauritania, Mauritius, Malawi, Niger, Nigeria, Réunion, Senegal, Sao Tomé-et-Principe, Chad, Togo, Tanzania, Uganda, South Africa, Zambia;* **Asia***: United Arab Emirates, Bangladesh, China, Guam, Hong Kong, India, Japan, Korea, Macao, Malaysia, Pakistan, Singapore, Turkey, Taiwan, Vietnam;* **Eastern Europe***: Bulgaria, Czech Republic, Estonia, Croatia, Hungary, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine;* **France***;* **North America***: Canada, USA;* **Oceania***: Australia, New Caledonia, New Zealand, French Polynesia;* **South America***: Aruba, Argentina, Brazil, Chile, Guyana, Mexico, Martinique, Peru, Saint Martin, Uruguay;* **Western Europe***: Austria, Belgium, Switzerland, Germany, Denmark, Spain, Finland, UK, Greece, Italy, Luxembourg, Monaco, Malta, the Netherlands, Norway, Portugal, Sweden.*

**BREAKDOWN OF EMPLOYEES ON PERMANENT CONTRACTS BY GEOGRAPHICAL AREA (as %)**




*(Rate of coverage: 100%).*

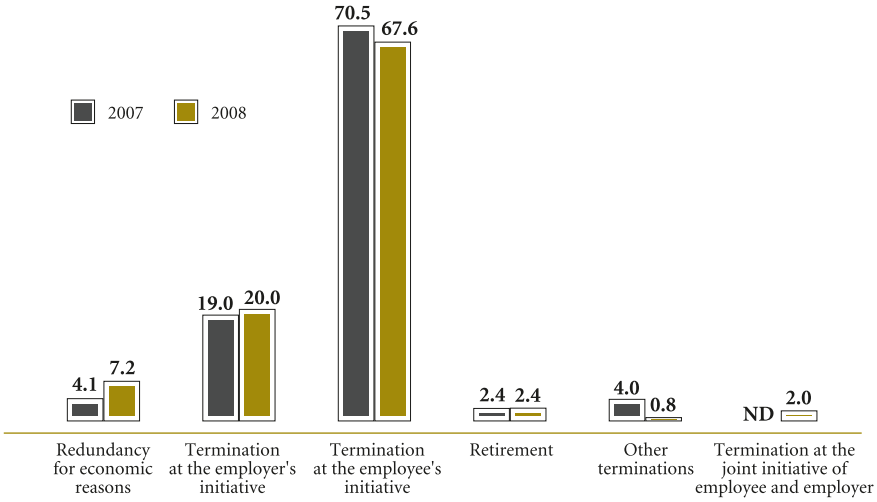
**NUMBER OF TEMPORARY EMPLOYEES IN FTE BY GEOGRAPHICAL AREA** (1)




*(Rate of coverage: 100%).*

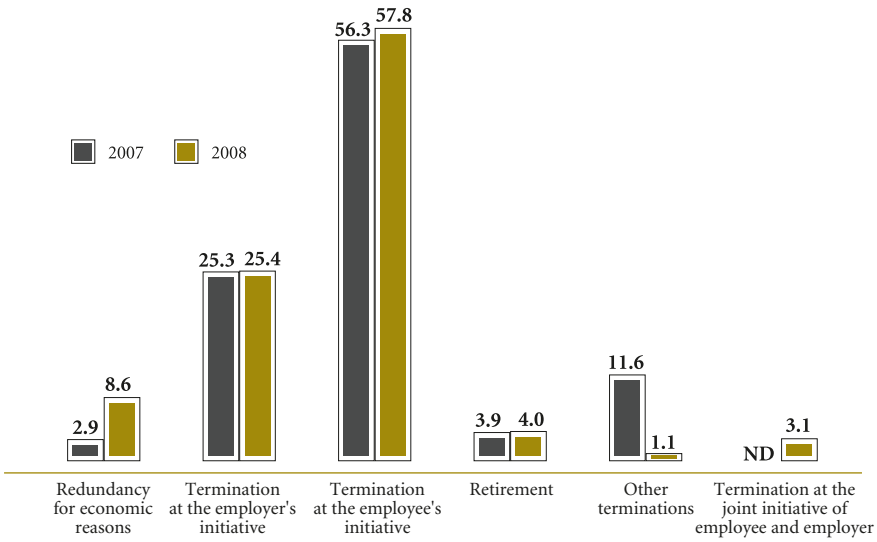
*(1) FTE: Full time equivalent.*

**BREAKDOWN OF DEPARTURES OF EMPLOYEES ON PERMANENT CONTRACTS BY MOTIVE (as %)**



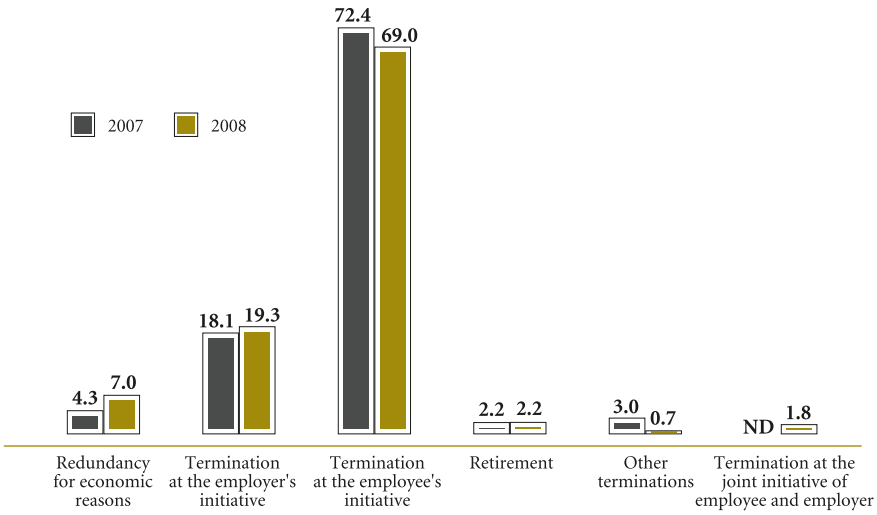

*(Rate of coverage: 100%).*

**BREAKDOWN OF DEPARTURES OF MANAGERS BY MOTIVE (as %)**




*(Rate of coverage: 100%).*

**BREAKDOWN OF DEPARTURES OF NON-MANAGERS ON PERMANENT CONTRACTS BY MOTIVE (as %)**



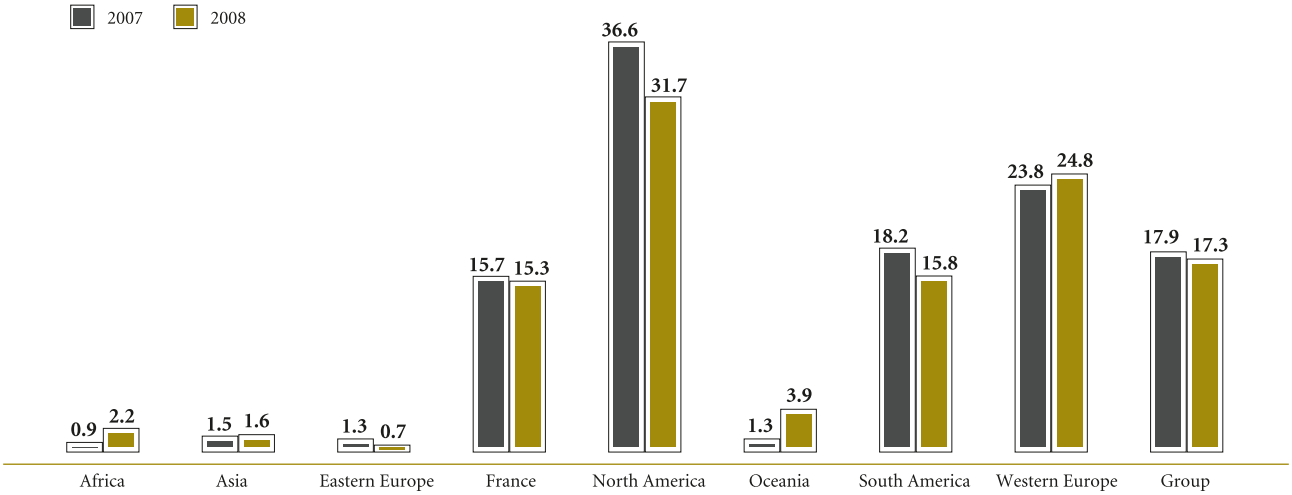

*(Rate of coverage: 100%).*

## Working time

The average weekly working hours for Group full-time employees was 37.9 hours in 2008 (rate of coverage: 93.88%). The organisation of work time in the Group's Subsidiaries can vary according to the sites and populations concerned. In France, work is most commonly organised around fixed contracts (hours or days) and arrangements for annualisation or amendments to working time. In addition to this, in some cases there may be shift work (days and sometimes nights) or occasional on-call arrangements.

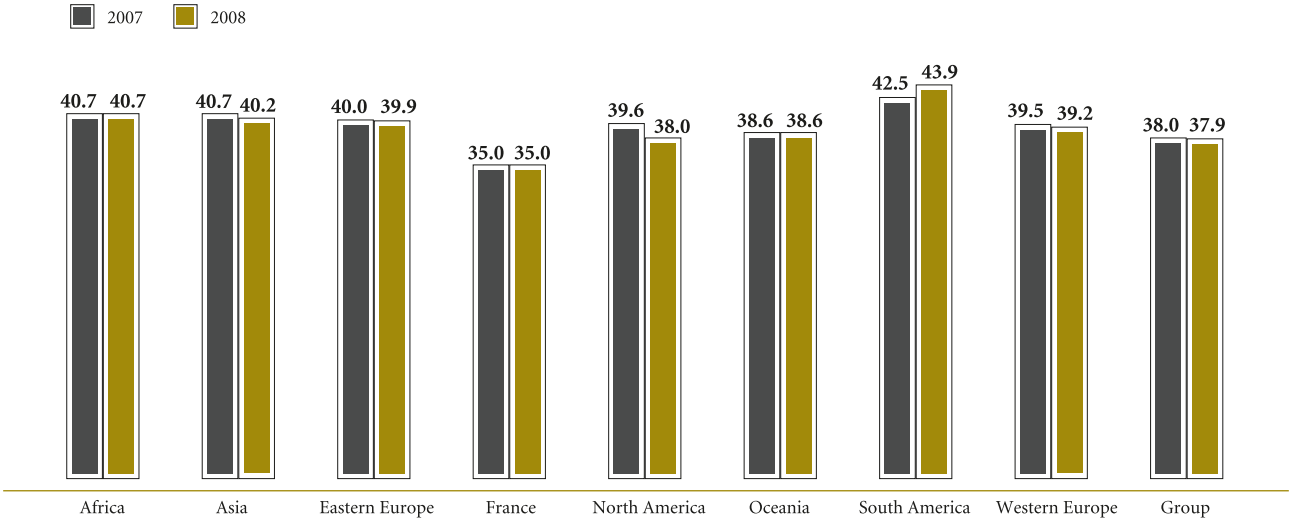
In 2008, 385,622 hours overtime were recorded in France, compared to 215,695 in 2007 (rate of coverage: 100% of the French scope).

**BREAKDOWN OF EMPLOYEES ON PERMANENT CONTRACTS WHO WORKED ON A PART-TIME BASIS BY GEOGRAPHICAL AREA (as %)**




*(Rate of coverage: 100%).*

**AVERAGE WORKING WEEK BY GEOGRAPHICAL AREA (in hours)**




*(Rate of coverage: 93.88%).*

**OVERALL ABSENTEEISM DUE TO SICKNESS (as %)** (1)

| | 2008 | 2007 |
|---|---|---|
| Overall absenteeism rate | 4.7 | 5.2 |
| Sickness absenteeism rate | 3.1 | 3.6 |

*(Rate of coverage: 100%).*

## Profile

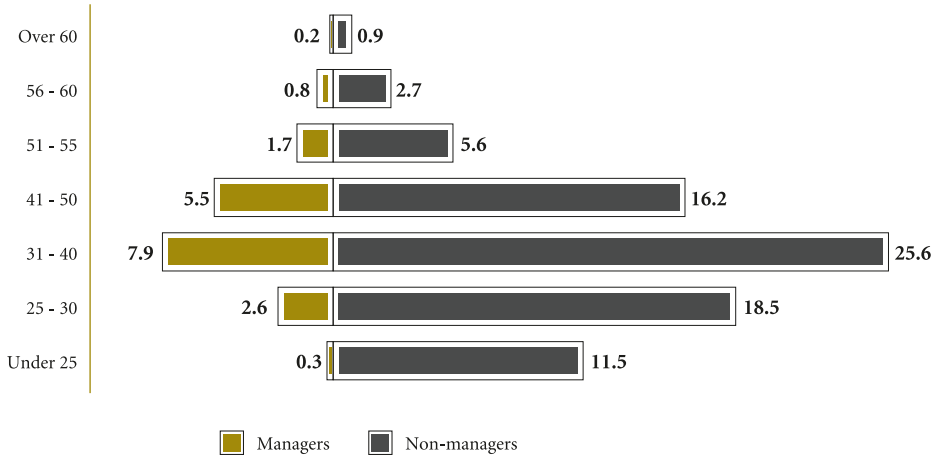
**AVERAGE AGE AND LENGTH OF SERVICE OF EMPLOYEES WITH PERMANENT CONTRACTS BY GEOGRAPHICAL AREA (in years)**

| | Average age | | Average length of service | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Africa | 39.3 | 39.1 | 9.1 | 8.9 |
| Asia | 31.9 | 32.9 | 3.2 | 2.8 |
| Eastern Europe | 34.1 | 30.1 | 3.7 | 3.5 |
| France | 39.0 | 38.7 | 11.9 | 11.6 |
| North America | 36.1 | 36.1 | 3.8 | 3.9 |
| Oceania | 33.4 | 38.0 | 6.7 | 8.3 |
| South America | 31.3 | 30.5 | 4.7 | 5.0 |
| Western Europe | 36.1 | 35.7 | 6.9 | 6.3 |
| **TOTAL** | **37.0** | **37.1** | **8.2** | **8.1** |

*(Rate of coverage: 99.62%).*

*(1) The figure for absenteeism due to sickness is the cumulative total of sick leave days taken, only. More generally, the global absenteeism rate includes absences for sickness and every other kind of absence (work-related accidents, unjustified absences, etc.).*

**BREAKDOWN OF EMPLOYEES BY AGE IN 2008 (as %)**




*(Rate of coverage: 99.62%).*

## Health and safety

PPR and its Subsidiaries consider guaranteeing the health and safety of their employees to be a fundamental duty. The Subsidiaries have accordingly put in place procedures and action programmes to identify, assess and limit the main risks arising from their activities.

In 2008, there were 2,106 work-related accidents resulting in sick leave that occurred in the work place or on business assignments, compared to 2,344 in 2007, including one fatal accident: someone was knocked down by a fork-lift truck in a logistics centre.

**NUMBER OF ACCIDENTS AT WORK BY GEOGRAPHICAL AREA EXCLUDING FATAL ACCIDENTS**

| | 2008 | 2007 |
|---|---|---|
| Africa | 218 | 299 |
| Asia | 26 | 11 |
| Eastern Europe | 21 | 29 |
| France | 1,251 | 1,411 |
| North America | 76 | 88 |
| Oceania | 25 | 27 |
| South America | 68 | 7 |
| Western Europe | 420 | 469 |
| **TOTAL** | **2,105** | **2,341** |

*(Rate of coverage: 99.91%).*

**NUMBER OF EMPLOYEES WHO RECEIVED SAFETY TRAINING BY GEOGRAPHICAL AREA**

| | 2008 | 2007 |
|---|---|---|
| Africa | 337 | 330 |
| Asia | 743 | 469 |
| Eastern Europe | 744 | 267 |
| France | 4,685 | 4,663 |
| North America | 3,723 | 27 |
| Oceania | 24 | 22 |
| South America | 260 | 87 |
| Western Europe | 6,021 | 4,270 |
| **TOTAL** | **16,537** | **10,135** |

*(Rate of coverage: 93.79%).*

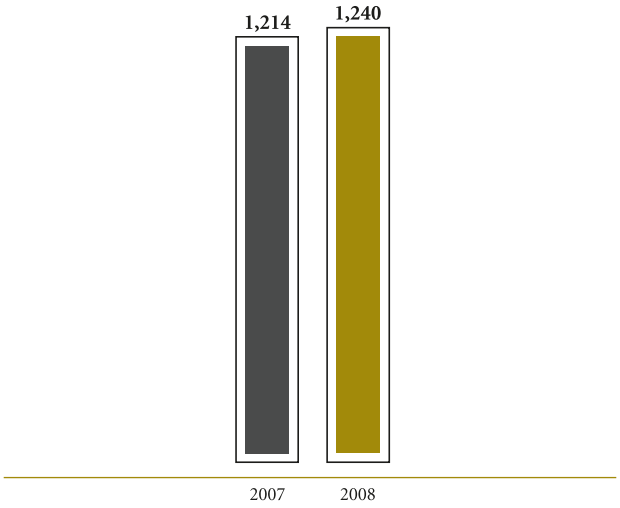
**SAFETY TRAINING HOURS BY GEOGRAPHICAL AREA**

| | 2008 | 2007 |
|---|---|---|
| Africa | 1,713 | 2,727 |
| Asia | 7,061 | 2,427 |
| Eastern Europe | 5,343 | 1,122 |
| France | 32,330 | 29,594 |
| North America | 13,279 | 15,641 |
| Oceania | 101 | 217 |
| South America | 2,616 | 858 |
| Western Europe | 21,878 | 15,264 |
| **TOTAL** | **84,321** | **67,850** |

*(Rate of coverage: 93.79%).*

## Employment and social inclusion of disabled workers

**TOTAL NUMBER OF DISABLED WORKERS**




*(Rate of coverage: 83.56% excluding UK and USA).* (1)

*(1) Due to local laws in force in these two countries, data is not collected on the number of disabled workers.*

# Strategic priority 1: enhance employability through skills management and training

Progress in the Group's organisations and businesses is gathering pace, resulting in new responses and improved programmes of action that emphasise the development of employees' skills and employability.

In its recruitment, induction and the cultivation of loyalty among its talent, PPR Group strives to offer everyone training that is thorough, specific and allows everyone to evolve throughout their career.

For each brand and each Subsidiary this means ensuring continuous development of business and behavioural skills among employees. Through continuous performance and development of skills each employee guarantees their employability whether within or outside the Group.

The Group and its Subsidiaries have implemented ambitious training programmes designed to serve both short- and medium-term needs, to allow everyone to improve their employability, maintain eagerness to learn and develop and encourage involvement and motivation among all employees.

The Group lays considerable emphasis on the need to seek talent in-house, and better identify the company's internal resources, therfore encouraging loyalty and keeping staff. For this reason PPR and its Subsidiaries rely on flexible and pragmatic tools for evaluation, monitoring and mobility that support the decentralised structure of the Group.

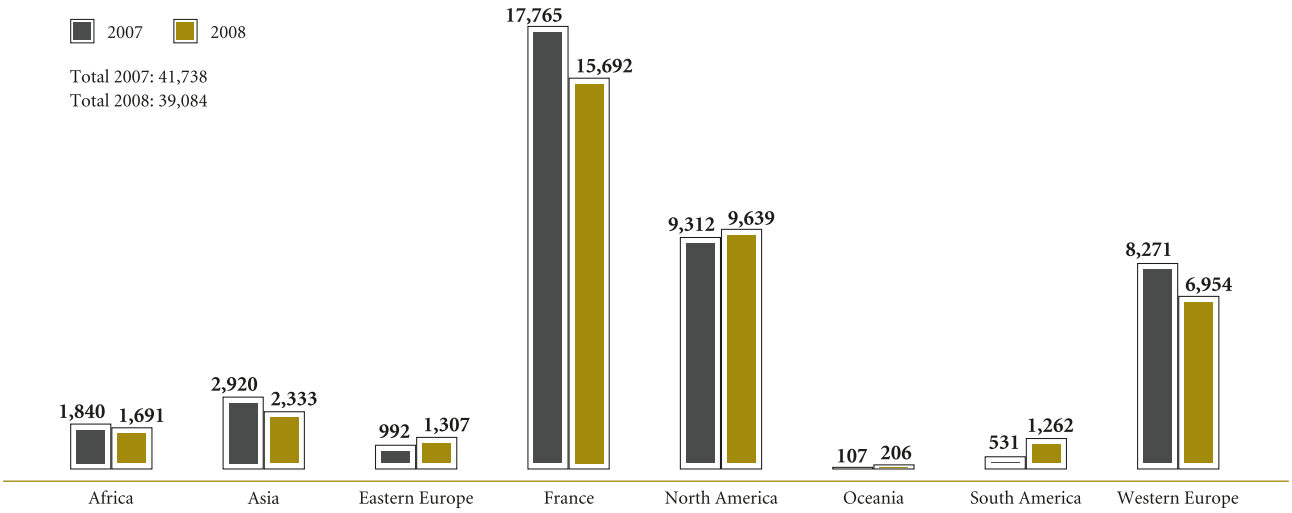
## ENHANCE OF EMPLOYEE SKILLS AND TALENTS

In 2008, the aim of the Group's Human Resources Development Department was to continue to put in place the tools and projects that would foster personal and skills development among employees in line with PPR's strategy – performance culture, internationalisation and entrepreneurial spirit – while remaining close to staff and encouraging synergies and a cross-company approach that will better support the Group's employees in their professional development.

### Attract and integrate

In 2008, PPR recruited 20,746 employees on permanent contracts, 18,338 on fixed-term contracts and 4,074.4 full-time equivalent temporary workers, in 94 countries and territories where the Group operates. Of the employees recruited, 58.7% were women and 91.8% were non-managers.

**NUMBER OF FIXED-TERM AND PERMANENT CONTRACT RECRUITMENTS BY GEOGRAPHICAL AREA**




*(Rate of coverage: 100%).*

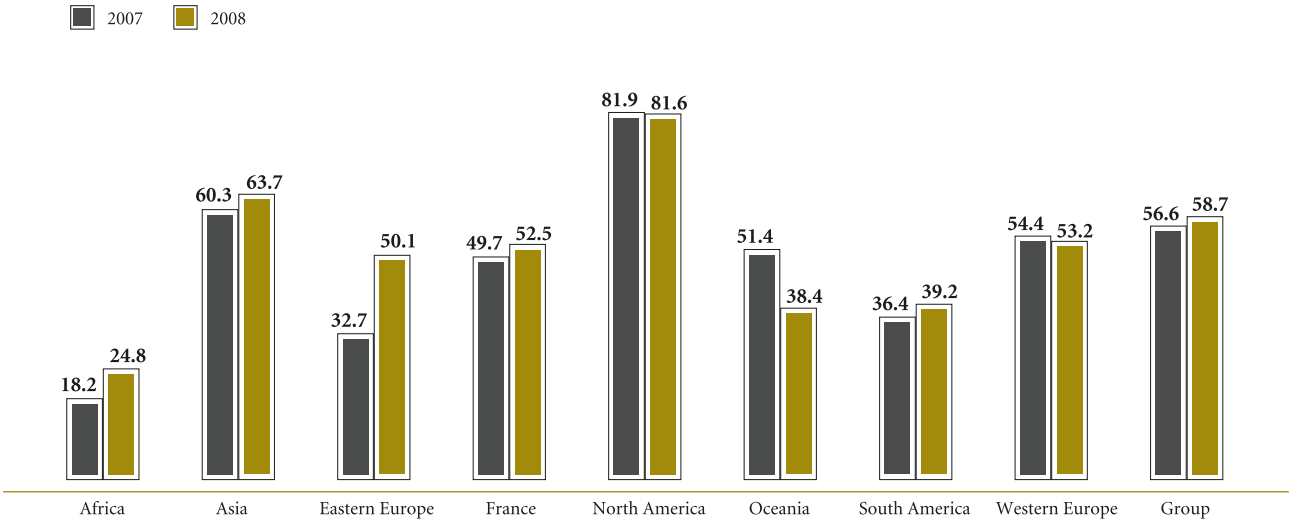
In 2008, the labour market remained tight. In all its business lines the Group was faced with wage inflation among its competitors and difficulties in recruiting technical skills and experience in specific businesses (notably, Luxury Goods or sales). It also had problems with finding managerial talent, noting a lack of familiarity with the brand and low profile of some business lines.

**BREAKDOWN OF FIXED-TERM/PERMANENT CONTRACT RECRUITMENTS (as %)**



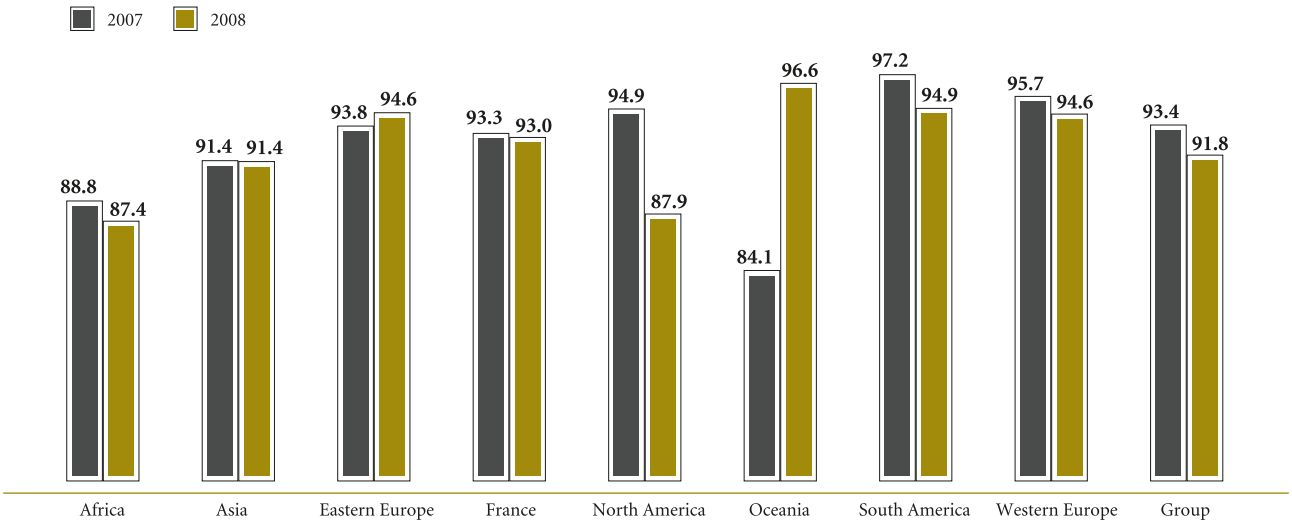

*(Rate of coverage: 100%).*

**BREAKDOWN OF WOMEN RECRUITED BY GEOGRAPHICAL AREA (as %)**




*(Rate of coverage: 100%).*

**BREAKDOWN OF NON-MANAGERS RECRUITED BY GEOGRAPHICAL AREA (as %)**




*(Rate of coverage: 100%).*

PPR is committed to attracting new talent and adapting its recruitment to PPR's economic circumstances and to the diversity of Group businesses and profiles so that it becomes a group of choice, a forerunner and a talent leader.

In 2008, PPR and its Subsidiaries developed numerous measures to establish its identity among students both in the short and long term.

To cultivate its image as an employer, PPR defined with its Subsidiaries a list of target institutions (business schools, universities, etc.) and established specific initiatives and partnerships: communications campaigns at annual forums, seminars on the flagship businesses of the Subsidiaries, organisation of CV workshops in which students could plan their career, experience interviews, etc.

Furthermore, for the fourth consecutive year, PPR and its Subsidiaries sponsored 20 teams of students in France to take part in the Global Management Challenge, a business simulation game whereby contestants manage a virtual company. The aim is to facilitate exchanges with students from pre-selected schools and universities and to observe them in a real working environment in order to create a recruitment pool. Internationally, PPR also sponsored several student teams in Italy.

In 2008, these various measures brought more than 2,000 students into contact with the Group.

Effective induction of new employees is also essential to the success of a recruitment programme. For a better understanding of the Group's businesses and challenges, PPR head office and the Subsidiaries have set up induction days for their new French and international employees. Each Subsidiary outlines its project and overall objectives and this is followed by a general presentation to introduce the Group and its diversity.

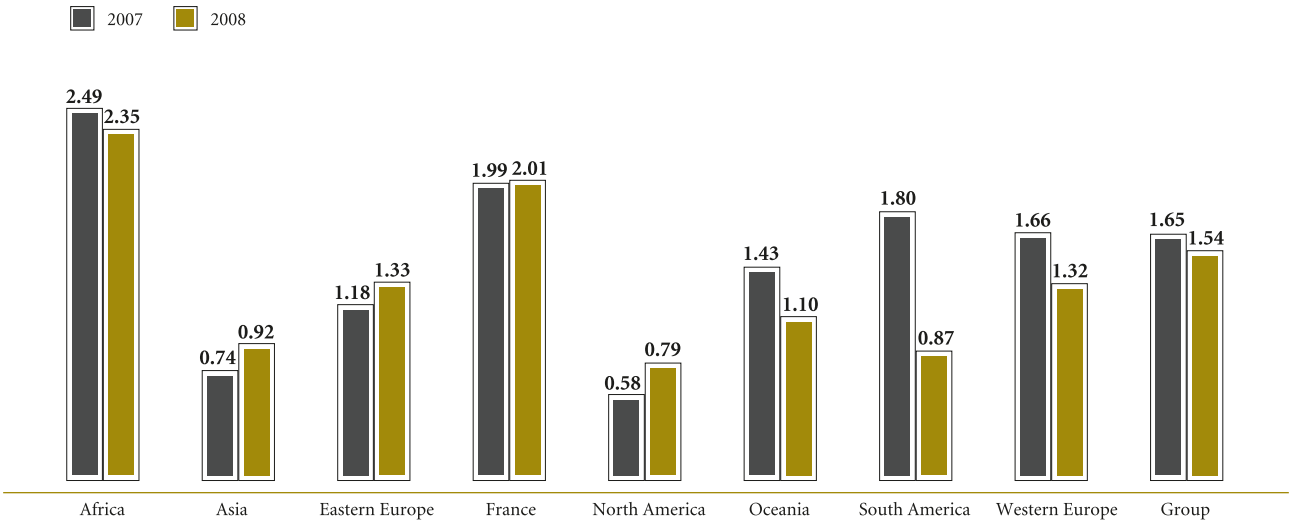
In 2008, the Group head office inaugurated a new induction day that brought together approximately 50 people. The day focused on presenting and exploring the Group and ended with a site visit of the Boucheron workshop and a Gucci store.

## Enhance of employee skills

The Subsidiaries offered a total of 864,590 hours of training (not including safety training) in 2008, with 58,766 employees attending at least one session (including all types). Women made up 52.9% of the staff trained in 2008 (figures exclude USA).

The Group's training budget is slightly above €32 million (rate of coverage: 99.89%). The budget represents 1.54% of the total Group payroll.

**SHARE OF TOTAL PAYROLL ALLOCATED TO TRAINING BY GEOGRAPHICAL AREA (as %)**




*(Rate of coverage: 99.89%).*

**NUMBER OF TRAINING HOURS (NOT INCLUDING SAFETY TRAINING) BY GEOGRAPHICAL AREA**

| | 2008 | 2007 |
|---|---|---|
| Africa | 52,655 | 48,324 |
| Asia | 78,348 | 49,344 |
| Eastern Europe | 41,890 | 12,197 |
| France | 258,542 | 261,619 |
| North America | 150,269 | 139,832 |
| Oceania | 8,593 | 5,409 |
| South America | 32,464 | 20,968 |
| Western Europe | 241,829 | 252,934 |
| **TOTAL** | **864,590** | **790,627** |

*(Rate of coverage: 99.89%).*

**NUMBER OF EMPLOYEES TRAINED (EXCLUDING SAFETY TRAINING) BY GEOGRAPHICAL AREA**

| | 2008 | 2007 |
|---|---|---|
| Africa | 1,844 | 1,769 |
| Asia | 3,626 | 3,064 |
| Eastern Europe | 1,050 | 663 |
| France | 16,095 | 17,338 |
| North America | 5,712 | 4,370 |
| Oceania | 276 | 225 |
| South America | 869 | 863 |
| Western Europe | 12,757 | 11,951 |
| **TOTAL** | **42,229** | **40,243** |

*(Rate of coverage: 99.89%).*

**MANAGER/NON-MANAGER BREAKDOWN OF EMPLOYEES TRAINED (EXCLUDING SAFETY TRAINING) (as %)**

| | % of managers | | % of non-managers | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Employees trained | 21.9 | 22.7 | 78.1 | 77.3 |

*(Rate of coverage: 99.89%).*

**MEN/WOMEN BREAKDOWN OF EMPLOYEES TRAINED (EXCLUDING SAFETY TRAINING) (as %)**

| | % of women | | % of men | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Employees trained | 52.9 | 50.9 | 47.1 | 49.1 |

*(Rate of coverage: 85.43% - excluding USA).*

The Group bases the development of employee skills on two types of training resources: PPR UniverCité and in-house training courses run at each Subsidiary.

## PPR UniverCité

PPR UniverCité is aimed at the Group's and Subsidiaries' key leaders and human resources. It complements existing training processes within each Subsidiary to mobilise their key skills and develop their global vision.

To do this, UniverCité offers PPR's key executives themed seminars on topics such as leadership, finance, performance steering, assertiveness, etc.

It also incorporates in budding potential identified each year in the Subsidiaries. These employees benefit from an 18-month programme: learning expeditions, training seminars, preparation of a joint project on a subject linked to corporate social responsibility. In 2008, a team of ten Group employees spent three days renovating a home managed by the charity "La vie au grand air" which helps children facing difficulties.

UniverCité also offers young promising talents the chance to participate in a Development Centre. At the centre they have the chance to develop their strengths and skills by working through different scenarios and designing an individual learning plan for themselves.

Finally, UniverCité supports Human Resources through a dedicated HR programme that develops recruitment expertise and enhances personnel skills (e.g. practice training in interviewing to identify skills).

Overall, more than 200 people took part in training programmes developed by PPR UniverCité in 2008, each for several days.

All these measures were coordinated by the Training Committees, which bring together the heads of training from the majority of Subsidiaries to pool resources and create real synergies in the Group's systems for developing skills.

## Training by the Subsidiaries

Each Subsidiary has its specific needs and to meet these each ran their own training and development package in 2008, reinforcing the core programmes initiated in prior years.

Fnac thus continued to develop its professional experience validation policy in 2008. The policy encourages employees to have their professional experience recognised, thus preparing and supporting them in achieving qualifications: Bac professionnel, Brevet de technicien supérieur (standard or advanced vocational diplomas) or, since 2007, a bachelor's or master's degree. Some 250 Fnac employees have been supported in this way since 2004.

Like Fnac, Conforama has been running a skills certification programme since 2006 to evaluate and recognise the skills of its internal trainers. The programme is linked to the professional skills recognition programme run by the French Chambers of Commerce and Industry. Candidates can earn a CCE (Certificate of Company Competencies) from AFAQ-AFNOR recognised both within the Group and in the wider jobs market.

Independently of any training, the certificate is earned by compiling a portfolio of proofs obtained in real working situations (documents, photos, video, etc.). This certification is a real tool of skill development: the process of building up the portfolio of proofs itself helps candidates identify and develop their skills. Conforama is currently the only company in France to have an internal certifier for this programme.

Redcats Group continued their employee development projects through their internal university and in 2009 is planning to support its HR teams, particularly in France, through joint training programmes. Redcats Group is also continuing to promote its brand as an employer in all countries in which it has a sales presence.

A sixth training programme was run to raise Group leaders' awareness of their day-to-day role in an environment of deep transformation of the business model and to help them practise the dialogues that support the five cornerstones of the Employer Brand: Recruit, Integrate, Develop, Perform and Recognise. This last programme, called "Speed leadership", is the latest addition to the existing set of five courses focused on the home shopping businesses: Speed Brand, Speed Product, Speed Marketing Client, Speed E-commerce and Speed 4-in-1.

Cfao ran two main projects in 2008: designing and delivering a Business Under Control seminar, to bolster expertise and the culture of internal control among employees (two sessions a year), and launching a Talent Observation Programme (TOP) to help develop manager skills. Based on a series of individual and/or collective situations, the programme gives employees in the Subsidiaries identified as having future leadership potential the chance to assess their mastery of Cfao's key skills (created in 2007).

In 2008, Gucci Group introduced a major international leadership development programme aimed at its managers and other leaders. The programme runs for three days and its aim is to allow each employee to identify their own managerial style and ask questions about its impact on team motivation. Over 100 executives of all nationalities took part in the programme in 2008, from Asia, Europe and the USA.

## EVALUATE

### Annual performance appraisal

Each year, PPR and its Subsidiaries implement the annual performance appraisal process so that managers and employees can discuss the past year's results and the objectives for the coming year.

Cfao has been conducting annual appraisal interviews online since 2007, equipping each of the members of the Subsidiaries' Management Committees with the necessary tools. This has allowed an additional 500 managers to benefit from a more thorough appraisal process. Besides improving the process of individual annual appraisals this makes it easier to identify and assess the talent in the Subsidiaries more generally.

In addition, since 2006, the head office has continued to run training for managers to raise awareness on good appraisal practice. So far, nearly 90% of those affected have been through the programme.

Redcats Group, for its part, integrated the assessment of Leadership Competencies into its online performance interviews in 2008, tailored for four different management levels: managers, managers of managers, team managers and individual contributors.

In addition to these six competencies of global vision, turning strategy into action, entrepreneurial spirit, motivating commitment, implementation and delivering performance it has added a seventh, particular to Redcats Group, which is to deliver the promise of an Employer Brand.

### People reviews

Every year, in each Subsidiary, the key issues arising from executive appraisal and development interviews (e.g. potential mobility) are consolidated and analysed by the Subsidiary and Group Human Resources departments and managers during Career Committee Meetings, also known as People Reviews. The Subsidiary-level information is summarised and discussed across the Group.

This monitoring process made it possible to launch training and development programmes tailored to the needs of the Company and its employees, to facilitate internal mobility and to identify Group employees with potential.

## DEVELOP

Every year the Subsidiaries' performance appraisals and the Group's People Reviews identify internal candidates for potential mobility within a Subsidiary or the wider Group. These are monitored by an inter-Subsidiary committee which matches the candidates to the various posts available. Each year, some 50 people pass through this process.

### PPR "Employment and Mobility" meetings

These have been held since 2002. The goal of this inter-Subsidiary exercise in France is to further Group commitments with respect to mobility and the promotion of diversity among line and HR managers that are part of the same employment catchment area. Interactive meetings allow participants to share their views on these matters, exchange best practice and encourage common ownership of the Group's challenges, notably through round table discussions. Organised and coordinated by the HR Departments of PPR and the Subsidiaries these meetings have brought together more than 410 managers since they started. Approximately 50 managers met in 2008.

### Help with redeployment

Since 1999, PPR has been committed to promoting the internal redeployment of employees and improving the Group's contribution to solidarity at work.

Subsidiaries redeploy some of their employees as a result of restructuring, site relocations, closures or non-suitability, a process involving the entire PPR Group structure in France. To limit individual impact of these situations, PPR has adopted a redeployment policy in France and set up a steering committee: Job Coordination.

Job Coordination is an internal network of Subsidiary representatives that circulates job vacancies, initiates personalised follow-up, organises discovery trips and, if required, exercises a temporary, geographical freeze on outside recruitment.

Puma France has been integrated within this network since January 2008.

Of the 258 employees affected by economic transfers in 2008, 61.24% found jobs within or outside the Group with company assistance.

Also, PPR's policy on professional integration of disabled people involves keeping employees who become medically incapable in work with proactive management of their incapacities. La Redoute has launched a huge corporate project, *Cap Progrès*, that combines ergonomic measures with the pursuit of industrial excellence, notably by acting to prevent incapacities. After being initially piloted, then rolled out more widely, the project is now run on a continuous improvement basis.

## REMUNERATION AND EMPLOYEE BENEFITS

- Total Group payroll in 2008: €2,107 billion (rate of coverage: 100%).
- Employer social security contributions for the brands and companies in mainland France in 2008: €368.4 million (rate of coverage: 100% of the France Group scope).

### Remuneration policy

Due to the specificity of the businesses and the Group's decentralised operations, remuneration policy is set at Subsidiary level according to the principles of internal fairness and external competitiveness defined by PPR.

Hence, each Subsidiary regularly analyses their remuneration compared to the market using data supplied by specialised firms. This market analysis is then used to define overall remuneration policies adapted to each Subsidiary and the different business segments.

This year, Cfao completely reviewed its international mobility policy for all employees working abroad. This led to the introduction of a formula linking local pay to a benchmark salary set in the employee's home country. Also, English-speaking and African employees on international assignment will now be able to rely on a new system of social insurance (welfare insurance, pensions).

As part of its remuneration policy, Conforama decided to publish a "Maternity and Paternity Guide". The guide sets out the principles of equal salaries and the healthy balance of career and parenthood. Also, at Conforama, it is now possible to take cash in lieu of four days absence under French reduced working time provisions, which exceeds the legal minimum requirements on this issue.

### Executive pay

Remuneration of the Group's key executives is monitored by the Group HR department to ensure consistency and fairness within the Group.

Furthermore, the Board of Directors' Remuneration Committee examines and makes proposals to the Board on the remuneration terms and conditions for corporate officers. The Board is informed by the Executive Management of the compensation terms for members of PPR Group's Executive Committee and for the main beneficiaries of PPR Group as well as the remuneration policy's main criteria in the group. In this way the Remuneration Committee provides a guarantee of consistency, transparency and alignment in the executive remuneration packages on behalf of shareholders.

Finally, PPR's Board of Directors, when choosing to refer to the principles of the AFEP-MEDEF Code as a framework for its corporate governance, approves the AFEP-MEDEF recommendations of October 6, 2008 on remuneration of corporate officers in listed companies. It recognises that these recommendations are all addressed by the corporate governance process already in place at the Company and detailed in this Reference Document.

### Supplementary health, death and disability and pension coverage

In 2008, more than 80% of employees in France benefited from supplementary insurance coverage through the various Group schemes. Most of the other employees benefited from additional coverage meeting the legal obligations of the countries in which they work. Finally, expatriate employees benefit from a special coverage set up by the Group.

In 2008, measures were taken either to limit the losses of certain schemes or improve benefits. Fnac reassessed its dental benefits and revised the optical benefits to better meet the real medical needs of its employees. Welfare benefits (death insurance and education payments) for non-managers were also improved. These changes were achieved with no rise in premiums. Like Fnac, the PPR head office adjusted its benefits, notably introducing the Santéclair scheme for eye care. The health professionals who work with Santéclair are contractually bound to work to professional best practice at favourable rates negotiated on behalf of those covered.

### Profit-sharing and incentive agreements

In accordance with legal provisions In France, nearly 100% of the French employees at the PPR head office, Fnac, Conforama, Redcats Group, Cfao and Puma benefit from the redistribution of company profits through profit-sharing, while over three quarters benefit through incentive schemes. These mechanisms are governed by agreements specific to each legal entity.

### Employee savings

Nearly all the Group's companies in France have Employee Saving Plans (*Plans d'Épargne Entreprise* – PEE) which are designed to invest profit-sharing payments and may also collect, depending on the Subsidiary, incentive payments, voluntary contributions from employees and any matching contributions made by the employer. These plans offer tax and benefit-related exemptions provided they comply with the legal lock-in conditions.

To promote and encourage employee savings, PPR has expanded the current scheme. Two new funds are offered under the PEE to diversify the investments on offer. At the same time, employees can now benefit from a Collective Retirement Savings Plan (*Plan d'Épargne pour la Retraite Collectif* – PERCO), that they can use to put aside long-term savings for retirement.

Cfao has adopted a similar approach, offering employees the option to benefit from a PERCO.

### Individual communication of remuneration terms

As well as from setting remuneration policies, PPR Group wants to strengthen information and transparency available to its employees on the rules that govern remuneration. Some Subsidiaries in the Group's Consumer businesses have therefore introduced an individual wage assessment. Fnac provided such assessments for the third consecutive year in 2008. The assessment is different for each employee and sets out the various elements that make up employees' wages (salary, bonuses, employee benefits, training, etc.).

Internationally, Conforama Spain has created an "illustrated pay slip" that explains to its sellers the different components of their total remuneration (fixed and variable) in the hope of improving understanding and transparency for the remuneration systems.

### Employee card

The employee card gives those working for Consumer business Subsidiaries (except Puma) discounts on purchases made in these Subsidiaries in France and some other European countries.

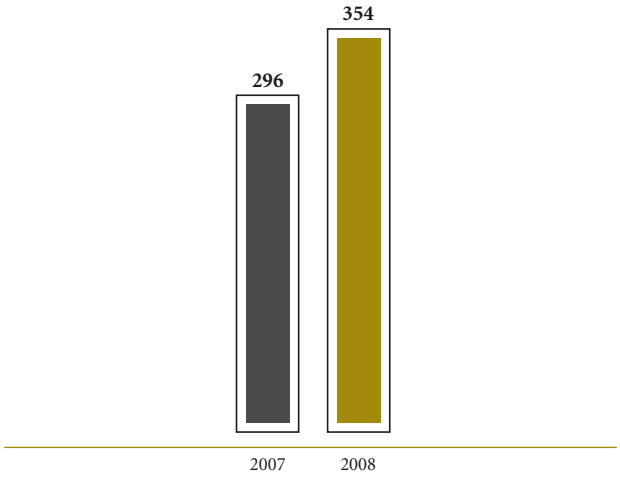
## LISTEN AND ENGAGE WITH THE SOCIAL ENVIRONMENT

For PPR, building lasting relationships with its employees means promoting freedom of expression and dialogue with employee representatives. This commitment is put into practice through the in-house opinion survey and discussions with the Group's two forums for dialogue (the PPR Group Works Council and PPR European Works Council).

The commitment has also been adopted within each company. In 2008, 354 collective agreements were entered into by different Group companies, mostly in Western Europe and France, compared to 296 in 2007. These agreements mainly focused on remuneration and employee benefits (wages, variable remuneration, incentives, and profit-sharing), employee representation, and the number and structure of working hours.

In 2008, the Group's companies also encountered industrial action. There were 65,246 hours lost to strikes in 2008, i.e. 0.044% of the theoretical total working hours (rate of coverage: 100%) mostly in France. This compares to 27,775 in 2007. Strikes that took place outside of France were in Italy and Africa (notably Nigeria). The trigger points for industrial action mainly concerned restructuring, wages and employee benefits but there were also some demonstrations in support of national issues.

**NUMBER OF COLLECTIVE AGREEMENTS SIGNED**




*(Rate of coverage: 100%).*

## In-house opinion survey: "What's the weather like where you are?"

Since 2001, PPR has been running every two years its in-house opinion survey entitled "What's the weather like where you are?". This is an international survey designed to gauge employees' perceptions of issues affecting their life in the company (working relationships, training and personal development, organisation and operational efficiency, management, etc.).

The survey is a way to define and implement action plans based on results obtained and measure their effectiveness over time.

PPR commits itself to the following points: confidentiality of responses, reporting of results, implementation of action plans to improve satisfaction and a new survey to be carried out every two years.

The fourth survey took place in 2007 and covered the PPR holding company and shared departments as well as the brands and companies Fnac, Conforama, Redcats Group, Cfao and YSL Beauté. Over 56,000 employees received questionnaires, in 11 languages and 22 countries, and the response rate was 73%.

The Subsidiaries got the results in December 2007 and the first half of 2008 was dedicated to their analysis, before they were released to all the employees and decisions were made on what action to take.

The next survey will be held in October 2009.

## The Group's forums for dialogue

### The PPR Group Works Council

Created in 1993 and renewed in 2007, the PPR Group Works Council represents workers in France. Its 24 members, who meet in plenary sessions twice a year, are informed of the Group's strategies, economic and financial challenges and human resources management initiatives. The management teams of the Group and Subsidiaries (Chairman and Chief Executive Officer, Chief Financial Officer, Human Resource Directors, etc.) work directly with the Group's Works Council. Each plenary session is preceded by two preparatory meetings between members.

### The PPR European Works Council (EWC)

Created by agreement on September 27, 2000, the PPR European Works Council provides a Europe-wide forum for information, consultation, exchange of views and dialogue. A true cross-border institution, the European Works Council supplements existing national employee representation bodies.

PPR's EWC will be renewed in September 2009 and its scope will be extended following Puma's integration in the Group.

It holds three-day plenary sessions twice a year where it is informed and, where appropriate, consulted about international issues affecting Group employees under the terms set out in the new agreement governing its functioning signed on September 3, 2008. The new agreement was signed by the PPR group and EWC members and is broadly similar to the previous one. It expands the Council's functions by developing and specifying its prerogatives and the various related systems. The EWC also has a core committee of four members, elected by their peers, who meet six times a year to prepare and analyse the two annual plenary meetings.

In 2008, the EWC addressed topics relating to the Group's economic and financial situation, its activities, outlook and strategy as well as European social indicators. Over the year, in this respect, the Council was kept informed about projects to restore competitiveness or restructuring (La Redoute, Conforama Iberian Peninsula and Conforama Italy).

Lastly, in 2006, the EWC launched a discussion on the topics of diversity and work protection. These discussions continued during 2007 with the view to understanding the various national approaches to these two issues and determining common areas of improvement, in particular by capitalising on successful experiences. Areas of common interest were identified: employment of the disabled, seniors, and work-related accidents and illnesses.

In 2008, following these discussions, charters on employment of disabled people and seniors were finally negotiated and ratified by the EWC members. They will be communicated internally during 2009.

# Strategic priority 2: train each manager on diversity issues

The PPR Group includes a wide variety of customers and employees throughout its various companies, product brands and businesses. PPR is well aware of this valuable asset and undertakes to promote equal opportunity and treatment for populations who could be subject to discrimination on account of their health, gender, age or ethnic background and to encourage team diversity. This represents an economic and competitive advantage, a factor contributing to social cohesion and dialogue, and a socially responsible commitment.

Managers play a crucial role in the recruitment and career development of their team members and are therefore key to the policy of promoting diversity within the Group. To do this, they have to be trained to bring this commitment into their day-to-day management practice.

## A COMMITMENT UNDERTAKEN AT THE HIGHEST LEVEL

By making diversity training for managers one of its seven key strategic priorities, PPR Group clearly restates its ambition to make diversity a part of everyday life of its companies and brands.

This ambition was formalised by François-Henri Pinault with the signature of the Diversity Charter in May 2005 (already agreed by PPR in 2004) and by the Charter of Corporate Commitment to Equal Opportunities in Education signed in December 2006. The PPR Code of Business Practices, introduced to employees since 2005 – an updated version will be distributed to everyone in the Group in the first half of 2009 – is further evidence of this commitment.

The Group's mobilisation to support the professional integration of people with disabilities was also reaffirmed under a new agreement signed with Agefiph in June 2007. The new partnership is extended to include Cfao and the four Gucci Group brands in France who join Fnac, Redcats Group and PPR Holding Company/Shared Services. Conforama, which continues to play a role in PPR's Mission Handicap, is pursuing its endeavours for the disabled as part of a company agreement with its social partners.

In 2008, two other Charters were negotiated with members of the EWC, on employment of seniors and disabled people. These two agreements reinforce the Group's commitment to diversity across Europe.

## INTER-COMPANY MANAGEMENT

One of PPR's specificities is its decentralised management organisation. In view of this, the Group's role is to establish and communicate a framework, encourage the diffusion of best practice, motivate Subsidiaries and support them in implementing their action plans.

PPR's head of human resources, via the diversity committee coordinates Group policy to encourage diversity based on a network of contacts in each brand and company. This operating procedure means that PPR can provide a more tailored response based on culture, history and employment catchment areas. It also facilitates an understanding of the issue by each Group entity.

The Diversity Committee comprises two representatives from each Subsidiary, two from the PPR CSR Department and is coordinated by PPR Human Resources. Mission Handicap is also naturally included. The Committee has met every three months since November 2004, to report on and monitor progress at the Subsidiaries on action plans and targets, to share best practice and launch new initiatives.

The commitment to train all managers in diversity issues is one of the matters most closely monitored by the Diversity Committee. It gives Subsidiaries the chance to share their views and exchange best practice to help implement the policy more effectively.

## AN APPROACH BASED ON ANALYSIS AND PERFORMANCE MONITORING

As a first step towards building its diversity policy and distilling it into action plans, the PPR Group initiated three analyses in 2004 involving Printemps, Fnac, Conforama and Redcats Group. These analyses were performed by external independent consulting firms.

By the end of 2007/start of 2008, the consultants had completed qualitative and quantitative studies in France at the five Gucci Group brands and at Cfao. The data was used to compile an audit of these entities' arrangements for the employment of disabled people. Action plans were drawn up based on the results.

Every year, the Subsidiaries also carry out quantitative and qualitative self-assessments of their commitments and initiatives on equal opportunities and diversity. This allows continuous monitoring of progress over time and helps identify which initiatives will be most effective. There is also an overview of practices external to the Group.

PPR's partnership with Agefiph requires it to prepare a full audit of progress at each anniversary of its signature of the Convention. Accordingly, when the second PPR/Agefiph agreement had been running for one year in June 2008, an exhaustive report was prepared, and revealed some highly encouraging results: of the 75 disabled workers that PPR planned to hire by end-May 2009, 59 were already working at the half-way mark (on permanent contracts, vocational contracts, fixed-term contracts or temporary assignments lasting six months or more). The audit also highlighted 62 additional initiatives to encourage inclusion (assignments of less than six months and job placements).

Finally, since 2005 the in-house opinion survey has recorded employees' views on equal treatment regardless of sex, origin, age, health or disability. The 2007 version for the first time showed the trend in employees' perceptions on these matters. Scores in favour of these four issues ranged from 68% to 79%, a considerable advance on 2005.

## AWARENESS-RAISING AND TRAINING

PPR Group is convinced that raising diversity awareness among its employees is an essential precursor of any proactive policy on this issue. The Group and Subsidiaries have therefore developed many regular awareness exercises (dedicated meetings, articles raising the issue in the internal communication media, job-mobility days, awareness-raising/training modules, etc.).

At the end of 2007 and start of 2008, a one-day training session entitled "Preventing discrimination and promoting diversity" was offered to the main human resource teams of the brands and companies. It was attended by 65 human resources managers, who benefited from a mix of theoretical and practical input in everyday scenarios.

As part of its commitment to train all the Group's managers in diversity issues and in line with PPR's decentralised approach to management, each Subsidiary prepares its own programmes, measures and specific modules. PPR monitors progress regularly. Most now include diversity awareness in their induction programmes for new employees. Redcats Group, for instance, has added a diversity awareness module to its induction days for new recruits, which presents the main lines of the Redcats Group's diversity policy and helps participants confront their own prejudices and stereotypes. In parallel, awareness sessions have been developed by human resources in France to inform managers about the different forms of discrimination.

For the third consecutive year, to mark France's week for disabled employment, an awareness raising campaign was run under the aegis of PPR Mission Handicap which involved nearly 95% of PPR's employees in France.

A poster campaign highlighted four of the Group's employees with disabilities asking their colleagues "Are you ready to change your view on disability?". The poster campaign – nearly 4,000 were printed and distributed to the Group's sites in France – was completed by each employee receiving a leaflet designed to challenge conventional thinking, a pack of four postcards inviting them to send back ideas/suggestions for changing attitudes about disability to PPR Mission Handicap and a Mission Handicap pen. More than 30,000 pens, leaflets and postcard packs were handed out to employees.

The operation ran throughout the Group's French Subsidiaries, including Puma for the first time.

Many additional events were arranged to broaden the campaign, including welcoming disabled jobseekers into the workplace under Agefiph's "one day, one business in action" scheme, the participation of Fnac and Conforama in Handichat (online video chats where companies and disabled people can interact directly), participation in specialist recruitment forums, French Sign Language workshops, artwork exhibitions by disabled people, presentations by Paralympic

athletes, concerts, plays, debates and visits to ESAT (French employment support services) among others.

Conforama Mission Handicap also showed all employees the first two films in its new awareness raising campaign (six short films in total which will continue to be shown in 2009 at a rate of one film every two months). The institutional film was also shown to customers on in-store demonstration TVs. In May 2008, the Company also sent its 10,000 employees in France a Mission Handicap guidebook. This brochure showcases the conclusive results of Conforama's efforts to help the disabled through a combination of presentations by disabled workers, colleagues and managers, as well as giving practical advice to help demystify disability. Finally, it includes a double page spread by the unions on the Handicap Agreement that was unanimously agreed in January 2007.

## EQUAL OPPORTUNITIES IN THE HUMAN RESOURCES PROCESS: FROM RECRUITMENT TO CAREER MANAGEMENT

Encouraging diversity within the workforce means diversifying sources of recruitment. For this reason, PPR and its Subsidiaries now advertise their job offers on generalist or specialist websites such as Hanploi (1) and enter into partenerships with organisations that promote social inclusion of the disabled, such as Cap Emploi (2).

In addition, the Subsidiaries run many other projects in support of diversity: participating in forums (Afric Talents, "Our neighbourhoods have talent", AFIJ, Alliance, Adapt, etc.); entering into partnerships with associations (Tremplin, Job in live, Human4Up recruitment day); promoting vocational contracts aimed at disabled workers, etc.

Furthermore, the Group's performance appraisal and career development processes are designed to ensure equal treatment: annual performance appraisal interview, employment or career committees taking joint decisions, validation committee for salary reviews, communications and information on how to access training, etc.

## THE INVOLVEMENT OF LABOUR AND MANAGEMENT

In 2007, Conforama concluded a 3-year agreement with all its unions covering the company in France and promoting job placements and vocational training for the disabled. A joint steering committee monitors compliance with the agreement. This committee's annual report is also presented to the European Works Council.

In 2008, PPR Management and the members of its European Works Council successfully negotiated two charters designed to strengthen the Group's commitments to employment of disabled people and seniors in PPR's European companies and brands. The charters are intended to guide the initiatives of the European Subsidiaries on these issues while also changing attitudes among the workforce. Each Group company determines its own initiatives in light of the guidelines laid down by the two charters, sets targets and deploys the resources to achieve them. These charters must be presented to the employee representative bodies of each organisation.

A progress report will be drawn up once a year and submitted to the members of the European Works Council.

PPR's Diversity policy and Mission Handicap were also both presented to the Group's Council in October 2008, and gave rise to vigorous debate.

*(1) Hanploi: internet site dedicated to finding employment for the disabled.*

*(2) Cap Emploi: associations, partners of the Agefiph, which assist companies with their projects to recruit disabled people and support new recruits through the Induction process.*

# Strategic priority 3: integrate CSR criteria into the supplier selection process

In a globalised economy, with consumers demanding ever greater transparency on the products they buy and companies increasingly committed to ethical principles in the conduct of business, the management of supplier relationships has become a key issue and the focus of more and more projects to address CSR concerns: supplier compliance audits, delisting of companies whose corporate social responsibility is found wanting or violates the basic principles of human rights, the cultivation of local partnerships, etc.

The PPR Group wishes to maintain lasting relationships with its service providers and business partners. Accordingly, the Group set up a framework defining the reciprocal commitments between PPR and its partners. Its approach is based on the mutual promotion of respect for human, social and environmental rights and the integration of partners from the social economy.

## THE CORNERSTONES OF PPR'S COMMITMENT VIS-A-VIS ITS PARTNERS

The Group prefers long-term partnerships that guarantee continuity and reliability. These long-term partnerships are based on a set of strict rules cited in the PPR Code of Business Practices, the Puma Code of Business Practices and the Supplier Charter. These documents are based in turn on the core conventions of the International Labour Organisation and recognised international regulations governing human rights.

Also, in line with the Group's decentralised approach, each Subsidiary commits to the approach that best suits its business areas and practices. Puma works with the Fair Labour Association (FLA) and was accredited by this organisation in 2007. Redcats Group, Conforama and PPR Purchasing (PPR-P) follow the methodology recommended by the Social Clause Initiative (SCI). Note that in 2008 Redcats Group agreed with the SCI a more specific methodology for measuring working hours. Fnac Éveil & Jeux uses the listings drawn up by the International Council of Toy Industries (ICTI). Finally, Gucci and Bottega Veneta opted to work towards SA 8000 accreditation for their businesses.

Whatever the approach, the system and the tools deployed, they are always designed to meet the same aim of helping Group suppliers to reach minimum CSR standards and establishing a stable and lasting relationship with PPR.

Finally, PPR Group's decision to join the Global Compact in 2008 further strengthens its commitment to the defence and promotion of the UN's ten principles in the fields of human rights, labour, the environment and anti-corruption.

### PPR's Code of Business Practices

Designed by PPR and shared by the Group companies since 2005, the Code of Business Practices is derived from international law:

- the United Nations Universal Declaration of Human Rights and the European Convention on Human Rights;
- the OECD guidelines for Multinational Enterprises;
- the United nations Convention on Children's Rights; and
- the core conventions of the International Labour Organisation.

In 2008 the Code was updated by the members of the Ethics Committee for Corporate Social Responsibility (ECCSR). The updated Code will be redistributed to all employees in 2009 as well as being translated into 14 languages and posted on PPR's website (www.ppr.com).

### Puma's Code of Business Practices

Through its Code of Business Practices, Puma is committed to respecting human rights. With their signature of the Code, each Puma supplier undertakes to comply with the brand's commitments. The Puma Code is also based on the core conventions of the International Labour Organisation and the principal international laws in the field.

Puma's Code is a public document and is posted on the brand's website (www.puma.com).

## The PPR Group Supplier Charter: in place since 2002

The PPR Supplier Charter outlines all the rules with which the Group's suppliers must comply. It conforms to the ethical principles laid out by the Group's Code of Business Practices and is based on the core conventions of the International Labour Organisation (ILO) and compliance with labour and environmental laws and regulations that guarantee:

- prohibition of labour for children under the age of 15 and forced labour (Conventions 29, 105, 138 and 182);
- compliance with health and safety regulations (Convention 155);
- equal remuneration (Convention 100);
- the right to organise and engage in collective bargaining (Conventions 87 and 98);
- prohibition of any form of discrimination (Convention 111); and
- compliance with social and environmental laws and regulations.

The Group's direct suppliers are also invited to ensure that their own suppliers comply with the principles set forth in the Charter.

## Segment commitments undertaken by the Group

In 2004, in addition to the Supplier Charter, PPR's indirect purchasing office, PPR Buyco, produced an Ethics Charter specific to logistics and transport. Sent to carriers under contract with PPR since 2005, it specifies limits on drivers' working hours and environmental criteria with which contracting companies and their sub-contractors are invited to comply. In addition, some calls for tender by PPR Buyco include corporate social responsibility specifications.

At the same time, the Code of Ethics specific to on-line trading sets forth the buyer and supplier commitments at each step of the trading process, so as to guarantee a spirit of mutual trust in this new form of business relationship.

The document was updated in 2005 to include the provisions of the Dutreil law on the modernisation of business relations.

## Companies that belong to the Social Clause Initiative (SCI)

PPR has conducted social audits with its suppliers for several years. However, in its concern to incorporate this policy into a development strategy, the Group wished to share its knowledge by becoming a member of the Social Clause Initiative (SCI) in 2002. The SCI is an organisation comprising 15 of the largest retailers in France, which undertake to encourage their suppliers to comply with the universal principles governing human rights as well as local labour regulations in their production units. To improve control of the process undertaken, the members decided to enhance the social and economic support they offered their suppliers by verifying the actual working conditions on-site. This on-site verification is carried out by specialised independent external auditing firms accredited by the SCI.

In order to align its efforts as closely as possible with the operational reality of its brands and companies, the Group amended its SCI membership in 2007 so that brands who so wished could pursue their cooperation with the initiative. As it is active in very diverse markets, PPR values operational performance above all and recognises that this is best served by its brands and companies being part of the industry initiatives specific to their core business or complying with recognised methodologies.

The member companies have developed, in conjunction with the audit firms referred by the SCI, a pool of common reference tools: the SCI Code of Ethics, the Audit Manual, the Factory Profile, the Audit Questionnaire, the Audit Guidelines, the Corrective Action Plan, and the Notification Alert.

The audit questionnaire, which is used as a common reference by member companies of the SCI to conduct social audits, takes into account the core ILO conventions and recommendations and the local regulations in each country. The common reference is broken down into nine sections: child labour, forced labour, discrimination, disciplinary practices, harassment or mistreatment, freedom of association, working hours, wages and benefits, health and safety.

A warning system guarantees that in the event of major non-compliance, the manager in charge of corporate social compliance audits is alerted no later than 48 hours after the discovery. The major cases of non-compliance that justify an alert notification are: the physical presence of children in the plant, known cases of forced labour, known cases of unpaid work, evidence of ill treatment or excessive disciplinary practices or existence of a working environment presenting an immediate risk for the health and/or safety of the workers.

PPR and its brands reserve the right to implement a procedure for the removal of suppliers from the accredited list when Group commitments with regard to corporate social responsibility in the Code of Business Practices and the Supplier Charter are not observed.

## Puma's SAFE programme and its membership of the Fair Labour Association (FLA)

Puma's SAFE (Social and Fundamental Environmental Standards) concept ensures that Puma's social and environmental standards are applied both within the company and to its suppliers. The concept was initiated in 1993 when the Puma Code of Business Practices was first published and sent to Puma's suppliers in Eastern Asia. Full details of the SAFE standards are available on the brand's website (www.puma.com).

Puma's SAFE programme has been fully FLA certified since 2007.

The FLA is an independent external association, dedicated to monitoring and implementing the required standards in terms of working conditions for supply chains. As an FLA member, Puma must regularly send the association updated lists of its suppliers, from which the FLA selects 5% of Puma's supplier factories for independent, external and unscheduled audits, conducted by FLA-accredited auditing firms. In accordance with Puma's commitments vis-à-vis the FLA, the list of its suppliers has been available to the public since 2005.

In addition to evaluations and partnerships with suppliers for development and training, Puma has organised an annual conference with its stakeholders, "Talks at Banz", in cooperation with the German Network of Business Ethics. During these conferences, representatives from universities, suppliers, employees, trade unions, non-governmental organisations and other Corporate Social Responsibility experts meet with the Puma teams concerned to discuss CSR issues, as well as Puma's social and environmental strategy. Originally, the event was organised by Puma in response to a major incident involving a Central American supplier with the aim of engaging stakeholders in the search for a common solution to the problem. Since then, this cooperation has become an open debate with the aim of reaching consensus through a constructive dialogue and strengthening Puma's global code of practice effectively.

Representatives of the Global Compact, which Puma signed up to in 2006, also took part in the 2008 conference.

In an additional transparency measure, Puma regularly publishes sustainable development reports which illustrate, among other items, the progress made in relation to set objectives. Puma has met the Global Reporting Initiative (GRI) requirements, qualifying as in compliance at the A+ level. The last report, published in 2007, also contained for the first time a notice of verification and certification from the German certification body *TÜV-Rheinland*.

## PROMOTING RESPECT FOR HUMAN, SOCIAL AND ENVIRONMENTAL RIGHTS TO SUPPLIERS

### Local purchasing and supply offices

At the end of 2008, PPR companies had a network of 36 international sourcing or purchasing offices in Asia (China, India, Bangladesh, Vietnam, Singapore, Philippines, Turkey etc.), in Europe (France, Italy, Poland, Germany, etc.), in the Americas (Brazil, El Salvador), as well as in South Africa.

This permanent presence of the Group's buyers, who are nearly all natives of the countries where these purchasing offices are located, is a key factor in terms of quality compliance for the products supplied and observance of the Group's labour standards. Redcats Group also recruited a Social Compliance Officer in 2008 for Redcats Asia.

### Policies tailored to the specific business of each company

In line with the Group's policy of decentralisation and to allow each Subsidiary to effectively address its specific needs, PPR leaves the Subsidiaries free to organise themselves to tackle the issues they face, while requiring strict compliance with the Group's Code of Business Practices.

For instance, Fnac Éveil & Jeux decided that the effective way to deal with the issues specific to the global toy industry was to base its approach on work by the International Council of Toy Industries (ICTI), an association recognised worldwide for its efforts in promoting strict standards in terms of toy safety and working conditions during their manufacture.

In 2008, 46.7% of Fnac Éveil & Jeux's suppliers of toys sourced from China were ICTI certified. Fnac Éveil & Jeux also expanded its policy of social audits by deciding to carry out audits at all suppliers not covered by the ICTI with whom the brand did business of more than USD 100,000 a year.

Gucci Group, meanwhile, focused on working cooperatively with suppliers throughout its supply chain.

As part of the SA 8000 certification strategy initiated in 2006, Gucci and its trade unions seek to inform, promote, enhance and apply lines of conduct that comply with fundamental ethical and social principles throughout the "Gucci system" (employees, shareholders, customers, suppliers, subcontractors, business and financial partners, local authorities, institutions, category-specific associations).

Accordingly, Gucci set up CSR training programmes in Tuscany with its network of suppliers and subcontractors. The brand has also developed a dedicated training course for its biggest suppliers. It includes modules on quality and production scheduling.

In August 2007, Gucci obtained SA 8000 certification for its leather goods activities and jewellery supply chains. In 2008, the brand continued its work to achieve the same recognition for standards in its shoe and ready-to-wear businesses.

In similar vein, Bottega Veneta has sought to address its own issues in 2008 by embarking on the same process of SA 8000 certification for its leather goods and shoes. The first stage relates to prototypes and will be completed in the first half of 2009. Certification will then be gradually rolled out to all other product categories.

Finally, in its indirect purchasing, where the terms on offer are otherwise similar the Group favours socially responsible suppliers who can reliably document their commitment to CSR. The Group is therefore mindful of the CSR processes implemented at its suppliers.

Analysis of the Group's indirect suppliers revealed that in 2008:

- in express transport, 100% of suppliers have ISO 9001 certification and 80% have ISO 14001 certification;
- in air freight, 68% of suppliers have ISO 9001 certification and 26% ISO 14001 certification, compared to 70% and 19% respectively in 2007;
- in shipping, 61% of the Group's suppliers are ISO certified, against 40% in 2007. Of these 52% have ISO 9001 and 48% ISO 14001 certification;
- in road freight, 29% of suppliers have ISO 9001 certification and 16% have ISO 14001 certification;
- lastly, 100% of the Group's paper suppliers are ISO 14001 certified.

These steps to obtain certification and listing rules are completed by ambitious verification and audit policies.

## INTERNAL AND EXTERNAL EVALUATIONS OF SUPPLIERS

The Group has two different evaluation systems that are both based on complementary processes of internal monitoring (self-assessment questionnaires for Redcats Group, PPR-P and Conforama: social audits carried out by Puma's in-house teams) and external audits (social audits carried out by accredited international auditing firms for Redcats Group, PPR-P and Conforama).

The scope of 2008 social audits includes audits by Redcats Group, IHTM, (Conforama's purchasing unit), PPR-P (PPR's purchasing unit) and Puma.

Given the difference between Puma's evaluation systems and those of the other PPR companies and brands, the audit results are shown first for all Group companies and bands except Puma with the audits carried out by Puma's SAFE teams shown separately below.

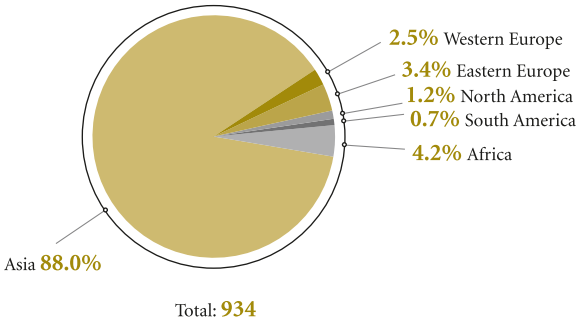
Results are also presented by geographical area for reasons of transparency regarding major risk areas.

The breakdown of audits reflects the Group's geographical areas of purchase and supply, and the focus on auditing countries where the risk of non-compliance with the PPR or Puma Codes of Business Practices is greatest.

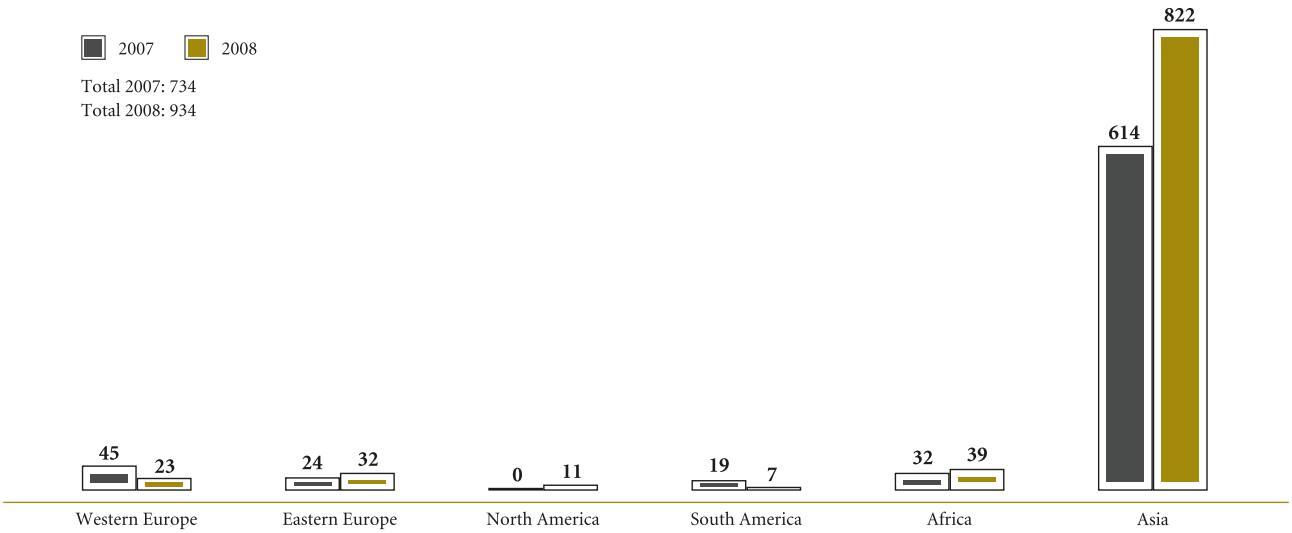
In 2008, PPR carried out 934 audits, an increase of 200, or 27%, on 2007.

PPR's 2008 audits covered 54 countries, 11 more than in 2007. Of the 934 audits carried out, 88% were in Asia (47.3% in China) and 5.9% in Europe.

**BREAKDOWN OF AUDITS PERFORMED BY PPR IN 2008 BY GEOGRAPHICAL AREA**



**CHANGE IN NUMBER OF AUDITS PERFORMED BY PPR IN 2007 AND 2008**




## PPR excluding Puma

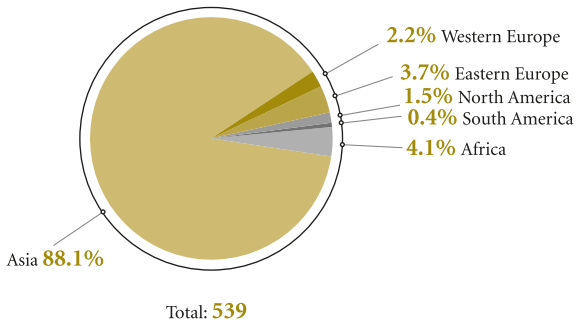
### Internal evaluation

The self-assessment questionnaire is sent automatically to every supplier and forms part of the internal auditing system enabling the Group's purchasing teams to perform an initial analysis regarding the level of respect for human, social and environmental rights. The results of questionnaires can be used to guide any future audits to be performed at the production sites of direct suppliers by specialised independent firms.

### External evaluation

The Group also commissions independent entities to conduct compliance audits within the pool of PPR suppliers. These audits are measurement tools that apply SCI methodology and can identify where improvement is needed.

**BREAKDOWN OF AUDITS PERFORMED BY PPR (EXCLUDING PUMA) IN 2008 BY GEOGRAPHICAL AREA**




There were 539 audits carried out for PPR-P, IHTM and Redcats Group in 2008 compared to 390 in 2007. This 38% increase in audits on behalf of the Group's companies and brands other than Puma highlights the Group's pursuit of continuous improvement. PPR seeks to prioritise the areas most at risk. For this reason, 88.1% of the audits were in Asia and 5.9% in Europe.

### Results of social audits

Using the SCI methodology the suppliers audits are rated from A (excellent) to D (unacceptable).

The eight sections that make up the audit questionnaire comprise a list of questions that are rated and weighted to give a final rating allowing the auditor to classify the site as A, B, C or D.

Each section contains a so-called "crucial" question, for which a positive response results in a D rating from the auditor. The supplier's qualification is the average result of the ratings obtained by questionnaire, weighted by the D ratings across all questionnaires.

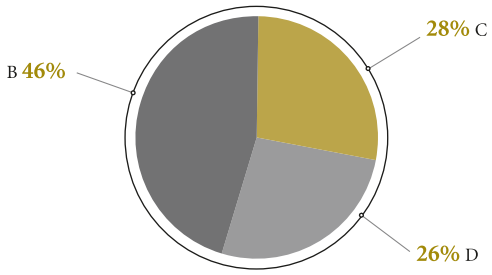
As in 2006 and 2007, none of the suppliers to the Group excluding Puma were graded excellent (A) in 2008. However, 46% of audits performed rated the sites as acceptable (B), 28% as needing improvement (C) and 26% as unacceptable (D). Corrective action plans were implemented for areas requiring improvement.

In line with its policy of fostering continuous improvement, various companies including Redcats Group and Conforama lay great emphasis on monitoring compliance with the Group's commitments, particularly at suppliers who have improvements to make (C and D).

Accordingly, a new audit is scheduled and conducted within 3 months for any supplier not meeting Redcats Group's expectations and commitments, 6 months in the case of Conforama. In 2008, the re-audit rate of companies in the Group excluding Puma was 21.5%. This reflects their commitment to achieve a lasting process of cooperation with their suppliers.

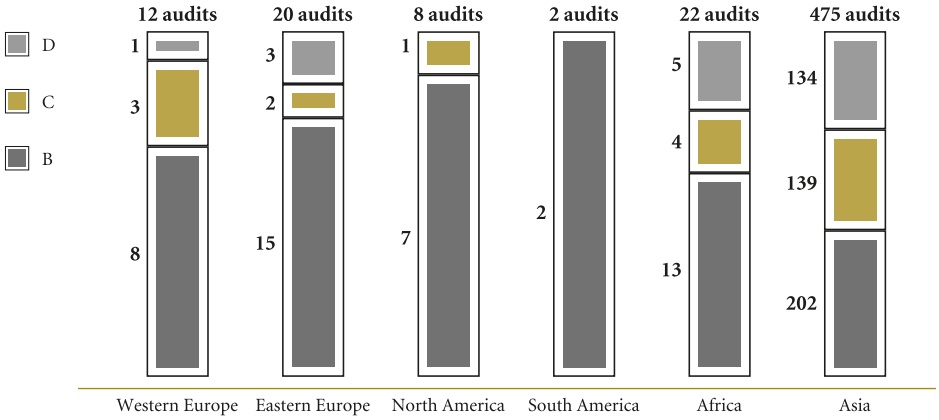
The process produced concrete results: in 2008, 40% of Redcats Group suppliers who had previously been rated C or D and which were re-audited showed a level of performance sufficient to earn a B rating and are now considered to have acceptable working conditions. The company is thus demonstrating its will to foster progress for both itself and its business partners.

**BREAKDOWN BY RATINGS FOR AUDITS PERFORMED IN 2008 (EXCLUDING PUMA)**




Total: 539

**BREAKDOWN OF AUDIT RESULTS BY GEOGRAPHICAL AREA (EXCLUDING PUMA)**



## Areas of improvement

In 2008, cases of non-compliance identified in the analysis of audits largely related to health and safety issues, which made up 49.8% of all non-compliance cases (against 50.2% in 2007). Failure to comply with safety standards includes emergency exits that are obstructed or insufficient in number, lack of or insufficient protection from machines or lack of fire drills. Failure to comply with health standards includes an insufficient number of bathrooms, snack rooms or dormitories compared with the number of employees. Next in line is non-compliance related to wages and benefits at 19.7% (failure to pay the minimum wage, unpaid overtime or overtime paid below the legal rate, absence of obligatory insurance and retirement contributions, etc.), compared to 17.9% in 2007, and working hour violations at 15.6% (no day off during the week, excessive overtime, etc.), compared to 15.9% in 2007.

Furthermore, in 2008, 6.6% of non-compliance cases identified suspicions of child labour. Non-compliance is signalled by the auditors when they observe, for example, a lack of documents proving the age of employees, lack of governmental or parental work permits, lack of medical certificates, non-restriction of working hours for minors or even non-restriction of workers below the legal working age. During the 2008 audits, two cases of child labour were finally confirmed giving rise to an alert notification. In both cases the suppliers failed to present either proofs or legal documents and Conforama and Redcats Group therefore ended all business relations with them and immediately delisted them.

# Puma

## Internal evaluation and monitoring system

Based on the five principles of transparency, corporate responsibility, evaluation, sustainability and dialogue, a full-time SAFE team of 12 members was created. The manuals for the SAFE social and environmental standards and the Puma Code of Business Practices have been published and are constantly being updated.

Puma has conducted more than 2,000 audits since 2002 and developed an internal database to ensure seamless control transparency and responsibility vis-à-vis its suppliers.

During each audit, plants are assessed and rated (A, $B^+$, $B^-$, C, D) based on Puma's formalised internal evaluation system. Audit results are then documented and recorded in the brand's database. New plants must first satisfy the audit requirements before being accredited as Puma factories. New factories that fail the audit are automatically disqualified but may apply for a re-audit once the requested improvements are made.

## Follow-up and corrective action plans

Subsequent to the audits, follow-up reports are drafted by the brand's internal teams who conducted the audits in order to verify progress in the implementation of corrective action plans. The factories communicate the actions carried out, with a focus on occupational health and safety. Written proof is initially accepted as evidence of corrective action but does not replace a follow-up audit to verify whether the corrective action plans have been properly implemented.

## The SAFE pocket guide

In 2005, Puma published a SAFE pocket guide in English and Chinese. It is an abridged version of the SAFE handbook containing the essential information on Puma's social, environmental, health and safety standards and all the contact information so that factory employees can contact the SAFE team directly in case of code violations.

Copies of the guide are sent to the factories for the employees to use. The Puma auditors also distribute copies to employees chosen for interviews during the audits. Hence the pocket guide serves as both an information tool and a means of communication for employees. The pocket guide is now available and distributed in Vietnamese, English, Chinese, Thai, Bangla, Urdu, Malay (Bahasa Malaysia), Indonesian (Bahasa Indonesia), Turkish, Spanish, Romanian, Portuguese and Arabic.

## Procedures for filing complaints

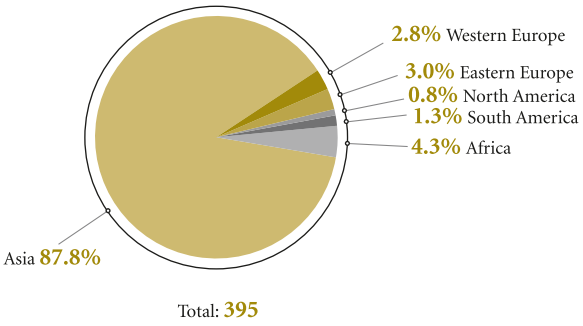
By giving contact information for the SAFE team on posters presenting the Puma Code of Business Practices (distributed to all the brand's supplier factories in the local language) and in the SAFE pocket guide, Puma has maintained a confidential channel of communication with its indirect employees throughout the world since 2005. In addition to this direct link already used by different employees working in separate factories, Puma's membership of the FLA means that any third party can file an official complaint with the FLA if they feel there has been a breach of the Code.

## Evaluation of Puma suppliers in 2008

Puma distinguishes between two main types of suppliers of differing importance: direct and indirect suppliers. The indirect suppliers are sub-contractors of the direct suppliers.

In 2008 Puma carried out 395 audits, 362 at direct suppliers (Tier1 suppliers) and 33 at indirect suppliers.

**BREAKDOWN OF AUDITS PERFORMED BY PUMA IN 2008 BY GEOGRAPHICAL AREA**



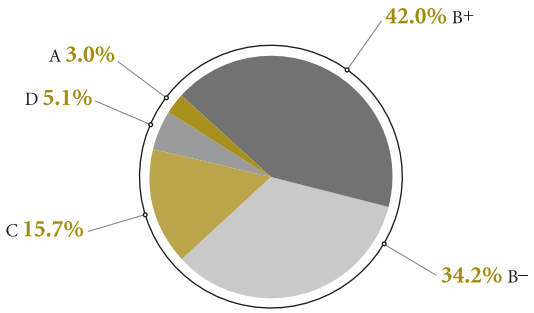

Of 380 direct suppliers, 310 were subject to at least one audit (a total of 362 initial audits and re-audits) in 2008 and 30 were exempt from audit this year having been rated A in 2007. This means that 89.5% of Puma's direct suppliers were audited in 2008 or excused from audit on the grounds of their excellent performance in 2007.

In 2008, Puma was able, among other things, to develop its process for indirect suppliers who are ranked into tiers:

- Tier 2 suppliers are sub-contractors of direct suppliers;
- Tier 3 suppliers supply Tier 1 suppliers with components such as zips, laces, buttons, etc.

The Puma teams set a target of identifying indirect suppliers and auditing a sub-set of these. They identified 317 indirect suppliers and audited 28 of them, performing a total of 33 initial audits or re-audits during the year. These audits were carried out at sites that had never previously been audited by any body.

**BREAKDOWN OF AUDITS PERFORMED BY PUMA IN 2008 BY RESULT**




## Beyond social audit: "capacity building"

The major companies have realised that the lack of an appropriate management system at suppliers contributes to inefficiency in the management of human resources in the plants and failure to meet the standards required by PPR companies for working conditions, health, safety and the environment. Bad management also makes it hard for these suppliers to optimise their working organisations and production processes.

Different companies tend to encounter similar problems at their suppliers, whether these are shared or supply just one company. There is a great deal of human resources training available on the local Chinese market, but very few programmes make the link between human resources management and processes and meeting their customers' requirements on production or codes of practice. This is one of the main factors in recurrent non-compliance such as excessive overtime.

The purpose of the Multibrand Human Resource Management Systems project is to improve human resource structures and processes in the factory at both managerial and operational level in order to boost employee participation and productivity and to enhance the supplier's ability to comply with the codes of business practice of participating companies. The pilot project in China involved 40 suppliers of shoes, textiles and accessories of Puma, Nike and Adidas Group. The project used specifically developed training tools that were imparted through group courses, peer learning, project work and in cross-company work groups onsite to ensure managers committed themselves to the training.

Factories were divided into four groups of ten which followed courses that were staggered between 2006 and 2008 so that lessons and errors from previous groups could be learnt and corrected in subsequent courses. A process for sharing best practice was organised among the participants in the different groups at the end of the one-year training period.

In 2008, the same companies plus Columbia and New Balance extended the experiment with a pilot scheme in Vietnam, where 13 suppliers, mainly shoe-makers, followed the training courses trialled in China and adapted to the local context. Finally, the companies integrated the lessons from the Chinese project into their permanent training programme for their Chinese suppliers.

## SUPPORT FOR SOCIAL INCLUSION VIA THE SHELTERED SECTOR AND ECONOMIC ACTIVITY

For several years, PPR's charitable association SolidarCité has sought to facilitate the social and occupational integration of the disadvantaged, so that the long-term unemployed, young people under the age of 26 that are jobless and lack training, the homeless or anyone without job security can find employment, with personalised guidance. By welcoming them in the induction process, the Group's companies help people regain the know-how and personal qualities required for integration within the company.

In 2008, SolidarCité continued the partnership initiated in 2007 with organisations that promote social inclusion throughout France: the two temporary job placement agencies – Janus and Id'ées/Addecco Insertion – are partners with all the Group's Subsidiaries in France. In 2008, PPR Group worked with these agencies on handling projects and to source cashiers and sales force personnel. Over 96,000 hours of temporary work were commissioned through these two companies as a result in 2008, the equivalent of 52 full-time jobs per month.

The Group also continues to develop its partnerships with sheltered sector organisations such as ESAT (formerly CAT, the French employment support services) and specialised companies. These entities allow more or less severely disabled persons to work in specially adapted working conditions.

In 2008, the Group and its Subsidiaries used such structures for laundry, mailing, printing, packing, routing and ready meals services etc. All the logistics for the Mission Handicap 2008 awareness campaign was handled by the sheltered sector (poster printing, information leaflets, postcards, manufacture of the pens, packaging and routing).

# Strategic priority 4: monitor and limit transport-related $CO_2$ emissions

The impact of human activity on climate change has been confirmed and while there are still many questions as to its scale and consequences, the consensus is now virtually unanimous as to its causes. As a result, the need to reduce emissions of greenhouse gases, first and foremost carbon dioxide ($CO_2$), has become in just a few years a universal obligation, particularly in the transport sector, which currently generates nearly 30% of greenhouse gas emissions in France. Road freight is the primary culprit (80% of commercial deliveries in France), although it would be wrong to ignore the heavy impact of air freight from international trade.

The Group's activities are mainly in the retail sector and its emissions are therefore not comparable to those of big industrial groups. But PPR has nonetheless chosen to focus its efforts on the biggest source of greenhouse gases to affect its business: transport. While logistics systems must continue to deliver products at the best possible cost, their design must now take into consideration the levels of pollutants that they generate.

For PPR and its organisation, transport policy and its implications for $CO_2$ emissions in 2008 are viewed in a wider frame of environmental management.

## ENVIRONMENTAL MANAGEMENT AT PPR

PPR Group conducts ongoing monitoring of its environmental performances through an established organisation and dedicated tools in place since 2004:

- a working group, drawn from members of the environment network in the different companies and brands, disseminates information about the Group's commitments and ensures commitments are implemented on the ground at the sites. It also reports on company and brand requirements and best practice;
- appropriate environmental indicators that ensure targeted collection of quantitative and qualitative data. Data taken from sequential reporting campaigns allows progress to be measured. The working group, however, makes marginal adjustments to its reports each year to better reflect the reality of information available and better match the Group's environmental priorities;
- an IT reporting platform to collect data relating to these indicators at the sites, monitor the response to commitments and steer the process. To render the raw and processed data more easily comprehensible, indicators are grouped by theme.

### An organisation specific to each company and an inter-company community to steer environmental management

Each PPR Group Subsidiary develops its own organisation for managing the environment and implements specific action plans to limit its environmental impacts.

Each Subsidiary can call on the expertise of at least one manager dedicated to corporate social responsibility issues. The manager is responsible for deploying the Group's CSR approach and, notably, for implementing the environmental measures specific to the Subsidiary's activities.

In 2008, the network of CSR managers was expanded with the appointment at Gucci Group of a full-time manager in charge of CSR issues and of a Head of CSR for the Gucci brand. Cfao, meanwhile, created a Corporate Social Responsibility Department to better structure its measures in this area.

These correspondents meet regularly in order to share and exchange the best practices developed within the Group companies. In addition to exchanging experiences, these meetings define action plans to deal with cross-company issues in the Group and the more specific issues affecting individual companies.

## Effective indicators identifying the Group's environmental challenges

The reporting indicators must be representative of each company's environmental priorities. Eight themes were developed in 2004 by the environmental network's inter-company working group. Five were associated with quantitative indicators (raw materials consumption, transport, waste, energy and water consumption. Two were transversal themes measured through qualitative indicators (product policy, environmental and risk management). An eighth theme encompasses general data (surface area, revenues, etc.).

Even though certain indicators may appear as minor contributors to progress in comparison to other sectors, the first goal of the adopted approach is to gain an understanding of PPR Group's environmental impact and does not in theory exclude any issue.

## Changes to the reporting platform in 2008

Since the implementation of the new environmental reporting platform in 2006 PPR has been able to collect information and calculate indicators reliably. In 2007, the main methodological changes to this platform concerned transport indicators, which were adjusted to better reflect the reality of the brands.

One of the other changes proposed in 2007 was to formalise the rules for validation and consolidation of environmental reporting. These were written into the Group's reporting protocol and applied by the companies and brands in 2008 once they had identified appropriate contacts who could validate the source data.

In 2008, the Group also continued to improve its indicators' fit to available data by creating a number of new indicators and by improving certain themes. One of the key aspects of these changes was the calculation and publication in 2008 for the first time of indirect $CO_2$ emissions resulting from the Group's use of electricity. Electricity is the main energy source in the Group's energy mix, providing nearly 70% of its power. The calculation is tailored to reflect the different forms of power generation used in each country where the Group operates.

## 2008 reporting scopes

In 2008, PPR Group continued to expand its reporting scope:

- the target scopes of the Gucci, Boucheron and Puma brands were considerably widened;
- a project to enhance the accuracy of data at Cfao also expanded the scope of data collected by the Company;
- following awareness raising among contributors over the year, some data from sites that could not be collected in 2007 became available in 2008 (e.g.: Conforama's foreign Subsidiaries outside Spain).

### Target scope by company

Reporting concerns all Group Subsidiaries. However, some companies find it hard to access source data due to the diversity and number of their plants.

In 2008, massive efforts were made to extend the reporting scope, resulting in the integration of much of the Gucci brand's activities and complete integration of Boucheron brand and all Puma's businesses. In addition Redcats Group included the 487 shops of its US brand Avenue, acquired in 2007.

All financial and social scopes should ultimately be represented in the target scope. The target scopes of the Group's companies and brands are set out in the table below.

| Company | Puma | Gucci | Boucheron | PPR corporate |
|---|---|---|---|---|
| Included in target scope | 47 countries<br>- Shops<br>- Head offices<br>- Logistics platforms | European shops (all) and 6 US shops<br>Head offices (Italy and USA)<br>Show rooms (global)<br>2 logistics platforms (Switzerland)<br>1 warehouse (USA)<br>Production sites:<br>2 multibrand shoe factories (Italy)<br>2 tanneries (Italy)<br>1 jewellery production site (Italy) | Head office (France and Japan)<br>Shops (global) | Head office (Paris) |
| Excluded from target scope | | Other shops<br>Other industrial sites | | |

| Company | Cfao | Conforama | Recats Group | Fnac |
|---|---|---|---|---|
| Included in target scope | Head office (France)<br>37 sites<br><br>Coverage of business units:<br>All<br>- Automobile (14 sites)<br>- Health (12 sites)<br>- Industry & Trading (8 sites)<br>- Technology (3 sites)<br><br>Geographical coverage:<br>- Mainland France<br>- French overseas departments and territories<br>- 7 African countries (Burkina Faso, Cameroon, Congo-Brazzaville, Ivory Coast, Ghana, Kenya and Morocco) | Conforama France<br>- Head office<br>- Shops<br>- Warehouses<br><br>Foreign Subsidiaries<br>- Italy<br>- Portugal<br>- Switzerland<br>- Croatia<br><br>Purchasing centre (IHTM)<br>After-sales service centres (SAVEO) | Specialist companies<br>- Senior (Movitex)<br>- Children-Family (Cyrillus, Somewhere, Vertbaudet)<br><br>La Redoute<br>- La Redoute<br>- La Maison de Valérie<br>- DIAM (Les Aubaines)<br>- SOGEP (purchasing centre and warehouses)<br><br>Redcats USA<br>- Home shopping<br>- Shops<br><br>Redcats Nordic | All Fnac shops, head offices and warehouses<br>- France<br>- Brazil<br>- Spain<br>- Greece<br>- Italy<br>- Portugal<br>- Switzerland<br><br>Subsidiaries<br>- Fnac Éveil & Jeux<br>- Fnac.com<br>- MSS<br>- Attitude |
| Excluded from target scope | Other sites in Africa | Foreign Subsidiary<br>- Spain<br>Purchasing centres<br>- Switzerland, Vietnam, Romania, China | Purchasing centres<br>- Redcats Asia | |

The sites for which no surface area data is available (or no revenue if it is a company) are automatically excluded from the target scope. Without these data it is impossible to calculate the rates of coverage detailed in the following paragraphs.

## Group consolidation scope

In this report, figures published for each indicator in the tables are derived from data reported by the entities in the target scope all of which have been validated internally and/or externally. Non-validated data are excluded from the consolidation scope. The reasons for excluding entities are as follows:

- value not available;
- erroneous value (difficulty to establish reliable data in some countries due to the local infrastructure).

The rate of coverage accompanying each indicator corresponds to the share of revenue [(1)] or surface area represented by the consolidated sites as a share of the total revenue or surface area of the target scope. Therefore, when all the sites in the target scope concerned report a valid figure for an indicator, the rate of coverage is 100%.

The calculation of a rate of coverage based on surface area allows a better calculation for non-commercial sites (i.e. sites that generate no revenue) such as head offices or warehouses.

## Pro forma scope: 2008/2007 comparison

As in previous years, the change in scope contributes to changes in consolidated figures. A rational analysis of these changes must therefore allow for changes in the scope covered by the data. For comparative purposes, it is therefore necessary to limit oneself to

*(1) Revenues here means the revenue of the parent company (before consolidation).*

a scope that excludes entities which joined the Group in 2008 (and thus did not exist in 2007) or which appeared in the scope for 2007 but not for 2008 (and thus did not exist in 2008).

The resulting proforma scope is defined for each indicator and includes only the sites that appear in both 2007 and 2008 scopes (see the explanation of the different scopes on PPR's website under "Commitments" www.ppr.com).

As with the Group consolidation scope, the proforma scope is accompanied for each indicator by a rate of coverage expressed as a percentage of total revenue or surface area for the target scope.

### Limitations on the rates of coverage and publication

Finally, note that the rates of coverage calculated for the purposes of compiling environmental data published here, relate to the target scope and not to their proportion of the whole Group. Rates of coverage for each indicator are shown on PPR's website, under "Commitments".

## TRANSPORT AND RELATED $CO_2$ EMISSIONS

Each company has its own logistics system and transport flows are therefore extremely varied. Only transport that is controlled and therefore paid for by the companies is included in the report:

- supplier deliveries when these are charged to PPR (e.g. for Conforama or Redcats Group). Conversely, transport flows for products delivered directly to the logistics platforms are not included (e.g. Fnac);
- movements of Group vehicles between the various sites;
- the store supply flow from the warehouses;
- deliveries to customers.

To make reporting clearer and easier to interpret, transport was divided into two categories when the data was collected:

- B to B transport: transport of goods between the various business units and the suppliers of the companies. For a better comparability of the volumes transported by the companies, the road freight, rail freight, shipping and air freight flows are shown in tonnes/kilometres, which corresponds to the sum of the distance covered multiplied by the tonnage transported for each type of transport. Emission factors can then be used to convert these units into tonnes of $CO_2$. For shipping, two methodologies were used: either the volume transported (standardised using containers and expressed in twenty-foot equivalent units, or TFE), which determines the $CO_2$ emissions and whose indicator corresponds to total volume transported multiplied by travel time for each type of transport, expressed in TFE/day; or the distance travelled with the indicator given in tonnes/kilometre;
- B to C transport: transport flows to customers. These flows exclusively involve road transport. Many types of vehicles are used and companies were asked to calculate vehicle fuel consumption in 2008 (in litres of diesel).

To calculate its transport indicators and related emission factors, PPR applied the carbon footprint method developed by ADEME, the French Environment and Energy Management Agency. Transport between direct suppliers and transport of employees were not included because of the difficulty in collecting outside data for activities in which PPR is only slightly involved.

Details of which activities are covered by transport reporting are available online at the PPR website under "Commitments".

## Imports are responsible for most of the $CO_2$ emissions from transport

**B TO B VOLUMES TRANSPORTED IN 2008 AND ASSOCIATED $CO_2$ EMISSIONS (1)**

| | 2008 Total | Associated $CO_2$ emissions *(in tonnes of $CO_2$)* |
|---|---|---|
| Road freight (t.km) | 252,439,829 | 22,709 |
| Shipping (tfq/day) | 867,975 | 86,798 |
| Shipping (t.km) | 2,593,626,286 | 23,083 |
| Air freight (t.km) | 182,347,146 | 165,797 |
| River (t.km) | 15,271,000 | 465 |
| Rail freight (t.km) | 99,820,377 | 507 |
| **TOTAL B TO B** | | **299,359** |

In 2008, B to B transport emitted nearly 300,000 tonnes of $CO_2$. In the Group, the most used means of transport for the supply of raw materials and finished products is shipping, which is a low emitter of $CO_2$. Conversely, although rarely used, air freight generates more than half of all the Group's B to B $CO_2$ emissions.

**FUEL CONSUMPTION IN B TO C TRANSPORT IN 2008 AND ASSOCIATED $CO_2$ EMISSIONS (1)**

| | 2008 Total *($m^3$ of diesel)* | Associated $CO_2$ emissions *(in tonnes of $CO_2$)* |
|---|---|---|
| **TOTAL B TO C** | **16,518** | **43,937** |

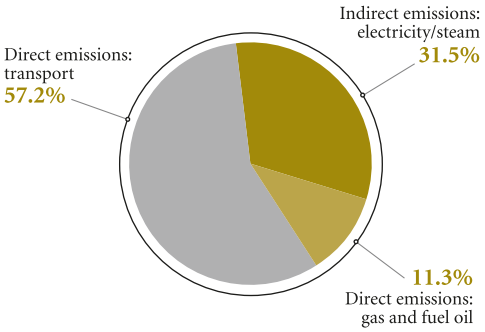
In B to C, road freight was responsible for nearly 44,000 tonnes of $CO_2$ in 2008.

**$CO_2$ EMISSIONS RELATED TO TRANSPORT AND ENERGY IN 2008 (tonnes of $CO_2$)**

| | 2008 |
|---|---|
| Total Transport (direct emissions) | 343,296 |
| Total Energy | 256,535 |
| *- o/w Direct energy* | *67,661* |
| *- o/w Indirect energy* | *188,874* |
| **TOTAL** | **599,831** |

In 2008, the Group's $CO_2$ emissions due to transport totalled more than 340,000 tonnes of $CO_2$, the bulk of PPR Group's total emissions. They made up more than 80% of the Group's direct emissions and over half the emissions declared by the Group in 2008: details of $CO_2$ emissions from energy are given in the section on the Group's energy consumption (see section "Reduce the environmental impact of shops and infrastructures"). Also, most of the B to B emissions arise from importing products.

*(1) Conversion factors used to calculate $CO_2$ emissions from the different forms of transport are available on PPR's website under "Commitments".*




Total: **599,831 tonnes of $CO_2$**

## Initiatives to optimise transport flows and atmospheric emissions

The development of alternative means of transport, optimisation of logistics flows and the reduction of polluting emissions generated by road transport have for several years been the key planks of PPR Group's environmental policy. Several different types of project have been initiated by the companies to restructure their logistics systems and develop new ways of moving goods.

Since 2001, Conforama has been engaged in a drive to increase the use of river/canal transport in its logistics flows. This cheap, reliable and environmentally friendlier form of transport was pioneered and developed in this company on the Fos-Lyon waterway. Since 2005, goods leaving the ports of Le Havre for the logistics platforms of the Île de France (around Paris) or from Antwerp to the logistics hubs of Onnaing (northern France) and Niederbipp (Switzerland) have also gone by barge.

In 2008, Conforama signed a protocol with the government, the Compagnie Nationale du Rhône (CNR) and Voies Navigables de France (VNF) to develop river transport along the Rhône-Saône waterways. This protocol should give new impetus to the company's policy on this front. Taking all rivers together, nearly 65% of Conforama's post-shipping transport is now by river compared to 30% moved by rail and just 5% by road.

PPR Group's companies also work to optimise logistics flows so as to reduce the usage of fuel in bringing goods to distribution or storage centres. This optimisation helps to reduce greenhouse gas emissions from road freight. For instance, Fnac's Swiss Subsidiary has a software tool that optimises the distances travelled during deliveries. Puma and Redcats Group make multidrop deliveries which also help reduce transport flows by delivering to a group of clients from a single loading point.

Puma channels goods imported by sea exclusively by rail freight between Hamburg and the brand's warehouses in Munich and Eisendorf.

## FOCUS: two original initiatives to reduce the greenhouse gas effect of transport

In September 2008 Conforama undertook, alongside other regional transport businesses, to co-finance a carbon sink at Saint Quentin Fallavier – Isère. The project is being steered by EPIDA, the French public authority for industrial and commercial equipment, which has delegated to the National Forestry Office technical responsibility for planting ten hectares of woodland that will naturally absorb part of the $CO_2$ emitted into the atmosphere by logistics activities in the region. Conforama wanted to make a lasting commitment to this process. So, as well as paying an initial contribution towards planting the woodland it will pay in funds for five years to maintain it before handing over management to the local authorities. This carbon sink is close to Conforama's warehouse at Satolas and Bonce.

Meanwhile, SOGEP (Redcats Group's logistics and deliveries Subsidiary) is one of ten companies to agree on a charter for voluntary reduction of $CO_2$ emissions from road transport with the Ministry for Transport and ADEME. The agreement sets out 3-year action plans to prevent the emission of 90,000 tonnes of $CO_2$ and to save 20 million litres of diesel from being consumed. The company also signed a partnership with Mercedes to develop use of gas-powered vans for town-centre deliveries. Two vehicles with a capacity of over 10 $m^3$ are now in daily use by SOGEP. These initiatives are in line with many initiatives implemented over the last few years by SOGEP to reduce its environmental impact: use of environmentally-friendly tyres, training in eco-driving techniques for drivers, the introduction of tools to optimise journeys by reducing the distance travelled, steady increase in the use of rail freight, etc.

As well as the commitments and policies implemented by the Subsidiaries, PPR Group has for many years been tightening up the environmental demands it imposes on its logistics suppliers, particularly hauliers. The Ethics Charter specific to logistics and transport agreed between PPR and its hauliers in 2006 clearly sets out the Group's expectations on respect for the environment (development of alternative modes of transport, optimisation of routes, fitting of particulate filters and compliance with the most stringent European standards on emissions: Euro 4, Euro 5, etc.).

Finally, the PPR Group Logistics Department (PPR Buyco purchasing centre) responsible for pooling Subsidiaries' procurements and running calls for tender, set up a working group in 2008 made up of all the Heads of Logistics from the Subsidiaries and dedicated to seeking alternatives to road freight. This working group will meet again in 2009 to assess the results of projects undertaken in this area.

## Business travel

Travel by the Group's professionals also has an impact on climate change, the biggest contributor being air transport, not only because the distances covered are on average longer but also because the associated emission factor is high (estimated at 176 grammes of $CO_2$ per passenger kilometre [(1)]), close to that for road travel and four times that of rail passengers.

The table below shows the emissions associated with flights by employees from the Group's sites in France (mainly head offices). These flights represent most of the business travel undertaken by the Group's employees. The corresponding emissions are for around 4,300 tonnes of $CO_2$. Note that this figures is only 1% of the emissions due to freight paid for by the Group.

**$CO_2$ EMISSIONS RELATED TO BUSINESS TRAVEL IN 2008 [(2)]**

| | Total 2008 *(passenger.km)* | Related $CO_2$ emissions *(tonnes of $CO_2$)* |
|---|---|---|
| France | 4,066,472 | 710 |
| Europe | 3,729,429 | 652 |
| International | 15,165,179 | 2,650 |
| **TOTAL** | **22,961,080** | **4,012** |

## Transport for Group employees

PPR Group decided to redesign its vehicle policy to reduce $CO_2$ emissions by company vehicles.

Other than the emissions arising from the transport of goods, PPR's determination to limit its atmospheric emissions at all levels led the Group to review its vehicle policy.

Fnac, Cfao and Conforama introduced $CO_2$ emissions ceilings for each vehicule segment of across their whole Group. This led to a change in the catalogue of vehicles with the inclusion of low-carbon vehicles and the exclusion of the most polluting vehicles.

A similar approach was taken by PPR head office: $CO_2$ emission rate thresholds were defined (from 120 g/km for economy vehicles to 185 g/km for minivans) by prioritising manufacturers and models with low $CO_2$ emissions.

Lastly, PPR head office continues its policy of reducing environmental impact by raising awareness among its employees and encouraging them to choose alternative means of transport. For instance, during European mobility week the Group put out a quiz on sustainable transport inviting all employees to calculate the environmental footprint of their daily journeys. This awareness-raising exercise was immediately followed by the launch of reimbursable cards to use the Parisian Vélib bike rental system for all employees that requested them.

*(1) Data source: ADEME (French Agency for environment and energy control).*

*(2) Includes all business trips by employees based in France. Source of passenger/km data: the Group's official travel agency in France. The conversion factor used to calculate the resulting emissions in tonnes of CO2 is explained on the PPR website under "Commitments".*

# Strategic priority 5: reduce the environmental impact of shops and infrastructure

Poor energy efficiency, inadequate thermal insulation, energy-hungry heating and air-conditioning, sharply rising electricity consumption, high water usage: these issues make buildings a sector that contributes around 20% to the emissions greenhouse gases. Buildings represent the biggest potential source of energy savings in Europe. Besides greenhouse gases, the operation of certain infrastructures, most notably industrial plants, poses environmental risks to their immediate surroundings (atmospheric or soil pollution, contamination of the water table, etc.).

With 2,300 shops and over 1.5 million $m^2$ of warehouse space around the world, PPR Group is greatly concerned about the environmental impact of its buildings. Although it mainly rents the infrastructure that it occupies the Group has opted to implement a pro-active policy to reduce the environmental impacts of the buildings it uses and to offer its customers a "shop window" that meets the Group's commitments in its shops.

## INTENSIFICATION OF MEASURES

Since much of the Group's environmental impact stems from its sites and infrastructure, PPR Group embarked in 2008 on a root-and-branch project to integrate environmental criteria into the construction and outfitting of its buildings.

### Group reviews of environmentally design and equipment of buildings.

In order to support Subsidiaries in their efforts to apply environmental criteria when equipping their shops, in 2008 PPR set up a "sustainable construction and equipment" working group, bringing together Managers of assets, developers, architects and technical managers in the different Subsidiaries. Members of the working group meet every two months to listen to an outside expert brought in to impart expertise on environmentally friendly buildings design. These meetings are also intended to provide a forum for sharing best practice among Subsidiaries. In 2008, the working group addressed three key areas of its brief: reduction of energy consumption in the buildings, environmentally friendly of building design and green purchasing measures.

The working group will continue to meet in 2009.

### Multiple initiatives by Group Subsidiaries

In parallel to establishing this working group some companies and brands have already launched initiatives to promote sustainable construction and equipment of buildings.

There are very few construction projects under way in the Group in any one year, so the number of sites built to environmental criteria remains low, even if some projects do meet environmental standards. In 2008, Gucci's new San Francisco store was awarded North American certification for "Leadership in Energy and Environmental Design" (LEED) for meeting strict environmental criteria in the building's design (site designed to environmentally friendly criteria, control of water, energy and atmospheric considerations, materials and resources, indoor environmental quality, innovation and design projects). At Puma, the two main construction programmes under way, in Germany and the USA, both incorporate green criteria, particularly renewable energy (e.g. installing substantial surfaces of solar panels on roofs).

Also, Redcats Group's new logistics centre has been designed with green issues in mind from the start. To boost the logistics capacity of the Vertbaudet, Cyrillus and Somewhere brands, the Redcats Children & Family Brands division completed its new logistics site at Marquette

Lez in 2008, built close to its existing logistics site across the road. The two sites are now linked by a subway which eliminates breakdowns in service. The new Marquette logistics site also adjoins the river Deûle, which flows through northern France and gives Redcats Group the possibility of using river transport from its new warehouse. The building, which is integrated with the surrounding industrial landscape, was built according to green criteria. The extension of the site will eventually allow the Group to eliminate 10,000 truck journeys a year.

Sustainable equipment of its shops is a major development avenue that Subsidiaries are increasingly embracing. PPR Group Subsidiaries are well aware that a reduction in the environmental impact of a site nearly always means a reduction in the costs of managing the site. The combination of environmental and economic considerations helps bring teams together on this type of project. In 2008, Somewhere designed a programme to limit the environmental impact of the brand's shops. The programme focused on refining the concept (limiting false ceilings and painting directly onto walls where possible, etc.), optimised use of materials (low energy lighting, more efficient air conditioning and air curtains, use of 100% recycled paper and the Programme for the Endorsement of Forest Certification schemes known as PEFC, using green supplies in-store, etc.) and green materials (environmentally friendly or labelled paint, flooring from sustainably managed woodland, etc.). Aware that the success of its programme depends heavily on the participation and commitment of the teams associated with it, Somewhere has also set up a Green Team, to explain the programme internally and promote environmentally responsible behaviour. An initial pilot store opened its doors in Amiens in 2008 with three more scheduled to follow in 2009.

## ENERGY CONSUMPTION AND RELATED $CO_2$ EMISSIONS

The indicators for this heading allow the Group to assess the energy it uses and calculate the associated impact on climate change via greenhouse gas emissions of, whether direct (natural gas or heating fuel-oil) or indirect (electricity and steam).

### A Group powered mainly by electricity

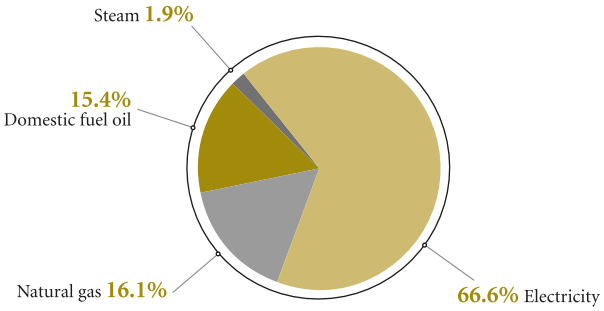
**ENERGY CONSUMPTION AND RELATED $CO_2$ EMISSIONS IN 2008 (1)**

| | Energy consumption *(MWh)* | Associated $CO_2$ emissions *(in tonnes of $CO_2$)* |
|---|---|---|
| Electricity | 654,248 | 183,122 |
| Natural gas | 158,531 | 29,283 |
| Heating fuel-oil | 151,291 | 38,378 |
| Steam | 18,677 | 5,752 |
| **TOTAL ENERGY** | **982,747** | **256,535** |

In 2008, PPR Group's total energy consumption was over 980 GWh. Electricity accounted for two thirds of this and is the Group's main source of power. Because PPR's business is retail centred, most energy usage is for lighting selling areas and displaying products. The breakdown of energy consumption and related $CO_2$ emissions by PPR Group in 2008 is as follows:

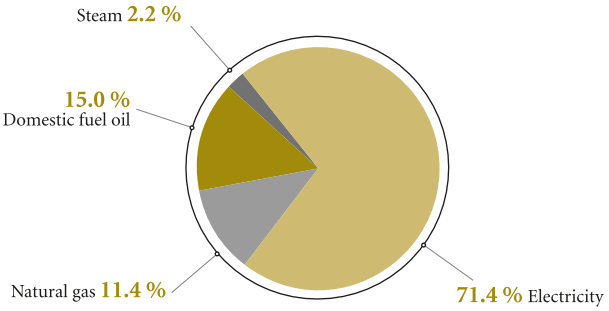
*(1) Rates of conversion used to calculate $CO_2$ emissions related to energy consumption are explained on the PPR website, under "Commitments".*

**BREAKDOWN OF PPR GROUP'S ENERGY CONSUMPTION IN 2008 (in %)**




Total: **982,747 MWh**

**BREAKDOWN OF $CO_2$ EMISSIONS RELATED TO PPR GROUP'S ENERGY CONSUMPTION IN 2008 (in %)**




Total: **256,535 tonnes of $CO_2$**

Total $CO_2$ emissions by the Group in 2008 from its energy usage were around 257,000 tonnes, mainly produced indirectly through generation of the electricity used. For the first time in 2008, to measure its environmental impact, the Group decided to calculate and publish indirect $CO_2$ emissions arising from its consumption of electricity, the biggest source in its energy mix (67%). The emissions figures take account of the specific sources of electricity output in each country where the Group operates, based on benchmark publications by the IEA (International Energy Agency). Direct $CO_2$ emissions from burning natural gas or heating oil in the Group's operations make up around a quarter of its total emissions from energy consumption.

## Rises in gas and fuel-oil usage partly offset by a reduction in electricity use

Pro forma, energy consumed by the Group has risen from 540 GWh in 2007 to around 580 GWh in 2008, a rise of 8% which is chiefly explained by a sharp rise in consumption of heating oil, as shown in the table below.

**CHANGE IN PROFORMA ENERGY CONSUMPTION 2007-2008 (MWH) AND RELATED $CO_2$ EMISSIONS (tonnes of $CO_2$)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Electricity | 352,747 | 359,890 | -2% |
| Natural gas | 97,097 | 84,670 | 15% |
| Heating fuel-oil | 113,932 | 78,817 | 45% |
| Steam | 18,253 | 16,645 | 10% |
| **TOTAL ENERGY** | **582,029** | **540,022** | **8%** |
| Direct emissions | 46,837 | 35,634 | 31% |
| Indirect emissions | 56,480 | 57,015 (1) | -1% |
| **TOTAL ENERGY - EMISSIONS** | **103,317** | **92,649** | **12%** |

The increased use of heating fuel-oil is mainly due to heavy use of private electricity generators by Brasseries du Congo (Cfao) to make correct the deficiencies of the local grid. Brasseries du Congo alone consumes more than two thirds of total fuel oil usage reported for the Group in 2008. Similarly, natural gas consumption is rising, mainly due to increased consumption at the sites of Cogedem, Conforama's logistics subsidiary. Finally, the rise in steam consumption is because the weather was on average colder in 2008 than in 2007.

Increased consumption of gas and heating fuel-oil was partly offset by the fall in electricity consumption, notably thanks to a significant reduction of around 10% spread evenly across all Conforama sites. In 2006, Conforama embarked on a store renovation programme. One of the measures was to gradually replace halogen lamps with ceramic discharge lamps. Eventually, all the Company's shops will have the new lighting.

*(1) The $CO_2$ emissions from electricity generation in 2007 were calculated based on the 2008 average emission factor.*

Reducing energy consumption from equipment and buildings is also a major concern of PPR Group. Some Group sites are participating in the development of renewable energy sources:

- Gucci's head office in Casellina, Italy, is equipped with solar panels that contribute to the buildings' energy supply;
- all Stella McCartney's UK operations are 100% supplied with electricity from Ecotricity, a power operator that invests in clean energy sources, notably wind-power projects;
- Puma's head office in Germany is supplied by electricity with a 20% renewable component, a higher than average level for Germany;
- Puma's head office in the US is also equipped with solar panels to provide energy.

Finally, the Group's companies are involved in initiatives to measure and control greenhouse gas emissions:

- besides the actions take to measure and reduce energy consumption, Gucci Group's London head office offsets its irreducible $CO_2$ emissions through a hydro-electric project to reduce emissions in China. The project was organised by Carbon Neutral Company, which has certified Gucci Group's head office;
- Puma regularly takes part in surveys for the Carbon Disclosure Project which encourages major companies to measure and publish their greenhouse gas emissions. Since 2005, greenhouse gas emissions by Puma have fallen significantly.

## OPTIMISATION OF RAW MATERIALS

### Paper, a major issue for PPR

Due to the considerable volume of sales catalogues or documents transmitted, paper consumption was identified as a major environmental issue for the PPR Group. In addition, the Bilans Carbone™ carbon footprint measurements done at four representative Group sites showed that indirect emissions related to paper production often have a significant impact, sometimes even higher than the impact of transport and energy.

### A preference for direct sourcing

The PPR Group uses paper in three different ways:

- direct purchases from paper producers for commercial publications: catalogues, magazines and brochures (only for Redcats Group, Conforama and Fnac);
- indirect purchases of paper ordered by service providers outside the Group (printers, processing companies, agencies) for printing communication media (posters, mail-shots, POS advertising, calendars) (concerns all Subsidiaries);
- office paper (concerns all Subsidiaries).

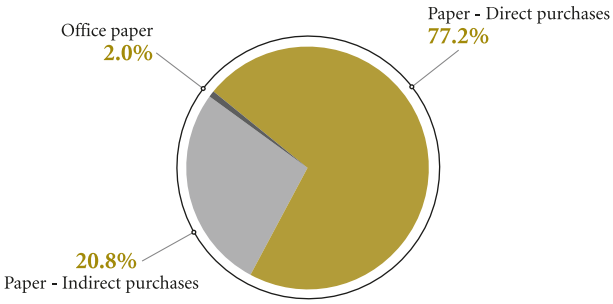
For the past several years, Redcats Group has been in charge of managing direct paper purchasing for the entire PPR Group. This centralised form of management, which helps streamline volumes of purchased paper as well as costs, is an effective means of implementing the paper consumption control policy in all the Group's brands and companies.

In 2008, PPR consumed around 230,000 tonnes of paper. The breakdown of consumption by type of paper purchased is given below.

**PAPER CONSUMPTION IN 2008 (in tonnes)**

| | 2008 |
|---|---|
| Paper - Direct purchases | 176,922 |
| Paper - Indirect purchases | 47,788 |
| Office paper | 4,602 |
| **TOTAL PAPER** | **229,312** |

**BREAKDOWN BY TYPE OF PAPER CONSUMED IN 2008 (in %)**




Total: **229,312 tonnes**

## A slight drop in consumption

**PRO FORMA CHANGE IN PAPER CONSUMPTION IN 2007-2008 (in tonnes)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Paper - Direct purchases | 118,747 | 117,632 | 1% |
| Paper - Indirect purchases | 39,350 | 42,050 | -6% |
| Office paper | 1,979 | 1,996 | -1% |
| **TOTAL PAPER** | **160,076** | **161,678** | **-1%** |

The Group's paper consumption fell slightly between 2007 and 2008.

In 2008, PPR Group companies furthered the actions set up over the past few years to reduce commercial and internal paper consumption.

For example, La Redoute launched a new format of its catalogue in order to significantly reduce paper consumption. In 2008, 4.5 million copies of La Redoute's "pocket-sized" catalogue were distributed, saving around 2,800 tonnes of paper compared with the traditional format. Puma decided to replace paper catalogues with digital media whenever possible.

Using proforma figures, Fnac cut its direct paper purchases from 3,603 tonnes in 2007 to 2,762 tonnes in 2008. This sharp drop (23%) is primarily due to the consumption cutting policy introduced by Fnac Éveil & Jeux, which included reductions in catalogue page count, development of paperless web offers, and other measures.

In addition to these actions on communication directed at customers, PPR also tackled the issue of employee awareness. Many initiatives were adopted across the Group to encourage employees not to waste paper. Employees were asked to use the double-sided print option, to use paperless communication (e-mails, press reviews, scanned documents, etc.) or to print on the back side of scrap paper. Nearly all the Group's Subsidiaries have rolled out or are in the process of rolling out environmentally-friendly information campaigns with a section on paper consumption. In 2008, Redcats Group put the spotlight on this topic and decided to get its employees involved in controlling paper consumption. It organised training programmes for its employees on new printing processes and launched a large-scale e-mail and poster awareness-building campaign.

## Aiming for a higher quality of consumed paper

The centralised paper purchasing management system introduced by the Group gives preference to paper from forests certified by the *Forest Stewardship Council* (FSC) and the *Programme for the Endorsement of Forest Certification schemes* (PEFC). These certifications guarantee that the wood used to make paper comes from sustainably-managed forests.

In 2008, 64.7% of the Group's directly-purchased paper came from certified forests (65.7% in Europe, 62.8% in the United-States). The results in the US have constantly increased for the past two years (up from 59% in 2006), and European levels have been higher than 65% in Europe for several years now.

In addition, for 100% of sourcing, all PPR's suppliers have traceability requirements from their own suppliers. No uncertified wood can come from protected forests or forests governed by conservation programmes for which the local authorities would have ruled out any tree felling. Similarly, 100% of PPR's paper suppliers are ISO 14001-certified, 94% are PEFC and/or FSC Chain of Custody certified and 70% have been granted European EMAS certification. In addition, the Group strongly encourages its European printers to

apply for Chain of Custody certification. Currently 77% of Redcats Group's catalogue printing sites are PEFC - and/or FSC-certified.

Since 2008, PPR has kept closer watch on its Subsidiaries' use of recycled paper as part of its environmental reporting process, given the number of initiatives taken by the Subsidiaries in this area. Although recycled paper is still used in limited quantities for commercial documents, except for Fnac's magazine "Contact" and its technical documents, which are all printed on recycled paper, and each year more and more recycled paper is used for office paper. The PPR Group's head office has been at the forefront of this trend. Since January 2008, its employees have exclusively used recycled paper, as have Boucheron's Taiwan site, the Puma head office in Canada and some Cfao Subsidiaries. Finally, the Gucci Group's head office introduced a similar initiative by adopting FSC (*Forest Stewardship Council*) certified paper for its office supply.

## Packaging, the guarantee of product protection

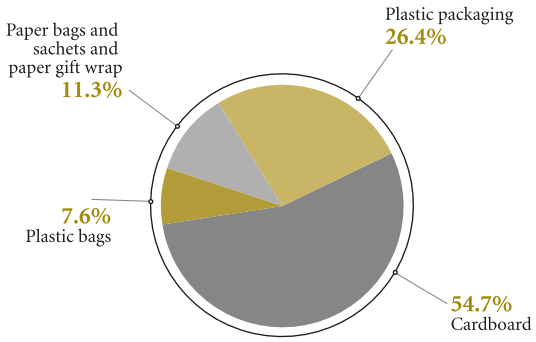
### A majority of cardboard packaging

The Group also consumes significant volumes of cardboard and plastic for protection and transport of products sold in company shops or through mail-order sales. The report distinguishes plastic bags and paper bags from other types of packaging.

**PACKAGING CONSUMPTION IN 2008 (in tonnes)**

| | 2008 |
|---|---|
| Plastic bags | 1,549 |
| Paper bags and sachets and paper gift wrap | 2,290 |
| **Total Bags and gift wrap** | **3,839** |
| Plastic packaging | 5,366 |
| Cardboard | 11,124 |
| **Total Non-bag packaging** | **16,490** |
| **TOTAL PACKAGING** | **20,329** |

**BREAKDOWN OF PACKAGING TYPES CONSUMED IN 2008 (in %)**




Total: **20,329 tonnes**

In 2008, PPR consumed approximately 20,000 tonnes of packaging, over half of which was cardboard, one quarter was plastic packaging and the rest bags (plastic or paper). This packaging is used to protect and transport the products distributed and sold by the Group.

For the first year ever, paper bags were used more than plastic bags after new entities that mainly use paper bags (Puma and Gucci Group brands for example) were brought into the scope of consolidation.

## Stable progression of packaging consumption

**PRO FORMA CHANGE IN PACKAGING CONSUMPTION IN 2007-2008 (in tonnes)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Plastic bags | 1,149 | 1,098 | 5% |
| Paper bags and sachets and paper gift wrap | 473 | 452 | 5% |
| **Total Bags and gift wrap** | **1,622** | **1,550** | **5%** |
| Plastic packaging | 3,636 | 3,456 | 5% |
| Cardboard | 4,186 | 4,345 | -4% |
| **Total Non-bag packaging** | **7,822** | **7,801** | **0%** |
| **TOTAL PACKAGING** | **9,444** | **9,351** | **1%** |

On a like-for-like basis, total packaging consumption did not change significantly between 2007 and 2008.

## Actions taken in the area of packaging

In 2008, the PPR Group's Subsidiaries continued their efforts to cut the volume of packaging used for goods transport, while maintaining product protection standards. To give one example, the Gucci Group's distribution centre in Switzerland reduced the thickness of its cardboard packaging used to ship its brands' products from warehouses by 16%. Redcats Group brand Brylane Home made large cuts in its use of plastic (bubble wrap, spacers, etc.) in its packaging. Fnac Éveil & Jeux uses pre-formed packaging so that parcels can be filled better. In addition, several Cfao sites reuse their suppliers' packaging, as does Fnac Subsidiary MSS, which reuses its suppliers' cardboard boxes up to four times.

Most of the plastic and cardboard packaging used in 2008 by Redcats Group is attributed to mail-order sales, since these products need to be protected for shipping to customers. However, Redcats Group is aware of its impact on the environment and of the efforts it can make to improve its use of packaging. In the United States, the Subsidiary has introduced new types of shipping packaging, such as resealable mail-order delivery bags that can be reused to return the product if necessary. In 2008, 1.7 million of the 8 million bags designed to be returned to Redcats Group were reused. There have also been eco-design initiatives, including a reduction in bag size and incentives to use renewable materials.

Finally, some entities prefer to use reusable or renewable raw materials for packaging. Several of Fnac's logistics sites use reusable plastic crates and pallets for handling and delivery operations. Boucheron uses biodegradable plastic and recycled paper to package point-of-sale advertising. Finally, Stella McCartney has developed recycled packaging for the CARE by Stella McCartney organic skincare range.

**Shopping bags: an environmental problem for retail businesses**

On a like-for-like basis, bag consumption has increased by 5%. This increase is primarily linked to the rise in Group sales activity, and it should be noted that the Subsidiaries have started using bags with less of an impact on the environment.

Single-use plastic bags are being phased out in favour of alternatives such as paper bags, biodegradable plastic bags and reusable bags.

The companies' diverse positioning and their varied customer base mean that it is not feasible to introduce a blanket solution. However, each company or brand is using its own means of action to help reduce their shopping bags' impact on the environment. Several initiatives have been set up so that the Group can identify and roll out the best-suited alternatives and to encourage customers to change their habits, especially in city centre shops.

In 2008, Fnac continued to give out biodegradable bags in its Belgian shops. The company also uses small bags made of recycled paper in its peri-urban "Fnac Périphérie" shops. In 2008, nine tonnes of recycled paper bags were given out in 12 Fnac Périphérie shops.

Since 2006, Conforama stopped purchasing plastic shopping bags intended for free distribution to customers. In an effort to maintain service levels while raising customers' awareness of these bags' effect on the environment, the company now sells large reusable bags.

Finally, to uphold its environmental commitments, Stella McCartney prefers to use bags that are 100% biodegradable.

## Industrial raw materials, a step towards streamlined consumption

Some industrial sites use large quantities of wood, plastic and gas. "Raw material gas" refers to several different types of gas. It was concluded that these gases played a minor role in the Group's direct $CO_2$ emissions, so they were not taken into account in the Group's total direct $CO_2$ emissions.

**INDUSTRIAL RAW MATERIAL CONSUMPTION IN 2008**

| | 2008 |
|---|---|
| Wood: excluding pallets (tonnes) | 33,516 |
| Plastic, excluding packaging (tonnes) | 4,809 |
| Raw material gas ($m^3$) | 15,506 |

**2007-2008 PROFORMA CHANGE IN INDUSTRIAL RAW MATERIAL CONSUMPTION**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Wood: excluding pallets (tonnes) | 33,516 | 30,199 | 11% |
| Plastic, excluding packaging (tonnes) | 2,920 | 2,132 | 37% |
| Raw material gas ($m^3$) | 11,189 | 13,777 | -19% |

## Water, an issue with limited relevance to PPR

In 2008, the PPR Group's water consumption totalled 2,940,610 $m^3$. To better monitor the Group's water consumption, since 2008 it has monitored consumption of water as a raw material separately from non-industrial water consumption.

Brasseries du Congo (Cfao) and Gucci's tanneries are the only sites that use water for industrial purposes. Brasseries du Congo alone consume the majority of the Group's industrial water, with over one million cubic metres of water, which is comparable to the entire Group's total non-industrial water consumption. Overall, within the Group's 2008 scope of consolidation, water consumption for industrial purposes totalled 1,337,020 $m^3$.

For the other Group brands and companies, water consumption has little impact since it is primarily used for sanitary purposes. Furthermore, this consumption is often difficult to measure, particularly when shops are located in a shopping centre and do not therefore have a breakdown of their own consumption. In 2008, PPR's non-industrial water consumption was just over 1.6 million $m^3$.

**WATER CONSUMPTION IN 2008 (in $m^3$)**

| | 2008 |
|---|---|
| Industrial water | 1,337,020 |
| Non-industrial water | 1,603,590 |
| **TOTAL WATER** | 2,940,610 |

**PRO FORMA CHANGE IN WATER CONSUMPTION IN 2007-2008 ( in $m^3$)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Industrial water | 1,203,602 | 1,038,692 | 16% |
| Non-industrial water | 622,873 | 611,892 | 2% |
| **TOTAL WATER** | **1,826,475** | **1,650,584** | **11%** |
| Surface area ratio - Non-industrial water ($m^3/m^2$) | 0.24 | 0.24 | 0% |

On a proforma basis (only counting Brasseries du Congo, since Gucci's water consumption was not taken into account in 2007), industrial water consumption rose by 16% between 2007 and 2008 due to an increase in production.

On a like-for-like basis, the Group's non-industrial water consumption remained stable. Changes in the different companies' consumption balanced out, since consumption at Redcats Group and Conforama fell while consumption increased at Fnac and Cfao. Along the same lines, the non-industrial water consumption surface area ratio remained constant between 2007 and 2008.

Although water conservation is not a major environmental priority for PPR, the Group's companies have launched actions to fight against waste in recent years. Many sites have developed leak detection systems or ways of limiting the amount of water needed for landscaping. More and more sites are phasing in more economical sanitary facilities to save water.

Furthermore, Puma's future head office in Germany and Conforama Switzerland's logistics platform have installed rainwater collection equipment that feeds into the fire sprinklers on one site and into the sanitary system on the other.

## WASTE MANAGEMENT

Most of PPR's waste comes from distribution activities, including product repackaging and the use of transport pallets, so it is primarily non-hazardous [(1)]. PPR mainly produces packaging waste and generates very small quantities of hazardous waste [(2)].

**TOTAL WASTE PRODUCTION IN 2008 (in tonnes)**

| | 2008 |
|---|---|
| Non-hazardous waste | 100,087 |
| Hazardous waste | 7,895 |
| **TOTAL WASTE** | **107,982** |

In 2008, PPR Group's total waste production amounted to over 107,000 tonnes, 93% of which was non-hazardous. It should be noted that the vast majority of hazardous waste was WEEE (Waste Electronic and Electrical Equipment).

**2007-2008 PROFORMA CHANGE IN TOTAL WASTE PRODUCTION (in tonnes)**

| | 2007-2008 pro-forma scope | | Change |
|---|---|---|---|
| | 2008 | 2007 | 2008/2007 |
| Non-hazardous waste | 77,111 | 71,511 | 8% |
| Hazardous waste | 5,555 | 5,278 | 5% |
| **TOTAL WASTE** | **82,666** | **76,789** | **8%** |

*(1) Non-hazardous waste: formerly known as non-hazardous industrial waste. This type of waste mainly includes cardboard, paper, scrap metal, plastic, glass and plaster.*

*(2) Hazardous waste: this includes neon lights, batteries, waste electronic and electrical equipment, used oil, photo laboratory waste, paint, aerosols, tyres, soiled waste and ink cartridges.*

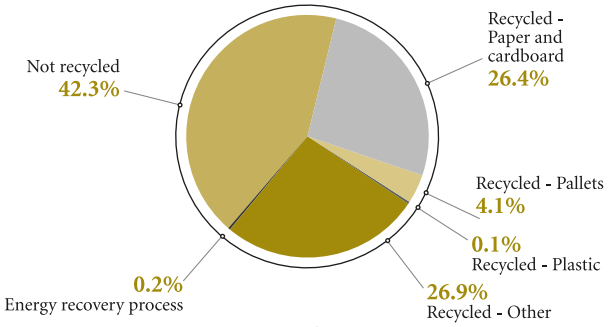
Total waste production increased by 8% at Group level between 2007 and 2008, primarily due to the increase in WEEE collection in some entities and due to more reliable reporting in 2008 compared with 2007. Non-hazardous waste from Fnac shops in shopping centres was not accounted for in previous reports. This data is not available, since that waste is managed directly by the shopping centres and taken as a whole. However, as part of the aim for constant improvement, the 2008 reporting does include an estimate of this non-hazardous waste production [(1)].

## Non-hazardous waste, the majority of Group waste

**PRODUCTION OF NON-HAZARDOUS WASTE IN 2008 (in tonnes)**

| | 2008 |
|---|---|
| Recycled - Paper and cardboard | 26,448 |
| Recycled - Pallets | 4,082 |
| Recycled - Plastic | 117 |
| Recycled - Other | 26,893 |
| Energy recovery process | 209 |
| Not recycled | 42,338 |
| **TOTAL NON-HAZARDOUS WASTE** | **100,087** |

**BREAKDOWN OF NON-HAZARDOUS WASTE BY TYPE IN 2008 (in %)**




Total: **100.087 tonnes**

In 2008, the PPR Group's companies continued the efforts underway for several years now with the objective of streamlining waste management. Concretely, these efforts mainly involved optimised collection and sorting.

*(1) The methods used to perform these estimates are described in the expert section on the website www.ppr.com, under commitments.*

**2007-2008 PROFORMA CHANGE IN NON-HAZARDOUS WASTE PRODUCTION (in tonnes)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Recycled - Paper and cardboard | 17,733 | 17,198 | 3% |
| Recycled - Pallets | 2,453 | 1,671 | 47% |
| Recycled - Plastic | 43 | 0 | |
| Recycled - Other | 25,001 | 9,051 | 176% |
| Energy recovery process | 119 | 0 | |
| Not recycled | 31,762 | 43,591 | -27% |
| **TOTAL NON-HAZARDOUS WASTE** | **77,111** | **71,511** | **8%** |

Non-hazardous waste production can vary considerably within each sub-category of waste, due to both improved reporting and greater precision as to the different types of recycling, and due to Group employee efforts to recycle waste and the use of relevant waste processing subsidiaries. It should be noted that, in 2008, more than 55% of non-hazardous waste was sent to a material or energy recovery subsidiary. On a proforma basis, evaluations for 2008 showed around 20% more non-hazardous waste than in 2007.

The partnership between Fnac and Kadéos to organise gift card recycling is an example of the brands' actions to reduce waste sent to landfills. For around three years, Fnac has collected used cards in its points of sale and then sent these cards to the logistics site in Massy, using existing transport flows. These cards are then recycled and used to make wiring systems for electrical switchboxes. In 2008, 3.7 tonnes of cards were recycled under this system.

Selective waste sorting policies have been introduced in all the Group's Subsidiaries, mainly through the use of specific bins for each type of waste, the development of recycling channels and the purchase of compactors used to reduce the volume of waste to be transported. For example, Gucci's offices in Florence (Italy) have specific containers for each type of waste. Waste is collected selectively on a daily basis and sent to an internal logistics platform, where compactors are used to significantly reduce volume. The platform, which was approved by the Province of Florence, is authorised to collect non-hazardous waste from the brand's offices.

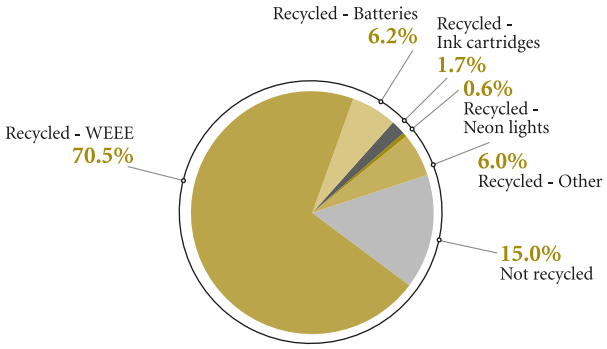
Several PPR Group Subsidiaries, including Fnac, Redcats in France and PPR's head office, have chosen insertion companies for their recycling and office waste management. Cfao is currently considering a similar approach to waste management.

## Hazardous waste

**PRODUCTION OF HAZARDOUS WASTE IN 2008 (in tonnes)**

| | 2008 |
|---|---|
| Recycled - WEEE | 5,563 |
| Recycled - Batteries | 487 |
| Recycled - Ink cartridges | 138 |
| Recycled - Neon lights | 48 |
| Recycled - Other | 472 |
| Energy recovery process | 0 |
| Not recycled | 1,187 |
| **TOTAL HAZARDOUS WASTE** | **7,895** |

**BREAKDOWN OF HAZARDOUS WASTE BY TYPE IN 2008 (in %)**




Total: **7,895 tonnes**

Of the 7,895 tonnes of hazardous waste generated by the Group in 2008, 85% was recycled.

**2007-2008 PROFORMA CHANGE IN HAZARDOUS WASTE PRODUCTION (in tonnes)**

| | 2007-2008 pro-forma scope | | Change 2008/2007 |
|---|---|---|---|
| | 2008 | 2007 | |
| Recycled - WEEE | 4,766 | 4,228 | 13% |
| Recycled - Batteries | 136 | 71 | 92% |
| Recycled - Ink cartridges | 95 | 19 | 400% |
| Recycled - Neon lights | 22 | 10 | 120% |
| Recycled - Other | 325 | 0 | |
| Energy recovery process | 0 | 0 | |
| Not recycled | 211 | 950 | -78% |
| **TOTAL HAZARDOUS WASTE** | **5,555** | **5,278** | **5%** |

As with non-hazardous waste, hazardous waste production varies according to waste sub-category due to improved reporting. The change in WEEE is due to improved collection of customers' used appliances. Finally, some significant increases (ink cartridges, neon lights, etc.) are linked to the fact that the recycling departments only physically collect the limited volume allowed every other year.

The change in the percentage of recycled waste highlights the success of awareness-building campaigns targeted at Group employees and the focus on recovery system research. The PPR Group recycles 85% of its hazardous waste and 57% of its non-hazardous waste, which adds up to an overall Group recycling rate of 59%.

**WASTE RECYCLING RATE IN 2008 (in %)**

| | 2008 |
|---|---|
| Non-hazardous waste | 57% |
| Hazardous waste | 85% |
| **TOTAL WASTE** | **59%** |

### Collection of ink cartridges and mobile telephones: combining environmental protection and social equality

The brands have taken many initiatives to develop ink cartridge collection and recovery. In June 2005, Fnac initiated a unique process combining environmental protection and support for integration and job assistance networks, by organising used ink cartridge collection in partnership with Ateliers du Bocage and Trieum, an Emmaüs Subsidiary [(1)]. In 2008, this initiative collected over 64,000 ink cartridges in French Fnac shops.

Fnac also continued its "recycle your mobile phone" campaign, which aims to stimulate the development of solidarity economy networks, in 2008, with Ateliers du Bocage and Trieum recycling and testing more than 3,000 mobile telephones collected in Fnac shops. Over 38% of these telephones were fixed and put onto the used telephone market that targets less fortunate users.

Specific initiatives were also adopted for the waste relating to the Group's industrial activities. For example, Cfao Automotive entities sort their batteries, motor oil and scrap iron before sending this waste to the appropriate recycling channels.

### Water discharge

Water discharge from PPR Group's retail companies does not have a major impact, and it is not quantitatively monitored in PPR's reporting. However, sites that emit large quantities of discharge are setting up specific actions to limit their impact on the environment.

Brasseries du Congo in Pointe Noire have set up their own water purification station that can process over 500,000 $m^3$ annually. A similar station is set to be opened in 2009 to process water discharge from the breweries in Brazzaville. Cfao Automotive has started using hydrocarbon separators to process workshops wastewater.

Both of Gucci's tanneries in Italy have undertaken efforts to limit the environmental impact of their water waste. It installed a pre-treatment station for wastewater in one tannery, which significantly reduces chemical product content in the effluents evacuated to the municipal water treatment network. In a bold move, the other tannery is working with the ARPAT (*Regional Public Agency for Environmental Protection*) on the issue of water pollution.

## EVALUATING AND MANAGING ENVIRONMENTAL RISKS

### Performing environmental audits on at-risk sites

The Group is also attentive to preventing risks related to its sites' business, in particular on industrial sites. In 2008, the Group worked with an external firm to audit its industrial and logistics sites with a view to analysing the risk of environmental damage. The findings of these audits led the group to conclude that most of its sites, when run under normal conditions, have a limited impact on the environment. It did identify a few areas that could be improved and consequently planned to implement corrective measures.

For example, in accordance with the auditing firm's recommendations, in 2008, the Martinoire warehouse performed a study of ground quality to determine the environmental impact of the activities previously conducted on the site. It then launched a diagnostic on all activities, whether they are subject to ICPE (classified environmental protection facility) or not, aiming for point 0 for the entire site. It also did work to complete installation of blocking valves on the site and checked the wastewater evacuation networks using a camera system.

### The launch of Bilans Carbone™ carbon footprint measurements

In 2008, the PPR Group undertook to evaluate greenhouse gas emissions and its potential for cutting these emissions according to ADEME's [(2)] "Bilan Carbone™" methodology. The Bilan Carbone™ was developed to use widely available data to evaluate emissions directly or indirectly related to business activities. This measurement tool ranks sources of emissions in terms of their carbon footprint and assesses the business's reliance on non-renewable fossil fuel energy sources.

*(1) In the South and Rhône Alpes regions, ink cartridges are collected by Ecoprint.*

*(2) French Environment and Energy Management Agency: www.ademe.fr/bilan-carbone.*

PPR set itself five objectives for respecting this process:

1. drawing up a specific inventory of greenhouse gas emissions for each major site type (boutiques, city centre shops, peri-urban shops, warehouses);
2. determining areas of improvement while defining and implementing possible corrective measures and plans of action;
3. using the system to inform on-site teams of the importance of these environmental issues;
4. sharing the findings of the Bilans Carbone™ with other Group sites;
5. if necessary, completing a panel of environmental indicators that the Group monitors as part of its environmental reporting.

The results of these Bilans Carbone™, which were done in late 2008 in four Group Subsidiaries, will be published and analysed in early 2009 in order to draw up feedback and plans of action.

In 2008, Conforama conducted a pilot project to measure the environmental impacts of its Swiss Subsidiary, which has 13 shops and one head office. It called upon an outside firm to collect data on electricity, heating, on-the-job travel, commuting, infrastructure and building waste.

A sample of products sold by the brand has also been measured. Through this analysis, Conforama Switzerland was able to precisely determine the Subsidiary's main impacts on the environment. The biggest contribution came from the products it markets, its customers' travel and its infrastructures' electricity consumption. The year 2008 was marked by shared results and recommendations, but 2009 will focus on defining and implementing plans of action.

## Certification and labelling processes

In terms of environmental protection, ISO 14001 certification is a formal commitment to continuous progress (clean technologies, waste sorting and recycling) that helps prevent pollution (reduced emissions of volatile organic compounds into the atmosphere, responsible management of industrial effluents). For this purpose, improvement actions undertaken on certified sites have a long-term aim. Two PPR Group entities have obtained ISO 14001 certification in recent years:

- SOGEP, Redcats Group's Subsidiary in charge of logistics and delivery activities;
- and Gucci Group's distribution centre in Switzerland (LGL). This site is also ISO 9001 certified (quality) and OHSAS 18001 certified (safety). It was the first distribution centre in the Luxury sector to obtain these certifications. These certifications highlight LGL's commitment to continuously improving quality and to respecting its contacts and its working environment.

In addition to these international certifications, the Subsidiaries may also choose to work with NGOs to obtain labels. Conforama has opted for this system. Its purchasing offices in Vietnam and China have the "Green Office" label given by WWF Finland. This label, which is given exclusively to offices, certifies an environmental management system based on efficient waste management, energy and paper consumption and the use of green consumables. This label is granted in accordance with a strict process conducted by WWF Finland, including internal audits and monitoring audits. Employee involvement is also an important criterion for the label. The Ho Chi Minh City office, which was granted the "Green Office" label in the summer of 2007, was the first office outside Finland to receive the label. The other purchasing offices in China obtained the label in 2008.

# Priority 6: promote responsible products and usage

Companies have long been held responsible for the products they sell. All companies have established recall procedures for faulty or hazardous products, and they all implement measures that aim to ensure quality and safety standards for their products. However, heightened attention to CSR and greater expectations from society on issues related to CSR have played a part in reinforcing corporate responsibility, and companies are now expected to make a commitment above and beyond these standards.

Within the context of sustainable development, the Group and its Subsidiaries continually work to guarantee the safety and quality of its products, to increasingly include responsible products as part of what they offer and to increase customer and consumer awareness to responsible use of the products they purchase.

By choosing this area as a priority focus, the Group's brands have reaffirmed their drive to truly promote and recommend responsible products and usage to their customers around the world, to fully meet their obligations as responsible companies.

## PRODUCT QUALITY AND TRACEABILITY

### Source of raw materials

#### Wood traceability

The source of wood used to make the furniture sold by Conforama and Redcats Group is a key concern for both Subsidiaries. In an effort to continually move forward, each of these Subsidiaries strengthens its wood policy year after year, with the aim of working towards forest conservation.

Conforama respects the CITES Washington convention and prefers European wood, primarily pine or spruce, for its solid wood products. Conforama does not sell furniture made from wild cherry wood, ramin, elm or from fruit-growing trees. The Company also develops collections with environmental performance criteria, for example, the eco-designed bedroom suite, made according to precise technical specifications and developed with ADEME: FSC/PEFC-certified wood, very low formaldehyde content (below E1), solvent – and heavy metal-free finish, PVC-free.

Redcats Group's solid wood furniture accounts for 85% of the Subsidiary's furniture sales. Teak, which makes up less than 2% of its wood, is subject to specific traceability rules. Under these rules, Redcats Group keeps documents from suppliers that certify the wood's origin, including official authorisation for sampling, batch tracking and finished product manufacture tracking.

Pine furniture, which makes up 75% of solid wood sold by Redcats Group, is made primarily using trees grown in Brazil on sustainably-managed tree farms. Since 2003, Redcats Group formed a partnership with Brazilian NGO ESSOR as part of the reforestation project in northern and north-eastern Brazil. This commitment also applies to the brand's Brazilian suppliers which, in cooperation with Redcats Group, contribute 0.1% of the amount of purchases in this country to the programme. The trees that are replanted are mainly fruit-bearing trees whose fruit is sold by disadvantaged families on local markets. In 2009, Redcats Group signed a three-year agreement for the third consecutive time. Since the start of this partnership, around 350,000 trees have been planted.

In addition, some brands such as La Redoute sell furniture with an official label that certifies that their wood comes from sustainably-managed forests. In its Spring-Summer 2008 catalogue, it offers a range of FSC-certified eucalyptus garden furniture. This approach is set to become more widespread, as there was an increased number of certified wood products in the Spring-Summer 2009 catalogue.

#### Gucci's precious leathers

As part of its leather goods activities, Gucci has two tanneries, one of which makes its precious leather products (crocodile, alligator, ostrich, lizard, viper, etc.). Gucci's precious leathers fully comply with the CITES Washington convention.

This convention concerns more than 33,000 animal and plant species. Approximately 3% of these species are endangered, and the rest could become endangered in the absence of strict international trade regulations. Through Gucci's respect for the principles of the CITES convention, it ensures that the products it makes and sells do not prevent biodiversity and that they ensure the sustainable use of wild species.

### Diamond traceability at Boucheron and Gucci

Boucheron and Gucci strive to ensure peerless traceability for the diamonds they use and to guarantee their origin. To meet this requirement, both brands respect the Kimberley process, which aims to certify the source of diamonds sold on the international market. This system was initiated by the UN, the diamond-producing states, the diamond industry and NGOs and aims to fight the sale of diamonds to fund rogue military activity.

Both brands go beyond the Kimberley process to ensure excellence by only working with recognised names on the global diamond market. For example, the diamond solitaires (over 0.2 carat) used in Gucci jewellery are usually certified by the GIA (*Gemological Institute of America*), the HRD (*Hoge Raat voor Diamant*) or the *Diamond High Council of Antwerp*. In 2006, Boucheron joined the RJC (*Responsible Jewellery Council*), a non-governmental organisation composed of jewellers that wish to guarantee certification of the diamonds they use and to certify their supply chain processes, in cooperation with their partners, and with respect for strict ethical, environmental and social standards.

## Product testing and control procedures

PPR Group pays extremely close attention to the safety and quality of its products. For the electrical and electronic products distributed by Redcats Group, Fnac and Conforama, product quality is monitored by PPR Purchasing (PPR-P), the Group's central purchasing hub for white, brown and grey goods. The quality of other products is monitored directly by the companies. All the Subsidiaries and PPR-P have Quality Departments.

### Technical audits on production sites

The PPR Subsidiaries that make their own products have developed procedures that aim to verify site production capacities, effective management and the use of strict, reliable quality control procedures and procedures that supervise the respect of applicable restrictions, for example, through current legislation.

As an illustration, under the PPR-P Validation Plan, the auditors mandated by the purchasing centre review all the documents related to production and to the quality control system while verifying that these procedures are applied across the production chains. These audits are performed to validate selected suppliers and sites and to encourage the supplier to make the improvements requested in the audit reports. In 2008, PPR-P performed 68 technical audits of this type and Conforama performed 227 technical audits in 22 countries.

Within the scope of these audits, close attention is paid to the application of Directive 2002/95/EC relating to the restriction of six hazardous substances in electrical and electronic equipment (RoHS directive).

### Product specifications

Another tool made available to quality departments is the "product" specifications. The Subsidiaries are attentive to specify all their requirements in terms of compliance, regulations, traceability, quality and respect for the environment, as well as their own product policy, for example, on hazardous substances. The Subsidiaries' specifications ensure that the products manufactured by PPR comply with current European directives or that they have the CE label.

In the RSL (Restricted Substance List), Puma specifies the chemical substances that the brand has restricted for manufacture of its products, such as phthalates. In the same way, Fnac Éveil & Jeux has specifically set out its requirements concerning phthalates for toys and baby articles, in accordance with Directive 2005/84/EC.

### Pre-referencing product tests

PPR Group's Subsidiaries also test their samples before referencing and manufacture. In 2008, Conforama tested 1,400 models by focusing on at-risk products and/or certain types of suppliers. On the mass import market, all products the Company identifies as at-risk are tested before referencing. Puma also has a very precise pre-referencing procedure. This procedure is presented in its entirety in a document called "SAFE – Handbook of Environmental Standards", which is available on Puma's website (www.puma.com).

After selecting new models in accordance with its specifications, PPR-P systematically sends two copies of the prototypes of the electric and electronic models that the purchasing centre wants to buy to the testing laboratories:

- to test safety, functionality, ease of use, European documentation, sample assembly qualities and the user's manual, PPR-P works with La Redoute's laboratory and with the independent LCIE laboratory. In 2008, of the 473 models tested, only 246 were qualified for Group referencing;
- PPR-P works with the Fnac laboratory to test the technical performance of brown goods.

When the product passes the first selection test, it is put through a second test of the same type by the La Redoute or LCIE laboratory, this time using a sample product from the assembly line to validate production.

In 2008, these tests performed on samples before and during production processed 715 samples, 584 in La Redoute's laboratory and 131 in LCIE's laboratories.

## Pre-marketing product tests

In addition to this system, the Subsidiaries get approved laboratories to perform quality inspections on sample parts before the products are shipped. In 2008, Conforama tightened its testing procedure. The brand or its internationally-renowned sub-contractors performed 22,000 inspections in 2008, compared with around 16,000 in 2007. In addition to these inspections, Conforama sent 2,000 models to the laboratory for additional testing, primarily standard-compliance tests to ensure that the products met the Subsidiary's quality requirements and specifications.

Each year, Fnac's testing laboratory tests the performance of around 1,500 products in addition to any manufacturer or brand testing, under consumer use conditions. The results of these tests are published in technical comparisons that are made available free of charge in shops, for a total of over 7,000,000 printed copies each year. Every month, 150,000 documents are downloaded on Fnac.com.

## Strict product recall procedures

Despite this set of strict procedures, PPR Group's Subsidiaries may have to deal with some non-compliant products.

In 2008, Conforama had to deal with a case in which the presence of Dimethyl Fumarate, an anti-fungal agent used to reduce the effects of monsoons and high humidity levels, was detected in some of its relaxation sofas and armchairs. Conforama took the following strict measures as a result of this case: batch testing by independent laboratories, prohibition of use of the substance in products sold by the brand, immediate de-listing of the supplier, a freeze on sales, notification of the product hazard to the French Directorate for competition, consumer affairs and fraud control (*DGCCRF*), sending 47,000 letters to its customers, introduction of an information hotline, etc. In 2008, 37 Crisis Committee meetings were held, with near-daily conference calls to manage the situation. On December 19, 2008, 5,500 products were sent back for exchange, and 437 claims were on file with Conforama's insurance company. Legal proceedings are underway against the supplier. In 2008, 4% of Conforama's "seat" purchases came from Asia.

At the same time, Conforama reinforced its pre-loading inspection procedure with systematic inspection tests on all sofas and armchairs from Asia. In addition to its products' geographic source, the Subsidiary's Quality Department is inspecting Dimethyl Fumarate content in its inventory and analysing customer returns due to allergies.

## Subsidiaries complying with REACH regulations

The REACH (*Registration, Evaluation and Authorization of CHemicals*) regulations took effect in January 2007. These regulations aim to improve the understanding of how the chemical substances contained in all products sold in Europe impact human health and the environment, with the aim of eventually banning or restricting use of the most hazardous substances.

Given the importance of this subject, PPR Group took action to meet its obligations, and, in 2007, set up an inter-Subsidiary Steering Committee that meets about once every other month. In 2008, this Steering Committee worked on:

- the terms of pre-registration. On December 1, 2008, 14 substances were pre-registered with the ECHA for PPR Group (three of them have since been exempted). The type (no CMR1 or CMR2) and the quantity of the imported substance (around one tonne per substance and per year) set the registration timeframe for these 11 substances at 2018;
- support for suppliers' implementation of the rules. The Group has carried out massive efforts with its suppliers, in particular its suppliers outside Europe, in order to educate them about the REACH legislation and ensure that they fully understand their obligations, before assisting them with compliance-related issues. Suppliers underwent REACH-specific audits. The brands reminded European suppliers of their obligations, in particular in terms of the information chain to answer any questions from customers or consumers on the presence of "substances of very high concern" (SVHC);
- information, education and training of internal teams. For example, Fnac, Redcats Group, Conforama and Fnac Éveil & Jeux sent their customer service and/or their sales teams leaflets with explanations about REACH, in particular with information on the steps to take if customers ask questions about the list of SVHCs published on the ECHA website.

# DEVELOPMENT OF RESPONSIBLE PRODUCTS

As part of their Sustainable Development policies, the Group's companies develop products incorporating sustainable development criteria. These policies are based on the promotion of fair trade items, support for organic products and the development of eco-design.

## Commitment to using organic, fair trade and recycled products

### Use of organic fabrics

Since 2005, when La Redoute launched its first ready-to-wear collection made with organic cotton, the brand has extended and expanded its offer. In 2008, La Redoute sold approximately 350,000 items made from organic linen or cotton, mainly ready-to-wear articles for women, men and children, as well as household linens.

Other Redcats Group brands such as Cyrillus, Vertbaudet and Somewhere continued their efforts to add to their organic fabric ranges. Somewhere is the most progressive brand in this area. In 2009, it set the goal of 20% organic collections.

Somewhere launched its first organic homewear range, *Be Bio* in 2005. In 2007, the brand continued its efforts by launching its first organic linen range in France, working with a linen producer in Normandy and asking it to switch to exclusively organic methods. In March 2006, the producer planted six hectares to make the brand's first line with 15 organic linen garments, put on the market in 2007. To increase the number of organic linen items in its spring-summer 2008 collection, the producer increased its growing surface to 50 hectares in 2007, and then to 100 hectares in 2008.

The brand hopes to go beyond just selling organic products and raise customer awareness of the importance of using organic fibres, which are purer and of higher quality. To achieve this goal, in 2008, Somewhere gave out two free gifts made of organic material and packed in 100% recycled material to thank customers for their loyalty.

One of PPR Group's most committed brands is Stella McCartney, a Luxury brand with a strong sense of sustainable development. Stella McCartney has discontinued the use of animal leathers and furs and uses organic raw materials more and more frequently. After launching an entirely organic line of cosmetics in 2007, ECOCERT-certified CARE by Stella McCartney, the brand went further in its commitment with its first organic cotton lingerie line in 2008.

### Promoting and supporting responsible design

Gucci Group and La Redoute also strive to promote responsible products through their participation in special trade fairs.

Gucci Group took part in the first Earth Pledge Future Fashion show, held in New York in January 2008. At this event, Stella McCartney, Yves Saint Laurent and Bottega Veneta presented their specially designed creations made especially for this show using ecologically-friendly raw materials. In the weeks following the show, these designs were displayed at Barney's in New York.

La Redoute has been partners with the Ethical Fashion Show, which was held from October 9-12, 2008 in Paris, since the show was founded. At this event, and for three years now, the brand has recognised an ethical fashion designer by awarding him or her the chance to sell their designs at La Redoute. In 2008, La Redoute chose Kamakala, which works with certified-organic materials and active fair trade workshops to produce creative, original and affordable products. The brand, which was founded by Stéphanie Troyard and Chloé Rogier, will be part of the 2009-2010 autumn-winter collection on La Redoute's retail websites.

In 2008, there was an increase in fair trade initiatives. In 2008, La Redoute, which has been committed to selling fair trade articles for several years, continued to market this type of product in France and in several other countries in which the brand is active, marketing more than 110,000 fair trade items (Max Havelaar label) in France and abroad and more than 60,000 household linen items.

The example set by La Redoute has encouraged other Redcats Group brands to take on similar approaches. In 2008, Somewhere started a marketing partnership with jewellery brand Cruselita, which is devoted to fair trade, and Vertbaudet worked to include fair trade items among its children's products planned for autumn 2009.

Puma also put the spotlight on fair trade in 2008, producing fair trade footballs for the first time ever and making a commitment to donate 5,000 footballs to a project that fights juvenile delinquency in South Africa through sport. Of the 5,000 footballs promised by Puma, 500 were delivered in 2008, and the rest will be distributed in February 2009.

In addition to the social interest of this project, it is fully in line with Puma's view on supplier relations. The balls are manufactured by a football goods supplier in Pakistan that has worked for the brand since 1980. It received FLO-CERT certification as part of this project. This certification, which is granted by an independent, internationally-recognised German organisation, guarantees that the supplier respects fair trade standards.

In 2008, Puma also forged a partnership with "Cotton Made in Africa", a programme supported by the Hamburg-based Aid by Trade Foundation, which was founded in 2005. The programme's objective is to improve cotton growing in Sub-Saharan Africa with the ultimate goal of ensuring sustainable production and making African cotton more competitive. In 2008, the brand sold 150,000 "Cotton Made in Africa" jerseys.

### Initiatives for recycled materials

In addition to using organic raw materials and supporting fair trade, some of the Group's Subsidiaries offer their customers products made from recycled material. In 2008, Somewhere released its first recycled aluminium-made bag. In autumn 2008, Cyrillus launched recycled fibre jumpers made using a new manufacturing system designed by Filature Du Parc that makes it possible to reuse textile fibres. These recycled fibres have the same characteristics as new fibres.

## Eco-design is being incorporated increasingly by the Group's Subsidiaries

Eco-design involves integrating the environment from the product design phase. Accordingly, this strategy relies on an overall multi-criteria environmental approach and is based on the consideration of all stages of the product lifecycle.

For the past four years, Conforama has included eco-design principles in its product ranges. It first began distributing eco-designed white goods in 2005 and then moved on to create the *Generation Confo* bedroom suite, now available in two different colours in all countries in which the brand operates. In 2008, Conforama decided to define a responsible product development plan. The brand hopes to reinforce its offer through three levels of requirements:

- Level 1: maintaining and reinforcing eco-design products in children's bedrooms;
- Level 2: developing products that meet specifications with cumulative environmental performance criteria concerning the material used;
- Level 3: highlighting its efforts using a transparent, educational customer-oriented sign system for products labelled by certified organisations.

Under this approach, new eco-design products should be released in 2009.

After an initial phase that marketed 30 eco-design small furniture items in 2007, some Redcats Group Subsidiaries decided to continue and intensify their work in 2008. In partnership with two French suppliers committed to the cause, La Redoute put 60 products on the market in 2008. In its Spring-Summer and Autumn-Winter 2008 catalogues, Vertbaudet offered its customers 18 products for children's and baby bedroom items.

Puma has also done impressive work in the field of eco-design. All the brand's products have to respect Puma's Restricted Substances List (RSL), which is updated regularly. One of the list's requirements is that PVC cannot be used in the brand's sporting goods. To ensure respect for this list's requirements, Puma puts its suppliers to test on a regular basis. It should also be noted that Puma participates in the AFIRM working group [(1)] which aims to reduce the use of the most hazardous chemical substances in apparel and footwear and the impact of these substances. As part of this project, the brand is working with key players from the sector (www.afirm-group.com).

Equally, Redcats Group, Conforama and Fnac Éveil & Jeux, which sell furniture made from particleboard, made a commitment to programmes that encourage the use of particleboard with low formaldehyde content, classified E1. This approach, which was launched in 2007 for Redcats Group, requires that suppliers closely respect the E1 classification formaldehyde levels. Although the use of E1-classified particle board does not in itself guarantee eco-design status, it helps incorporate strict environmental criteria for the choice of raw materials used in manufacturing.

Finally, in 2008, Fnac Éveil & Jeux launched a plan to highlight products with environmentally-friendly characteristics. To do this, the brand, which has traditionally favoured products without batteries made of wood, set out to define the characteristics that make a product "ecofriendly" (PEFC label, organic cotton, VOC-free, etc.). As part of this process, in 2008, Fnac Éveil & Jeux conducted an initial audit of products it currently sells to identify those that already meet these criteria and those that need to be improved. Its objective is to reinforce the reference system for this type of product, in particular by incorporating environmental criteria in its specifications or by developing shop-brand ranges that are 100% eco-friendly. The brand has introduced a special section on its website, "Eco-Attitude", to share information about its work with its customers.

*(1) AFIRM: Apparel and Footwear International RSL Management Working Group.*

# RESPONSIBLE AND SUPPORTIVE CUSTOMERS

PPR's aim is to give its customers the means to support social and environmental projects. The Group develops shared product campaigns, particularly with non-profit organisations, continues to inform its customers about sustainable development issues and offers them the chance to be "consumer players".

## The development of shared product offers

A shared product is a product manufactured or service performed by a company for an individual, a non-profit organisation or another company, on which a predetermined amount is paid, without any surcharge, to the supported entity. In 2008, existing product sharing was reinforced, but new partnerships were set up as well.

### Gucci and Unicef

In 2008, for the fourth consecutive year, Gucci continued its partnership with Unicef by creating the special "Tattoo Heart" collection. From November 19, 2008 to January 31, 2009, the brand's customers helped fight for the rights and well-being of children all over the world. For all products in the line, 25% of the price was donated to Unicef.

### Redcats Group and the least fortunate

In 2008, Redcats Group's brands made a new commitment to NGOs and non-profit organisations. For the 2008-2009 Autumn-Winter season, La Redoute offered its customers a socially-aware collection that aims to support projects led by NGO Action Innocence, which educates parents and their children about Internet risks.

At the same time, Vertbaudet renewed its partnership with Unicef through its "Vertbaudet pour l'Unicef" product line. In 2008, Vertbaudet also launched its support for children's vaccination programmes, once again in partnership with Unicef. Through this operation, the brand allows customers who recruit new customers to provide vaccinations for 20 children instead of receiving a recruitment gift. The money collected will be donated to a vaccination programme in Central African Republic. Through these two operations, the brand made a €152,000 donation to Unicef in 2008.

To mark its 30th anniversary, Cyrillus decided to support the L'enfant@l'hôpital organisation for the second consecutive year, by selling paint sets in all its French shops in October and November 2008. The approximate €30,000 collected during this shared product campaign was donated in full to the organisation to support its work with hospitalised children.

Finally, Daxon continued its work, teaming up with "*SOS Villages d'Enfants*" for the 2008-2009 Autumn-Winter season, alongside the organisation's spokeswoman, French actress Anny Duperey. The actress presented two exclusive models from the Daxon collection, of which part of the proceeds will be donated to "*SOS Villages d'Enfants*" to help fund the construction of new SOS children's villages in France.

### Fnac helps great causes

In 2008, Fnac reaffirmed its role as a responsible, civic and cultural player by initiating or continuing measures to support great causes and by offering its customers the chance to become involved.

As part of its support for apfEE (*association pour favoriser une École Efficace*) and AFEV (*Association de la Foundation pour la ville*), in 2008, for the third consecutive year, Fnac renewed its "*On aime, on aide*" operation dedicated to preventing illiteracy. Under this partnership, Fnac has released a three-track CD by Dionysos, which it sells for €5. Fnac will contribute €4 from every sale to these organisations. In 2008, Fnac sold 5,000 CDs, contributing €20,000 to the organisations. For the 15th year, the company has joined forces with *Reporters Sans Frontières* to fight for the freedom of the press. In 2008, the photo albums "Bettina Rheims", "Reza" and "100 stars" were available in all Fnac shops, with 17,000 copies sold. In addition to providing financial support for production of these albums (€15,000), all the profits (€60,000) were donated to the organisation, which fights for the freedom of speech across the world.

In addition to existing actions, since late September 2008, Fnac has given its two million members a simple, transparent and efficient way to support four non-profit associations, apfEE, IFHR (International Federation of Human Rights), GoodPlanet.org (which provides education on environmental protection and provides concrete solutions for the ecological crisis) and *Secours populaire français*. The company allows its members to donate the loyalty points they accumulate on their Fnac cards. For every 4,000 Fnac points, members receive gift cheques worth €10, which can be donated to one of the four partner organisations.

In 2008, around €10,000 were collected over a three-month period. Fnac occasionally matches member donations for one of the organisations (IFHR in 2008, GoodPlanet and ApfEE in the first half of 2009).

## Promoting solidarity awareness

The PPR companies wish to offer their customers the means to act as responsible players.

## Fnac sets an example

Fnac is one of the most committed brands in this area. As part of the actions undertaken in recent years, in December 2008, 90% of Fnac shops helped with customers' gifts to partner organisations such as Secours populaire français (approximately 45%), Les Restos du Cœur (20%), the Red Cross (10%) or local organisations that work for health, humanitarian, children's and youth causes… Fnac estimated that these organisations collected a total of €800,000.

Furthermore, in 2008, Fnac renewed its "Recycle your mobile phone" campaign in partnership with Emmaüs. Through this programme, Fnac sets up telephone recycling bins in shops where customers can donate their old mobile telephones. These phones are collected, sorted and tested at Ateliers du Bocage and Trieum, Subsidiaries of Emmaüs. In 2008, more than 3,000 mobile telephones were recovered under this programme.

Finally, Kadéos and Fnac re-emphasised their partnership to organise gift card recycling. Fnac gives its customers the chance to return their gift cards, which are primarily purchased during the festive season, to the cash register. For around three years, the collected cards have been sent to the Fnac logistics site in Massy. These cards are then recycled and used to make wiring systems for electrical switchboxes. Member cards are processed in the same way. In 2008, 3.7 tonnes of cards were recycled under this system.

## Parents involved with Fnac Éveil & Jeux

In an effort to involve its customers more in the product selection process, Fnac Éveil & Jeux has developed the Pilot Parents Club. The company sends the products it hopes to feature in the future to the members of this club, volunteers parents. The family then tests the product for two weeks, to study children's reaction to the product and sends Fnac Éveil & Jeux precise feedback on its quality, its value as a toy, and children's interest in the product. The information provided by these pilot parents is valuable to the company, because, on average, only one out of three toys is retained and marketed by Fnac Éveil & Jeux. The Club currently has 3,000 member families and organisations.

Backed by the success of the Pilot Parents Club and in response to customer demand, starting in 2007, Fnac Éveil & Jeux, along with its pilot parents, developed a programme to study products designed for children with disabilities. This programme targets blind and deaf children as well as children with disabilities linked to blindness, motor development, language and reading skills and fine motor activity. As part of this project, Fnac Éveil & Jeux is also working in close cooperation with professionals in the field and with families of disabled children.

## "Nurture Your Nature" at Redcats USA

Redcats Group is also raising its customers' awareness of the environment by targeting use of shopping bags. As part of Redcats USA's "Think Green" programme, which targets protection of the environment, the brand Avenue has made an eco-designed, reusable bag for the 2009 Spring-Summer season. This shopping bag features the brand's logo and the slogan "Nurture your nature". It will be sold in Avenue shops for $5. This unique initiative gives customers $1 off their total purchase each time they use their "organic" shopping bag at Avenue.

## Stella McCartney customers' carbon offsets

Another new promising programme was introduced in 2008: in April 2008, from the time of the launch of Stella McCartney's first e-commerce site for the US and the UK, the brand invited its customers to offset the carbon emissions due to the delivery of their online purchase. During online payment, customers could add a $3 charge to offset the carbon emissions caused by delivery of merchandise. This contribution is donated to Carbon Neutral Company, which supports innovative on-the-ground projects to fight against global warming.

## Puma and "Peace One Day"

The "Peace One Day" (POD) project, which was launched in 1999 by filmmaker Jeremy Gilley, aims to promote world peace by holding a day dedicated to non-violence and cease fire every September 21 since 2001.

In order to promote and raise awareness about this event, Puma launched a special Puma football collection called "Peace One Day". This collection was presented at the Africa Cup of Nations in January 2008. It features footballs as well as football clothing and accessories specially designed for the occasion, sold in Puma shops worldwide since May 2008. Part of the collection's profits is donated to the POD project. Puma's ultimate goal is to make all this collection's products in Africa.

## Cfao's fight against counterfeit medication

In addition to these HIV/AIDS measures, the Cfao Group is carrying out several initiatives in Africa regarding access to medication and its use. There are three major initiatives: in partnership with the French association REMED and the national pharmacist unions from French-speaking Sub-Saharan African countries, Cfao is alerting people on the dangers of counterfeit medications. In association with Sanofi-Aventis, it is also helping fight malaria by making Coarsucam, a drug that forms part of a combination therapy recommended by the WHO (World Health Organisation), affordable. Cfao is further contributing to an anti-epileptic programme in Mali, which was extended to Madagascar in 2008.

# Priority 7: implement solidarity programmes related to companies' business activity

The commitment to civil society, local communities and the non-profit world is now an integral part of corporate social responsibility: how can companies develop their business with a clear conscience, from a purely ethical standpoint, in areas that do not benefit from their business? More practically speaking, companies' contribution to the "health" of their areas of influence keeps them solid and helps their business to last. By helping resolve the needs of society, companies work in harmony with their surroundings and breathe new life into their environment.

The PPR Group's brands are located in 94 countries and regions with highly varied sociocultural environments, where the need for education, jobs and healthcare is sometimes urgent. In this context, despite multiple, but not infinite, possibilities for action, the Group chooses to work on the most legitimate opportunities that fit in best with its business and with the local environment.

## COMMITMENTS AT PPR GROUP LEVEL

### A shared commitment with HOME

In 2008, the PPR Group announced its support for Yann Arthus-Bertrand's film "HOME", for a total of €10 million in funding over three years. The film is scheduled for release on June 5, 2009, World Environment Day. Home, a film conceived by Yann Arthus-Bertrand, Luc Besson and François-Henri Pinault, is backed by a shared ambition: sharing and helping others understand the issues facing the planet and raising general awareness of social and environmental responsibility. The film is scheduled for simultaneous release in all countries in cinemas, on television, on DVD and on the Internet, with the goal of reaching out to as many people as possible. HOME was not made with profit in mind. Its sole purpose is to contribute to raising awareness of our responsibility to the planet. All profits will be donated to Goodplanet.org. Finally, HOME is a carbon-neutral film. The greenhouse gas emissions caused by filming were offset by support for clean development projects through the organisation "Action Carbone".

Through its exclusive global sponsorship of the film, PPR is asserting its commitment and its social and environmental responsibility.

### PPR's Corporate Foundation for the Dignity and Rights of Women

For over ten years, PPR Group has developed an ambitious social and environmental responsibility policy and has been committed to equal opportunity and promoting diversity. As part of this commitment, the Group has supported a variety of solidarity programmes in connection with its activities, primarily through SolidarCité, an organisation founded in 2001 to support its employees' civic and socially-aware initiatives.

PPR aims to take its commitment further by helping fight for the dignity and rights of women, and it has set up a corporate foundation dedicated to these issues.

Worldwide, at least one in three women has been a victim of domestic or sexual violence or other forms of abuse at least once, and women play a key role in their communities, since they are central to family, cultural, health and social balance. This is why the Foundation has chosen to uphold two key objectives: fighting to eradicate violence against women and providing assistance to the development of women, their families and their communities.

The Foundation aims to forge partnerships with local and international organisations and to encourage Group employees' efforts in favour of women's rights and women's dignity. Its actions focus on five areas:

- supporting the fight against violence and aid for development;
- micro-finance;
- coaching social entrepreneurs;
- awareness-raising and prevention;
- advice and support for the Group's brands.

## SolidarCité projects

In 2008, SolidarCité, a cross-Brand organisation created in 2001 by PPR that gets employees involved in "Entrepreneurship for Education and Integration", continued its close partnership with the non-profit world, France's national education system and local communities. SolidarCité gives employees the chance to participate in their own way, either through cross-Group actions or through company-specific projects.

### Employee projects

Employees of the Group can request material, human or financial assistance from SolidarCité to help associations acting exclusively in the areas of education or integration. They can volunteer or join these organisations and make a commitment to supporting the funded project. A Selection Committee, composed of one representative from each Subsidiary, examines the applications on a quarterly basis and determines the allocation resources according to a list of criteria such as proven social utility, the longevity of the association and project, co-financing or the employee's involvement. In 2008, SolidarCité selected 24 projects, for a total assistance of €107,000. 33% of the projects involved education initiatives, 29% covered integration measures, and 38% a combination of the two. Finally, 54% of the projects supported took place in France.

### Social Entrepreneur Scholarships

For the first time ever in February 2008, SolidarCité gave scholarships to four social entrepreneurs supported by a PPR Group sponsor who made them benefit from their network and their expertise.

All throughout the year, Alain Viry, Cfao Chairman, supported the *Association la Voûte Nubienne* (AVN), which promotes sustainable, ancestral construction techniques in Sub-Saharan Africa. A group trip to Burkina Faso, meetings with local directors and a presentation of the Head Office provided better communication and got more people involved in this project. The Cfao Solidarité Association, founded in 2002 by Cfao to support health and education projects in Africa, also helped fund the construction of three classrooms in Sangoulema, a village located northwest of Bobo Dioulasso, in Burkina Faso, as part of the employee project supported by SolidarCité.

In northern France, Olivier Desurmont is in regular contact with the Redcats Group Chairman to organise the development of Sineo, an insertion company that provides ecological, water-free car-washing services. By sharing his expertise and experience, the executive has aided the expansion of franchises and Subsidiaries in France and abroad and helped market washing products.

Auto Insertion Lotoise 46, which rents vehicles at a low cost to job-seekers in remote areas, enabling them to get to interviews, internships or jobs, is continuing its work in the area of jobs and mobility in coordination with PPR's Human Resources department, in particular with the goal of replicating the model in other towns and regions and lobbying for its inclusion in public policy.

Ideo, a line of organic, fair-trade clothing, is promoting its plans to found a network of boutiques by opening its first shop this year in Nantes. Fnac's Chairman and Redcats Group's specialist in this area have provided precious assistance in targeting prime sites and putting together a network.

New social entrepreneurs will be selected in 2009, as part of PPR's Corporate Foundation for the Dignity and Rights of Women.

### Solidarity leave

Each year, SolidarCité gives 15 employees the chance to take solidarity leave in partnership with two non-profit organisations, Coup de Pouce (7), which does group construction and renovation missions, and Planète Urgence (8), which provides training and education in the southern hemisphere. Around 80% of employees have taken solidarity leave in Africa. This programme was very popular at Fnac, with 66% of volunteers coming from this company. Several employees from Redcats Group brands have already reserved their spots for 2009.

### "Une grande école, pourquoi pas moi?"

Set up with the French business school ESSEC in 2004, the purpose of this programme is to increase the chances of young people from modest backgrounds, educated in districts falling under the French government's "Urban Policy", by guiding them during three years of secondary school. Under the supervision of two ESSEC students during the school year, the pupils are welcomed by partner businesses for a day. In 2008, employees from Fnac Logistique and the Conforama, PPR and Fnac head offices, alongside several of their team members, opened their offices to 56 motivated secondary school pupils. The objective of this three-day corporate shadowing programme (during school holidays in autumn and spring and at Christmas) is to encourage these pupils to continue their studies while telling them about the Group's careers and how to get into them. A total of 80 employees participated during the year.

### Temporary integration

For several years, SolidarCité has worked to facilitate social and professional integration of underprivileged people. As part of its actions in this area, in 2008, SolidarCité continued its partnership with insertion organisations across France: two temporary insertion companies – Janus and Id'ées/Adecco Insertion – for all the Group's brands in France. In 2008, these companies found workers for more than 96,000 temporary hours, the equivalent of 52 full-time employees each month.

### 100,000 entrepreneurs

The partnership with the 100,000 entrepreneurs Association continued in 2008 after it was initiated in June 2007. To educate young people aged 13 to 25 about entrepreneurial culture through testimonials from entrepreneurs, employees of the Group and its brands shared their experience with classes at schools in the Paris area, primarily in

Priority Education Zones. Hearing about an entrepreneur's adventures first-hand gives young people a professional perspective and an urge to express themselves through work. The process demonstrates that it is possible to choose a professional life and that it can be synonymous with opportunity and fulfilment, regardless of one's social origins.

## CHALLENGES THAT UNITE THE COMPANIES

The PPR Group's brands have also forged relationships with their local communities, through SolidarCité's work or under their own initiatives. In 2008, the Group's companies focused on four major themes: integration, education, health and access to culture.

### Integration

For several years, SolidarCité has worked towards the social and professional integration of underprivileged persons, the unemployed, unskilled/unemployed/homeless youth under 26 years old and any other people in unstable circumstances. The brands take on these individuals during their insertion programmes and help them to reacquire the skills and know-how they need to join the company.

For example, since 1998, Fnac Logistique in Massy has employed around ten insertion workers. These vat cleaning operation jobs are sub-contracted to the *Arès Atelier* association. Since the beginning of this partnership, ten of these workers have been given open-ended employment contracts.

In 2008, PPR Purchasing, the Group's purchasing hub for white, brown and grey goods, reinforced its partnership with *Espaces*, an insertion association with a focus on urban ecology. This partnership employed around 15 individuals in two different projects in Paris, one in June to build a large compost bin in the 15th district, and another in late October to plant a free-growing biodiversity hedge on a worksite in the 14th district. During both projects, Espaces' eco-staff gave tours of their worksites and shared their experience with PPR-P employees. In December 2008, PPR-P invited them to their site in return to discuss their own work with these teams and to have lunch together.

Redcats Group, which has long been committed to the topic, continued the actions it started in 2007 with the socially-aware grocery shop Waziers and with Janus, a temporary insertion company. SolidarCité Redcats has developed two new projects:

- to extend its partnerships with insertion organisations such as Le Relais, which sells flowers, or Essor Espoir, which provides ironing services, in October 2008, SolidarCité Redcats introduced a general personal services offer at La Redoute's head office, through a *Concierge Office*. Available services include ironing, sewing, administrative assistance, car-washing, gardening, house-cleaning, baby-sitting, flowers, and more, which can be ordered over the Internet or by telephone. This effort provides work to insertion companies that help those in difficulty;
- La Redoute incorporated a shared product into its catalogue, with a portion of the product price donated to a worthy cause. In 2008, it chose to work with the *Force Femmes* organisation, giving it €21,210 for the Spring-Summer season alone. Backed by this first successful experience, it decided to extend the partnership to the Autumn-Winter season. Force Femmes assists and supports women over 45 years old to return to work, in particular by pairing them with other women to provide corporate coaching.

In addition to this commitment, 30 employees from the SolidarCité Redcats team organised four workshops – career discovery, office training, make-overs, interview simulation. The 30 participating women got the tools they need to find jobs.

The *Espoir en Stocks* storage centre, which was founded by SolidarCité to recover and shop donations from PPR (overstock, customer returns or samples), became an independent organisation in 2008. Half of the clothing and other objects, such as toys, household linens, furniture and kitchenware, was distributed to partner charity organisations to help others in times of crisis (fires, flooding, etc.). The other half was sold in a raffle to benefit disadvantaged families, helping them purchase new items at a low cost. All the profits of this sale were donated to partner humanitarian organisations. In June 2008, these sales collected more than €30,000.

Around 20 volunteers give their time each week to sort and repair donated goods. One hundred volunteers came together to organise the raffle.

In December 2008, around 20 volunteers served 200 disadvantaged people in the La Redoute canteen. These volunteers came together to offer a Christmas meal to around 40 disadvantaged families, who had been invited by the Roubaix and Wattrelos social centres.

In Italy, Gucci's teams continued their support for *La Ronda della carita' e della solidarieta'*, an organisation that works with homeless people in the streets of Florence. In insertion workshops, participants can take part in activities involving assembly, packaging, and small-

scale production, of leather goods in particular. In September 2008, Gucci's head office in Florence held an exhibition to present the organisation's work. In December, upon the employees' request, the insertion workshop's beneficiaries sold their leather goods, made using material donated by the brand, along with other items such as jewellery and lamps, at the head office.

Conforama, for its part, pursued its commitment with *Secours Populaire Français*. In September 2008, it signed a third agreement to distribute 70 life kits in France and, for the first time, ten kits abroad by May 2009. The equivalent of ten additional emergency life kits were distributed after the August 2008 tornado in northern France, and nine kits were given out after a fire in Les Ulis (91).

An experimental partnership was set up with the Paris "*Samu Social*": Conforama provided furniture for *La Maison des Femmes*, in Paris, a homeless women's shelter.

## Education

For its longstanding commitment to education, SolidarCité Redcats was rewarded by *Alliances*, an association that supports Nord-Pas-de-Calais companies' social and environmental actions, in December 2008. Each year, this "*Action Citoyenne*" award rewards companies or non-profit organisations that develop innovative practices that go above and beyond their legal requirements. SolidarCité Redcats was given this award for its employees' work on a variety of educational projects, in particular for its work with schools located near the Group's sites.

In partnership with the student association "*Aide à l'Humanitaire*" (AAH), SolidarCité Redcats employees provide support for the motivated by disadvantaged secondary students at Lycée Turgot in Roubaix. Through regular meetings, the "volunteer mentors" help these students study for their baccalaureate degrees, while giving them moral support and helping them learn about career possibilities. In 2008, 35 mentors worked with 35 students in their penultimate year of secondary school. Two other local partnerships have been set up between company sites and nearby schools (career counselling and site visits involving teachers, pupils and Group employees).

The "1 student, 1 day, 1 job" campaign is based on this principle. For five years, this programme has paired students up with volunteer mentor employees, so that they can find out more about the brand's work, providing better guidance for their career orientation. In 2008, on 12 sites, 180 volunteers from Redcats Group and Fnac spent one day working with 150 students aged around 13-15 and 15 teachers.

Finally, Fnac provides support for Lycée Henri IV in Paris, with assistance for its Higher Education Preparatory Programme, helping foster more diversified access to top universities. Fnac Digitale donated 30 laptop computers with appropriate educational software.

Each year since its creation in 2000, the Fnac Éveil & Jeux foundation has donated €50,000 to organisations with early learning projects for children in disadvantaged areas, preferably with the participation of parents. In 2008, 11 projects were supported across France.

Another example of the companies' work in favour of education is the Cfao initiative for its own employees. Cfao decided to give scholarships to the children of non-management employees to help them to pursue their secondary studies. After eight years of work in 25 countries, this programme has given scholarships to 540 children. In June 2008, around 30 of the programme's charter members, graduated from secondary school. The programme now hopes to extend its work to granting scholarships for higher education.

In Morocco, Cfao conducted a literacy campaign for 30 employees through a partnership with the Office National de Formation and the *Institut Français d'Agadir*. Due to its success, the programme will be renewed in 2009.

In 2008, Boucheron continued to support the "*Sport dans la Ville*" association, which encourages disadvantaged young people's social and professional integration through sport, and it participated for the second consecutive year in the inter-company "Golden Goal" football tournament.

## Health

After education, health is Cfao's second priority area. For the past few years, it has been steadfast in the fight against HIV/AIDS. As part of this commitment, since 2003, Cfao has been developing a programme to fight against HIV-AIDS, to inform and educate employees and their families about the disease, to promote and organise voluntary testing sessions and to provide medical and psychological assistance to those who have tested positive, in the 30 countries in which it works. At the end of December 2008, most countries covered by the programme held informative and educational sessions, with prevention efforts conducted in 85% of countries and testing performed in around 15 of the countries.

In 2008, Cfao's programme against HIV-AIDS directly involved 9,000 employees, and 40,000 people were indirectly involved if employees' dependents are included. The fight against the disease does not stop at the Company's doors. The effort also includes more than 550 trained peer educators, over 40,000 condoms distributed each month and 140 persons under medical care, of which half receive anti-retroviral treatments.

In 2008, Cfao provided a €35,000 grant to build a clinic in Kenya, as part of a broad project to benefit those living with HIV-AIDS and AIDS orphans. This project provides access to high-quality health services, education and the development of activities that allow women to earn a living. In addition, in 2008, Cfao supported ABS, the *Association Burkinabé de Solidarité*, which works to prevent transmission of STIs, HIV and AIDS among workers and craftspeople in Burkina Faso. The organisation set itself the objective of providing better living conditions for community members living with and/or affected by HIV-AIDS and their families. The project supported by Cfao (an €18,000 contribution) involves in aiding the 40 most impoverished children in the organisation for a 12-month period.

At the same time, Cfao is continuing to work with Sida-Entreprises to increase management awareness at large African firms, organise exchanges of best practices and help the companies with their programmes.

The Luxury brands supported or organised a number of events in 2008, primarily in the fight against HIV-AIDS and cancer and to help women and children:

- since 2005, Gucci has been working with *Unicef*, which supports programmes to provide medical care and education and to protect AIDS orphans and children suffering from HIV-AIDS in Sub-Saharan Africa as well as water purification programmes. The 2008 campaign will once again focus on help programmes for children in Malawi and Mozambique, where more than one million children have been orphaned due to the HIV/AIDS pandemic;
- a charity dinner held in New York in February 2008, co-organised by Frida Giannini and Madonna, raised $2.7 million for Unicef. The event also collected a sum of $2.7 million for *Raising Malawi*;
- Bottega Veneta donated products to various organisations in Europe, the US and Asia-Pacific, such as *San Patrignano*, a shelter for young drug addicts, and the *Elton John Aids Fund*, which raises money for education programmes that focus on HIV-AIDS prevention and the fight against prejudice towards those living with the disease;
- Sergio Rossi supported *Monkeybiz*, a South African non-profit organisation founded eight years ago to foster the employment and independence of women from disadvantaged backgrounds in Cape Town. This organisation provides jobs for over 450 women, most of whom come from shanty towns and are HIV-positive. The women produce unique handmade crafts made of beaded embroidery according to the traditional techniques. All profits from the sale of these items are reinvested in community services;
- in October 2008, Stefano Pilati, Creative Director for Yves Saint Laurent, and Nicolas Ghesquière, Creative Director for Balenciaga, designed a "Minnie by 80 Designers" Minnie Mouse doll that was sold in an auction held by Christie's to benefit *"Les Amis de la Maison de Solenn"*, an organisation that works to fight eating disorders.

## Access and support for culture

To encourage general access to culture and technology, in 2008, Fnac initiated a solidary discount sale with SolidarCité. Through a partnership with two non-profit organisations, *Emmaüs* and the *Secours populaire français*, and with the City of Dijon, the organisations' beneficiaries and Dijon residents were able to purchase items at a low cost. Thanks to the efforts of Fnac employees from the Dijon shop, the head office and the logistics site, new, used and repaired cultural and high-tech products were sold to over 1,000 visitors at this day-long event, which raised a total of €10,000. The full proceeds were donated to the two organisations.

SolidarCité and Fnac invited *Groupement des Intellectuels Aveugles and Amblyopes (GIAA)* and *Lire dans le Noir* to participate in an event dedicated to the vision-impaired population's access to reading in May 2008. A round table discussion was held to raise public awareness of vision-impaired individuals' difficulty accessing published works. The GIAA recruited volunteer readers by promoting audio books and a mechanism that can be easily installed on a computer for at-home recording. Following these awareness-building actions, PPR decided to make all of its press releases published on its Internet site accessible in French and English audio versions.

In addition, for the "*Prix Fnac des premières lectures*", a prize awarded to encourage reading, Fnac worked closely with *apfÉE,* which pairs municipalities and schools to implement "*Coup de Pouce CLÉ*", which strives to prevent reading difficulties among young readers. This tool provides specific assistance for primary school children who are not given enough encouragement at home after school. Over 6,200 pupils participated in the latest edition in close cooperation with local *apfEE* coordinators. In 2008, Fnac also continued its 20-year partnership with the French Ministry of Education and its support of the "*Académie Goncourt*" for the "*Prix Goncourt des lycéens*".

Through its work with its brands, Gucci Group continued its ambitious programme to support culture.

For the third consecutive year, Gucci Group gave out its "Gucci Group Award", developed in cooperation with the Venice Film Festival, to Steve McQueen for his film "Hunger". The award is given to an internationally-renowned artist of any kind who has made an extraordinary contribution to film over the past 18 months.

In 2008, Gucci continued its support for cinematographic creation through: grants to the *Ambulante Gira de Documentales* organisation in support of Mexican documentary directors; creation of the Gucci Tribeca Documentary Fund to finance documentary films that deal with major social issues; a three-year partnership with the *Film Foundation*, a non-profit organization founded in 1990 by a group of filmmakers led by Martin Scorsese and dedicated to educating the public about the importance of film conservation and raising funds to save damaged cinematographic treasures.

Finally, in 2008, Bottega Veneta continued its work with the "*Scuola della Pelletteria*", a school founded to develop leather goods training in the Veneto region. In 2008, after completing a two-year curriculum, 14 students received degrees and left the school with expert leather-working know-how.

In the same spirit, in 2008, Sergio Rossi formed a partnership with the University of Bologna to create a purely Italian master's degree programme.

More broadly, in 2008, all the Gucci Group's brands renewed their commitment to donate products to auctions held to benefit charity organisations, following the example of Yves Saint Laurent, Alexander McQueen and Balenciaga.

## The Télémaque Institute

The Télémaque Institute (formerly the Télémaque Foundation) was created by PPR Group in 2005. This institute supports gifted, motivated secondary-school students from disadvantaged backgrounds, enrolled in priority education courses and sandwich courses. The Institute's goal is to give these young people all the chances they deserve, helping to re-establish social mobility. Until their last year of secondary school, those selected for the programme benefit from double tutoring and financial support. This double tutoring is supported by a school representative, a volunteer educator from the student's school and a corporate tutor, a volunteer employee from one of the Télémaque Institute's partner companies. This volunteer employee serves as a social facilitator, by helping the student, providing support with classes, opening horizons and giving the student access to company networks.

When the Télémaque Institute was founded in 2005, PPR donated an initial amount of €631,500 for the project, enough to support 35 young people through their last year of secondary school.

The Télémaque Institute currently has 14 partner companies: PPR, Total, AXA, Darty, Schneider Electric, Rexel, Technip, Adecco, Accor, UBS, SFR, La Poste, IBM and Veolia. Around 200 employees have signed up to become mentors, including 29 PPR Group employees for the year ended December 31, 2008. At the end of 2008, the Télémaque Institute had worked with 200 students and had set an objective of 250 beneficiaries by the end of 2009.

# NRE – Global Compact comparison

| 2008 Reference Document, CSR Section | Pages | Articles NRE R. 225-104 of the French commercial code (labour indicators) | Articles NRE R. 225-105 of the French commercial code (environmental indicators) | Principles of the Global Compact |
|---|---|---|---|---|
| A longstanding commitment to CSR | 58 | | | |
| A unique, dedicated CSR organisation | 60 | | | |
| 2008 highlights | 60 | § 1°a | | |
| 2008 key figures | 61 | | | |
| The Group's human resources profile | 62 | § 1°a; § 1°b; § 2°; § 5° | | |
| **PRIORITY 1 – Enhance employability through skills management and training** | | | | |
| Enhance employee skills and talents | 69 | § 1°a; § 6° | | |
| Evaluate | 74 | | | |
| Develop | 75 | § 1°b | | |
| Remuneration and employee benefits | 75 | § 3° | | |
| Listen and engage with the labour environment | 76 | § 4° | | Principle 3 |
| **PRIORITY 2 – Train each manager on diversity issues** | | | | |
| A commitment undertaken at the highest level | 78 | § 7° | | Principle 6 |
| Inter-company management | 78 | | | Principle 6 |
| An approach based on analysis and performance monitoring | 79 | § 3° | | Principle 6 |
| Awareness-raising and training | 79 | | | |
| Equal opportunities in the human resources process: from recruitment to career management | 80 | | | Principle 6 |
| The involvement of labour and management | 80 | | | Principle 6 |
| **PRIORITY 3 – Integrate CSR criteria into the supplier selection process** | | | | |
| The cornerstones of PPR's commitment to its partners | 81 | § 9° | | Principles 1; 2; 3; 4; 6; 10 |
| Promoting respect for human, social and environmental rights to suppliers | 83 | § 9° | | Principles 1; 2; 3; 4; 5; 6 |
| Internal and external supplier evaluation | 84 | § 9° | | Principles 1; 2; 3; 4; 5; 6 |
| Support for social inclusion via the sheltered sector and economic activity | 89 | § 9° | | |
| **PRIORITY 4 – Monitor and limit transport-related $CO_2$ emissions** | | | | |
| Environmental management at PPR | 90 | | § 1°; § 6°; § 9° | Principles 7; 8; 9 |
| Transport and related CO2 emissions | 93 | | § 1° | Principles 7; 8; 9 |
| **PRIORITY 5 – Reduce the environmental impact of shops and infrastructure** | | | | |
| Intensification of measures | 97 | | § 1° | Principles 7; 8 |
| Energy consumption and related $CO_2$ emissions | 98 | | § 1° | Principles 7; 8; 9 |
| Raw material optimisation | 100 | | § 1° | Principles 7; 8 |
| Waste management | 105 | | § 1°; § 6° | Principles 7; 8 |
| Evaluating and managing environmental risks | 109 | | § 1°; § 3°; § 6° | Principles 7; 8 |
| **PRIORITY 6 – Promote responsible products and usage** | | | | |
| Product quality and traceability | 111 | | § 2°; § 4° | Principle 8 |
| Development of responsible products | 114 | | | Principles 8; 9 |
| Responsible and supportive customers | 116 | § 8° | | Principle 8 |
| **PRIORITY 7 – Implement solidarity programmes related to companies' business activity** | | | | |
| Commitments at PPR Group level | 118 | § 8° | | |
| Challenges that unite the companies | 120 | § 8°; § 9° | | |

# Statutory Auditors' Report

## on the application of reporting procedures for a selection of performance indicators published in PPR Group's reference document (fiscal year ended December 31, 2008)

At your request and in our capacity as Statutory Auditors of PPR Group (hereinafter referred to as "the Company"), we have carried out the procedures described below regarding the reporting process for a selection of environmental, human resources and social performance indicators published in the "Human Resources and Environmental Responsibility" chapter of the company reference document ("document de reference") for fiscal year 2008.

This reporting process has been defined and applied by the PPR Group under the responsibility of the Corporate Social Responsibility Department, in accordance with its social and environmental reporting procedures.

**I. Nature and scope of our work**

We have performed the agreed-upon procedures detailed below on the selected indicators (1) reported for a selection of brands.

- We analysed the reporting procedures and the organisation implemented by PPR to collect, validate and aggregate the data, and we assessed the reporting procedures in terms of relevance, completeness, reliability, neutrality and understandability in accordance with the reporting protocol.
- We interviewed the PPR correspondents and employees responsible for the collection and aggregation of the selected performance indicators at Group level and for a selection of brands:
  - Puma for selected human resources indicators;
  - Conforama for selected environmental indicators related to energy consumption, and social indicators (only social audits);
  - Redcats for selected environmental indicators related to transport;
  - Cfao for selected human resources indicators and for environmental indicators related to energy consumption;

  in order to assess the level of understanding and the implementation of the Group reporting procedures by these brands.
- We performed arithmetic tests, on a sampling basis, on the methods used to calculate the energy performance indicators for the Auxerre store of Conforama, and we performed consistency checks on the aggregation of the performance indicators.

The procedures we performed were not intended to provide moderate nor reasonable assurance on the application of the reporting procedures or the performance indicators themselves, and therefore they did not include all the procedures that would have been performed as part of an audit or a limited review. However, they have enabled us to report the following findings on the reporting procedures of the brands we visited.

*(1) Human Resources: Total workforce registered on December 31st 2008, Breakdown of total workforce registered on December 31st 2008 between men and women, Annual wage bill, Total social security contributions, Number of annual training hours, Number of occupation accidents (excluding fatalities) resulting in sick leaves, Number of disabled employees registered.*
*Social: Number of volunteer leaves granted to Group employees, Implementation of the communication campaign regarding Handicap/Diversity, Number of social audits conducted with the Group's suppliers, Results of the audits performed in 2008.*
*Environment: Energy consumption (including electricity, fuel and gasoil, natural gas, steam and coal), $CO_2$ emissions related to the energy consumption (electricity, fuel and gasoil, natural gas, steam and coal), Activity level for each transport mode (road, sea, rail, river and air), CO2 emissions related to each transport mode (road, sea, rail, river and air).*

**II. Findings**

- The reporting organisation with contributors and internal validators defined at each level has been implemented for the environmental, human resources and social indicators.
- Reporting protocols have been defined for the selected human resources and environmental indicators. These protocols specify the indicator definitions, the methods used for data collection and indicator calculation, and some controls to be performed on the data.

As part of a continuous effort to improve PPR's sustainable development reporting, the quality and the reliability of the data published could be enhanced by the following actions:

- formalize the reconciliations between environmental target perimeter and social perimeter with the financial perimeter, and gradually extend the environmental reporting perimeter to the full financial perimeter of PPR;
- reinforce controls at brand level and entity level, in particular for the "Energy consumption" performance indicators for which some errors of application for the reporting protocol have been observed and resolved;
- continue to increase the contributors' awareness of the necessity to archive and trace all source data and to formalize all the calculations performed.

Neuilly-sur-Seine and Paris La Défense, March 11, 2009

The Statutory Auditors

| Deloitte & Associés | | KPMG Audit<br>*Département de KPMG SA* | |
|---|---|---|---|
| Antoine de Riedmatten | Éric Dugelay | Patrick-Hubert Petit | Philippe Arnaud |

# 4 Financial information


**2008 ACTIVITY REPORT** 128

Foreword - definitions 128
2008 Highlights 129
Comments on activity in 2008 131
Analysis of operating performances by division 136
Comments on the financial structure 147
Dividend 153
Subsequent events 154
Outlook 154

**INVESTMENT POLICY** 155

Financial investments 155
Operating investments 157

**RISK MANAGEMENT** 159

Financial risks 159
Legal risks 161
Insurance risks 162
Business-related risks 163

**CONSOLIDATED FINANCIAL STATEMENTS** 165

Consolidated Income Statement 165
Consolidated balance sheet 166
Consolidated cash flow statement 167
Consolidated statement of changes in shareholders' equity 168
Consolidated Statement of recognised income and expense 169

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** 170

**STATUTORY AUDITORS' REPORT** 254

**PARENT COMPANY FINANCIAL STATEMENTS** 256

Balance sheet assets 256
Balance sheet liabilities and shareholders' equity 257
Income statement 257
Statement of cash flow 258
Change in shareholders' equity 258
Notes to the financial statements 259
Subsidiaries and investments 272
Securities portfolio at December 31, 2008 274

**PARENT COMPANY MANAGEMENT REPORT** 275

Share capital transactions 276
Results over the past five years 286

**REPORT OF THE STATUTORY AUDITORS** 287

**SPECIAL REPORT OF THE STATUTORY AUDITORS** 288

# 2008 Activity Report

## FOREWORD - DEFINITIONS

### IFRS 5 – Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 – *Non-current assets held for sale and discontinued operations,* the Group has presented certain activities as "discontinued operations, sold or to be sold." The net income of these activities is shown under a separate income statement heading, "Net income from discontinued operations", and restated in the cash flow statement and the income statement over all published periods.

The assets and liabilities arising from "operations sold or to be sold" are presented on separate lines in the Group's balance sheet, without restatement for previous periods.

The assets and liabilities arising from "discontinued operations" are not presented on separate lines in the balance sheet.

In 2008, YSL Beauté, which was sold to L'Oréal during the year, and Bédat, whose business is to be sold, were presented in accordance with IFRS 5. Consequently, the "Discontinued operations" heading of the income statement includes both these transactions as well as those from previous years, notably Redcats USA's "Missy" division, Empire Stores' "Agency" business sold by Redcats UK, Conforama Poland and Surcouf (see Note 13 to the consolidated financial statements).

### Definition of "actual" and "comparable" revenue

The Group's actual revenue corresponds to reported revenue. Non-Group revenue is defined as the revenue from each company or brand, after elimination of inter-company sales.

The Group also uses the concept of "comparable" figures, which enables it to measure its organic growth. "Comparable" revenue figures restate 2007 revenue for the impact of changes to Group structure in 2007 or 2008 and translation differences relating to foreign subsidiaries' revenue in 2007.

### Definition of Group consolidated net indebtedness

Net indebtedness comprises gross indebtedness, including accrued interest receivable, less net cash, as defined by French National Accounting Council recommendation No. 2004-R.02 of October 27, 2004.

Net indebtedness includes fair value hedging instruments recorded in the balance sheet that relate to bank borrowings and bonds whose exchange rate risk is fully or proportionally hedged as part of a fair value relationship (see Note 31 to the consolidated financial statements).

For the fully consolidated consumer credit businesses, customer loan financing is presented under borrowings. Group net indebtedness excludes the financing of customer loans by consumer credit businesses.

### Definition of EBITDA

The Group uses EBITDA, the management line item, to monitor its operating performance. This financial indicator corresponds to recurring operating income and depreciation, amortisation and provisions for non-current operating assets recognised in recurring operating income.

### Definition of free cash flow from operations and available cash flow

The Group also uses an intermediate aggregate, free cash flow from operations, in order to monitor its financial performance. This financial indicator measures net operating cash flow less net operating investments (defined as purchases and sales of property, plant and equipment and intangible assets).

Available cash flow corresponds to free cash flow from operations and interest and dividends received less interest paid and equivalent.

# 2008 HIGHLIGHTS

## Sale of YSL Beauté

Perfume, make-up and cosmetics are vital to the success of a worldwide Luxury Goods brand. Wishing to optimise Yves Saint Laurent's potential in this category, PPR struck a strategic alliance with L'Oréal, the world leader in this industry.

In the first half of 2008, PPR signed an agreement with L'Oréal regarding YSL Beauté, under which:

- the use of the Yves Saint Laurent and Boucheron brands in the field of perfumes and cosmetics was entrusted to L'Oréal in the form of a very long-term, exclusive worldwide licence, on market terms;
- licences for perfumes and cosmetics of the Stella McCartney, Oscar de la Renta and Ermenegildo Zegna brands were transferred to L'Oréal;
- the brands of YSL Beauté Group, including its Roger & Gallet subsidiary, were sold to L'Oréal at a price that reflected an enterprise value of €1,150 million.

The Yves Saint Laurent, Boucheron and Stella McCartney brands remain the property of the PPR Group.

With this agreement, PPR has reasserted its ambition to continue developing its Luxury Goods brands. L'Oréal will secure and accelerate the worldwide growth and influence of Yves Saint Laurent in the perfume, make-up and cosmetics industry. A unique development platform will also be offered to Boucheron and Stella McCartney.

After consulting with the employees' representative bodies and following approval from the competition authorities, YSL Beauté was transferred to L'Oréal on June 26, 2008 in exchange for the cash payment of the transaction price.

## Sale of non-essential activities

In February 2008, Conforama entered into a memorandum of understanding for the sale of its Polish subsidiary to Leroy Merlin for an enterprise value of €45 million. The sale was completed in June 2008, after receiving approval from the competition authorities.

As part of the simplification of its activities, in July 2008 Redcats UK sold its portfolio of trade receivables and a portion of inventory relating to its Empire Stores operations. Redcats USA also completed the sale of Missy, its women's ready-to-wear business, to a US investment fund in July 2008.

## Acquisition of a stake in Girard-Perregaux

In June 2008, PPR announced the agreement of a long-term strategic partnership with Sowind Group, the owner of the Swiss brands of Luxury timepieces, Girard-Perregaux and JeanRichard.

Under the agreement, PPR took a 23% stake in Sowind Group. A shareholders' agreement was also arranged that allows for the possibility of PPR increasing its stake in the company, which remains under the control of Luigi Macaluso.

This strategic agreement partnership embodies the vision shared by both companies on the prospects for long-term growth in the *Haute Horlogerie* sector. It will allow PPR and Girard-Perregaux to combine their know-how and knowledge base on R&D, design, brand management and on distribution networks and sourcing.

This long-term alliance gives Girard-Perregaux, one of the last independent Swiss watchmakers, and the JeanRichard brand the means to fully exploit their potential to grow and innovate by teaming up with one of the major players in the Luxury Goods industry.

For PPR, the agreement reaffirms Gucci Group's goal of developing in the *Haute Horlogerie* segment, one of the most promising Luxury Goods markets. Gucci Group's brands will thus benefit from outstanding watch-making expertise and obtain new sources for timepiece components.

## Intensification and restructuring of Corporate Social Responsibility policy

PPR has had an active corporate social responsibility policy for more than ten years. This commitment has a key role in the Group's economic success, internal motivation and appeal as an employer and the Group has now set up a fully-fledged corporate social responsibility (CSR) department headed by a member of the Executive Committee who reports directly to the office of the Chairman. A PPR Corporate Social Responsibility Committee has also been set up with members drawn from the Group's Executive Committee.

The setting up of this department underlines PPR's firm commitment to intensify its efforts on sustainable development based around seven key priorities:

- to develop employability through skills management and training;
- to train each manager on diversity issues;
- to include CSR criteria when choosing suppliers;
- to measure and limit transport-related $CO_2$ emissions;

- to reduce the environmental impact of stores and infrastructures;
- to promote responsible products and practices;
- to set up solidarity programmes in cooperation with the activity of companies.

## Renewal of PPR's Executive Committee

PPR has always been able to attract and keep the best talent and to support the development of key women and men within the Group. This applies at all levels of the organisation and most of all to the management teams.

Over the last twelve months four new members have joined PPR's Executive Committee, one recruited from outside the Group and three promoted internally. Christophe Cuvillier, previously Chairman and CEO of Conforama took over as Chairman of Fnac in March 2008. He was replaced at Conforama by Thierry Guibert, previously Executive VP International and Development at Fnac. Philippe Decressac took over as PPR's Head of Human Resources in November 2008, the role he previously held in Fnac. PPR also announced on February 11, 2009 the appointment of Jean-Michel Noir as Chairman and CEO of Redcats with a seat on PPR's Executive Committee. Previously Jean-Michel Noir was Chief Operating Officer of Vivarte Group. He will join Redcats at the start of April 2009.

## Plans to relaunch and restore competitiveness

On October 21, 2008, La Redoute submitted to its Works Council a recovery plan designed to restore competitiveness and guarantee the company's future and development. The project involves streamlining all head office services, restructuring its network of contact points with customers and outsourcing the handling of mail orders.

In December, Sergio Rossi decided to concentrate its US operations on indirect sales to third-party distributors. The brand has therefore drawn up plans to shut down all its directly-operated American stores. The Los Angeles store was closed in December. The four other US stores will cease trading in the first quarter of 2009.

Conforama continues to adapt its international strategy and on December 16, 2008 announced the restructuring of its Italian business and a streamlining of its organisation in Spain and Portugal. In Italy, four stores are to close and administrative functions will be reorganised. The central services in Spain and Portugal will be merged to pool support functions and reinvigorate the Group's commercial drive in both countries.

# COMMENTS ON ACTIVITY IN 2008

The main indicators extracted from PPR's 2008 consolidated financial statements show a favourable trend:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Revenue | 20,201.2 | 19,098.2 | +5.8% |
| EBITDA | 2,140.6 | 2,005.5 | +6.7% |
| *as a % of revenue* | *10.6%* | *10.5%* | *+0.1 pt* |
| Recurring operating income | 1,721.2 | 1,633.7 | +5.4% |
| *as a % of revenue* | *8.5%* | *8.6%* | *(0.1 pt)* |
| Net income attributable to equity holders of the parent | 924.2 | 922.3 | +0.2% |
| Net income from continuing operations excluding non-recurring items attributable to equity holders of the parent | 875.2 | 874.6 | +0.1% |
| Gross operating investments | 592.7 | 573.1 | +3.4% |
| Free cash flow from operating activities | 1,004.4 | 1,345.5 | (25.4%) |
| Shareholders' equity | 10,691.1 | 10,661.5 | +0.3% |
| *o/w attributable to equity holders of the parent* | *9,434.2* | *9,218.2* | *+2.3%* |
| Net financial indebtedness | 5,510.4 | 6,121.3 | (10.0%) |
| Average number of employees | 76,927 | 70,503 | +9.1% |

## Proforma financial indicators

PPR's consolidated financial statements for the year ended December 31, 2007 include the full consolidation of Puma as of April 1, 2007 and United Retail as of November 1, 2007. The proforma indicators below reflect the impact that the consolidation of these two entities as of January 1, 2007 would have had on the PPR Group.

| *(In € million)* | Proforma 2008 | Proforma 2007 | Change |
|---|---|---|---|
| Revenue | 20,201.2 | 20,014.9 | +0.9% |
| EBITDA | 2,140.6 | 2,152.3 | (0.5%) |
| *as a % of revenue* | *10.6%* | *10.8%* | *(0.2 pt)* |
| Recurring operating income | 1,721.2 | 1,762.6 | (2.3%) |
| *as a % of revenue* | *8.5%* | *8.8%* | *(0.3 pt)* |
| Free cash flow from operating activities | 1,004.4 | 1,357.7 | (26.0%) |

On a comparable exchange rate basis (i.e. converting 2007 aggregates to average 2008 exchange rates), PPR's proforma revenue totals €19,767 million for 2007 and pro-forma recurring operating income amounts to €1,660 million, for a profitability rate at 8.4%.

## Revenue (from continuing operations)

Consolidated revenue from continuing operations amounted to €20,201 million in 2008, up 5.8% in reported terms and 2.2% on a comparable basis compared with 2007:

| *(In € million)* | 2008 | 2007 | Actual % change | Comparable % change (1) |
|---|---|---|---|---|
| Redcats | 3,698.7 | 3,764.5 | (1.7%) | (5.5%) |
| Fnac | 4,587.4 | 4,583.5 | +0.1% | +0.0% |
| Conforama | 3,167.8 | 3,313.0 | (4.4%) | (4.7%) |
| Cfao | 2,864.0 | 2,534.7 | +13.0% | +13.6% |
| Puma | 2,524.2 | 1,717.6 | +47.0% | +8.5% |
| Luxury Goods Division | 3,379.9 | 3,204.6 | +5.5% | +8.1% |
| Eliminations and other | (20.8) | (19.7) | nm | nm |
| **PPR – Continuing operations** | **20,201.2** | **19,098.2** | **+5.8%** | **+2.2%** |

*(1) On a comparable Group structure and exchange rate basis.*

In 2008, the global economy suffered a shock of massive proportions, marked by an unprecedented financial crisis, a sustained slowdown in the economies of all of PPR's historic markets and a downturn in consumer spending that gathered pace as the year progressed.

The deterioration in market environments worsened quarter after quarter in 2008. Compared with the same period in 2007, activity in the last three months of the year was virtually unchanged in real terms (+0.1%) and edged down slightly (-1.5%) on a comparable Group structure and exchange rate basis. The final quarter accounted for 28.1% of total revenue in 2008 (compared with 29.7% a year earlier). On a comparable Group structure and exchange rate basis, consolidated Group revenue advanced by 4.1% in the first quarter of 2008, 5.2% in the second quarter and 1.8% in the third quarter.

The Luxury Goods division accounted for 16.7% of PPR's consolidated revenue in 2008 (15.8% on a comparable basis in 2007), while Puma accounted for 12.5% (11.8% on a comparable basis in 2007).

Change in revenue includes a positive impact amounting to €923 million from change in Group structure. This stems primarily from the consolidation of Puma as of April 1, 2007, adding €656 million, and the consolidation of United Retail as of November 1, 2007, adding €264 million.

Leaving aside in the fourth quarter, exchange rate fluctuations had an adverse impact totalling €247 million on 2008 revenue, of which €162 million stemmed from the US dollar's decline against the euro (48.3% for Redcats, 32.3% for the Luxury Goods division and 17.5% for Puma) and €66 million linked to Sterling's depreciation against the euro (46.6% for Redcats, 34.7% for the Luxury Goods division and 18.7% for Puma).

In addition, revenue from discontinued operations amounted to €748 million in 2008 (which consisted chiefly of €299 million for YSL Beauté, €225 million for Surcouf and €123 million for Redcats Missy).

## Revenue by geographical area

| *(In € million)* | 2008 | 2007 | Actual % change | Comparable % change (1) |
|---|---|---|---|---|
| France | 7,859.7 | 8,033.4 | (2.2%) | (2.8%) |
| Europe excluding France | 4,957.5 | 4,722.9 | +5.0% | +0.6% |
| North and South America | 2,806.4 | 2,453.9 | +14.4% | +2.8% |
| Africa | 2,445.2 | 2,118.5 | +15.4% | +14.9% |
| Oceania | 282.8 | 250.8 | +12.8% | +6.7% |
| Asia | 1,849.6 | 1,518.7 | +21.8% | +13.2% |
| **PPR – Continuing operations** | **20,201.2** | **19,098.2** | **+5.8%** | **+2.2%** |

*(1) On a comparable Group structure and exchange rate basis.*

In 2008, Group revenue generated outside France amounted to €12,342 million. This represents an increase of 11.5% in reported terms and 5.6% on a comparable Group structure and exchange rate basis. The weight of the Group's international activity continued to increase. It accounted for 61.1% of total revenue in 2008, compared with 59.1% in the previous year (on a comparable Group structure and exchange rate basis).

The Group's balance in terms of geographical presence and sales formats makes it more resilient to fluctuations in the economic environment. Except for France, all major geographic areas enjoyed growth over the year. Importantly, the Group is becoming less reliant on the European economy. Revenue generated outside Europe advanced by 16.4% in 2008 (+9.3% on a comparable Group structure and exchange rate basis) and now accounts for 36.6% of total Group revenue, 2.4 points more than as of December 31, 2007 (on a comparable Group structure and exchange rate basis).

## Online revenue

In 2008, online revenue from the Group's continuing operations totalled €1,928 million, an increase of 8.8% in reported terms compared with 2007, or growth of 10.3% on a comparable Group structure and exchange rate basis.

In 2008, e-commerce accounted for 9.5% of total Group revenue, compared to 8.8% in 2007 on a comparable Group structure and exchange rate basis.

## Gross profit and recurring operating expenses

In 2008, the Group's gross profit from continuing operations totalled €8,815 million, an increase of 6.1% on a reported basis compared with 2007. The gross margin represented 43.6% of revenue in the year ended December 31, 2008, a 0.1 point improvement compared with the previous year.

Exchange rate fluctuations had a significant impact on gross profitability in 2008. In pro-forma terms and on a comparable exchange rate basis, PPR's gross profitability increased by 3.1% compared with 2007, and the gross margin rate firmed by 0.3 point.

In reported terms, recurring operating expenses increased by 6.3% in 2008. In pro-forma terms and on a comparable exchange rate basis, they were up 3.0%, increasing at a slower pace than gross profit. This provides further demonstration of the efficiency of measures taken by the Group and the capacity of its teams to contain increases in operating expenses:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Sales and marketing expenditure | (1,474.6) | (1,397.6) | +5.5% |
| Marketing expenses | (3,637.0) | (3,376.4) | +7.7% |
| Other operating income and expenses | (1,982.5) | (1,897.7) | +4.5% |
| **PPR – Continuing operations** | **(7,094.1)** | **(6,671.7)** | **+6.3%** |
| *of which payroll expenses* | *(2,803.0)* | *(2,695.7)* | *(4.0%)* |

In pro-forma terms, sales and marketing expenditure was up 0.6% compared with 2007. Marketing expenses increased by 2.0% and Other operating income and expenses rose by 0.1%.

The Group's payroll expenses increased by 4.0% in reported terms over the period, but declined by 0.6% in pro-forma terms. In 2008, the productivity rate, which measures payroll expenses as a percentage of gross profitability, increased by 0.7 point in reported terms and 0.3 point in pro-forma terms.

The Group had an average headcount of 76,927 in 2008 (compared with 70,503 in 2007 in real terms and 75,153 in pro-forma terms).

Over the year and in pro-forma terms, the average headcount fell at Conforama and Redcats. It remained virtually unchanged at Fnac and increased at Cfao (+2.7%), Puma (+14.0%) and Gucci Group (+11.7%).

Depreciation, amortisation and provisions on non-current operating assets totalled €419 million in 2008, up 12.8% in reported terms and 7.6% in pro-forma terms compared with 2007. This reflects the continuation of PPR's investment programmes at a high level.

## EBITDA

2008 EBITDA amounted to €2,141 million, a 6.7% increase in reported terms compared with 2007:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Redcats | 165.9 | 233.0 | (28.8%) |
| Fnac | 265.1 | 273.6 | (3.1%) |
| Conforama | 183.2 | 230.0 | (20.3%) |
| Cfao | 313.9 | 262.9 | +19.4% |
| Puma | 406.3 | 272.5 | +49.1% |
| Luxury Goods Division | 858.9 | 788.3 | +9.0% |
| Holding companies and other | (52.7) | (54.8) | +3.8% |
| **PPR – Continuing operations** | **2,140.6** | **2,005.5** | **+6.7%** |

EBITDA as a percentage of revenue was up 0.1 point at 10.6% in reported terms in 2008.

Compared with 2007 and in pro-forma terms, EBITDA totalled €2,152 million, and the EBITDA margin stood at 10.8%. In pro-forma terms and on a comparable exchange rate basis, Group EBITDA was up 4.8% in 2008, and the EBITDA margin firmed by 0.3 point.

## Recurring operating income

The Group's recurring operating income amounted to €1,721 million in 2008. This represented an increase of 5.4% compared with 2007 in reported terms:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Redcats | 114.1 | 186.6 | (38.9%) |
| Fnac | 185.8 | 199.0 | (6.6%) |
| Conforama | 118.2 | 167.5 | (29.4%) |
| Cfao | 276.7 | 232.3 | +19.1% |
| Puma | 349.7 | 236.0 | +48.2% |
| Luxury Goods Division | 731.0 | 668.8 | +9.3% |
| Holding companies and other | (54.3) | (56.5) | +3.9% |
| **PPR – Continuing operations** | **1,721.2** | **1,633.7** | **+5.4%** |

PPR's recurring operating margin came to 8.5% in 2008, virtually unchanged compared with 2007.

In pro-forma terms in 2007, the Group's recurring operating income amounted to €1,763 million, representing a recurring profitability rate of 8.8%.

The foreign exchange climate had an adverse effect in 2008 stemming from exchange rate fluctuations on sales and purchases for the Group's import and export companies, from the hedging policy with respect to the Group's business exposure to various currencies and, lastly, from the translation of recurring operating income for subsidiaries operating outside the eurozone.

On a comparable exchange rate basis, recurring operating income advanced by 12.0% in 2008 compared with 2007, and operating profitability gained 0.4 point. Similarly, in pro-forma terms and on a comparable exchange rate basis, PPR's recurring operating income increased by 3.7% and the profitability rate improved by 0.1 point.

## Other non-recurring operating income and expenses

Other non-recurring operating income and expenses includes unusual items, particularly with respect to their frequency, nature or amount, liable to cloud the assessment of the Group's operating performance.

In 2008, other non-recurring operating income and expenses represented a net charge of €361 million. This includes the following items:

- asset impairments totalling €237 million, relating mainly to goodwill on Conforama Italy (€122 million) and Redcats USA (€82 million);
- restructuring charges amounting to €128 million. These charges mainly concern Redcats (restructuring for La Redoute in France and cost-cutting programmes in Scandinavia and the US), Conforama (restructuring in Italy, optimisation of the organisation in Spain and Portugal, and streamlining of operations in France), Fnac (restructuring of outlets outside France), Gucci Group (closure of Sergio Rossi outlets in the US and optimisation of structures at Gucci) and Puma (reorganisations and store closures);
- net proceeds from the disposal of operating assets totalling €23 million.

For the year ended December 31, 2007, other non-recurring operating income and expenses represented a gain of €103 million. This included mainly net proceeds from the disposal of operating and financial assets totalling €222 million (chiefly the capital gain on the disposal of Kadéos), asset impairments totalling €97 million and €26 million in restructuring costs.

## Net financial expenses

The Group's net financial expenses in 2008 break down as follows:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Cost of net financial indebtedness | (362.8) | (279.4) | +29.8% |
| Other financial income and expenses | (9.9) | (30.2) | (67.2%) |
| **PPR – Continuing operations** | **(372.7)** | **(309.6)** | **+20.4%** |

In 2008, the cost of net financial indebtedness rose by 29.8% compared with 2007. Over the period, PPR's average net indebtedness increased by 21.9% compared with the previous year, owing mainly to:

- debt contracted to acquire Puma, borne over the full 12 months in 2008 but only part of the year in 2007;
- the recognition of the gain on the disposal of YSL Beauté in June 2008;
- impacts stemming from the Group's free cash flow generation cycle.

Against a broad backdrop of fluctuating interest rates, the increase in the cost of PPR's net indebtedness (approximately 40 basis points) was contained in 2008 by an active policy aimed at reinforcing gross fixed-rate borrowings (64.6% as of December 31, 2008) and from the positive sentiment of the Group's financial backers with respect to its credit quality.

In the 12 months to December 31, 2008, the favourable impact from the mark-to-market valuation of currency hedging instruments helped limit the net impact of other items making up net financial expense.

## Corporate income tax

The Group's 2008 income tax charge breaks down as follows:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Tax on recurring income | (352.3) | (330.4) | +6.6% |
| Tax on non-recurring items | 17.8 | (8.1) | |
| **Total tax change** | **(334.5)** | **(338.5)** | **(1.2%)** |
| **Effective tax rate** | **33.9%** | **23.7%** | **+10.2 pts** |
| **Recurring tax rate** | **26.1%** | **25.0%** | **+1.1 pt** |

The significant increase in PPR's effective tax rate in the year ended December 31, 2008 can be attributed to non-recurring items.

Restated for the impact of these non-recurring items and the tax paid on them, the recurring tax rate increased by 1.1 point to 26.1%, due mainly to the impact of the full-year consolidation of Puma, which pays a slightly higher overall tax rate.

## Net income from continuing operations

In 2008, PPR's consolidated net income from continuing operations totalled €654 million, compared with €1,090 million in 2007.

The share of net income attributable to equity holders of the parent came to €537 million in 2008, compared with €971 million in 2007.

## Net income from discontinued operations

Discontinued operations include all assets (or groups of assets) recognised under IFRS 5 – *Non-current assets held for sale and discontinued operations.*

For the year ended December 31, 2008, net income from discontinued or sold operations amounted to €388 million (Note 13 in the consolidated financial statements). This sum includes capital gains on disposals, before tax and charges, totalling €488 million, as well as net income from discontinued operations.

For the year ended December 31, 2007, net income from discontinued operations represented a loss of €48 million, breaking down as a loss of €136 million on operations discontinued in 2007 and a profit of €88 million representing the 2007 net income from operations discontinued in 2008.

## Minority interests

Minority interests amounted to €118 million in the year ended December 31, 2008, compared with €119 million in the previous year.

Despite the fact that Puma was consolidated for the full 12 months in 2008, as opposed to only nine months in 2007, minority interests attached to it declined following additional purchases of Puma shares in 2008 (PPR's overall holding thereby increased from 63.6% as of December 31, 2007 to 69.4% as of December 31, 2008). Similarly, minority interests in the net income of the Luxury Goods division declined due to Gucci share purchases made in 2008 (PPR owned 99.8% of Gucci's share capital as of December 31, 2008, up from 99.5% as of December 31, 2007). The increase in minority interests in some of Cfao's subsidiaries partially offset these two reductions.

## Net income attributable to the equity holders of the parent

Net income attributable to equity holders of the parent totalled €924 million in 2008, up 0.2% compared with 2007.

Restated for the after-tax impact of non-recurring items, net income from continuing operations attributable to equity holders of the parent came to €875 million in 2008, up 0.1% on 2007.

## Net earnings per share

Taking into account purchases by the Group of its own shares late in 2007 and early in 2008, the weighted average number of PPR shares used to calculate net earnings per share stands at 126.0 million for 2008, compared with 128.3 million for 2007, a 1.8% reduction (Note 14 to the consolidated financial statements).

PPR's net earnings per share amounted to €7.33 in 2008, an increase of 1.9% compared with 2007. Excluding non-recurring items, net earnings per share from continuing operations advanced by 1.9% to €6.95 in the year ended December 31, 2008.

Dilutive instruments used in the calculation of net earnings per share did not have a significant impact.

# ANALYSIS OF OPERATING PERFORMANCES BY DIVISION

## Fnac

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **4,587.4** | **4,583.5** | **+0.1%** |
| **Recurring operating income** | **185.8** | **199.0** | **(6.6%)** |
| ***as a % of revenue*** | ***4.1%*** | ***4.3%*** | ***(0.2 pt)*** |
| EBITDA | 265.1 | 273.6 | (3.1%) |
| *as a % of revenue* | *5.8%* | *6.0%* | *(0.2 pt)* |
| Gross operating investment | 86.8 | 100.7 | (13.8%) |
| Average number of employees | 15,362 | 15,320 | +0.3% |

In 2008, in a very depressed economic environment, Fnac posted a solid performance. It once again demonstrated its robustness, the strength of its brand and the relevance of its business model.

In markets that deteriorated steadily and significantly throughout the year, Fnac was able to stabilise its revenue at €4,587 million in 2008 (+0.1% in reported terms and +0.0% on a comparable Group structure and exchange rate basis).

In the final quarter of the year, Fnac's sales declined by 1.5% in reported terms and 1.3% on a comparable basis, an improvement in relation to the third quarter, when sales were down 3.4% on a comparable basis. Impacted by a slowdown in consumer spending, Fnac strengthened its positions in the latter part of the year.

Fnac's revenue declined by 1.2% in France over the fiscal year in 2008, and by 1.5% in the fourth quarter. Activity was affected by the pronounced drop in sales in the Technical Products market in the second half. In this segment, Fnac nevertheless consolidated its market share, with sales down 3.0% over the year and 5.6% in the last three months of the year. Once again, Fnac won market share in Books and Publications, a difficult market in France. Book sales edged up (+1.6% over the fiscal year and +2.2% in the fourth quarter) and the decline in Music and Video sales slowed (-4.7% over the fiscal year and -3.8% in the fourth quarter).

Fnac.com enjoyed a strong year, with a significant increase in its revenue (+21.0%), in Technical Products as well as Books and Publications.

In addition, service revenues continued their swift growth, particularly with the outstanding commercial success of the new exchange guarantee.

Fnac's international expansion is proving to be a source of profitable growth. The banner's activities outside France grew by 3.0% on a comparable basis in 2008, despite slowing to -0.9% in the final quarter. They accounted for 29.5% of Fnac's revenue in the year ended December 31, 2008 (28.6% in 2007). Italy (+13.3%) and Brazil (+14.7% on a comparable basis) delivered remarkable performances. Switzerland and Portugal enjoyed robust growth. The economic downturn was felt more strongly in Spain, where business was down 3.3% over the year and 11.1% in the last three months of 2008.

Outside France, Technical Products grew by 4.4% over the year, and the banner won market share in Books and Publications (Music and Video revenue down 2.4% and Book revenue up 4.5%).

Fnac's online sales totalled €331 million in 2008, or 7.2% of total revenue, an increase of 18.3% compared with 2007, when they accounted for only 6.1% of the total. They complement in-store sales well and offer significant growth potential.

In the fourth quarter of 2008, Fnac opened five new stores outside France and three new outlets in France, in the peri-urban format. Over the fiscal year, 13 new Fnac stores opened, including four in France, one in Belgium, three in Spain, three in Portugal, one in Switzerland and one in Brazil.

Fnac's recurring operating income amounted to €186 million in 2008, a decline of 6.6% on 2007. The operating profitability rate narrowed by 0.2 point to 4.1%. This performance was achieved despite the impact of expansion programmes, which again weighed on the banner's earnings during the year.

Fnac once again made substantial productivity gains in 2008. The average headcount increased by only 42, despite the 13 new store openings. Efforts to rein in operating expenses (particularly head office expenses) were continued in 2008, with effective cost-cutting plans implemented in the second half.

In France, Fnac's recurring operating income fell in line with its revenue in 2008. The gross margin rate increased thanks to a well-targeted pricing policy and improved purchasing conditions. Further significant productivity gains were made, and efforts to bring overheads under control were intensified with a view to offsetting the costs linked to the new stores. Operating results for Fnac.com and the Ticketing business improved significantly over the period.

The recurring operating income of Fnac's foreign subsidiaries was penalised in 2008 by Spain and Portugal, where the impact of the economic downturn was greater. By contrast, Italy and Brazil posted improved results. Thanks to the optimisation of purchasing conditions, the gross margin rate firmed in all countries except Brazil, where the product mix had an adverse impact. A tight rein was held on operating expenses, particularly personnel expenses, but costs relating to new stores weighed on profitability.

In 2008, despite the fact that store remodelling and opening programmes were broadly in line with those of 2007, Fnac's gross Capex were down 13.8% over the fiscal year.

## Redcats

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **3,694.6** | **3,760.6** | **(1.8%)** |
| **Recurring operating income** | **114.1** | **186.6** | **(38.9%)** |
| ***as a % of revenue*** | ***3.1%*** | ***5.0%*** | ***(1.9 pt)*** |
| EBITDA | 165.9 | 233.0 | (28.8%) |
| *as a % of revenue* | *4.5%* | *6.2%* | *(1.7 pt)* |
| Gross operating investment | 56.0 | 53.3 | +5.1% |
| Average number of employees | 17,805 | 15,529 | +14.7% |

2008 was another very depressed year in home shopping. The apparel market was hit by lower consumer spending and falling consumer sentiment, as well as erratic weather conditions. Against this backdrop, Redcats pressed ahead with the optimisation of its brand portfolio with a view to focusing on those segments of the home-shopping market where it enjoys leadership positions and to reinforcing its multi-channel strategy (Internet, catalogues, stores).

Thanks to its strong sales positions, the enviable recognition of its brands, its precious know-how and the ramp-up of the Internet, Redcats posted revenue before inter-company eliminations of €3,695 million in 2008, down 1.8% compared with the previous year. At comparable Group structure and on a comparable exchange rate basis, business was down 5.5%.

Taking into account the steep drop in activity in November (the worst month of the year), Redcats' revenue was down 4.8% in real terms and 7.8% on a comparable basis in the fourth quarter of 2008.

In 2008, La Redoute's home-shopping sales fell by 8.7% in France, in an ever-fiercer competitive environment and worsening economic environment, particularly in the fourth quarter. Sales activity was upset by a strike in April, at the banner's main distribution centre. The Apparel activity was hit especially hard by the depressed market, while the Home and Leisure segment and the specialised brands and catalogues fared better. In the second half of the year, a change in pricing policy helped increase average selling prices.

The refocus of the Senior division around the Daxon brand continued in 2008, especially with the planned discontinuation of part of the Edmée brand's product offering. Daxon's resilience in France limited the fall in revenue to 7.7% on a comparable basis over the fiscal year.

Over the year, La Redoute's International activity fell by 3.5% on a comparable basis compared with 2007. The year was affected in particular by the delayed launch of the Spring/Summer catalogue, the effects of the strike at the Wattrelos logistics centre and, at year-end, the deterioration in conditions in the main markets. Russia posted outstanding performances, and the ramp-up continued in Italy.

The Scandinavian activities held up well over the year (-4.3% on a comparable basis), with a difficult first half followed by a more clement second half. Sales rose by 2.2% on a comparable basis in the fourth quarter. Redcats won market share in Scandinavia, and the Internet penetration rate firmed significantly to 59.4% in 2008, from 50.7% in 2007.

In 2008, the Children-Family division's brands were impacted by an incident at their French warehouse, which upset shipments to consumers and deliveries to stores. Compared with the previous year, revenue fell by 5.0% on a comparable basis. The Somewhere brand held up well, and Cyrillus posted a good performance, particularly in France. Vertbaudet's activity weakened in 2008, despite the development of partnerships, internally (with La Redoute International and Ellos in Scandinavia) as well as externally (joint venture with Quelle in Germany and franchise in the Middle East).

In the US, the Outsize division's revenue fell by 3.1% on a comparable basis in a very difficult and highly competitive market. The fourth quarter was very satisfactory, with sales up 2.4% on a comparable basis. The King Size brand posted growth, and the Roaman's and Woman Within brands both notched up solid performances. Revenue for Avenue (United Retail) was down 3.8% in 2008 (on a comparable Group structure and exchange rate basis), with online sales up substantially, especially on the OneStopPlus.com portal.

In the US Outdoor market, the Sport and Leisure division posted strong growth of 11.0% on a comparable basis over the year (+15.5% in the last three months of the year). Sales were particularly strong in the Baseball and Golf categories, and the proportion of online sales advanced again, coming in at 69.1% (up from 66.4% in 2007).

Redcats reinforced its leadership in online sales in Fashion and Home Decoration. In 2008, online sales advanced by 7.8% on a comparable basis. They accounted for 41.4% of Redcats' total revenue (up from 36.3% in 2007). The Internet is an effective means of increasing traffic, accelerating customer recruitment and generating incremental revenue. Its flexibility and reactivity was confirmed, offering the possibility of putting new collections online in mid-season and promoting innovative sales initiatives.

In 2008, Redcats' recurring operating income totalled to €114 million, compared with €187 million in 2007 (€176 million in pro-forma terms and on a comparable exchange rate basis). Its profitability rate fell to 3.1% in 2008.

Recurring operating income for La Redoute France was penalised by the logistics centre strike. In the first half of 2008, the gross margin rate fell significantly, but the corrections made in the second half (especially in terms of pricing policy) brought it back to only a shade less than in 2007. The increase in sales investments was contained thanks to cost-cutting programmes implemented in the second half. Productivity gains and savings on direct and indirect costs made by La Redoute France in 2008 were not, however, sufficient to offset impact from the fall in activity on the operating performance over the fiscal year.

The Senior division's operating profitability edged up slightly in 2008 thanks to a substantial increase in the trading margin and impressive cost control.

In 2008, La Redoute International posted a significant increase in its gross margin rate, but its recurring operating income fell compared with 2007. Despite measures taken in the second half to cut costs, distribution costs, which rose slightly in 2008, were not adjusted enough to offset the decline in revenue.

For the Scandinavian division, the gross margin's resilience and savings on operating expenses over the period were not sufficient to offset the decline in the sales performance.

In the Children-Family division, despite reductions in distribution costs for all brands, recurring operating income for Cyrillus and Somewhere was virtually unchanged in 2008, while that of Vertbaudet fell on the back of lower sales and a slightly narrower gross margin rate.

In 2008, recurring operating income for the Plus Size division in the US was down compared with 2007. The gross margin rate firmed thanks to a reduction in permanent promotions. The big increase in postal tariffs pushed up distribution costs, while productivity gains and the significant savings made on direct and indirect costs were not sufficient to offset the impact of falling revenue. In addition, the full-year consolidation of United Retail weighed heavily on full-year earnings.

The Sport and Leisure division delivered strong growth on a comparable exchange rate basis in the US in 2008, and posted a slight fall in its operating profitability.

Gross operating investments totalled €56 million in the year ended December 31, 2008. Taking into account the consolidation of United Retail in November 2007, they were down 9.1% in pro-forma terms compared with the previous year. They cover logistics projects, representing 21% of the total, and store opening and remodelling programmes, representing 45%.

## Conforama

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **3,166.0** | **3,310.4** | **(4.4%)** |
| **Recurring operating income** | **118.2** | **167.5** | **(29.4%)** |
| ***as a % of revenue*** | ***3.7%*** | ***5.1%*** | ***(1.4 pt)*** |
| EBITDA | 183.2 | 230.0 | (20.3%) |
| *as a % of revenue* | *5.8%* | *6.9%* | *(1.1 pt)* |
| Gross operating investment | 64.5 | 66.1 | (2.4%) |
| Average number of employees | 12,852 | 13,407 | (4.1%) |

In 2008, Conforama's revenue from continuing operations after inter-company eliminations totalled €3,166 million, down 4.4% in real terms and 4.6% on a comparable exchange rate basis compared with 2007.

The banner's activity, both in France and abroad, was hit hard by the deterioration in household consumption sparked by the economic downturn, the weakness of the property market and falling consumer sentiment. The deterioration was particularly marked at year's end, and Conforama's fourth-quarter revenues were down 8.1% in reported terms and 8.7% on a comparable basis compared with the same period in 2007.

In France, Conforama held up well in the first half, but suffered in the third and fourth quarters, and especially in December. Economic difficulties and the erosion of disposable incomes were compounded by upsets caused by the banner's numerous remodelling projects. In 2008, the increased conversion rate and the higher value of the average basket was not enough to offset lower footfall, and revenue fell by 4.2%. The banner's appeal is still one of Conforama's chief assets, and the penetration rate for consumer credit increased in 2008. In addition, the success of the banner's new e-commerce website attracted new customers and generated additional sales, particularly in Furniture and Home Decoration.

Over the fiscal year, Conforama France posted a contrasted performance in Furniture. The priority product categories (Chairs and Bedding in particular), where the repositioning has been finalised, posted satisfactory growth. Sales for other product families, where modernisation and adaptation programmes have not yet had their full impact, did not advance in 2008. In Household Appliances and Electrical Leisure Products, the banner won market share in Brown Goods, maintained its positions in White Goods and lost market share in Grey Goods. The Home Decoration category held up better,

the performance over the period coming after a very strong year in 2007.

In 2008, Conforama's international revenue fell by 5.7% on a comparable exchange rate basis. In Italy, revenue was down 10.1% compared with 2007. The deterioration in Italy's economic environment deepened in 2008, but the banner's trends improved. Fourteen points of sale were converted to the new Conforama concept, out of a total of 19 stores at year's end. Four stores whose performances are not up to scratch will be closed in the first quarter of 2009. Market conditions and household consumption deteriorated sharply in Spain and Portugal in 2008, especially towards the end of the year, and Conforama's revenue fell there by 6.7% over the year. A decision has been made to close three stores (two in Spain and one in Portugal) in the first quarter of 2009. Conforama's activity remained buoyant in Switzerland throughout the year, with market share gains in most product categories.

Conforama's 2008 recurring operating income totalled €118 million, compared with nearly €168 million in 2007 and posted a 3.7% decline in its operating profitability over the year.

In France, under the impact of falling activity, Conforama's operating profitability weakened in 2008. The gross margin rate firmed by 0.5 point thanks to a favourable product mix and improved purchasing conditions. The intensification of promotional campaigns pushed communications and promotions expenditure up slightly, despite the reduction, at year's end, of the unit price per catalogue. The increase in logistics costs was slowed over the year. Expenses in this area increased sharply in the first half, due to insufficient activity and higher transport costs, but big savings were made in the second half. Substantial productivity gains were made, and the increase in other expenses was contained particularly well in 2008.

In Italy, Conforama's recurring operating income amounted to a loss of €16 million in 2008. The gross margin firmed by 0.8 point. Distribution costs swelled on the heels of the extension of the store base in 2007, and communications expenditure was increased significantly so as to boost footfall. Adjustments to other operating expenditure were not sufficient to offset the fall in sales. Importantly, logistics costs edged down, and sizeable productivity gains were made in all areas.

In 2008, Conforama's recurring operating income fell in Spain and Portugal. In a very challenging market environment, the trading margin remained virtually unchanged. Despite sizeable productivity gains, distribution costs increased, due mainly to store openings in 2008 and 2007. By contrast, advertising expenditure aimed at buoying activity was optimised, and logistics costs were held down satisfactorily, especially in the second half.

In Switzerland, Conforama maintained a good level of operating profitability, despite a slight contraction in the gross margin rate.

In 2008, the 2.4% drop in Conforama's gross operating investments stemmed from a reduction in store opening plans and a lightening of store remodelling plans.

## Cfao

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **2,864.0** | **2,534.7** | **+13.0%** |
| **Recurring operating income** | **276.7** | **232.3** | **+19.1%** |
| ***as a % of revenue*** | ***9.7%*** | ***9.2%*** | ***+0.5 pt*** |
| EBITDA | 313.9 | 262.9 | +19.4% |
| *as a % of revenue* | *11.0%* | *10.4%* | *+0.6 pt* |
| Gross operating investment | 80.2 | 71.3 | +12.5% |
| Average number of employees | 10,239 | 9,973 | +2.7% |

In 2008, Cfao once again delivered outstanding performances, with revenue after inter-company eliminations amounting to €2,864 million, up 13.0% in reported terms and 13.6% on a comparable Group structure and exchange rate basis.

After nine very strong months in 2008, Cfao's growth slowed in the fourth quarter, with revenue up 8.4% in reported terms and 8.6% on a comparable Group structure and exchange rate basis.

Over the fiscal year, Cfao's business continued to benefit from a relatively buoyant economic environment in Africa, the reinforcement of its competitive positions and the success of its recent developments, in the Automotive sector as well as in Pharmaceuticals. Conditions were more challenging in French overseas territorial collectivities, especially in the last three months of the year.

Growth was also spurred in 2008 by the ramp-up of new countries (Mauritania, Zimbabwe and Vietnam for instance), additional brands (premium segments in the automotive sector and new laboratories in Pharmaceuticals) and additional businesses (automotive leasing in the Automotive sector, and promotions and an agency activity in Pharmaceuticals). By contrast, except in the fourth quarter, currency fluctuations had an adverse impact on revenue.

In 2008, the Automotive activity advanced by 18.5% on a comparable basis. English-speaking Sub-Saharan Africa recorded strong growth throughout the year, while Mediterranean Africa enjoyed very strong sales growth, although this slowed slightly in the fourth quarter. French-speaking Sub-Saharan Africa, despite a slight downturn in the trend at year's end, posted a very sound performance in 2008. Despite a major drop in activity in the last three months of the year, French overseas territorial collectivities posted higher revenue over the fiscal year.

In 2008, the Pharmaceutical activity recorded revenue growth of 8.4%. Growth was strong in Sub-Saharan Africa, and sales growth in Mediterranean Africa was fuelled by growth in new businesses. The trend was more muted in French overseas territorial collectivities, with a marked slowdown towards the end of the year.

Growth in the Production and distribution of consumer goods came to 2.6% in 2008, on the back of strong growth in Beverages, steady ramp-up of industrial units and the gradual closure of the Trading business in Nigeria. The Technologies division saw revenue advance by 5.3% compared with 2007.

In 2008, favourable market conditions in Africa throughout most of the year allowed Cfao to deliver an exceptional performance: recurring operating income totalled €277 million, up 19.1% on 2007, and a 0.5-point improvement in the profitability rate, at 9.7%.

The Automotive and Technologies activities saw their operating profitability firm in 2008 and the operating performance of the Pharmaceuticals, and Industries and Trading divisions remained virtually unchanged.

All geographical areas in Africa enjoyed growth in recurring operating income, although the contribution from French overseas territorial collectivities edged down.

In 2008, Cfao was able to stabilise its gross margin rate compared with the previous year, despite particularly adverse exchange rate fluctuations at year's end.

Once again, personnel expenses increased at a slower pace than the gross profit over the period, pointing to improved productivity. The increase in operating expenses was contained very well, although depreciation and provisions swelled by 21.6% on the back of expansion undertaken since 2006.

In the year ended December 31, 2008, the 12.5% increase in gross operating investments reflected the continuation of extension and modernisation programmes on operating infrastructure in all businesses.

## Puma

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **2,509.8** | **1,704.7** | **+47.2%** |
| **Recurring operating income** | **349.7** | **236.0** | **+48.2%** |
| ***as a % of revenue*** | ***13.9%*** | ***13.8%*** | ***+0.1 pt*** |
| EBITDA | 406.3 | 272.5 | +49.1% |
| *as a % of revenue* | *16.2%* | *16.0%* | *+0.2 pt* |
| Gross operating investment | 119.2 | 88.6 | +34.5% |
| Average number of employees | 9,503 | 6,254 | +52.0% |

Despite a more challenging consumer spending environment and the fall in its customers' disposable revenues, Puma delivered a sound performance in 2008, with its sales growing for the fourteenth consecutive year.

Puma's contribution to PPR's consolidated revenue totalled €2,510 million, up 8.5% on a comparable Group structure and exchange rate basis compared with 2007, when reported numbers only included Puma's last three quarters.

In the fourth quarter of 2008, Puma posted a remarkable performance, with its activity growing by 7.4% on a comparable exchange rate basis. The trend was evenly balanced in geographical terms, and all product categories contributed, with Accessories doing especially well.

Puma pursued its strategy of expanding its directly-owned store network, where sales advanced by a very strong 17.9% on a comparable basis. In 2008, directly-owned stores accounted for 18.6% of Puma's total revenue, up from 17.1% a year earlier. In net terms, the brand opened 19 new directly-owned stores in 2008, and its network of "concept stores" now totals 135 units.

By product category, Shoes (56.8% of total sales in 2008) enjoyed growth of 6.3% on a comparable Group structure and exchange rate basis, Apparel (35.6% of sales) advanced by 9.6% and Accessories (7.6% of sales) by 21.7%.

In comparable terms, the EMEA region* (51.5% of Puma's consolidated revenue in 2008) posted sales growth of 6.8%. The performance was excellent in Accessories. Apparel enjoyed a very strong first half, but growth slowed in the second half. Growth was slower in Shoes, despite a rebound at year's end.

The Americas (25.8% of total sales) posted an 8.1% increase in sales, with Accessories doing very well, Apparel experiencing more muted growth and Shoes moving ahead well. Puma's performances were particularly impressive in Latin America. In the US, the economic environment is still weighing on the brand's sales, although there was a significant improvement over the period.

Revenue increased by 13.0% in the Asia-Pacific region (22.7% of sales), with a well-balanced performance by product category.

In 2008, Puma's contribution to PPR Group's recurring operating income amounted to €350 million. In pro-forma terms, this result was down compared with 2007, by 5.7% at current exchange rates and 3.0% on a comparable exchange rate basis. The profitability rate came to 13.9% in 2008. Compared with 2007, in pro-forma terms, it narrowed by 1.8 point at current exchange rates and 1.7 point on a comparable exchange rate basis.

The gross margin rate narrowed by 0.5 point in 2008, due mainly to the deterioration in the economic environment, which prompted an intensification of promotional offers, especially at year's end. The fall was slightly more marked in Accessories than Shoes, and especially Apparel. In 2008, trends in the Americas weighed on Puma's gross margin rate.

In 2008, Puma's distribution costs increased at a faster pace than revenue, particularly in directly-operated stores. In a year marked by major sporting events, Puma intensified its investments aimed at making the brand more attractive and fuelling its sales momentum. This led to a steep increase in the brand's marketing and communications expenditure. Other operating expenses increased at a more moderate pace, except for depreciation and provisions, which increased significantly, owing mainly to the extension of the store network.

The expansion programme, as well as the construction of Puma's new operating centre in Germany, resulted in a 15.1% increase in gross operating investments compared with pro-forma 2007 data.

## Luxury Goods division

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **3,379.4** | **3,204.3** | **+5.5%** |
| **Recurring operating income** | **731.0** | **668.8** | **+9.3%** |
| ***as a % of revenue*** | ***21.6%*** | ***20.9%*** | ***+0.7 pt*** |
| EBITDA | 858.9 | 788.3 | +9.0% |
| *as a % of revenue* | *25.4%* | *24.6%* | *+0.8 pt* |
| Gross operating investment | 184.8 | 191.9 | (3.7%) |
| Average number of employees | 10,968 | 9,822 | +11.7% |

In 2008, the Luxury Goods division's revenue from continuing operations after inter-company eliminations totalled €3,379 million, up 5.5% in reported terms. On a comparable exchange rate basis, the increase came to 8.1%. The continuation of solid growth stems from the contribution of each of the brands in Gucci Group's portfolio and demonstrates the relevance of PPR's multi-brand model.

In 2008, Gucci Group was confronted with a deteriorating environment in its historic markets and a gradual downturn in consumer spending on Luxury Goods. In the emerging markets, all our brands continued to gain traction from the strength of the Luxury Goods market.

After seeing sales dip in October, Gucci Group recorded solid growth in November and December, closing the fourth quarter with revenue up 4.5% in reported terms and 0.2% on a comparable basis.

In 2008, exchange rate fluctuations had an adverse impact on revenue amounting to €74 million over the fiscal year. Sterling's weakness caused headwinds throughout the year, while the US dollar's recovery in the latter part of the year was not sufficient to offset its decline over the first nine months, and the yen, relatively stable over the first three quarters, surged in the last three months of the year.

Growth was well balanced between retail sales in the directly-operated store network, which grew throughout the year, and indirect sales by independent distributors, which were down in the fourth quarter.

The Luxury Goods division's Fashion and Leather goods activities enjoyed growth of 9.7% on a comparable basis in 2008. This good performance comes on the back of a high level of innovation and creativity, not to mention marketing initiatives aimed at cementing the luxury image of our brands and products, and at attracting new customers.

* *Europe, Middle East and Africa.*

In 2008, Gucci Group's sales advanced by 27.5% in the emerging markets, which now account for 27.1% of the Luxury Goods division's revenue, up from 23.0% in 2007. Asia-Pacific (excluding Japan) continued to post very high growth (+25.4%), driven notably by a 36.9% increase in Greater China.

In its more mature historic markets, Gucci Group increased its revenue by 0.9%. In Europe, business was up 0.9% excluding Royalties. In North America, which accounted for 18.9% of total revenue, growth came to 5.1%. Lastly, sales fell by 3.4% over the period in Japan (15.9% of total revenue).

In 2008, the Luxury Goods division delivered very good recurring operating income of €731 million, up 9.3% in reported terms. On a comparable exchange rate basis, growth came to 25.8%. The operating profitability rate rose to 21.6%, up 0.7 point in reported terms and 3.0 points on a comparable exchange rate basis.

For the first time, all Gucci Group brands posted positive recurring operating income in 2008.

All brands successfully maintained strong gross margin rates, despite tensions caused by volatility and fluctuations in exchange rates, thanks in part to effective pricing policies and upstream gains on purchasing, manufacturing and the supply chain.

Moreover, all Gucci Group entities implemented effective measures, especially in the second half, aimed at containing the increase in operating expenses over the fiscal year. Operating expenses increased by only 4.3% on a comparable exchange rate basis in 2008, whereas operating profitability advanced by 10.3%.

The development of the directly-operated store network was intensified in 2008, with the opening of 66 additional units, bringing the year-end total to 560 stores. By contrast, the renovation and extension programme was scaled down compared with 2007, allowing the division's gross Capex to fall by 3.7% in 2008.

## Gucci

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **2,206.4** | **2,175.4** | **+1.4%** |
| **Recurring operating income** | **624.8** | **646.9** | **(3.4%)** |
| ***as a % of revenue*** | ***28.3%*** | ***29.7%*** | ***(1.4 pt)*** |
| EBITDA | 704.6 | 722.2 | (2.4%) |
| *as a % of revenue* | *31.9%* | *33.2%* | *(1.3 pt)* |
| Gross operating investment | 136.9 | 142.9 | (4.2%) |
| Average number of employees | 6,670 | 6,046 | +10.3% |

Gucci, the flagship brand of PPR's Luxury Goods division, pursued its sustained and balanced growth in 2008, with revenue of €2,206 million, up 4.2% on a comparable basis.

En 2008, retail sales made by Gucci in its directly-operated stores advanced strongly on the back of solid sales performances in all product categories. Indirect sales to third-party distributors, still heavily penalised by the Timepieces [(1)] activity, held up well, despite upheavals in the first quarter and slow growth in sales to department stores. Excluding the Timepieces activity, Gucci brand revenue increased by 5.8% in 2008.

In the fourth quarter of 2008, Gucci's revenue edged down very slightly by 0.8%. The Fashion and Leather goods activity grew by 4.1% over the period, but was more than offset by the deterioration in the timepieces and jewellery market, particularly affected by the deterioration in the economic environment at year's end.

In Fashion and Leather goods (up 7.1% over the fiscal year in 2008), all product categories confirmed the brand's strength, as well as the hallmark quality and style of its collections, which were well received by customers, the specialised press and celebrities throughout the world. Leather goods posted commendable performances, fuelled by the success of the Hysteria collection and the Babouska series launched for the Autumn/Winter 2008 collection. Shoes continued their growth and Ready-to-wear confirmed the sound momentum of its collections, for Women as well as Men. The 2009 Cruise collections, available in stores as of the fourth quarter, got off to a very encouraging start, thanks in large part to the promising success of the Sukey collection.

Gucci pursued its expansion in the fast-growing emerging markets. In 2008, sales in these regions advanced by 27.6% and accounted for 31.0% of the brand's total revenue (25.3% in 2007). Momentum remained strong in Asia-Pacific (excluding Japan), with growth of

*(1) The Timepieces activity involves the creation, manufacture and worldwide distribution of Gucci watches exclusively to third-party associates (department stores and specialised or multi-specialist networks).*

26.6% over the period. Greater China (Continental China, Hong Kong and Macao) accounted for 14.3% of total sales and grew by 41.5%. Favourable trends were confirmed in Eastern Europe and the Middle East, with growth of 31.2% and 52.2% respectively.

Gucci posted solid performances in its historic markets. These regions accounted for 66.4% of the brand's revenue in 2008, compared with 72.0% in 2007. Western Europe, which represented 31.4% of total sales, was penalised by the downturn in consumer spending, and saw sales dip slightly. North America (20.1% of sales) grew despite slower business in Hawaii, which was limited by the fall in numbers of Japanese tourists. Japan is still a troubled market. Sales declined over the fiscal year, and the country's weight in the brand's total revenue narrowed to 14.9% in 2008 from 17.3% in 2007.

In the fourth quarter of 2008, Gucci's sales in emerging markets grew by 18.5%, with growth of 27.5% in Greater China. In the mature markets, the slowdown was more marked than in the third quarter, particularly in the United Kingdom. North America suffered from declining footfall in stores, and Japan did not confirm the improvement seen in the previous three months.

Gucci's recurring operating income totalled €625 million in 2008, down 3.4% in reported terms, but up 8.1% on a comparable exchange rate basis compared with the previous year. The profitability rate came to 28.3%, down 1.4 point in reported terms, but up a significant 1.0 point on a comparable exchange rate basis compared with 2007.

Excluding Timepieces, operating income was virtually unchanged in real terms in 2008 (+0.2%) and the operating margin narrowed by 0.8 point. On a comparable exchange rate basis, operating income advanced by 12.3% and the operating margin firmed by 1.7 point.

In 2008, Gucci successfully maintained a high gross margin rate, despite pressure from exchange rate fluctuations, thanks in part to upstream gains on purchasing, manufacturing and the supply chain, as well as the brand's upgrading strategy, which provided the basis for a more efficient pricing policy. On a comparable exchange rate basis, the gross margin rate gained ground, reflecting the success of the brand's collections and the sound trend on markdowns compared with the previous year.

Gucci accentuated its cost-cutting efforts in 2008, and made substantial savings in numerous areas. Operating expenses increased by 4.1% on a comparable exchange rate basis, compared with a 5.7% increase in gross profitability. However, due to the expansion of the store network, direct in-store charges swelled considerably. Similarly, with a view to promoting the brand's image, preserving its exclusiveness and providing it with high visibility, communications and advertising expenditure once again grew at a slightly faster pace than revenue. This includes the costs relating to the inauguration of the new flagship store in New York.

In 2008, Gucci's gross operating investments were down 4.2% thanks to the reduction in the store remodelling and extension programme, which was not offset by the amplification of the store-opening programme (25 over the year). As of December 31, 2008, Gucci had 258 directly-operated stores, of which 33 in Greater China.

## Bottega Veneta

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **402.1** | **366.1** | **+9.8%** |
| **Recurring operating income** | **100.7** | **92.2** | **+9.2%** |
| ***as a % of revenue*** | ***25.0%*** | ***25.2%*** | ***(0.2 pt)*** |
| EBITDA | 111.9 | 102.0 | +9.7% |
| *as a % of revenue* | *27.8%* | *27.9%* | *(0.1 pt)* |
| Gross operating investment | 7.3 | 16.8 | (56.5%) |
| Average number of employees | 1,274 | 1,095 | +16.3% |

In 2008, Bottega Veneta pursued its ascent: revenue was up 11.1% on a comparable exchange rate basis at €402 million. This performance came on the heels of growth of 48.7% in 2007 compared with the previous year.

In the fourth quarter, Bottega Veneta's sales fell by 8.8% compared with the last three months of 2007. In-store footfall was down sharply in October, but the trend subsequently improved gradually, and December was a very satisfactory month. The slowdown affected mainly the Autumn/Winter 2008 collection, while the 2009 Cruise collection, which has a more balanced positioning, got off to a very good start after its launch in November.

Bottega Veneta's favourable sales trends were visible in retail sales made in directly-operated stores as well as in indirect sales to third-party distributors. Sales were fuelled by strong momentum in terms of innovation and enhancement on permanent collections, as well as by the introduction of seasonal models that proved very popular with customers.

The year's collections were successful in all product categories. Leather goods posted growth of 9.5% in 2008, thanks to the success of new lines (the Pocket and Shoulder bags for instance) and the ongoing success of signature lines (Veneta, Campana and Knot in particular). All the other categories enjoyed strong growth over the year, with, in particular, strong growth in Ready-to-wear and Shoes.

In 2008, Bottega Veneta continued to post strong growth in all its markets. On a comparable basis, revenue grew by 8.2% in Europe, 5.7% in Japan, 6.7% in North America and 30.6% in Asia-Pacific (excluding Japan). In the fourth quarter, only Asia-Pacific (excluding Japan) continued to enjoy solid growth.

Bottega Veneta's recurring operating income totalled €101 million in 2008, an increase of 9.2% in reported terms, putting the profitability rate at 25.0%. On a comparable exchange rate basis, recurring operating income grew by 22.1% and the operating margin gained 2.2 points compared with the previous year.

Bottega Veneta's gross margin rate is structurally high, due in part to the brand's positioning, as well as the high proportion of Leather goods and direct sales in its revenue. In 2008, the gross margin only edged down slightly, despite a backdrop of adverse currency movements. On a comparable exchange rate basis, the gross margin firmed considerably, thanks in large part to the success of the brand's permanent collections.

Once again, Bottega Veneta contained the increase in its operating expenses in 2008. The increase was kept to only 10.0% on a comparable exchange rate basis, compared with a 13.8% increase in gross margin. More than half the increase in operating expenses was attributable to higher costs on the store network, which expanded considerably over the year. Communications and advertising expenditure increased over the fiscal year, but was broadly stable in the second half.

Bottega Veneta's network of directly-operated stores totalled 121 units as of December 31, 2008, of which 11 in Greater China. Six of the ten store openings made in 2008 were in the second half.

## Yves Saint Laurent

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **262.8** | **221.3** | **+18.8%** |
| **Recurring operating income** | **0.3** | **(31.9)** | **nm** |
| ***as a % of revenue*** | ***0.1%*** | ***-14.4%*** | ***+14.5 pts*** |
| EBITDA | 11.9 | (19.4) | nm |
| *as a % of revenue* | *4.5%* | *-8.8%* | *+13.3 pt* |
| Gross operating investment | 10.2 | 4.6 | +121.7% |
| Average number of employees | 1,031 | 954 | +8.1% |

In 2008, Yves Saint Laurent confirmed the strength of its brand. Its revenue advanced strongly, reaching €263 million, an increase of 22.0% on a comparable exchange rate basis. Excluding Royalties, which now include revenues on the Perfumes and Cosmetics licensing agreement with YSL Beauté, revenue grew by 9.2% on a comparable exchange rate basis over the period.

In the last three months of the year, sales grew by 10.3% after a slowdown in Europe and Asia-Pacific (excluding Japan).

Yves Saint Laurent recorded strong growth in indirect sales to third-party distributors in 2008, due to the success of its collections and confidence in the brand among professional buyers. Retail sales in directly-owned stores also advanced over the fiscal year, despite the slowdown in the fourth quarter.

All product categories contributed to the fine performance over the year. Leather goods continued to do well thanks to the ongoing success of its classic best-sellers (Muse, Downtown and Tribute) and the strong growth in its newer lines (Besace, Muse Two and, in the fourth quarter, the Easy Bag). Ready-to-wear sales held up well over the fiscal year, despite the slowdown in the fourth quarter, and Shoes recorded strong growth, particularly in women's lines.

Yves Saint Laurent's sales were strong in Europe, with growth of 9.5% in 2008, in North America, with growth of 8.2% and in Asia-Pacific (excluding Japan), with growth of 10.6%. Sales in Japan were up 8.8% on 2007.

With its popularity among celebrities and the specialised press continuing unabated, Yves Saint Laurent confirmed its status as an emblematic and trend-setting brand.

Yves Saint Laurent recorded positive recurring operating income for the first time in 2008.

Excluding Royalties on the Perfumes and Cosmetics licensing agreement with YSL Beauté, recurring operating income improved by 10.0% on a comparable exchange rate basis compared with 2007.

In aggregate terms and excluding Royalties, gross margin rose by 11.0% in 2008 on a comparable exchange rate basis, with the increase in operating expenses limited to 3.2%. Store network costs

were contained during the year thanks to the ongoing optimisation of the store base. By contrast, with a view to bolstering the brand's sales trends and recognition, communications expenditure increased significantly in 2008.

## Other brands

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Revenue after inter-company eliminations** | **508.1** | **441.5** | **+15.1%** |
| **Recurring operating income** | **38.6** | **35.7** | **+8.1%** |
| ***as a % of revenue*** | ***7.6%*** | ***8.1%*** | ***(0.5 pt)*** |
| EBITDA | 56.4 | 50.9 | +10.8% |
| *as a % of revenue* | *11.1%* | *11.5%* | *(0.4 pt)* |
| Gross operating investment | 26.6 | 27.6 | (3.6%) |
| Average number of employees | 1,814 | 1,594 | +13.8% |

With revenue from continuing operations after inter-company eliminations totalling €508 million, an increase of 16.6% on a comparable exchange rate basis, the Luxury Goods division's other brands maintained a high rate of growth in 2008. In the fourth quarter, their revenue advanced by 9.6%.

In 2008, growth continued at a very fast pace for **Balenciaga**, with sales advancing strongly in the brand's main markets, fuelled by the success of its collections. All other product categories advanced, in particular Ready-to-wear and Leather goods. Retail sales in directly-owned stores were up significantly, thanks in large part to store openings over the year.

**Boucheron** recorded a solid performance in 2008, in a Watch and Jewellery market hit particularly hard by the deterioration in the economic environment at year's end. After a very good first half, revenue fell in the third and, to a lesser extent, fourth quarter.

**Sergio Rossi** posted a highly commendable increase in its sales in 2008, driven largely by excellent indirect sales to third-party distributors in Europe, the US and Asia-Pacific (excluding Japan). Sales of Shoes grew very strongly, and the Handbag lines confirmed their very solid performances.

Once again, **Alexander McQueen** recorded a very strong performance throughout 2008, in all product categories and all regions except Japan.

**Stella McCartney**'s strong sales momentum continued in all regions in 2008. The brand recorded strong sales growth in all product categories.

In 2008, recurring operating income for the Luxury Goods division's other brands totalled €39 million, up 8.1% on 2007 (or an increase of 27.0% on a comparable exchange rate basis).

All brands recorded satisfactory performances, with a special mention for Sergio Rossi, which posted its first-ever profit, and for Balenciaga and Stella McCartney, which both saw big improvements in their operating margin rates.

## Gucci Group head office expenses

In 2008, Gucci Group's head office expenses totalled €33 million, a saving of €41 million compared with 2007.

The decrease is attributable to a further reduction in the expense relating to the remeasurement of the SARs (Share Appreciation Rights – see Note 8.3.1 to the consolidated financial statements) and the very significant reduction in bonuses and charges accrued under the terms of the long-term incentive plan. Other expenses were down 5.4%.

# COMMENTS ON THE FINANCIAL STRUCTURE

In 2008, PPR strengthened its financial structure, recording a reduction in capital employed, stable shareholders' equity and a significant reduction in net financial indebtedness:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Goodwill and net intangible assets | 16,351.4 | 16,788.8 | (437.4) |
| Other non-current assets, net | 408.6 | 292.6 | +116.0 |
| Current assets, net | 63.6 | 155.3 | (91.7) |
| Provisions | (612.7) | (508.3) | (104.4) |
| **Capital employed** | **16,210.9** | **16,728.4** | **(517.5)** |
| Net assets held for sale | (9.4) | 54.4 | (63.8) |
| **Shareholders' equity** | **10,691.1** | **10,661.5** | **+29.6** |
| **Net financial indebtedness** | **5,510.4** | **6,121.3** | **(610.9)** |

## Capital employed

As of December 31, 2008, capital employed was down by €518 million (3.1%) compared with 12 months earlier.

### Goodwill and net intangible assets

As of December 31, 2008, goodwill and net intangible assets represented 60.5% of total assets (59.5% as of December 31, 2007).

It is comprised mainly of:

- goodwill totalling €6,179 million, of which €2,084 million for the Luxury Goods division and €1,165 million for Puma;
- brands valued at €9,776 million, of which €6,190 million for the Luxury Goods division and €3,500 million for Puma.

The reduction compared with December 31, 2007 is primarily due to the disposal of YSL Beauté and the goodwill impairment on Conforama Italy and Redcats USA.

### Other net non-current assets

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Property, plant and equipment, net | 2,253.4 | 2,174.3 | +79.1 |
| Net deferred taxes | (2,219.8) | (2,177.3) | (42.5) |
| Investments in associates | 74.5 | 19.7 | +54.8 |
| Non-current financial assets, net | 283.7 | 245.5 | +38.2 |
| Other non-current assets | 16.8 | 30.4 | (13.6) |
| **Other non-current assets, net** | **408.6** | **292.6** | **+116.0** |

As of December 31, 2008, investments in associates notably included shares in Sowind Group (Girard-Perregaux brand) acquired in June 2008.

Compared with December 31, 2007, despite the disposal of YSL Beauté, tangible assets increased by 3.6%. As of December 31, 2008, tangible assets comprised land and buildings valued at €876 million, of which €180 million in finance lease contracts (€888 million and €197 million respectively a year earlier).

The operating infrastructure breaks down as follows:

| | | Owned outright | Held under financial lease | Held under operating lease | 2008 | 2007 |
|---|---|---|---|---|---|---|
| **Sales outlets** | Fnac | | | 184 | 184 | 172 |
| | Redcats | | | 617 | 617 | 616 |
| | Conforama | 100 | 13 | 103 | 216 | 215 |
| | Cfao | 95 | | 58 | 153 | 150 |
| | Puma | 4 | 20 | 547 | 571 | 481 |
| | Luxe | 13 | 4 | 543 | 560 | 494 |
| **Logistics units** | Fnac | | 1 | 11 | 12 | 12 |
| | Redcats | 5 | | 12 | 17 | 19 |
| | Conforama | 15 | 1 | 61 | 77 | 77 |
| | Cfao | | 1 | 9 | 10 | 10 |
| | Puma | 4 | 1 | 26 | 31 | 30 |
| | Luxe | 5 | | 42 | 47 | 44 |
| **Production units & others** | Fnac | | | 1 | 1 | 1 |
| | Redcats | 7 | | 10 | 17 | 15 |
| | Conforama | 3 | | 21 | 24 | 24 |
| | Cfao | 52 | | 46 | 98 | 127 |
| | Puma | 1 | | 2 | 3 | 3 |
| | Luxe | 6 | 2 | 7 | 15 | 15 |

## Net current assets

As of December 31, 2008, net current assets totalled €80 million, compared with €155 million as of December 31, 2007. They break down as follows:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Inventories | 3,465.5 | 3,234.1 | +231.4% |
| Trade receivables | 1,303.0 | 1,503.8 | (200.8) |
| Trade payables | (2,966.0) | (2,942.6) | (23.4) |
| Current tax receivables/liabilities | (223.7) | (214.4) | (9.3) |
| Other current financial liabilities | 67.2 | 20.9 | +46.3 |
| Other current assets and liabilities | (1,566.1) | (1,446.5) | (119.6) |
| **Working capital requirements** | **79.9** | **155.3** | **(75.4)** |
| Interest rate derivative instruments | (16.3) | 0.0 | (16.3) |
| **Total** | **63.6** | **155.3** | **(91.7)** |

As of December 31, 2008, PPR's working capital requirements had fallen by €75 million compared with the close of the previous year. This stemmed from a €337 million reduction due chiefly to the disposal of YSL Beauté, a €44 million increase linked to currency fluctuations and an increase in working capital requirements that generated negative cash flows of €232 million.

Excluding the impact from the disposal of YSL Beauté (negative totalling €86 million), change in inventories resulted in a cash outflow

totalling €300 million in 2008. Inventories increased at Gucci Group, Cfao and Puma. They were virtually unchanged at Redcats, and fell at Fnac and Conforama.

In 2008, €145 million of the reduction in trade receivables was attributable to the disposal of YSL Beauté. This also led to a €70 million reduction in trade payables.

## Provisions

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Provisions for retirement and similar employee benefits | 258.4 | 267.2 | (8.8) |
| Other provisions for contingencies and losses | 354.3 | 241.1 | +113.2 |
| **Provisions** | **612.7** | **508.3** | **+104.4** |

Since December 31, 2007, provisions for retirement and similar employee benefits have fallen, primarily due to the impact of the disposal of YSL Beauté. As of December 31, 2008, the portion of these provisions that will not give rise to disbursements in the coming 12 months (recorded under non-current liabilities) amounted to €241 million (€250 million a year earlier).

In 2008, other provisions for contingencies and losses increased by 47.0% compared with the close of 2007, due mainly to the increase in restructuring provisions. Provisions covering warranty and litigation risks (in particular with tax administrations) were virtually unchanged in 2008. As of December 31, 2008, the non-current portion of these provisions totalled €164 million (€146 million at the close of the previous year).

## Net assets held for sale

This item results from the application of IFRS 5 to operations discontinued, sold or in the process of being sold over the period.

As of December 31, 2008, this heading included assets and liabilities of companies in the process of being sold at the close of the year, as well as the related provisions.

## Equity

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Shareholders' equity – attributable to equity holders of the parent | 9,434.2 | 9,218.2 | 216.0 |
| Shareholders' equity – attributable to minority interests | 1,256.9 | 1,443.3 | (186.4) |
| **Shareholders' equity** | **10,691.1** | **10,661.5** | **+29.6** |

As of December 31, 2008, PPR's consolidated shareholders' equity was unchanged compared with 2007.

In 2008, the shareholders' equity attributable to equity holders of the parent increased, due mainly to:

- net income attributable to equity holders of the parent for the year (+€924 million);
- dividends paid by PPR (-€434 million);
- movements on PPR's share capital and cancellations of treasury shares (-€114 million);
- foreign exchange translation adjustments (-€82 million) and fluctuations in cash flow hedging reserves (-€65 million).

In 2008, with a net negative impact of €142 million, PPR carried out various capital increases, issuing a total of 26,248 shares, and also purchased and subsequently cancelled 1,552,810 of its own shares. Following these transactions, PPR's share capital as of December 31, 2008 was comprised of 126,555,377 shares with a par value of €4.

Also in 2008, PPR sold a net total of 586,500 treasury shares under its liquidity contract, purchasing 80,000 of its own shares with a view to distributing them to employees granted options under the 2008 bonus share issue plan maturing in June 2010, and purchasing 18,690 shares attributed to employees granted options under the 2006 bonus share issue plan maturing in May 2008. These transactions had a total net impact of €29 million on the Group's shareholders' equity.

As of December 31, 2008, PPR did not hold any shares under its liquidity contract (586,500 treasury shares as of December 31, 2007). Outside its liquidity contract, PPR holds 80,000 shares in treasury shares with a view to distributing them to employees under the 2008 bonus share issue plan maturing in 2010 (no shares held as of December 31, 2007).

As of December 31, 2008, shareholders' equity attributable to minority interests mainly concerned Puma, for a total of €1,101 million, Cfao subsidiaries, for a total of €140 million, and Gucci Group NV subsidiaries, for a total of €16 million. Compared with 2007, the reduction in minority interests relating to Puma and Gucci Group NV was attributable to additional share purchases made in 2008.

## Net financial indebtedness

The Group's net financial indebtedness totalled €5,510 million as of December 31, 2008. This represented a €611 million or 10.0% reduction compared with 2007. In particular, gross borrowings fell by €1,172 million (-14.9%) over the year.

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Bonds | 2,544.9 | 2,117.1 | +427.8 |
| Bank borrowings | 2,679.4 | 4,242.2 | (1,562.8) |
| Commercial papers | 784.9 | 662.7 | +122.2 |
| Other borrowings | 674.2 | 833.1 | (158.9) |
| **Gross borrowings*** | **6,683.4** | **7,855.1** | **(1,171.7)** |
| Fair value hedging derivative instruments (interest rate) | (56.4) | (20.6) | (35.8) |
| Cash and cash equivalents | (1,116.6) | (1,713.2) | +596.6 |
| **Net financial indebtedness** | **5,510.4** | **6,121.3** | **(610.9)** |

* *Excluding the financing of customer loans.*

As of December 31, 2008, net financial indebtedness included €108 million covering put options granted to minority shareholders.

In 2008, PPR pursued its interest rate setting and capping policy. Fixed-rate borrowings accounted for 64.6% of total gross borrowings as of December 31, 2008 (compared with 48.0% as of December 31, 2007).

As of December 31, 2008, the Group's gross borrowings were comprised mainly of euro-denominated borrowings. The proportion denominated in Japanese yen totalled to 6.8% of total gross borrowings (4.7% as of December 31, 2007) and the proportion denominated in US dollars stood at 1.4% (3.7% as of December 31, 2007).

PPR minimises its exposure to debt concentration risk by diversifying its sources of financing. Disintermediated financing accounted for 49.8% of gross borrowings as of December 2008, compared with 35.4% a year earlier. PPR's credit facilities are taken out with a diversified pool of top-tier French and international banks. As of December 31, 2008, ten banks accounted for 76% of confirmed commitments in favour of PPR. The Group's three leading partners represented less than 35% of the total and no single bank accounted for more than 15% of all confirmed lines of credit made available to the Group.

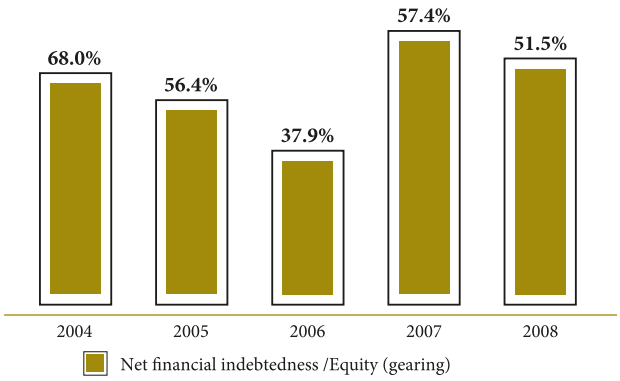
PPR's involvement in borrowings and placements is restricted to financial institutions benefiting from very high credit ratings. The Group spreads its transactions across several institutions.

## Solvency

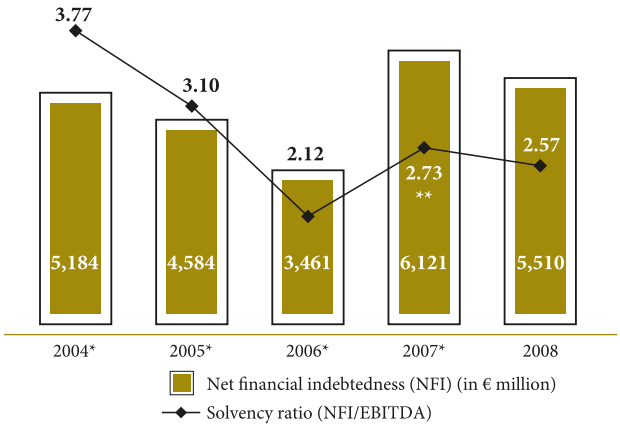
PPR's financial structure is very sound:

- its gearing ratio (net indebtedness to equity) improved to 51.5% as of December 31, 2008, compared with 57.4% as of December 31, 2007;
- its solvency ratio (net financial indebtedness to EBITDA) also improved, standing at 2.57 in 2008 compared with 2.73 on a proforma basis in 2007.

**GEARING**




**SOLVENCY**




* Not adjusted for application of IFRS 5.
** Pro forma.

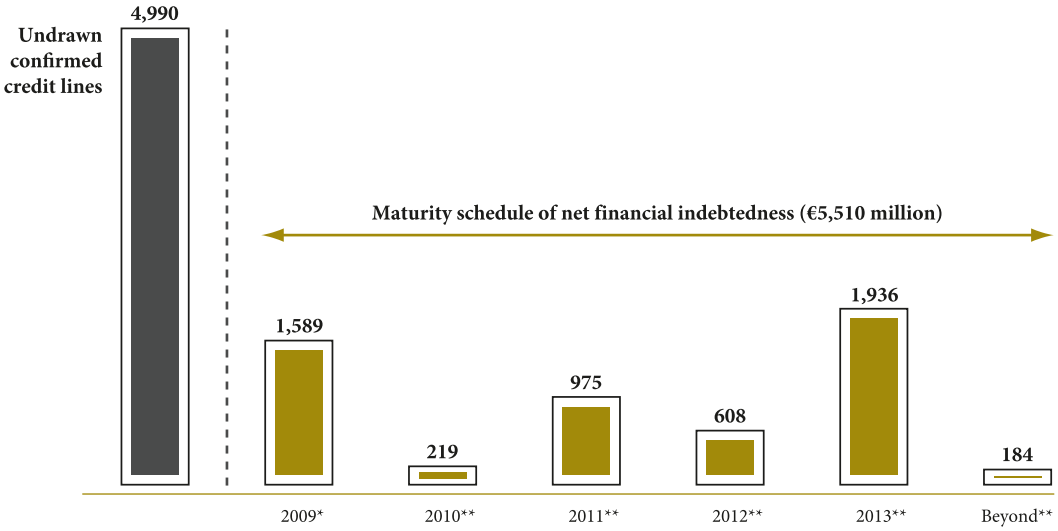
Only one covenant is applied to PPR's bank financing, namely that the solvency ratio (net financial indebtedness to EBITDA, calculated once annually on a pro-forma at the year end) must not exceed 3.75.

On December 16, 2008, Standard & Poor's confirmed PPR's "BBB-" rating with a stable outlook.

## Liquidity

As of December 31, 2008, PPR had cash and cash equivalents totalling €1,117 million (€1,713 million as of December 31, 2007), as well as confirmed undrawn medium-term lines of credit totalling €4,990 million (€4,743 million as of December 31, 2007).

**NET FINANCIAL INDEBTEDNESS (NFI) MATURITY SCHEDULE**




* Gross borrowings after deduction of cash and cash equivalents and financing of customer loans.
** Gross borrowings.

Accordingly, the Group is not exposed to liquidity risk.

Short-term borrowings and borrowings maturing in five years or more accounted for 42.3% and 30.9% respectively of total gross borrowings as of December 31, 2008 (42.3% and 32.2% respectively as of December 31, 2007).

Cash and cash equivalents are made up exclusively of cash instruments and monetary UCITS with no risk of change in value. As of December 31, 2008, the Group also had €6,695 million in confirmed lines of credit (€6,725 million as of December 31, 2007).

The Group's borrowings and lines of credit feature standard pari passu, cross default and negative pledge clauses.

The Group's debt contracts do not include any rating triggers providing for early redemption in the event of a rating downgrade.

## Change in net financial indebtedness

Change in net financial indebtedness between 2008 and 2007 can be summarised as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Net financial indebtedness as of January 1** | **6,121.3** | **3,461.2** |
| Free cash flow from operating activities | (1,004.4) | (1,345.5) |
| Net interest paid and dividends received | 343.2 | 271.7 |
| Acquisition of Puma shares | 261.1 | 3,164.0 |
| Acquisition of PPR shares | 131.7 | 147.9 |
| Other acquisitions and disposals of financial assets | (1,015.4) | (29.1) |
| Dividend paid | 492.7 | 457.3 |
| Effect of exchange rate fluctuations on net financial indebtedness | 170.4 | (21.1) |
| Other changes | 9.8 | 14.9 |
| **Net financial indebtedness as of December 31** | **5,510.4** | **6,121.3** |

## Free cash flow from operating activities

After a record year for PPR in 2007, free cash flow from operating activities totalled €1,004 million in 2008:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| **Cash flow from operating activities before tax, dividend & interest** | **2,078.3** | **1,953.7** | **+6.4%** |
| Changes in working capital requirements (excluding tax) | (224.3) | 222.2 | (200.9%) |
| Corporate income tax paid | (322.6) | (303.7) | +6.2% |
| **Excess cash from operating activities** | **1,531.4** | **1,872.2** | **(18.2%)** |
| Net operating investment | (527.0) | (526.7) | +0.1% |
| **Free cash flow from operating activities** | **1,004.4** | **1,345.5** | **(25.4%)** |

Compared with 2007 on a pro-forma basis, free cash flow from operating activities fell by €409 million in the first half of 2008 and improved by €56 million (+5.0%) in the second half.

In 2008, cash flow from operating activities before tax, dividends and interest rose by 6.4% compared with the previous year. In pro-forma terms, it declined by 1.1%, with the change broadly equivalent in the first and second halves.

Compared with 2007, on a pro-forma basis, free cash flow from operating activities fell by €393 million in the first half of 2008 and increased by €17 million (+1.2%) in the second half.

In 2008, net operating investments included sales of tangible and intangible assets for a total of €66 million (€46 million in 2007).

Gross operating investments accordingly amounted to €593 million in the year ended December 31, 2008. This represented a 3.4% increase in reported terms compared with 2007. In pro-forma terms, gross operating investments fell by 0.6% in 2008, with an increase of 13.8% in the first half and a reduction of 9.1% in the second half. They break down as follows:

| *(In € million)* | 2008 | 2007 | Change |
|---|---|---|---|
| Redcats | 56.0 | 53.3 | +5.1% |
| Fnac | 86.8 | 100.7 | (13.8%) |
| Conforama | 64.5 | 66.1 | (2.4%) |
| Cfao | 80.2 | 71.3 | +12.5% |
| Puma | 119.2 | 88.6 | +34.5% |
| Luxury Goods Division | 184.8 | 191.9 | (3.7%) |
| Holding companies and other | 1.2 | 1.2 | +0.0% |
| **PPR Continuing operations** | **592.7** | **573.1** | **+3.4%** |

In 2008, these investments stemmed notably from store-opening programmes, which accounted for approximately 24% of the total (28% in 2007), as well as store conversions and/or renovations, for approximately 18% (29% in 2007).

In 2008, 27.3% of gross operating investments were made in France, compared with 32.9% in the previous year.

### Available free cash flow

In 2008, disbursements relating to net financial expense included interest and dividends received for a total of €47 million (€59 million in 2007).

Accordingly, available free cash flow amounted to €661 million in 2008. Compared with 2007, this represented a fall of €495 million in the first half of 2008 and an increase of €82 million (+9.1%) in the second half.

### Financial transactions

In 2008, PPR and Puma spent €80 million and €181 million respectively to purchase Puma shares.

PPR share purchases in 2008 cover disbursements subsequent to purchases of the Group's shares with a view to cancelling them, share movements under the liquidity plan and flows relating to share purchases made within the framework of the Group's bonus share issue plans.

In 2008, other purchases and sales of shares include mainly receipts relating to the disposal of YSL Beauté.

In 2007, other share purchases and sales included mainly the takeover of Puma, the sales of Kadéos and the second block of France Printemps shares, and the acquisition of United Retail.

### Dividends paid – Impact of currency fluctuations

In 2008, dividends paid included €59 million to minority shareholders of consolidated subsidiaries (€72 million in 2007), including €23 million for Puma and its subsidiaries (€41 million in 2007).

Exchange rate fluctuations (particularly the appreciation of the Japanese yen in December) contributed €170 million to the increase in net financial indebtedness in 2008, whereas they reduced indebtedness by €21 million in 2007.

## DIVIDEND

The net income of the PPR parent company for the year ended December 31, 2008, totalled €77 million. Net income amounted to €743 million in 2007, owing mainly to capital gains on the disposal of Kadéos shares and the second block of France Printemps shares.

At the Shareholders' Meeting scheduled for May 7, 2009, the Board of Directors will propose the payment of a dividend of €3.30 per share, a reduction of 4.3% compared with the previous year.

This would put the amount potentially to be paid out in 2009 at €418 million, a reduction of 3.7% compared with the previous year.

This proposal reflects PPR's goal of maintaining well-balanced payout ratios bearing in mind on the one hand the improvement in net income from continuing operations excluding non-recurring items attributable to the equity holders of the parent and, on the other hand, the amount of available free cash flow generated in 2008. Our payout ratios[1] are as follows:

- 47.7% of net income from continuing operations excluding non-recurring items attributable to the equity holders of the parent (compared with 48.9% and 55.2% for 2007 and 2006 respectively);
- 63.2% of available free cash flow generated in 2008 (compared with 39.5% and 43.5% for 2007 and 2006 respectively).

## SUBSEQUENT EVENTS

### Recovery plans at Conforama and Fnac

On February 18, 2009, Conforama unveiled a plan aimed at generating annual savings of €50 million, with a view to restoring its competitiveness. The plan includes a €25 million reduction to the payroll through in-store productivity gains and centralisation of back-office functions. It also aims to cut logistics expenses by €10 million, head office expenses by €9 million and property expenses by €3 million, and includes €3 million in markdowns.

On February 18, 2009, Fnac unveiled a plan aimed at reinvigorating its sales momentum, including annual savings of €35 million. Savings are to be found in all areas (productivity, overheads, communications, leases, etc.).

### Acquisitions by Puma

On January 1, 2009, Puma acquired a majority holding in Dutch company Dobotex International BV, an historic partner and owner of the licence for Puma brand socks and underwear outside the US.

Puma also announced, on January 12, 2009, the acquisition of 100% of Swedish corporate merchandising specialist Brandon AB, with economic effect as of January 1. This transaction is subject to approval by competition authorities. The acquisition will strengthen Puma's core business by adding complementary business in the area of Merchandising and Experience Marketing and by providing scope for operating synergies in all categories.

### New Redcats CEO appointed

On February 11, 2009, PPR announced the appointment of Jean-Michel Noir as Chairman and CEO of Redcats and member of PPR's Executive Committee. Jean-Michel Noir was previously Chief Operating Officer of the Vivarte Group and will join Redcats at the beginning of April 2009.

## OUTLOOK

To confront the challenges of a deteriorating consumer environment in 2009, PPR can confidently rely on the strengths that have underpinned the quality of its results in 2008.

In 2009, PPR will continue to implement all possible measures to adapt to an uncertain economic environment. The Group is determined to intensify its action plans in order to sharpen its competitive advantages and to strengthen its operations in all its businesses.

*(1) Calculated, for the 2007 and 2006 fiscal years, on the basis of reported accounting aggregates.*

# Investment policy

In 2008, PPR pursued its strategy of reinforcing its high growth and profitability activities. This strategy emphasises organic growth and international expansion, and is founded on renowned global and retail brands. It is implemented in Luxury Goods and Consumer markets alike.

The strategy's objective is to ensure the prosperity of each Group entity and exploit the potential for organic growth. To underpin its positions, PPR has the option of carrying out tactical acquisitions so as to complete its resources and brand or product portfolios.

This vision also leaves room for strategic acquisitions, which are an effective means of accelerating the Group's development and improving its growth and profitability profile.

In addition, PPR continued in 2008 to focus on priority activities that it initiated in 2006.

## FINANCIAL INVESTMENTS

### 2008

Financial investments represented net cash inflows totalling €983 million in 2008, disposals of financial assets (securities and other financial assets), interest and dividends received having largely exceeded the amount spent to acquire financial assets.

### Disposal of YSL Beauté

Perfume, make-up and cosmetics are vital for the success of a worldwide Luxury Goods brand. Wishing to optimise Yves Saint Laurent's potential in this category, PPR struck a strategic alliance with L'Oréal, the world leader in this industry.

In the first half of 2008, PPR signed an agreement with L'Oréal regarding YSL Beauté, under which:

- the use of the Yves Saint Laurent and Boucheron brands in the field of perfumes and cosmetics was entrusted to L'Oréal in the form of a very long-term exclusive worldwide licence, on market terms;
- perfume and cosmetics licences for the Stella McCartney, Oscar de la Renta and Ermenegildo Zegna brands were transferred to L'Oréal; and
- ownership of YSL Beauté, including its subsidiary Roger & Gallet, was sold to L'Oréal at a price representing an enterprise value of €1,150 million.

The Yves Saint Laurent, Boucheron and Stella McCartney brands remain the property of the PPR Group.

With this agreement, PPR reaffirmed its ambition of supporting the growth of its Luxury Goods brands. L'Oréal will secure and accelerate the worldwide growth and influence of Yves Saint Laurent in the perfume, make-up and cosmetics industry. A unique development platform will also be offered to the Boucheron and Stella McCartney brands.

Following consultation with employee representatives and once antitrust approval had been obtained, YSL Beauté's transfer to L'Oréal became effective on June 26, 2008, at which time the payment was received.

### Disposal of non-core activities

In February 2008, Conforama entered into a memorandum of understanding for the sale of its Polish subsidiary to Leroy Merlin for an enterprise value of €45 million. The sale was completed in June 2008, after receiving approval from the competition authorities.

Pressing ahead with the simplification of its businesses, Redcats sold the portfolio of trade receivables belonging to its subsidiary Redcats UK, as well as part of the inventories relating to the operations of Empire Stores in the United Kingdom, in July 2008. It now plans to focus its British operations on its home-shopping brands, which include La Redoute, Vertbaudet and Daxon.

Similarly, Redcats USA finalised the sale of women's ready-to-wear brands Chadwick's and Metrostyle, housed in the "Missy" division, to an American private equity fund in July 2008. Redcats USA will now focus mainly on its "large-size", and "sports and leisure" businesses in the United States.

## Acquisition of a stake in Girard-Perregaux

In June 2008, PPR announced the signature of a long-term strategic partnership with Sowind Group, the owner of Swiss luxury watch brands Girard-Perregaux and JeanRichard.

Under the agreement, PPR took a 23% stake in Sowind Group. A shareholders' agreement was also arranged that allows for the possibility of PPR increasing its stake in the company, which remains under the control of Luigi Macaluso.

This strategic agreement partnership embodies the vision shared by both companies on the prospects for long-term growth in the luxury watch sector. It will allow PPR and Girard-Perregaux to combine their know-how and knowledge base on R&D, design, brand management and on distribution networks and sourcing.

This long-term alliance will give both Girard-Perregaux, one of Switzerland's last remaining independent watchmakers, and the JeanRichard brand the means of achieving their full growth potential thanks to the backing of a major player in the Luxury Goods market.

For PPR, this agreement confirms Gucci Group's goal of expanding in the luxury watches sector, one of the most buoyant areas of the Luxury Goods market. It will allow Gucci Group's Luxury Goods brands to benefit from exceptional watchmaking expertise and facilitate their sourcing of watch components.

### 2007

Financial investments represented net cash outflows of €3,035 million in 2007.

## Takeover of Puma

On April 10, 2007, PPR announced the acquisition of an interest in Puma and the launch of a takeover bid. The transaction was finalised on July 17, 2007.

The acquisition of Puma represented a new opportunity for PPR and was crucial to its growth strategy, which is based on strong brands and distinctive distribution models.

Initially, on April 10, 2007, PPR, through its subsidiary Sapardis, signed an agreement with Mayfair for the acquisition in cash of its 27.1% controlling interest in Puma (4,333,185 shares) at a price of €330 per share (excluding the 2006 dividend of €2.50), representing a total consideration of €1,430 million.

Following this acquisition, PPR launched a friendly takeover bid in cash for the remaining Puma shares at the same price of €330 per share, thus valuing the company at €5,330 million.

Launched on May 14, 2007, the bid did not include any threshold condition and was submitted for approval to the competition authorities. This condition precedent was lifted on June 15, 2007 and three PPR senior executives joined the Puma Supervisory Board. On June 19, 2007, François-Henri Pinault was unanimously elected Chairman of the Puma Supervisory Board.

During the initial bid acceptance period, which closed on June 27, 2007, 976,892 shares were contributed adding to the 34,789 shares purchased on the stock market, representing an additional investment for PPR of €334 million. As a result, on June 30, 2007, PPR owned 5,344,866 Puma shares representing a controlling interest of 33.4%.

An additional period for accepting the bid was opened from June 28 to July 11, 2007 during which time the Puma shareholders were given a last chance to contribute their shares to PPR at a price of €330 per share. As of the final closing of the friendly takeover bid, PPR held a 62.1% interest in Puma, or 9,950,664 shares.

Between the takeover's closing and December 31, 2007, PPR acquired 154,942 Puma shares. In addition, over the same period, Puma implemented its share buyback programme and acquired 125,000 treasury shares. Consequently, as of December 31, 2007, Puma is 63.3% fully consolidated.

## Acquisition of United Retail by Redcats USA

On September 11, 2007, Redcats USA launched a friendly takeover bid for United Retail Group, a specialist in women's large-size ready-to-wear retailing under the Avenue brand, with a national network of 492 stores. On November 1, 2007, following the bid's extension period, Redcats USA increased its stake to 86% and subsequently acquired the United Retail. This operation valued United Retail at USD 198.9 million.

This acquisition is part of Redcats' strategy of bolstering its leadership positions and developing efficient multi-channel distribution models (catalogue, Internet and stores). It enabled Redcats to speed up its growth in the United States by doubling its market share in the large-size ready-to-wear market.

## Sale of Kadéos

On 31 March 2007, Kadéos, specialised in the sale of gift vouchers and cards for the corporate market and individuals, was sold to the Accor Group for €210 million.

This transaction, carried out on excellent financial terms, was part of the Group's strategy of focusing on its core businesses. By selling its gift voucher and card business to the market leader, PPR ensured the continuity of the commercial contracts between Kadéos and all the Group's retail brands.

### Sale of the remaining interest in France Printemps

On March 31, 2007, pursuant to the agreement to sell the control of France Printemps signed on August 2, 2006, RREEF (Deutsche Bank) and the Borletti Group acquired PPR's residual interest in France Printemps (48.96%).

### 2006

Financial investments represented net cash inflows totalling €60 million in 2006, asset disposals (securities and other assets), interest and dividends having exceeded the amount spent to acquire financial assets.

In 2006, Conforama's 32% interest in Sodice Expansion, its principal franchisee, was increased to a majority control. Sodice Expansion had been listed on the Paris Stock Exchange. Based in France's Nord-Pas-de-Calais region, Sodice Expansion operated 14 stores under the Conforama brand.

Redcats finalised the 100% acquisition of the NASDAQ listed US company, The Sportsman's Guide, specialising in the sale of outdoor sports goods online and by catalogue.

Cfao reinforced its Healthcare division through the acquisition of two pharmaceutical distribution companies in Algeria and Togo. The division also acquired Cider, a company specialised in medical promotion.

PPR and RREEF, in association with the Borletti Group, announced the sale of a controlling interest in France Printemps in October 2006. The transaction took place in two stages: the immediate sale of a 51% interest, with the sale of the residual interest following in 2007, in order to allow the change of ownership to take place gradually.

An important page in the Group's history was thus turned with the sale of this company whose international growth potential was considered as insufficient, with PPR being able to seize the opportunity offered by the real estate market in terms of asset valuation.

In August 2006, the Group also sold Orcanta, founded by PPR in 1996, to the Chantelle Group. Orcanta had 64 lingerie stores in France.

## OPERATING INVESTMENTS

The Group conducts a targeted investment policy, to reinforce both its image and the unique positioning of its brands and companies, and to increase the return on capital employed of investments.

The Group's investment policy is focused on the development of its store network, the conversion and renovation of its existing outlets, the establishment and maintenance of manufacturing units in the Luxury Goods sector and logistics centres in the Retail sector, and finally the development of IT systems.

In 2008, given the deterioration in the economic environment, the Group opted to focus on its key markets, in emerging countries primarily, as well as on projects offering the best and swiftest return. The Group accordingly deferred or reined in spending on non-priority projects.

Gross operating investments represented cash outgoings of €593 million in 2008, a 3.4% increase compared with 2007 and a 0.6% reduction on a pro-forma basis (consolidating Puma and United Retail over 12 months in 2007).

This virtual stability (coming on the heels of year-on-year growth of 23% in 2007 excluding the impact of the consolidation of Puma) attests to the Group's capacity to react quickly and adapt itself to the deterioration in the economic environment.

Investments include openings of sales outlets, which account for roughly 24% of the total (28% in 2007), and conversions, extensions and/or renovations of existing stores, for roughly 18% (29% in 2007).

Investments outside France accounted for 73% of the total in 2008 (67% in 2007 and 61% in 2006). This highlights the importance the Group attaches to its international expansion.

Net operating investments for 2008 take into account disposals of property, plant and equipment, and intangible fixed assets totalling €66 million (€46 million in 2007).

### Fnac

Despite the fact that the pace of store renovations and openings held steady compared with 2007, Fnac's gross operating investments were down 14% over the year at €87 million. Fnac opened 13 new stores in 2008, of which 9 internationally and 4 in France, in the peri-urban format (14 new stores, of which 7 internationally in 2007).

Store investments accounted for 78% of the company's total investments.

## Redcats

Redcats' gross operating investments totalled €56 million for the year ended December 31, 2008. Taking into account the consolidation of United Retail in November 2007, they were down 9% on a pro-forma basis compared with 2007. Logistics projects accounted for 21% of investments. The 45% devoted to the sales outlets went chiefly towards the opening of new stores and the optimisation of the network for the Cyrillus, Vertbaudet, Somewhere and Avenue brands. Redcats continued to innovate in online sales and to grow its Internet presence, which already includes more than 60 e-commerce websites.

## Conforama

Conforama's gross operating investments amounted to €65 million. The 2% reduction compared with 2007 stemmed from a reduction of store openings and store renovation plans. A total of 26 renovations were carried out in 2008 (36 in 2007).

## Cfao

A total of €80 million was spent on extending and modernising the operating infrastructure across all the Company's businesses in 2008, a 13% increase compared with 2007.

## Puma

Puma's gross operating investments came to €119 million in 2008, a 15% increase year-on-year (€103 million in 2007). They relate to the programme geared towards extending the brand's store network, with the opening of new outlets, including 19 "Concept Stores" worldwide (25 in 2007), and the building of a new Puma operational centre in Germany.

## Luxury Goods

The development of the directly-operated store network was intensified in 2008, with the opening of 66 additional units, bringing the year-end total to 560 stores. At the same time, renovations and extensions were scaled down compared with 2007, paving the way for a 4% fall in gross operating investments (€185 million in 2008 compared with €192 million in 2007).

Gucci continued to build up its network of directly-operated stores, with the net opening of 25 outlets in 2008, focused largely on the emerging markets, including 7 openings in Greater China.

Bottega Veneta opened 10 net new stores in 2008, thereby adding to its presence in Asia (China) and the United States.

All the other brands also grew their directly-owned store networks, with a net increase of 31 sales outlets overall, bringing the total number operated under the Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney brands to 117.

Since December 31, 2008, the Group has continued its store opening and renovation programmes. As the investments included in these programmes are not substantial, it has not been necessary for PPR's Executive Board to give its approval.

Financial investments made since the closing of 2008 accounts are set out in Note 36 to the consolidated financial statements.

# Risk management

## FINANCIAL RISKS

The PPR Group has established a centralised structure for the management of liquidity, exchange rate and interest rate risks. The Group's Financing and Treasury Department, which reports to the Finance Department, is responsible for this structure, and has the necessary expertise, means (particularly technical) and IT systems to carry out its tasks. It deals in the various financial markets with optimum efficiency and security via PPR Finance SNC, which is dedicated to treasury and financial management. It coordinates the cash management of subsidiaries and determines the Group's banking policy.

**The financial risks identified by the Group are the following:**

### Counterparty risk

PPR minimises its exposure to counterparty risk by only dealing with high-rated companies and by spreading out its exposure among its various counterparties, up to their allocated amount. Counterparties to derivative transactions are included in the credit risk management procedures. Each of these transactions requires approval and is governed by limits and maturities that are reviewed on a regular basis. Counterparties must have a Standard & Poor's rating of no less than "A" or the equivalent Moody's rating.

### Equity risk

In the normal course of its business, PPR enters into transactions involving shares in consolidated companies or shares issued by PPR. The Group trades in its own securities either directly or through derivatives in accordance with its share buyback programme and with applicable regulations. PPR has also signed an agreement with a financial intermediary to promote the liquidity of its shares and the stability of its share price. This contract complies with the provisions of the Professional Code of Conduct drawn up by the *Association française des entreprises d'investissement* (AFEI, French Association of Investment Companies).

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

When PPR sets up financial investments in the form of open-ended investment funds (Sicav), UCITS or equivalent funds, it systematically uses liquid monetary instruments maturing in less than 3 months in order to limit risk. Consequently, the risk borne by PPR is deemed immaterial.

PPR has issued a €400 million bond indexed to the price of its own shares, in two equal tranches of €200 million maturing in November 2012 and May 2013. The redemption price is indexed to the price of PPR shares within the bounds of floor and ceiling prices.

Additional information relative to equity risk is provided in Note 30.3 to the consolidated financial statements.

### Foreign exchange risk

The Group uses hedging instruments to reduce its exposure to currency risk based on each activity's specific requirements.

These instruments are used to hedge foreign currency trade receivables and payables, i.e. to hedge highly probable budgetary exposures and/or firm commitments. Each entity hedges the risk generated in its commercial dealings by the use of a currency other than its functional currency.

The Consumers companies primarily hedge the currency risk generated by firm purchase commitments in foreign currencies and highly probable purchase flows. Periods depend on the activity specific to each company. These hedging flows can be generated by inter-company flows via the purchasing centres.

The currency risk hedging of the Luxury Goods companies covers a significant portion of the sales made to their retail subsidiaries and to a lesser extent purchase flows. The hedged flows are essentially inter-company flows.

Future currency exposures are determined through a regularly updated budget procedure.

The hedging period is adapted to each company's cycle and can only marginally exceed the fiscal year at each balance sheet date.

Foreign exchange directives and procedures are set out by each company's Executive Committee and validated by PPR.

Each company hedges its own currency risks in accordance with guidelines and procedures reflecting its specific requirements.

These procedures incorporate Group policies as defined by PPR:

- 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 highly probable exposure is at least 85% hedged regarding budgeted exposure and 100% hedged in the case of firm commitments;
- PPR 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.

PPR ensures that each company's risk management policy is consistent with its underlying exposure, notably through a monthly currency reporting procedure. The Group periodically conducts audits.

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.

Note 30.2 to the consolidated financial statements sets out the nature of the hedging instruments and the exposure to foreign exchange risk.

PPR Finance SNC processes, verifies and monitors foreign exchange transactions on behalf of Group companies. Front-, middle-, back-office and accounting tasks are separated to ensure security and to ensure that internal derivatives are returned to the market. PPR Finance SNC uses market-standard information systems and other resources to value currency instruments.

## Interest rate risk

Falling under PPR's authority, the interest rate risk policy is managed on a consolidated basis by PPR Finance SNC. PPR has set a 40% floating-rate and 60% fixed-rate breakdown for Group consolidated net indebtedness.

Interest rate risk is evaluated on the basis of current data and projections of consolidated net indebtedness and the schedule of hedged positions and fixed and floating-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 PPR's senior management. PPR mainly uses interest rate swaps in order to convert all or part of its fixed-rate bonds and caps and collars to a floating rate in order to protect floating-rate financing against an increase in interest rates.

PPR Finance SNC provides the control and administrative follow-up for all currency transactions on behalf of Group companies. Front-, middle, 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.

Note 30.1 to the consolidated financial statements sets out the nature of the hedging instruments and the exposure to interest rate risk.

## Liquidity risk

Liquidity risk management for the Group and each of its companies is closely monitored and periodically assessed by PPR, with the help of Group and company financial reporting procedures.

In order to manage liquidity risk that may arise when financial liabilities mature, the Group has maintained its financing policy, which is geared towards optimising its maturity schedule and keeping redemptions spaced apart.

Within the framework of active management, the Group also diversifies its sources of funding, thereby limiting its reliance on individual financial backers.

The Group had unused confirmed lines of credit totalling €4,989.6 million as of December 31, 2008, compared with €4,743.0 million a year earlier.

PPR also requested an extension to the maturity of the €1,500 million revolving syndicated credit facility set up in 2007 to cover the medium-term funding of the friendly bid for Puma AG. Following this request, a total of €1,115.6 million was rolled over until June 26, 2013.

Renewal was obtained for €500 million of the short-term tranche of the Puma AG acquisition debt, taken out in 2007 for an initial amount of €1,790 million maturing in one year and renewable once at PPR's request, in the form of a term loan maturing on June 26, 2009.

PPR has an EMTN (Euro Medium Term Notes) programme in Luxembourg representing €5 billion in bonds. Of this, €2,550 million had been used as of December 31, 2008. Within the framework of its EMTN programme, PPR issued in May 2008 a €400 million bond indexed to the price of PPR shares, in two equal tranches of €200 million maturing in November 2012 and May 2013. The EMTN programme was renewed on December 10, 2008 for one year.

PPR has an "A3" short-term credit rating from Standard & Poor's and a "BBB-" long-term stable outlook rating.

The Group's bank loans and bonds are governed by the standard commitment and default clauses customarily included in this type of agreement: pari passu ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation.

Confirmed lines of bank credit are subject to mandatory early repayment if the ratio of net financial debt to EBITDA is not equal

to or lower than 3.75 (Note 29.5.3 to the consolidated financial statements). This ratio is calculated on a pro-forma basis.

Public bond issues in the euro market are not governed by any financial ratio obligation.

The Group was in compliance with all these covenants as of December 31, 2008 and there is no foreseeable risk of breach.

Information relative to liquidity risk is set out in Note 29 to the consolidated financial statements, which provides the breakdown of Group debts by maturity and by currency, and in Note 30.6 to the consolidated financial statements, which describes liquidity risk in compliance with IFRS 7.39.

## LEGAL RISKS

### Group dependence on patents, licences and supply contracts

The Group has no significant dependence on patents, licences or supply contracts.

The Group owns trademarks, patents and intellectual property rights that it exploits free of any restrictions as to right of priority or use in all relevant markets, whether it be the trademarks, store or outlet names, or the goods manufactured and sold by its various entities. This situation does not preclude any of the trademarks belonging to the Group being licenced to third parties for the sale of goods or services under its trademark enhancement policy, as has been the case in perfumes and cosmetics. In all cases, licensing agreements have been entered into under fair commercial and financial terms and conditions, and have no impact on the ownership of the trademarks and signs belonging to the Group.

### 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 set aside for the probable costs, as estimated by the Group's entities and their counsel. According to 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. All the abovementioned legal risks, including the impact of commitments relating to the disposal of controlling interests in companies, have been provided for in the Group's consolidated financial statements for the year ended December 31, 2008. None of these risks has been qualified as arising outside the scope of the normal course of business of the Group's companies.

The Group considers that effective procedures and processes for identifying and managing its industrial and environmental risks in each of its subsidiaries, which rely on the professional advice of duly authorised external organisations and advisors, meet, in relevance and proportion, normal technical and professional standards under the prevailing regulatory framework. An active prevention and safety policy is an integral part of these procedures and processes.

The Group has granted various warranties under the terms of disposals made over the last five years (see Note 34.2 appended to the consolidated financial statements for the year ended December 31, 2008).

Regarding laws or regulations applicable to the Group's activities, it should be noted that none of its businesses are governed by any particular rules or requirements on any of the relevant markets. The Group's businesses are governed by the same constraints and regulations as those directly applicable to the companies with which it competes on the relevant markets.

As far as the Company is aware, no regulatory or legislative changes are expected to occur in the near future.

To the best of the Company's knowledge, during the last twelve months, there have been no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the issuer is aware) that could have a material adverse effect on the financial position or profitability of the issuer.

# INSURANCE RISKS

PPR's Insurance Department 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 market sudden and accidental risk with potential severe consequences.

This Department reports directly to the PPR Corporate Secretary. It works with each company that is responsible for providing the information necessary to identify and quantify risks and for taking the appropriate means to ensure business continuity in the event of a claim.

On this basis, the Group's Insurance Department negotiates with the major players in the insurance and reinsurance industry to provide the most appropriate coverage for insurable risks.

## Risk prevention

A decentralised policy of prevention, precaution and protection with respect to risks is applied in accordance with the Group's regulations within its various companies. This policy is aimed at identifying, assessing and reducing exposure to losses, as well as their frequency and intensity, by means of:

- audits of the main operating sites;
- appraisals of risk values;
- the implementation of recommendations made by security professionals;
- internal control procedures;
- staff training;
- putting in place appropriate emergency plans.

An inter-company taskforce (Group Prevention Network) brings together risk-prevention and -protection professionals from each company in order to draw up and implement 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 self-insurance insurance;
- availability of insurance capacities, 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 harm or property damage to third parties caused by goods, or the installation of furniture or equipment;
- fire, explosions, water damage, etc.;
- operating losses following direct damage.

The purchase of insurance coverage is based on the determination by site and company of a "reasonably estimated" potential occurrence of diverse risks (liability and damages). This estimate takes into account the analysis made by insurers as underwriters of PPR risks.

The insurance schemes now in force in the Group, which centralises the purchase of insurance policies such as fire, accident and diverse risks (IARD) for all subsidiaries, were taken out with the assistance of internationally recognised insurance brokers specialised in covering major risks, with reputable insurers in the industrial risk insurance sector.

### Main existing insurance programmes:

- 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 resulting from theft, fraud, embezzlement, or act of malice to valuable assets, data and/or property;
- bodily harm or property damage following construction work (new buildings, renovations, restorations, etc.) carried out as project owners (*maîtres 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 Group companies for specific risks or to comply with local requirements.

Uninsured risks are exposures for which there is no insurance coverage offered on the insurance market or insurance offers at unattractive prices compared to the advantage brought by the potential insurance coverage.

PPR Group handles insurable risks according to the current state of scientific and medical knowledge allowing forecast on potential risks in a comparable way with other French or foreign industrial groups with similar types of exposures. This is one of the reasons why we are able to place our risks with insurers ready to deal with the sudden and the accidental consequences of our activities.

In overall terms, the amounts of coverage for the main potential risks facing the Group as a whole as of January 1, 2008, are as follows:

- fire, explosions or water damage and the ensuing operating losses: €800 million;
- general civil liability: €145 million;
- damage to or loss of goods in transport: €15 million;
- fraud and acts of malice to goods and valuables: €20 million.

Total "Cost of Risks" for PPR includes three main items (in addition to "physical" protection and prevention investments):

- cost of deductibles and non-insured losses retained or insured by the subsidiaries in 2008: €4.1 million;
- claims covered by the Group itself through its internal reinsurance company, Printemps Réassurance, in 2008: €5.3 million.

  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.

  Printemps Réassurance covers damages and operating losses of up to €2.5 million per claim, capped at €7 million per annum (for the period from July 1 to June 30);
- insurance premiums and management fees including engineering visits and brokers fees, etc. (final budget for 2008): €28 million.

For 2009, insurance is currently expected to cost roughly €24 million. As with previous years, there will also be additional premiums to pay in the event of new developments or an increase in activity over the year.

Specific additional premiums may also be taken out by certain subsidiaries in compliance with requirements in some countries (accidents in the workplace, contribution to natural disasters funds, etc.). These are managed at the level of each company and/or country.

## BUSINESS-RELATED RISKS

### Competition

The Group's various Divisions operate in increasingly competitive markets characterised by a growing number of players, a greater variety of goods on offer and more diversified distribution channels, especially with the rise of e-commerce websites.

Against this backdrop, the Group's high-profile brands, its top-quality goods and their cutting-edge creativity, the global reach of its businesses and the choice positioning in terms of the quality of its stores and the popularity of its e-commerce websites have made it a market leader. In the Lifestyle business in particular, the swiftness with which it can bring new technologies and new models to the market represents a decisive competitive advantage.

In the Luxury Goods and Fashion sectors, where competition is fierce, the renown of our brands, the originality of our creations and product ranges, the distinctive nature of our designs, the quality of our materials and our workmanship, our partnerships with fashion designers, and our capacity to influence consumer behaviour and unfailingly anticipate customer expectations count among our chief strengths.

In the retailing business, our brands provide competitively priced goods and services of high quality, and know how to adapt their offering to their increasingly demanding clienteles.

### Piracy, counterfeiting and parallel distribution networks

PPR owns a large portfolio of brands, models, creations and know-how, in particular through its Gucci and Puma Divisions. Together, these elements constitute a strategic asset for the Group.

The Holding Company and Divisional Legal Departments, which are responsible for ensuring the protection of our rights in all the relevant markets, take special care to protect the Group's intellectual property assets. Strong and diversified action is taken in the fight against counterfeiting and piracy, in the interests of our brands and consumers.

The Group fights actively against the sale of counterfeit or copied goods in illicit distribution networks, in particular by working to increase the traceability of its goods and by prohibiting direct sales to these networks.

## Product quality and safety, health risks

Ensuring the quality and conformity of goods sold is one of the main priorities of the Group and its Divisions, in the interests of its brands and consumers.

In order to avoid this type of risk as much as possible, the Group's Divisions have implemented processes involving the appropriate quality-control tools and procedures at all stages of production and distribution right up to the end-consumer. Suppliers have to adhere to a diverse range of specifications encompassing the quality of the goods and services they provide and the reliability of their manufacturing processes. They also have to adhere to the Group's Corporate Social Responsibility (CSR) policy. Goods and services are subject to quality checks at all stages of production. Using the appropriate procedures, quality experts visit and assess production sites, and ensure that the Group's instructions are followed out. Lastly, finished goods are subject to quality tests before they are put on sale.

In the event of a risk emerging over the life of a product, the Divisions immediately provide faithful information to the market and arrange a recall of the defective products.

The Group has also taken out civil liability insurance to cover defective products (see the paragraph above "Main existing insurance programmes").

## Image and reputation, respect for ethical rules and integrity

The Group guards its image and its reputation as assets and a sustained source of revenues and growth.

It therefore seeks to ensure that no incidents occur due to a defective good or service, or by unethical behaviour on the part of an entity or an individual placed under the Group's control.

As such, all Divisions have crisis-management units in constant touch with PPR headquarters in order to limit consequences to the Group, its brands or its customers, in the event of unforeseen circumstances arising.

Likewise, the Group has issued an Ethics Charter and a Code of Business Practices, and watches closely to ensure that Divisional staff adhere to the guidelines contained in these documents.

Lastly, our suppliers adhere to and promote our CSR Charter, on which contracts are conditional.

## Departure or loss of key employees

The Group knows that the talent of its employees is one of the keys to its success. Its capacity to identify, attract and retain staff and nurture their skills is critical for PPR.

We therefore seek to promote a stimulating and inclusive working environment, and encourage attachment to the Group and its values by means of training programmes and profit sharing. We also aim to boost our employees' employability, to foster internal mobility and to open up prospects for professional and personal development.

## Information systems

The Group makes increasing use of shared computer applications to obtain quantified data on which its operational decisions are based. The security, reliability and sustainability of its information systems are accordingly taken into account when projects are put together, although the Group nevertheless continues to work on business continuity and disaster recovery plans for all its operations.

## Legal and regulatory requirements

The Group's operations are carried out in accordance with varied regulations, chiefly commercial, customs and fiscal, in place in each of the countries in which it is present. Changes in these regulations, if they were not monitored closely, could affect the Group's activities.

Given the social dimension of its businesses, the Group is also very careful to respect – and where necessary to encourage their reform – laws and regulations relating to health, hygiene and safety, as well as the use, handling, elimination or recycling of waste.

## Risk prevention

The Group's risk prevention policy is described in the section "Internal control procedures" in the report of the Chairman of the Board of Directors, on page 320 of this Reference Document.

# Consolidated financial statements

## for the year ended December 31, 2008

2007 comparative information presented in this document has been restated to comply with the IFRS in force on the date the financial statements were prepared and to reflect the classification of certain activities in accordance with IFRS 5. These restatements are described in Note 2.1.4.

## CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| *(In € million)* | Notes | 2008 | 2007 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | 6 | **20,201.2** | **19,098.2** |
| Cost of sales | | (11,385.9) | (10,792.8) |
| **Gross profit** | | **8,815.3** | **8,305.4** |
| Payroll expenses | 7-8 | (2,803.0) | (2,695.7) |
| Other recurring operating income and expenses | | (4,291.1) | (3,976.0) |
| **Recurring operating income (loss)** | 9 | **1,721.2** | **1,633.7** |
| Other non-recurring operating income and expenses | 10 | (361.0) | 102.7 |
| **Operating income** | | **1,360.2** | **1,736.4** |
| Finance costs | 11 | (372.7) | (309.6) |
| **Income before taxes** | | **987.5** | **1,426.8** |
| Income taxes | 12 | (334.5) | (338.5) |
| Share in earnings of associates | | 1.4 | 1.2 |
| **Net income from continuing operations** | | **654.4** | **1,089.5** |
| o/w attributable to equity holders of the parent | | 537.4 | 971.1 |
| o/w attributable to minority interests | | 117.0 | 118.4 |
| **DISCONTINUED OPERATIONS** | | | |
| **Net income from discontinued operations** | 13 | **387.7** | **(48.1)** |
| o/w attributable to equity holders of the parent | | 386.8 | (48.8) |
| o/w attributable to minority interests | | 0.9 | 0.7 |
| **Net income of consolidated companies** | | **1,042.1** | **1,041.4** |
| Net income attributable to equity holders of the parent | | 924.2 | 922.3 |
| Net income attributable to minority interests | | 117.9 | 119.1 |
| **Net income attributable to equity holders of the parent** | 2.19 | **924.2** | **922.3** |
| Earnings per share (in €) | 14.1 | 7.33 | 7.19 |
| Fully diluted earnings per share (in €) | 14.1 | 7.33 | 7.17 |
| **Net income from continuing operations attributable to equity holders of the parent** | 2.19 | **537.4** | **971.1** |
| Earnings per share (in €) | 14.1 | 4.26 | 7.57 |
| Fully diluted earnings per share (in €) | 14.1 | 4.26 | 7.55 |
| **Net income from continuing operations excluding non-recurring items attributable to equity holders of the parent** | 2.19 | **875.2** | **874.6** |
| Earnings per share (in €) | 14.2 | 6.95 | 6.82 |
| Fully diluted earnings per share (in €) | 14.2 | 6.94 | 6.80 |

# CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2008 AND 2007

## Assets

| *(In € million)* | Notes | 2008 | 2007 |
|---|---|---|---|
| Goodwill | 15 | 6,178.7 | 6,653.6 |
| Other intangible assets | 16 | 10,172.7 | 10,135.2 |
| Property, plant and equipment | 17 | 2,253.4 | 2,174.3 |
| Investments in associates | 19 | 74.5 | 19.7 |
| Non-current financial assets | 20 | 323.8 | 266.1 |
| Deferred tax assets | 12.2 | 628.0 | 701.7 |
| Other non-current assets | | 16.8 | 30.4 |
| **Non-current assets** | | **19,647.9** | **19,981.0** |
| Inventories | 21 | 3,465.5 | 3,234.1 |
| Trade receivables | 22 | 1,303.0 | 1,503.8 |
| Customer loans | 23 | 189.5 | 235.3 |
| Current tax receivables | 12.2 | 101.3 | 105.1 |
| Other current financial assets | 24 | 143.1 | 93.5 |
| Other current assets | 23 | 999.2 | 1,062.6 |
| Cash and cash equivalents | 28 | 1,116.6 | 1,713.2 |
| **Current assets** | | **7,318.2** | **7,947.6** |
| **Assets classified as held for sale** | 13 | **61.6** | **283.5** |
| **Total assets** | | **27,027.7** | **28,212.1** |

## Liabilities and shareholders' equity

| *(In € million)* | Notes | 2008 | 2007 |
|---|---|---|---|
| Share capital | 25 | 506.2 | 512.3 |
| Capital reserves | | 2,478.8 | 2,614.9 |
| Treasury shares | | (6.4) | (72.1) |
| Cumulative translation adjustments | | (239.0) | (156.6) |
| Remeasurement of financial instruments | | (35.7) | 31.4 |
| Other reserves | | 6,730.3 | 6,288.3 |
| **Shareholders' equity attributable to equity holders of the parent** | 25 | **9,434.2** | **9,218.2** |
| Shareholders' equity attributable to minority interests | | 1,256.9 | 1,443.3 |
| **Shareholders' equity** | 25 | **10,691.1** | **10,661.5** |
| Non-current borrowings | 29 | 3,961.3 | 4,670.3 |
| Provisions for retirement and similar benefits | 26 | 241.0 | 250.0 |
| Provisions | 27 | 164.4 | 145.6 |
| Deferred tax liabilities | 12.2 | 2,847.8 | 2,879.0 |
| **Non-current liabilities** | | **7,214.5** | **7,944.9** |
| Current borrowings | 29 | 2,722.1 | 3,184.8 |
| Financing of customer loans | 29 | 189.5 | 235.3 |
| Other current financial liabilities | 30 | 75.9 | 72.6 |
| Trade payables | 23 | 2,966.0 | 2,942.6 |
| Provisions for retirement and similar benefits | 26 | 17.4 | 17.2 |
| Provisions | 27 | 189.9 | 95.5 |
| Current tax liabilities | 12.2 | 325.0 | 319.5 |
| Other current liabilities | 23 | 2,565.3 | 2,509.1 |
| **Current liabilities** | | **9,051.1** | **9,376.6** |
| **Liabilities associated with assets classified as held for sale** | 13 | **71.0** | **229.1** |
| **Total liabilities and shareholders' equity** | | **27,027.7** | 28,212.1 |

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| *(In € million)* | Notes | 2008 | 2007 |
|---|---|---|---|
| **Net income from continuing operations** | | **654.4** | **1,089.5** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | | 419.4 | 371.8 |
| Other non-cash income and expenses | | 314.2 | (89.8) |
| **Cash flow from operating activities** | 33.1 | **1,388.0** | **1,371.5** |
| Interest paid/received | | 354.3 | 275.1 |
| Dividends received | | (1.4) | (0.7) |
| Net income tax payable | 12.1 | 337.4 | 307.8 |
| **Cash flow from operating activities before tax, dividends and interest** | | **2,078.3** | **1,953.7** |
| Change in working capital requirement | | (232.4) | 222.8 |
| Change in customer loans | | 8.1 | (0.6) |
| Income tax paid | | (322.6) | (303.7) |
| **Net cash from operating activities** | | **1,531.4** | **1,872.2** |
| Purchases of property, plant and equipment and intangible assets | 33.2 | (592.7) | (573.1) |
| Proceeds from sale of property, plant and equipment and intangible assets | | 65.7 | 46.4 |
| Acquisitions of subsidiaries, net of cash acquired | 33.3 | (222.1) | (3,337.5) |
| Proceeds from disposal of subsidiaries, net of cash transferred | 33.3 | 1,202.2 | 349.2 |
| Purchases of other financial assets | | (55.2) | (118.3) |
| Proceeds from sale of other financial assets | | 10.8 | 12.0 |
| Interest and dividends received | | 47.2 | 59.2 |
| **Net cash from (used in) investing activities** | | **455.9** | **(3,562.1)** |
| Share capital increase/decrease | 33.5 | (174.4) | (6.7) |
| Treasury share transactions | 33.4 | (131.7) | (147.9) |
| Dividends paid to parent company shareholders | | (433.8) | (385.2) |
| Dividends paid to minority interests | | (58.9) | (72.1) |
| Bond issues | 29-33.6 | 723.0 | 1,797.1 |
| Bond redemptions | 29-33.6 | (1,325.7) | (606.7) |
| Increase (decrease) in other borrowings | 29-33.6 | (639.2) | 1,650.5 |
| Interest paid and equivalent | | (390.4) | (330.9) |
| **Net cash from (used in) financing activities** | | **(2,431.1)** | **1,898.1** |
| Net cash from discontinued operations | 13 | (21.1) | 32.2 |
| Impact of exchange rate variations | | (52.4) | (5.4) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(517.3)** | **235.0** |
| | | | |
| **Cash and cash equivalents at beginning of the year** | 33 | **1,450.8** | **1,215.8** |
| **Cash and cash equivalents at end of the year** | 33 | **933.5** | **1,450.8** |

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| (Before appropriation of net income) | | | | | | | Other reserves and net income attrib. to equity holders of the parent | Shareholders' equity | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *(In € million)* | Number of shares outstanding [1] | Share capital | Capital reserves | Treasury shares | Cumulative translation adjustments | Remeasurement of financial instruments | | Equity holders of the parent | Minority interests | Total |
| **As of January 1, 2007** | **128,387,274** | **513.6** | **2,661.6** | | **(18.4)** | **48.2** | **5,766.1** | **8,971.1** | **153.4** | **9,124.5** |
| Gains and losses recognised directly in shareholders' equity | | | | | (138.2) | (16.8) | (2.5) | (157.5) | (28.0) | (185.5) |
| 2007 net income | | | | | | | 922.3 | 922.3 | 119.1 | 1,041.4 |
| **Total recognised income and expense** | | | | | **(138.2)** | **(16.8)** | **919.8** | **764.8** | **91.1** | **855.9** |
| Share capital increase/decrease | (305,335) | (1.3) | (46.7) | | | | | (48.0) | | (48.0) |
| Treasury shares [3] | (586,500) | | | (72.1) | | | (20.4) | (92.5) | | (92.5) |
| Valuation of share option programmes | | | | | | | 8.0 | 8.0 | | 8.0 |
| Dividends paid | | | | | | | (385.2) | (385.2) | (31.9) | (417.1) |
| Changes in Group structure | | | | | | | | | 1,230.7 | 1,230.7 |
| **As of December 31, 2007** | **127,495,439** | **512.3** | **2,614.9** | **(72.1)** | **(156.6)** | **31.4** | **6,288.3** | **9,218.2** | **1,443.3** | **10,661.5** |
| Income and expenses recognised directly in shareholders' equity | | | | | (82.4) | (67.1) | (22.4) | (171.9) | 3.1 | (168.8) |
| 2008 net income | | | | | | | 924.2 | 924.2 | 117.9 | 1,042.1 |
| **Total recognised income and expense** | | | | | **(82.4)** | **(67.1)** | **901.8** | **752.3** | **121.0** | **873.3** |
| Share capital increase/decrease | (1,526,562) | (6.1) | (136.1) | | | | | (142.2) | | (142.2) |
| Treasury shares [3] | 506,500 | | | 65.7 | | | (37.2) | 28.5 | | 28.5 |
| Valuation of share option programmes | | | | | | | 11.2 | 11.2 | 0.4 | 11.6 |
| Dividends paid | | | | | | | (433.8) | (433.8) | (56.2) | (490.0) |
| Changes in Group structure | | | | | | | | | (251.6) | (251.6) |
| **As of December 31, 2008 [2]** | **126,475,377** | **506.2** | **2,478.8** | **(6.4)** | **(239.0)** | **(35.7)** | **6,730.3** | **9,434.2** | **1,256.9** | **10,691.1** |

*(1) Shares with a par value of €4 each.*
*(2) Number of shares outstanding as of December 31, 2008: 126,555,377.*
*(3) Net of tax.*

# CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Translation adjustments | (88.9) | (153.1) |
| Cash flow hedges [1] | (53.6) | (19.1) |
| Available-for-sale assets [1] | (2.5) | (1.4) |
| Other financial instruments [1] | | (9.6) |
| Unrecognised surplus of pension plan assets | 1.3 | (8.3) |
| Actuarial gains and losses [1] | (25.1) | 6.0 |
| **Income and expenses recognised directly in shareholders' equity** | **(168.8)** | **(185.5)** |
| Net income for the year | 1,042.1 | 1,041.4 |
| **Total recognised income and expense** | **873.3** | **855.9** |
| o/w attributable to equity holders of the parent | 752.3 | 764.8 |
| o/w attributable to minority interests | 121.0 | 91.1 |

*(1) Net of tax.*

# Notes to the consolidated financial statements

## for the year ended December 31, 2008


| | | |
|---|---|---|
| **Note 1** | Introduction | 171 |
| **Note 2** | Accounting policies and methods | 171 |
| **Note 3** | Highlights | 182 |
| **Note 4** | 2007 proforma indicators | 184 |
| **Note 5** | Operating segments | 185 |
| **Note 6** | Revenue | 189 |
| **Note 7** | Payroll expenses | 190 |
| **Note 8** | Share-based payments | 191 |
| **Note 9** | Recurring operating income | 197 |
| **Note 10** | Other non-recurring operating income and expenses | 197 |
| **Note 11** | Finance costs | 198 |
| **Note 12** | Income taxes | 199 |
| **Note 13** | Assets classified as held for sale, operations discontinued, sold or to be sold | 202 |
| **Note 14** | Earnings per share | 204 |
| **Note 15** | Goodwill | 206 |
| **Note 16** | Other intangible assets | 207 |
| **Note 17** | Property, plant and equipment | 209 |
| **Note 18** | Impairment tests on non-financial assets | 211 |
| **Note 19** | Investments in associates | 212 |
| **Note 20** | Non-current financial assets | 212 |
| **Note 21** | Inventories | 213 |
| **Note 22** | Trade receivables | 213 |
| **Note 23** | Other current assets and liabilities | 214 |
| **Note 24** | Other current financial assets | 214 |
| **Note 25** | Shareholders' equity | 215 |
| **Note 26** | Employee benefits and equivalent | 216 |
| **Note 27** | Provisions | 219 |
| **Note 28** | Cash and cash equivalents | 220 |
| **Note 29** | Borrowings | 221 |
| **Note 30** | Exposure to foreign exchange, interest rate and equity risk | 226 |
| **Note 31** | Net financial indebtedness | 236 |
| **Note 32** | Accounting classification and market value of financial instruments | 236 |
| **Note 33** | Cash flow statement | 238 |
| **Note 34** | Contingent liabilities, contractual commitments not recognised and risks | 239 |
| **Note 35** | Transactions with related parties | 242 |
| **Note 36** | Subsequent events | 243 |
| **Note 37** | List of consolidated subsidiaries as of December 31, 2008 | 245 |

# NOTE 1 INTRODUCTION

PPR, the Group's parent company, is a *société anonyme* (commercial company) with a Board of Directors, incorporated under French law, whose registered office is located at 10, avenue Hoche 75008 Paris, France. It is registered with the Paris Register of Commerce and Companies under the reference 552 075 020 RCS Paris and is listed on the Paris Euronext market.

The consolidated financial statements for the year ended December 31, 2008 reflect the accounting position of PPR and its subsidiaries, together with its interests in associates and joint ventures.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2008 and authorised their publication on February 18, 2009. These consolidated financial statements will only be considered as final after their adoption by the Annual General Shareholders' Meeting of May 7, 2009.

# NOTE 2 ACCOUNTING POLICIES AND METHODS

## General principles and declaration of compliance

Pursuant to European Regulation no. 1606/2002 of July 19, 2002, the consolidated financial statements of the PPR Group for the year ended December 31, 2008 were prepared in accordance with applicable international accounting standards adopted by the European Union and of mandatory application as of that date. These international standards include International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements presented do not reflect the draft standards and interpretations that are still at the exposure draft stage with the International Accounting Standards Board (IASB) and the IFRIC on the date these financial statements were prepared.

All accounting standards and guidance adopted by the European Union may be consulted on the European Commission's website: http://ec.europa.eu/internal_market/accounting/ias_fr.htm.

## IFRS basis adopted

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1, 2008 and have been adopted by the European Union. These consist of the amendments to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures,* regarding the reclassification of financial assets.

These amendments did not have a material impact on the Group's consolidated financial statements.

The Group opted for an early adoption of IFRS 8, *Operating Segments*, which has been endorsed by the European Union and is applicable for fiscal years beginning on or after January 1, 2009. IFRS 8 replaces IAS 14, *Segment Reporting*.

In accordance with IFRS application guidance, all periods presented have been restated. The basis of presentation is described in Note 2.20.

The Group has not adopted the following interpretations considered effective by the IASB for 2008:

- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions* and IFRIC 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, adopted by the European Union but considered effective by the latter as from the 2009 fiscal year;
- IFRI 12, *Service Concession Arrangements*, which has not yet been adopted by the European Union.

The application of these interpretations would not have had a material impact on the Group's consolidated financial statements.

The standards, amendments and interpretations published by the IASB which are applicable to fiscal years beginning after January 1, 2008 and are likely to have an impact on the Group's consolidated financial statements are:

- IFRIC 13, *Customer Loyalty Programmes*, which specifies the method for measuring and recognising benefits granted to customers as part of loyalty programmes;
- the amendment to IAS 38, *Intangible Assets*, regarding the recognition of advertising and promotional activities (amendment resulting from the IFRS annual improvements project);
- the amendment to IAS 16, *Property, Plant and Equipment*, regarding the sale of leased assets (amendment resulting from the IFRS annual improvements project);
- the joint revision of IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements*, which amends the rules for recognising and measuring transactions affecting Group structure.

The impact of these standards and interpretations is currently being assessed.

### First-time adoption of IFRS

On first-time adoption in 2005, the IFRS adopted by the European Union and applicable as of December 31, 2005 were applied retroactively as of January 1, 2004 in accordance with IFRS 1, with the exception of certain exemptions provided by the standard:

- **business combinations**: in accordance with IFRS 3, the Group elected to restate business combinations retroactively to January 1, 1999;
- **employee benefits:** the Group adopted the IFRS 1 option of recognising all actuarial gains and losses at the transition date, offset against opening shareholders' equity;
- **cumulative translation differences:** the Group decided to use the optional exemption allowing the elimination of cumulative translation differences at the transition date through an offsetting entry in consolidated reserves;
- **assets and liabilities of subsidiaries, associates and joint venture partners:** IFRS 1 states that if the parent company 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, value the assets and liabilities at the same carrying amount as that appearing in the subsidiary's financial statements, taking into account any consolidation adjustments. Since Gucci was already preparing its financial statements in accordance with IFRS before the transition 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 equity-settled plans, the Group decided to apply this standard solely to plans issued after November 7, 2002, which had not vested as of January 1, 2005.

In addition, subsequent to the choice offered by the regulator as to the date of adoption of IAS 32 and IAS 39 on financial instruments, the Group opted to apply these standards as from January 1, 2005. Accordingly:

- for the liability component of a **hybrid instrument** that is no longer outstanding at the date of transition to IAS 32 and 39, the Group opted not to separate the equity portion relating to the cumulative interest accreted on the liability component from the initial equity component;
- **financial assets and liabilities recorded prior to the transition date** were designated at fair value through the income statement, or as held for sale, on the transition date (January 1, 2005).

## 2.1. Basis of preparation of the consolidated financial statements

### 2.1.1. Valuation bases

The consolidated financial statements are prepared in accordance with the historical cost convention, with the exception of:

- certain financial assets and liabilities measured at fair value;
- non-current assets held for sale, measured and recognised at the lower of net carrying amount and fair value less costs to sell as soon as their sale is considered highly probable. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale.

### 2.1.2. Use of estimates and judgement

The preparation of consolidated financial statements requires Group management to make estimates and assumptions that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognised during the period in which the change took place and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the valuation and the useful life of operating assets, property, plant and equipment, intangible assets and goodwill, the amount of contingency provisions and other provisions relating to operations, and assumptions underlying the calculation of obligations relating to employee benefits, share-based payments, deferred tax balances and derivatives. The Group notably uses discount rate assumptions based on market data to estimate the value of long-term assets and liabilities.

Accordingly, the consolidated financial statements for 2008 have been prepared taking into account the current economic and financial crisis and based on the financial market inputs available at year-end. The immediate impacts of the crisis are reflected in the measurement of assets such as inventories and trade receivables, and liabilities. For longer-lived items such as goodwill, brands and other similar intangible assets, it was assumed that the crisis would not run over many years. The value of these assets is determined each year based on the long-term economic outlook and management's best assessment of future cash flows in a context of limited visibility.

The main assumptions made by the Group are detailed in the appropriate notes to the financial statements and particularly in the following notes:

- Note 3.1 – Changes in Group structure;

- Note 8 – Share-based payments;
- Note 12 – Income taxes;
- Note 18 – Impairment tests for non-financial assets;
- Note 26 – Employee benefits and equivalent;
- Note 27 – Provisions;
- Note 30 – Exposure to foreign exchange, interest rate and equity risk;
- Note 32 – Accounting classification and market value of financial instruments.

In addition to the use of estimates, Group management calls on its judgement in order to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRS or where prevailing standards do not cover the issue in hand.

This is notably the case for put options granted to minority interests and the recognition of home-shopping catalogue costs, as the revisions resulting from the first IFRS annual improvements project had not yet been adopted by the European Union at the date these financial statements were prepared.

### *Put options granted to minority interest shareholders*

The Group has committed to repurchase the minority interests of shareholders of certain fully consolidated subsidiaries. These Group repurchase commitments correspond to optional commitments (written put options). The strike price of these options may be set or determined according to a predefined calculation formula, and the options may be exercised at any time or on a specific date.

Pending clarification of prevailing IFRS, the Group has opted to anticipate the additional acquisition of the shares covered by the put option. The method applied is therefore equivalent to that adopted by the Group on the buyout of minority interests.

The Group records a financial liability in respect of the put options granted to minority shareholders of the entities concerned.

The corresponding minority interests are reclassified and included in this financial liability.

The difference between the debt representing the commitment to repurchase the shares held by minority interests and the carrying amount of reclassified minority interests is recorded as goodwill.

This liability is initially recorded at the present value of the strike price and at subsequent period-ends, based on the fair value of shares potentially purchased if the strike price is linked to the fair value. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

### *Home-shopping catalogue costs*

The amendment to IAS 38, *Intangible Assets* regarding the recognition of advertising and promotional expenses is effective as of January 1, 2009 and requires this type of expenditure to be expensed as incurred. The definition of advertising and promotional expenditure has been broadened to include home-shopping catalogue costs.

As this amendment to IAS 38 had not been adopted by the European Union at the date these financial statements were prepared, the Group elected not to apply the amendment to its 2008 consolidated financial statements. The original accounting treatment is therefore maintained for all periods presented, with costs incurred in creating, producing and preparing home-shopping catalogues expensed as of the date they are sent to customers, and costs for catalogues not yet sent recognised in prepaid expenses until this date.

## 2.1.3. Cash flow statement

The Group cash flow statement is prepared in accordance with IAS 7, *Cash Flow Statements*. The Group prepares its cash flow statement using the indirect method.

## 2.1.4. Restatement of comparative information

In 2008, the Group identified operations discontinued, sold or to be sold as falling within the scope of IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. In accordance with this IFRS, previously published income statements and cash flow statements were restated. The impacts of these restatements are presented in Note 13.

# 2.2. Consolidation principles

The consolidation is based on financial statements (or interim financial statements) drawn up for a 12-month period ended December 31, 2008 for all Group companies.

The consolidated financial statements include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

## Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the Group exercises control. Control is defined as the ability to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain economic benefit from its activities. This situation generally implies directly or indirectly holding more than 50% of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are taken into account in the assessment of control.

Subsidiaries are fully consolidated from the effective date of control.

Inter-company assets and liabilities and transactions between fully consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at Group level.

### Associates

Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy, without exercising control, and generally implies holding 20% to 50% of the voting rights.

Associates are recognised using the equity method and initially measured at cost. Subsequently, the share in profits or losses of the associate attributable to equity holders of the parent is recognised in net income and the change in equity attributable to equity holders of the parent is recognised in equity. If the Group's share in the losses of an associate equal or exceed its investment in the associate, the Group no longer recognises its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate.

Goodwill related to an associate is included in the carrying amount of the investment.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group's investment in these companies.

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

### Joint ventures

In the event of joint control, which exists pursuant to the contractually agreed sharing of control over an economic activity, and when the strategic, financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control, the Group's stake in the joint venture is recognised using the equity method.

### Consolidation of consumer credit businesses

Exclusively controlled consumer credit companies are fully consolidated. These companies essentially finance sales of consumer goods within the retail banners. Sales financing revenue is presented in revenue, while sales financing costs are considered as operating items classified in recurring operating income. The asset and liability headings of these businesses have been allocated according to their nature to special headings of the Group consolidated balance sheet, with a distinction as to the asset and liability side of consumer loan financing.

In the table presenting information by operating segment, the consumer credit business contribution is included in each Retail company to which it relates. It does not represent a separate operating segment in accordance with the criteria set out in IFRS 8, *Operating Segments*.

### Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognised using the purchase method.

The purchase cost is measured at the fair value, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued plus any costs directly attributable to the acquisition. The identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at their fair value on the acquisition date, including the minority interest share.

The excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity is recognised as goodwill. If the purchase cost is less than the Group's interest in the net assets of the subsidiary acquired measured at fair value, the difference is recognised directly in net income for the period.

Where the initial accounting of a business combination cannot be completed before the end of the period in which the business combination takes place, it must be completed within 12 months of the acquisition date.

## 2.3. Foreign currency translation

### Functional and presentation currency

Items included in the financial statements of each Group entity are valued using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in euros, which serves as the presentation currency.

### Foreign currency transactions

Transactions denominated in foreign currencies are recognised in the entity's functional currency at the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at each balance sheet date using the closing rate. Translation adjustments arising from the settlement of these items are recognised in income or expenses for the period.

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies valued at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognised directly in equity, the foreign exchange component is also recognised in equity. Otherwise, the component is recognised in income or expenses for the period.

The treatment of foreign exchange rate hedges in the form of derivatives is described in the paragraph on derivative instruments in Note 2.8 – Financial assets and liabilities.

### Translation of the financial statements of foreign subsidiaries

The results and financial statements of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- balance sheet items other than shareholders' equity are translated at the year-end exchange rate;
- income and cash flow statement items are translated at the average rate for the year;
- differences are recognised in consolidated shareholders' equity under cumulative translation adjustments, and notably differences on foreign currency borrowings used to hedge foreign currency investments and on permanent advances to foreign subsidiaries.

Goodwill and fair value adjustments arising from a business combination with a foreign activity are recognised in the functional currency of the entity acquired. They are then translated at the closing exchange rate into the Group's presentation currency, and the resulting differences transferred to consolidated shareholders' equity.

### Net investment in a foreign subsidiary

Foreign exchange gains or losses arising on the translation of a net investment in a foreign subsidiary are recognised in the consolidated financial statements as a separate component of shareholders' equity and in income on disposal of the net investment.

Foreign exchange gains or losses in respect of foreign currency borrowings hedging foreign currency investments or permanent advances to subsidiaries are also recognised in consolidated shareholders' equity and in income on disposal of the net investment.

## 2.4. Goodwill

Goodwill represents the excess of the cost of a business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition date. Goodwill is allocated as of the acquisition date to cash generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the core business, market or geographical segment of each brand. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment during the second half of each fiscal year or whenever events or circumstances indicate that an impairment loss is likely.

Any impairment losses are recorded in "Other non-recurring operating income and expenses" in the consolidated income statement as part of operating income.

## 2.5. Other intangible assets

Intangible assets acquired as part of a business combination, which are controlled by the Group and can be measured reliably, and which are separate or arise from contractual or other legal rights, are recognised separately from goodwill. These assets, in the same way as intangible assets acquired separately, are amortised over their useful life where this is finite and written down if their recoverable amount is less than their net carrying amount. Intangible assets with indefinite lives are not amortised but are tested for impairment at least annually or more frequently when there is an indication that an impairment loss is likely.

Any impairment losses recognised at the time of impairment tests are recorded in the income statement under "Other non-recurring operating income and expenses" as part of Group operating income.

Brands representing a predominant category of the Group's intangible assets are recognised separately from goodwill when they meet the criteria set out in IAS 38. Recognition and durability criteria are then taken into account to assess the useful life of the brand.

A brand representing an intangible asset with an indefinite useful life is not amortised but is tested for impairment at least annually or more frequently when there is an indication that an impairment loss is likely. In addition to the expected future cash flow method, the Group applies the royalties method, which consists of determining the value of a brand based on future royalty revenue receivable where it is assumed that the brand will be operated under licence by a third party.

A brand representing an intangible asset with a finite useful life is amortised on a straight-line basis over its useful life, not exceeding 20 years.

Software acquired as part of recurring operations is usually amortised over a period not exceeding 12 months.

Software developed in-house by the Group and meeting all the criteria of IAS 38 is capitalised and amortised on a straight-line basis over its useful life, which is generally between 3 and 10 years.

## 2.6. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses with the exception of land, which is presented at cost less impairment losses. The various components of property, plant and equipment are recognised separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, where necessary, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured. All other repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the purchase or production cost, less any residual value which is reviewed annually if considered material, over a period corresponding to the useful life of each asset category, i.e. 10 to 40 years for buildings and improvements to land and buildings, and 3 to 10 years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment loss exists, such as a scheduled closure, a redundancy plan or a downward revision of market forecasts. When the asset's recoverable amount is less than its net carrying amount, an impairment loss is recognised. Where the recoverable amount of an individual asset cannot be determined precisely, the Group determines the recoverable amount of the CGU or group of CGUs to which the asset belongs.

### Lease contracts

Agreements whose fulfilment depends on the use of one or more specific assets and which transfer the right to use the asset may be classified as lease contracts.

Lease contracts which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases.

Assets acquired under finance leases are recognised in property, plant and equipment against the corresponding debt recognised in borrowings for the same amount, at the lower of the fair value of the asset and the present value of minimum lease payments. The corresponding assets are depreciated over a useful life identical to that of property, plant and equipment acquired outright.

Deferred tax is recognised in respect of the capitalisation of finance leases where appropriate.

Lease contracts that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases.

Payments made under operating leases are recognised in recurring operating expenses on a straight-line basis over the term of the contract.

Capital gains on the sale and leaseback of assets are fully recognised in income at the time of disposal when the lease qualifies as an operating lease and the transaction is performed at fair value.

The same accounting treatment is applied to agreements which, while not presenting the legal form of a lease contract, confer on the Group the right to use a specific asset in exchange for a payment or series of payments.

## 2.7. Impairment of assets

Goodwill and intangible assets with an indefinite life, such as certain brands, and CGUs or groups of CGU containing these items are tested for impairment at least annually during the second half of each fiscal year.

In addition, when events or circumstances indicate that other intangible assets, property, plant and equipment, and CGUs or groups of CGUs may be impaired, an impairment test is performed. Such events or circumstances concern material unfavourable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date.

Impairment tests seek to determine whether the recoverable amount of an asset, a CGU or a group of CGUs is less than its net carrying amount.

The recoverable amount of an asset, a CGU or a group of CGUs is the higher of its fair value less costs to sell and its value in use.

The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset or CGU or group of CGUs.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of four years with the exception of certain CGUs or groups of CGUs subject to strategic repositioning for which a longer period may be applied. To calculate the value in use, a terminal value equal to the perpetual capitalisation in the last year of the medium-term plan is added to the expected future cash flows.

Fair value less costs to sell is the amount obtainable from the sale of an asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. These values are determined based on market data (comparison with similar listed companies, values attributed in recent transactions and stock market prices).

When the recoverable value of an asset, CGU or group of CGUs is less than its net carrying amount, an impairment loss is recognised in respect of the asset or group of assets.

For a CGU or group of CGUs, impairment is attributed directly to goodwill where necessary and recognised under "Other non-recurring operating income and expenses" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed at a later date up to the amount of the losses initially recognised, when the recoverable amount becomes greater than the net carrying amount. Impairment losses in respect of goodwill may not be reversed.

## 2.8. Financial assets and liabilities

Derivative instruments are recognised in the balance sheet at fair value, in assets (positive fair value) or liabilities (negative fair value).

### Financial assets

Pursuant to IAS 39, financial assets are classified within one of the following four categories:

- financial assets at fair value through the income statement;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment for the instrument. It is determined by the Group on the initial recognition date, based on the objective behind the asset's purchase. Purchases and sales of financial assets are recognised on the trade date, which is the date the Group is committed to the purchase or sale of the asset. A financial asset is derecognised if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

#### *1. Financial assets at fair value through the income statement*

These are financial assets held by the Group for short-term profit, or assets voluntarily classified in this category.

These assets are measured at fair value, with changes in fair value recognised in income.

The instruments primarily comprise eligible mutual or similar funds, and are classified as current assets under cash equivalents.

#### *2. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not held for trading purposes or available for sale.

These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Short-term receivables without a stated interest rate are valued at the amount of the original invoice unless the effective interest rate has a material impact.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Loans and receivables due from non-consolidated investments, other loans and receivables and trade receivables are included in this category and are presented in non-current financial assets, trade receivables and other non-current financial assets.

#### *3. Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets, other than loans or receivables, with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Held-to-maturity investments are presented in non-current financial assets.

#### *4. Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are not included in the aforementioned categories. They are recognised at fair value. Unrealised capital gains or losses are recognised in shareholders' equity until the disposal of the assets. However, where there is an objective indication of loss in value of an available-for-sale financial asset, the accumulated loss is recognised in income. Impairment losses recognised in respect of variable-income securities cannot be reversed through the income statement at a subsequent period-end.

For listed securities, fair value corresponds to a market price. For unlisted securities, fair value is determined by reference to recent transactions or using valuation techniques based on reliable and objective indicators. However, when the fair value of a security cannot be reasonably estimated, it is recorded at historical cost. These assets are subject to impairment tests in order to assess whether they are recoverable.

This category mainly comprises non-consolidated investments and marketable securities that do not meet other financial asset definitions. They are presented in non-current financial assets.

## Financial liabilities

The valuation of financial liabilities depends on their IAS 39 classification. Excluding liability derivatives and financial liabilities accounted for under the fair value option, the Group recognises all financial liabilities and particularly borrowings, trade payables and other liabilities initially at fair value less transaction costs and subsequently at amortised cost, using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the net carrying amount of a financial liability by discounting its estimated future cash flows until maturity or until the nearest date the price is reset to the market rate. The calculation includes transaction costs and any premiums and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial liability.

The net carrying amount of financial liabilities that qualify as hedged items as part of fair value hedging relationships and are valued at amortised cost, is adjusted with respect to the hedged risk.

Hedging relationships are described in the section on derivative instruments.

Financial liabilities accounted for under the fair value option, other than derivative liabilities, are carried at fair value. Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognised immediately in expenses.

## Hybrid instruments

Certain financial instruments have both a standard debt component and an equity component.

For the Group, this primarily involves OCEANE bonds (bonds convertible and exchangeable into new or existing shares).

Under IAS 32, convertible bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments. There are several components:

- a financial liability (corresponding to the contractual commitment to pay cash), representing the bond component;
- the conversion option into a fixed number of ordinary shares, offered to the subscriber, similar to a call option written by the issuer, representing an equity instrument;
- potentially one or more embedded derivatives.

The accounting policies applicable to each of these components, at the issue date and subsequent period-ends, are as follows:

- debt component: the amount initially recognised as debt corresponds to the present value of the future cash flows arising from interest and principal payments at the market rate for a similar bond with no conversion option. If the convertible bond contains embedded derivatives closely related to the borrowing within the meaning of IAS 39, the value of these components is allocated to the debt in order to determine the value of the equity component. The debt is subsequently recognised at amortised cost;
- embedded derivatives not closely related to the debt are recognised at fair value with changes in fair value recognised in income;
- equity component: the value of the conversion option is determined by deducting the value of any embedded derivatives from the amount of the issue less the carrying amount of the debt component. The conversion option continues to be recorded in equity at its initial value. Changes in value are not recognised;
- transaction costs are prorated over each component.

## Derivative instruments

The Group uses various financial instruments to reduce its exposure to foreign exchange, interest rate and equity risk. These instruments are listed on organised markets or traded over the counter with leading counterparties.

All derivatives are recognised in the balance sheet under other current or non-current assets and liabilities depending on their maturity and accounting classification, and are valued at fair value as of the trade date. Changes in the fair value of derivatives are always recorded in income except in the case of cash flow and net investment hedges.

Derivatives designated as hedging instruments are classified by category of hedge based on the nature of the risks being hedged:

- a cash flow hedge is used to hedge the risk of changes in cash flow from recognised assets or liabilities or a highly probable transaction that would impact consolidated net income;
- a fair value hedge is used to hedge the risk of changes in the fair value of recognised assets or liabilities or a firm commitment not yet recognised that would impact consolidated net income;
- a net investment hedge is used to hedge the foreign exchange risk arising on foreign activities.

Hedge accounting can only be applied if all the following conditions are met:

- there exists a clearly identified, formalised and documented hedging relationship as of the date of inception;
- the effectiveness of the hedging relationship can be demonstrated on a prospective and retrospective basis. The results obtained must attain a confidence level of between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the balance sheet, is distinguished based on the type of hedging relationship:

- cash flow and net investment hedges:
  - the effective portion of fair value gains and losses on the hedging instrument is recognised directly in equity. Amounts recorded in equity are released to the income statement to match the recognition of the hedged items, mainly in gross profit for trading transaction hedges and in net finance costs for financial transaction hedges,
  - the ineffective portion of the hedge is recognised in the income statement;
- for fair value hedges, the hedged component of these items is measured on the balance sheet at fair value. Fair value gains and losses are recorded in the income statement and offset, to the extent effective, by matching fair value gains and losses on the hedging instrument.

### Cash and cash equivalents

The "Cash and cash equivalents" line item recorded on the assets side of the consolidated balance sheet comprises cash, short-term investments and other liquid and easily convertible instruments with a negligible risk of change in value and a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts are excluded from cash. Bank overdrafts are presented in borrowings on the liabilities side of the balance sheet.

In the cash flow statement, "Cash and cash equivalents" includes accrued interest receivable on assets presented in cash and cash equivalents and bank overdrafts. A schedule reconciling cash per the cash flow statements and per the balance sheet is provided in Note 33.

### Definition of Group consolidated net indebtedness

The concept of net indebtedness used by the Group comprises gross indebtedness including accrued interest receivable less net cash as defined by French National Accounting Council recommendation N°2004-R.02 of October 27, 2004. Net indebtedness includes financial instruments designated as fair value hedges in the balance sheet and relating to bank borrowings and bonds on which all or part of the interest rate risk is hedged in a fair value hedging relationship.

For the fully consolidated consumer credit businesses, customer loan financing is presented in borrowings. Group net indebtedness excludes the financing of customer loans by consumer credit businesses.

## 2.9. Treasury shares

Treasury shares, whether specifically allocated for grant to employees or allocated to the liquidity contract or in any other case, as well as directly related transaction costs, are deducted from consolidated shareholders' equity. On disposal, the consideration received for these shares, net of transaction costs and related tax impacts, is recognised in shareholders' equity.

## 2.10. Treasury share options

Treasury share options are treated according to their characteristics as derivative instruments, equity instruments or financial liabilities.

Options classified as derivatives are recorded at fair value through the income statement. Options classified as equity instruments are recorded in shareholders' equity for their initial amount. Changes in value are not recognised. The accounting treatment of financial liabilities is described in Note 2.8.

## 2.11. Share-based payments

Share purchase and subscription plans are awarded by the Group and settled in shares. In accordance with IFRS 2, *Share-based Payment*, the fair value of these plans, corresponding to the fair value of the services rendered by the option holders, is valued definitively on the grant date using a mathematical model with a trinomial algorithm such as the Black & Scholes model, taking into account the number of options potentially exercisable at the end of the rights vesting period.

During the rights vesting period, the fair value of options calculated as described above is amortised in proportion to the vesting of rights. This expense is recorded in payroll expenses with an offsetting increase in shareholders' equity. When the options are exercised, the strike price received is recorded in cash with an offsetting entry in shareholders' equity.

Bonus share plans and share appreciation rights (SARs) granted by the Group also result in the recognition of payroll expenses spread over the rights vesting period.

## 2.12. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining costs is adopted for inventories of a similar nature and use within the same entity. Inventories are

valued on a first-in-first-out (FIFO) basis or at weighted average cost depending on the Group activity.

Interest expenses are excluded from inventories and expensed as finance costs in the year they are incurred.

The Group may recognise an inventory allowance based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

## 2.13. Income tax

The income tax charge for the period comprises the current and deferred tax charge.

Deferred tax is calculated using the liability method on all temporary differences between the book value recorded in the consolidated balance sheet and the tax value of assets and liabilities. The valuation of deferred tax amounts depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are not discounted and are classified in the balance sheet under non-current assets and liabilities.

A deferred tax asset is recognised on deductible temporary differences and for tax loss carry-forwards and tax credits insofar as their future offset appears probable.

A deferred tax liability is recognised on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

## 2.14. Provisions

Provisions for litigation and disputes, and various contingencies and losses are recognised as soon as a present obligation arises from past events, are likely to result in an outflow of resources, and the amount of the obligation can be reliably estimated.

Provisions maturing in more than one year are valued at the discounted amount representing the best estimate of the expense necessary to extinguish the current obligation at the balance sheet date. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

### Restructuring measures

A restructuring provision is recognised when there exists a formal and detailed restructuring plan and the plan has begun to be implemented or its main features have been announced before the balance sheet date. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, payment in lieu of notice, etc.), work stoppages and compensation for breaches of contract with third parties.

## 2.15. Post-employment benefits and other long-term employee benefits

Based on the laws and practices of each country, the Group recognises various types of employee benefits.

Under defined contribution plans, the Group is not obliged to make additional payments over and above contributions already made to a fund, if the fund does not have sufficient assets to cover the benefits corresponding to services rendered by personnel during the current period and prior periods. Contributions to these plans are expensed as incurred.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country where the plan is established. These plans and the termination benefits are valued by independent actuaries on an annual basis for the most significant plans and at regular intervals for the other plans. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Actuarial gains and losses are primarily due to changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences in respect of defined benefit plans are recognised immediately in shareholders' equity, in accordance with the option offered by IAS 19, as revised in December 2004.

The past service cost designating the increase in an obligation following the introduction of a new plan or changes to an existing plan, is recognised on a straight-line basis over the average period until the benefits vest or is expensed immediately if the benefit entitlement has already vested.

Expenses relating to this type of plan are recognised in recurring operating income (service cost) and net finance costs (interest cost, expected return on assets). Curtailments, settlements and past service costs are recognised in recurring operating income or net finance costs

according to their nature. The provision recognised in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets and non-amortised past service costs.

## 2.16. Non-current assets (and disposal groups) held for sale

The Group applies IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* with effect from January 1, 2004. This requires the separate recognition and presentation of assets (or disposal groups) held for sale and operations discontinued, sold or to be sold.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable. Non-current assets (or disposal groups) held for sale are measured and recognised at the lower of their net carrying amount and their fair value less the costs of disposal. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale. They are presented on separate lines in the Group's balance sheet, without restatement for previous periods.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered discontinued if their carrying amount will be recovered principally through continuing use rather than through a sale. Assets and liabilities arising from the "discontinued operation" are not presented on separate lines in the Group's balance sheet.

An operation discontinued, sold or to be sold is defined as a component of an entity that generates cash flows that can be clearly distinguished from the rest of the entity and represents a separate major line of business or geographical area of operations. The net income of these activities is presented under a separate income statement heading, "Discontinued operations", and is restated in the cash flow statement and the income statement.

## 2.17. Revenue recognition

Revenue mainly comprises sales of goods for resale, consumer goods and luxury goods, together with income from sales-related services, royalties and operating licences.

Revenue is valued at the fair value of the consideration received for goods and services sold, royalties, licences and operating subsidies granted, excluding taxes, net of rebates and discounts and after elimination of inter-company sales.

Rebates granted to customers under customer loyalty programmes are also deducted from revenue as and when sales are recognised.

In the event of deferred payment beyond the usual credit terms that is not assumed by a financing institution, the revenue from the sale is equal to the discounted price, with the difference between the discounted price and the cash payment recognised in financial income over the life of the deferred payment if the transaction is material.

Sales of goods are recognised when a Group entity has transferred the risks and rewards incidental to ownership to the buyer (generally on delivery), when revenue can be reliably measured and when recovery is reasonably assured.

Following the sale of goods, and depending on the contractual clauses attached to these sales, provisions may be deducted from revenue to cover potential returns likely to occur after the balance sheet date.

Services, such as warranty extensions or services directly related to the sale of goods, are recognised on a straight-line basis over the period in which the services are rendered.

## 2.18. Operating income

Operating income includes all revenues and expenses directly related to Group activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

*Recurring operating income* is an analytical balance that should facilitate the understanding of the entity's operating performance.

Other operating income and expenses excluded from recurring operating income include:

- impairment of goodwill and other intangible assets;
- gains or losses on disposals of property, plant and equipment and intangible assets, operating assets or investments;
- restructuring costs and costs relating to employee retraining measures;
- non-recurring items corresponding to revenue and expenses that are unusual due to their frequency, nature or amount.

## 2.19. Earnings per share

Earnings per share is calculated by dividing net income (attributable to equity holders of the parent) by the weighted average number of outstanding shares during the year, after deduction of the weighted average number of own shares held by consolidated companies.

Fully diluted earnings per share is calculated by adjusting net income attributable to equity holders of the parent and the number of outstanding shares for all instruments granting deferred access to the share capital of the company whether issued by PPR or one of its subsidiaries. Dilution is determined separately for each instrument based on the following conditions:

- when the proceeds corresponding to potential future share issues are received at the time dilutive securities are issued (e.g. convertible bonds), the numerator is equal to net income before dilution plus the savings in interest expense that would be realised in the event of conversion, net of tax;
- when the proceeds are received at the time the rights are exercised (e.g. share subscription options), the dilution attached to the options is determined using the treasury stock method (theoretical number of shares purchased at market price (average over the period) based on the proceeds received at the time the rights are exercised).

In the case of material non-recurring items, earnings per share excluding non-recurring items is calculated by adjusting net income attributable to equity holders of the parent for non-recurring items net of taxes and minority interests. Non-recurring items taken into account for this calculation correspond to all the items included under "Other non-recurring operating income and expenses" in the income statement.

### 2.20. Operating segments

In accordance with IFRS 8, *Operating Segments*, segment information is reported on the same basis as used internally by the Chairman and Chief Executive Officer and Deputy CEO – who represent the Group's chief operating decision-makers – for evaluating operating segment performance and deciding how to allocate resources to the segments.

An operating segment is a distinguishable component of the Group that is engaged in providing products or services and is exposed to risks and returns that are different from those of other operating segments.

Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group's segments.

The segments presented are operating segments or groups of similar operating segments. They comprise of Conforama, Fnac, Redcats, Cfao, Puma, Gucci, Bottega Veneta, Yves Saint Laurent and other brands from the Luxury Goods Division.

The management data used to assess operating segment performance is prepared in accordance with IFRS as applied by the Group for its consolidated financial statements.

## NOTE 3 HIGHLIGHTS

### 3.1. Changes in Group structure

The PPR Group consolidated financial statements for the year ended December 31, 2008 include the financial statements of the companies listed in Note 37.

#### 3.1.1. Disposal of YSL Beauté

Perfume, make-up and cosmetics are vital to the success of a worldwide Luxury Goods brand. In order to optimise Yves Saint Laurent's potential in this market, PPR entered into a strategic alliance with L'Oreal, the world no. 1 in this sector.

In the first half of 2008, PPR thus reached agreement with L'Oreal with regard to YSL Beauté under the terms of which:

- the use of the Yves Saint Laurent and Boucheron brands for perfumes and cosmetics was granted to L'Oreal in the form of a very long-term exclusive worldwide licence, on market terms;
- licences for perfumes and cosmetics of the Stella McCartney, Oscar de la Renta and Ermenegildo Zegna brands were transferred to L'Oreal;
- and the shares in YSL Beauté including its Roger & Gallet subsidiary were sold to L'Oreal at a price that valued the company at €1,150 million.

The Yves Saint Laurent, Boucheron and Stella McCartney brands remain the property of the PPR Group.

Through this agreement, PPR reaffirms its goal of supporting the development of its Luxury Goods brands. L'Oreal will secure and accelerate the worldwide growth and status of the Yves Saint Laurent brand in the perfume, make-up and cosmetics sector. A unique development platform is also being offered to the Boucheron and Stella McCartney brands.

Following consultations with the employee representative bodies and approval from the competition authorities, the effective transfer of YSL Beauté to L'Oreal took place on June 26, 2008, resulting in receipt of the transaction consideration.

#### 3.1.2. Investment in Girard-Perregaux

In June 2008, PPR announced the signing of a long-term strategic cooperation agreement with Sowind Group, the owner of the luxury Swiss watch brands Girard-Perregaux and JeanRichard.

PPR took a 23% interest in Sowind Group. A shareholders' agreement was put in place, the terms of which will allow PPR to, over time, increase its interest in the company, which continues to be controlled by Luigi Macaluso.

This strategic alliance represents a concrete expression of the shared vision of both partners regarding the long-term growth outlook for the Luxury watch market; it will enable PPR and Girard-Perregaux to exchange their know-how and to share their expertise in the fields of research and development, design, brand management, distribution networks and supply chains.

This long-term alliance provides Girard-Perregaux, one of the last independent Swiss watchmakers, as well as the JeanRichard brand, with the resources to fully exploit their growth and innovation potential by partnering with a major player in the Luxury Goods industry.

Through this agreement, PPR reaffirms the goal of the Gucci Group to make further inroads into luxury watchmaking, one of the most profitable Luxury Goods markets. The Gucci Group's Luxury Goods brands will thus benefit from exceptional watchmaking expertise and bolster their sourcing of watchmaking components.

Given the Group's significant influence, Sowind Group is classified as an associate and is recognised in the Group's consolidated financial statements using the equity method.

### 3.1.3. Disposal of non-core activities

In February 2008, Conforama signed a memorandum of understanding with regard to the disposal of its Polish subsidiary to Leroy Merlin for an enterprise value of €45 million. This sale was completed in June 2008 following approval from the competition authorities.

As part of the continued rationalisation of its business portfolio, in July 2008 Redcats disposed of the trade receivables portfolio held by its Redcats UK subsidiary as well as some inventory relating to the operations of the Empire Stores in the UK. Similarly, in July 2008, Redcats USA completed the disposal of its Missy women's ready-to-wear business in the US, to a US investment fund.

### 3.1.4. Other changes in Group structure

The other changes in the Group's structure did not have a material impact on the financial statements for the period.

## 3.2. Other highlights

### 3.2.1. New appointments to the PPR Executive Committee

PPR has always been able to attract and retain the best talent and support the development of key men and women within the group. This is true at all levels of the organisation including, and above all, the management teams.

Thus, over the past twelve months, four positions on the PPR Executive Committee were filled by one new Group hire and three internal promotions. Christophe Cuvillier, formerly Chairman and CEO of Conforama, became Chairman of Fnac in March 2008. He was succeeded at Conforama by Thierry Guibert, who was formerly Executive VP International and Development of Fnac. Philippe Decressac became PPR Human Resources Director in November 2008; he previously held this position at Fnac. Moreover, on February 11, 2009, PPR announced the appointment of Jean-Michel Noir as Chairman and CEO of Redcats and as a member of the Executive Committee of PPR. Jean-Michel Noir had up to then been Chief Operating Officer of the Vivarte Group and will join Redcats in early April 2009.

### 3.2.2. Recovery and competitiveness action plans

On October 21, 2008, La Redoute presented its works council with a recovery plan to restore competitiveness in order to ensure its long-term survival and growth. This plan consists of streamlining all head office services, of restructuring its network of customer touch points and of outsourcing the handling of mail orders.

In December, Sergio Rossi decided to focus its US business on indirect sales to third-party distributors. The brand thus planned the closure of its directly-operated stores in the US. The Los Angeles boutique was closed in December. The four other US stores will cease trading in the first quarter of 2009.

Conforama continues to refine its international strategy and on December 16, 2008 announced the restructuring of its operations in Italy and the streamlining of its organisation in Spain and Portugal. In Italy, four stores will be closed and the administrative functions reorganised. The head offices in Spain and Portugal will be merged in order to complete the sharing of all support functions and to find renewed sales momentum in these countries.

## NOTE 4 2007 PROFORMA INDICATORS

The consolidation of Puma with effect from April 1, 2007 had a material impact on the Group's 2007 consolidated financial statements. The Group has thus prepared proforma indicators for the 2007 fiscal year.

This information was prepared on the basis of the following principles:

- Puma is consolidated on a 12-month basis in 2007;
- United Retail Group is consolidated on a 12-month basis in 2007;
- proforma data has been prepared in accordance with Group accounting policies and methods;
- proforma adjustments relating to Puma used in the preparation of the proforma indicators were subject to a limited review by the auditors.

### 2007 PROFORMA RECURRING OPERATING INCOME

| *(In € million)* | 2007 actual | Proforma adjustments (1) | 2007 proforma |
|---|---|---|---|
| **Revenue** | **19,098.2** | **916.7** | **20,014.9** |
| Cost of sales | (10,792.8) | (448.2) | (11,241.0) |
| **Gross profit** | **8,305.4** | **468.5** | **8,773.9** |
| Payroll expenses | (2,695.7) | (124.4) | (2,820.1) |
| Other recurring operating income and expenses | (3,976.0) | (215.2) | (4,191.2) |
| **Recurring operating income** | **1,633.7** | **128.9** | **1,762.6** |

### 2007 PROFORMA FREE CASH FLOW FROM OPERATING ACTIVITIES

| *(in € million)* | 2007 actual | Proforma adjustments (1) | 2007 proforma |
|---|---|---|---|
| **Cash flow from operating activities before tax, dividends and interest** | **1,953.7** | **148.2** | **2,101.9** |
| Change in working capital requirement | 222.8 | (108.2) | 114.6 |
| Change in customer loans | (0.6) | | (0.6) |
| Income tax paid | (303.7) | (4.7) | (308.4) |
| **Net cash from operating activities** | **1,872.2** | **35.3** | **1,907.5** |
| Purchases of property, plant and equipment and intangible assets | (573.1) | (23.1) | (596.2) |
| Proceeds from sale of property, plant and equipment and intangible assets | 46.4 | | 46.4 |
| **Free cash flow from operating activities** | **1,345.5** | **12.2** | **1,357.7** |

*(1) Impact resulting from the consolidation of Puma between January 1, 2007 and March 31, 2007, and from the consolidation of United Retail between January 1, 2007 and October 31, 2007.*

"Cash flow from operating activities" represents net operating cash flow less net operating investments (defined as purchases and disposals of property, plant and equipment and intangible assets).

## NOTE 5 OPERATING SEGMENTS

The Group elected to apply early IFRS 8 – *Operating Segments* (see "Adopted IFRS base" section of Note 2).

The policies applied to determine the operating segments presented are set out in Note 2.20.

The information on the operating segments presented is prepared in accordance with the same accounting rules as the consolidated financial statements and set out in the notes to the financial statements.

The measurement of the performance of each operating segment, used by the top operational decision-maker, is based on recurring operating income.

Charges to depreciation, amortisation and provisions on non-current operating assets correspond to net charges to depreciation, amortisation and provisions on intangible assets and property, plant and equipment recognised in recurring operating income.

Purchases of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences but excluding assets purchased under finance leases.

Non-current segment assets are comprised of goodwill, intangible assets, property, plant and equipment and other non-current assets.

Segments assets are comprised of non-current segment assets, inventories, trade receivables, customer loans and other current assets.

Segment liabilities are comprised of deferred tax liabilities on brands, customer loan financing, trade payables and other current liabilities.

## 5.1. Information by company

| *(In € million)* | Gucci | Bottega Veneta | Yves Saint Laurent | YSL Beauté | Other |
|---|---|---|---|---|---|
| **As of December 31, 2008** | | | | | |
| Revenue | 2,206.4 | 402.1 | 262.8 | | 508.6 |
| • non-Group | 2,206.4 | 402.1 | 262.8 | | 508.1 |
| • Group | | | | | 0.5 |
| **Recurring operating income (loss)** | **624.8** | **100.7** | **0.3** | | **5.2** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | 79.8 | 11.2 | 11.6 | | 25.3 |
| Other non-cash recurring operating income and expenses | (4.4) | (2.6) | (1.6) | | (8.2) |
| Purchases of property, plant and equipment and intangible assets, gross | 136.9 | 7.3 | 10.2 | | 30.4 |
| **Segment assets** | **7,495.5** | **489.9** | **1,145.6** | | **1,248.5** |
| **Segment liabilities** | **1,648.0** | **88.1** | **607.6** | | **311.7** |
| **As of December 31, 2007** | | | | | |
| Revenue | 2,175.4 | 366.1 | 221.3 | | 441.8 |
| • non-Group | 2,175.4 | 366.1 | 221.3 | | 441.5 |
| • Group | | | | | 0.3 |
| **Recurring operating income (loss)** | **646.9** | **92.2** | **(31.9)** | | **(38.4)** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | 75.3 | 9.8 | 12.5 | | 21.9 |
| Other non-cash recurring operating income and expenses | (8.2) | (1.4) | (1.6) | | (4.3) |
| Purchases of property, plant and equipment and intangible assets, gross | 142.9 | 16.8 | 4.6 | | 27.6 |
| **Segment assets** | **7,331.6** | **488.3** | **582.9** | **1,075.5** | **1,247.7** |
| **Segment liabilities** | **1,568.9** | **75.8** | **154.4** | **367.6** | **392.8** |

| | Luxury Goods Division | Fnac | Redcats | Conforama | Cfao | Puma | Eliminations and other | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| | **3,379.9** | 4,587.4 | 3,698.7 | 3,167.8 | 2,864.0 | 2,524.2 | (20.8) | **20 201,2** |
| | **3,379.4** | 4,587.4 | 3,694.6 | 3,166.0 | 2,864.0 | 2,509.8 | | **20 201,2** |
| | **0.5** | | 4.1 | 1.8 | | 14.4 | (20.8) | |
| | **731.0** | **185.8** | **114.1** | **118.2** | **276.7** | **349.7** | **(54.3)** | **1 721,2** |
| | | | | | | | | |
| | **127.9** | 79.3 | 51.8 | 65.0 | 37.2 | 56.6 | 1.6 | **419,4** |
| | **(16.8)** | 1.2 | (8.6) | (3.9) | (6.3) | 6.7 | 1.1 | **(26,6)** |
| | | | | | | | | |
| | **184.8** | 86.8 | 56.0 | 64.5 | 80.2 | 119.2 | 1.2 | **592,7** |
| | | | | | | | | |
| | **10,379.5** | **1,620.5** | **2,576.0** | **2,459.9** | **1,621.7** | **5,892.9** | **28.3** | **24 578,8** |
| | **2,655.4** | **1,160.9** | **998.0** | **1,067.8** | **911.5** | **1,480.8** | **51.3** | **8 325,7** |
| | | | | | | | | |
| | **3,204.6** | 4,583.5 | 3,764.5 | 3,313.0 | 2,534.7 | 1,717.6 | (19.7) | **19 098,2** |
| | **3,204.3** | 4,583.5 | 3,760.6 | 3,310.4 | 2,534.7 | 1,704.7 | | **19 098,2** |
| | **0.3** | | 3.9 | 2.6 | | 12.9 | (19.7) | |
| | **668.8** | **199.0** | **186.6** | **167.5** | **232.3** | **236.0** | **(56.5)** | **1 633,7** |
| | | | | | | | | |
| | **119.5** | 74.6 | 46.4 | 62.5 | 30.6 | 36.5 | 1.7 | **371,8** |
| | **(15.5)** | 2.2 | (3.5) | (2.8) | (0.4) | 9.0 | 14.0 | **3,0** |
| | | | | | | | | |
| | **191.9** | 100.7 | 53.3 | 66.1 | 71.3 | 88.6 | 1.2 | **573,1** |
| | | | | | | | | |
| | **10,726.0** | **1,702.4** | **2,706.4** | **2,677.1** | **1,395.2** | **5,775.8** | **46.4** | **25 029,3** |
| | **2,559.5** | **1,236.8** | **1,128.0** | **1,126.5** | **704.7** | **1,442.7** | **84.5** | **8 282,7** |

## 5.2. Information by geographical area

The information is presented by geographical area based on the geographical location of customers for revenue and the geographical location of assets for non-current segment assets.

| *(In € million)* | France | Europe excluding France | North & South America | Africa | Oceania | Asia | Total |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2008** | | | | | | | |
| Revenue | 7,859.7 | 4,957.5 | 2,806.4 | 2,445.2 | 282.8 | 1,849.6 | 20,201.2 |
| Non-current assets | 4,086.2 | 13,056.9 | 985.8 | 294.4 | 30.8 | 167.5 | 18,621.6 |
| **As of December 31, 2007** | | | | | | | |
| Revenue | 8,033.4 | 4,722.9 | 2,453.9 | 2,118.5 | 250.8 | 1,518.7 | 19,098.2 |
| Non-current assets | 4,363.0 | 13,227.1 | 971.6 | 273.2 | 30.6 | 128.0 | 18,993.5 |

## 5.3. Reconciliation of segment assets and liabilities

The reconciliation of total segment assets and non-current segment assets and total Group assets is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Goodwill | 6,178.7 | 6,653.6 |
| Other intangible assets | 10,172.7 | 10,135.2 |
| Property, plant and equipment | 2,253.4 | 2,174.3 |
| Other non-current assets | 16.8 | 30.4 |
| **Non-current assets** | **18,621.6** | **18,993.5** |
| Inventories | 3,465.5 | 3,234.1 |
| Trade receivables | 1,303.0 | 1,503.8 |
| Customer loans | 189.5 | 235.3 |
| Other current assets | 999.2 | 1,062.6 |
| **Segment assets** | **24,578.8** | **25,029.3** |
| Investments in associates | 74.5 | 19.7 |
| Non-current financial assets | 323.8 | 266.1 |
| Deferred tax assets | 628.0 | 701.7 |
| Current tax receivables | 101.3 | 105.1 |
| Other current financial assets | 143.1 | 93.5 |
| Cash and cash equivalents | 1,116.6 | 1,713.2 |
| Assets classified as held for sale | 61.6 | 283.5 |
| **Total assets** | **27,027.7** | **28,212.1** |

The reconciliation of total segment liabilities and total Group liabilities is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Deferred tax liabilities on brands | 2,604.9 | 2,595.7 |
| Financing of customer loans | 189.5 | 235.3 |
| Trade payables | 2,966.0 | 2,942.6 |
| Other current liabilities | 2,565.3 | 2,509.1 |
| **Segment liabilities** | **8,325.7** | **8,282.7** |
| Shareholders' equity | 10,691.1 | 10,661.5 |
| Non-current borrowings | 3,961.3 | 4,670.3 |
| Non-current provisions for retirement and similar benefits | 241.0 | 250.0 |
| Non-current provisions | 164.4 | 145.6 |
| Other deferred tax liabilities | 242.9 | 283.3 |
| Current borrowings | 2,722.1 | 3,184.8 |
| Other current financial liabilities | 75.9 | 72.6 |
| Current provisions for retirement and similar benefits | 17.4 | 17.2 |
| Current provisions | 189.9 | 95.5 |
| Current tax liabilities | 325.0 | 319.5 |
| Liabilities associated with assets classified as held for sale | 71.0 | 229.1 |
| **Total liabilities and shareholders' equity** | **27,027.7** | **28,212.1** |

## NOTE 6 REVENUE

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Net sales of goods | 19,292.5 | 18,219.1 |
| Net sales of services | 438.3 | 407.9 |
| Revenue from concessions and licenses | 106.3 | 73.0 |
| Other revenue | 364.1 | 398.2 |
| **Total** | **20,201.2** | **19,098.2** |

## NOTE 7 PAYROLL EXPENSES

Payroll expenses primarily include fixed and variable remuneration, social security charges, charges relating to employee profit-sharing and other incentives, training costs, charges relating to share-based payments (Note 8) and those relating to employee benefits recognised in recurring operating income (Note 26).

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Fnac | (621.9) | (612.3) |
| Redcats | (633.6) | (622.8) |
| Conforama | (495.4) | (503.6) |
| Cfao | (200.1) | (179.1) |
| Puma | (306.4) | (206.0) |
| Luxury Goods Division | (508.8) | (532.0) |
| Holding companies and other | (36.8) | (39.9) |
| **Total** | **(2,803.0)** | **(2,695.7)** |

The payroll expenses under the "Holding companies and other" heading include the charge of €10.4 million in 2008 (€7.8 million in 2007) stemming from the application of IFRS 2 to all transactions based on PPR shares (Note 8.1).

The average number of permanent staff of continuing Group businesses, on a full-time equivalent basis, breaks down as follows:

| | 2008 | 2007 |
|---|---|---|
| Fnac | 15,362 | 15,320 |
| Redcats | 17,805 | 15,529 |
| Conforama | 12,852 | 13,407 |
| Cfao | 10,239 | 9,973 |
| Puma | 9,503 | 6,254 |
| Luxury Goods Division | 10,968 | 9,822 |
| Holding companies and other | 198 | 198 |
| **Total** | **76,927** | **70,503** |

The total number of permanent staff of continuing Group businesses is as follows:

| | 2008 | 2007 |
|---|---|---|
| Fnac | 19,357 | 19,366 |
| Redcats | 20,031 | 22,161 |
| Conforama | 14,697 | 15,403 |
| Cfao | 10,610 | 10,192 |
| Puma | 11,645 | 11,039 |
| Luxury Goods Division | 11,484 | 10,556 |
| Holding companies and other | 201 | 198 |
| **Total** | **88,025** | **88,915** |

# NOTE 8 SHARE-BASED PAYMENTS

In consideration for services rendered, the Group grants certain employees share-based plans settled in shares or cash.

The Group recognises its obligation as services are rendered by beneficiaries, over the period from the grant date to the vesting date.

- For transactions based on PPR shares, the grant date is the date at which plans were individually approved by the Management Board in the case of plans prior to May 19, 2005 and by the PPR Board of Directors for plans after this date.
- For transactions based on Gucci Group and Puma shares, the grant date is the date at which plans were individually approved by the Boards of Gucci Group and Puma AG, respectively.
- The vesting date is the date at which all vesting conditions are satisfied.

Vested rights may only be exercised by beneficiaries at the end of a lock-in period, the length of which varies depending on the type of plan.

## 8.1. Share-based payment transactions settled in Group equity instruments

In accordance with the transitional measures of IFRS 2 on equity-settled plans, only those plans issued after November 7, 2002 and not having vested as of January 1, 2005 were examined.

The nature and key characteristics of **ineligible plans** (plans issued prior to November 7, 2002) are set out below:

| Share option and bonus share plans | 1998 Plan<br>Purchase options | 1999/1 Plan<br>Purchase options | 1999/2 Plan<br>Purchase options | 1999/3 Plan<br>Purchase options |
|---|---|---|---|---|
| Grant date | 06.05.1998 | 01.20.1999 | 05.21.1999 | 12.08.1999 |
| Expiry date | 07.31.2008 | 03.31.2009 | 06.30.2009 | 12.26.2009 |
| Number of beneficiaries | 257 | 36 | 44 | 560 |
| Number of options initially granted | 347,050 | 27,495 | 25,455 | 412,350 |
| Number outstanding as of 01.01.08 | 135,850 | 6,600 | 6,100 | 168,725 |
| Number forfeited in 2008 | | 1,250 | 480 | 11,775 |
| Number exercised in 2008 | | | | |
| Number expired in 2008 | 135,850 | | | |
| Number outstanding as of 12.31.08 | | 5,350 | 5,620 | 156,950 |
| Number exercisable as of 12.31.08 | | 5,350 | 5,620 | 156,950 |
| Strike price (€) | 135.98 | 154.58 | 144.83 | 189.19 |
| Weighted average price of options exercised (€) | | | | |

The nature and key characteristics of **eligible plans** are presented below:

| Share option and bonus share plans | 2003/1 Plan<br>Subscription options | 2003/2 Plan<br>Subscription options | 2004/1 Plan<br>Subscription options | 2004/2 Plan<br>Subscription options | 2005/1 Plan<br>Subscription options | 2005/2 Plan<br>Subscription options | 2005/3 Plan<br>Subscription options |
|---|---|---|---|---|---|---|---|
| Grant date | 07.09.2003 | 07.09.2003 | 05.25.2004 | 07.07.2004 | 01.03.2005 | 05.19.2005 | 05.19.2005 |
| Expiry date | 07.08.2013 | 07.08.2013 | 05.24.2014 | 07.06.2014 | 01.02.2015 | 05.18.2015 | 05.18.2015 |
| Vesting of rights | (a) | (a) | (a) | (a) | (a) | (b) | (b) |
| Number of beneficiaries | 721 | 18 | 846 | 1 | 13 | 458 | 22 |
| Number of options initially granted | 528,690 | 5,430 | 540,970 | 25,000 | 25,530 | 333,750 | 39,960 |
| Number outstanding as of 01.01.08 | 241,579 | 2,164 | 437,498 | 25,000 | 25,530 | 300,360 | 35,840 |
| Number forfeited in 2008 | 20,892 | 714 | 43,802 | | 62 | 20,455 | 360 |
| Number exercised in 2008 | 25,848 | 200 | 200 | | | | |
| Number of shares issued | | | | | | | |
| Number expired in 2008 | | | | | | | |
| Number outstanding as of 12.31.08 | 194,839 | 1,250 | 393,496 | 25,000 | 25,468 | 279,905 | 35,480 |
| Number exercisable as of 12.31.08 | 194,839 | 1,250 | 393,496 | 25,000 | | | |
| Strike price (€) | 66.00 | 67.50 | 85.57 | 84.17 | 75.29 | 78.01 | 78.97 |
| Fair value at measurement date (€) | 15.37 | 15.06 | 15.75 | 22.03 | 11.61 | 11.19 | 10.98 |
| Weighted average price of options exercised/shares issued (€) | 81.53 | 83.94 | 78.38 | | | | |

| 2000/1 Plan | 2000/2 Plan | 2001/1 Plan | 2001/2 Plan | 2002/1 Plan | 2002/2 Plan |
|---|---|---|---|---|---|
| Purchase options | Purchase options | Purchase options | Purchase options | Subscription options | Subscription options |
| 01.26.2000 | 05.23.2000 | 01.17.2001 | 05.18.2001 | 05.03.2002 | 05.03.2002 |
| 02.28.2010 | 06.30.2010 | 01.31.2011 | 05.31.2011 | 05.02.2012 | 05.02.2012 |
| 26 | 125 | 722 | 206 | 1,074 | 1,053 |
| 12,100 | 93,100 | 340,240 | 87,260 | 438,296 | 410,271 |
| 3,000 | 29,900 | 162,790 | 43,200 | 226,221 | 221,391 |
| 700 | 6,400 | 15,330 | 5,660 | 26,520 | 23,985 |
| 2,300 | 23,500 | 147,460 | 37,540 | 199,701 | 197,406 |
| 2,300 | 23,500 | 147,460 | 37,540 | 199,701 | 197,406 |
| 227.15 | 202.91 | 225.01 | 225.01 | 128.10 | 140.50 |

| 2005/4 Plan | 2006/1 Plan | 2006 Plan | 2007/1 Plan | 2007/2 Plan | Plan 2007 | Plan 2008/1 | Plan 2008/2 | Plan 2008/3 |
|---|---|---|---|---|---|---|---|---|
| Subscription options | Purchase options | Bonus shares | Purchase options | Purchase options | Bonus shares | Bonus shares | Bonus shares | Bonus shares |
| 07.06.2005 | 05.23.2006 | 05.23.2006 | 05.14.2007 | 09.17.2007 | 05.14.2007 | 06.09.2008 | 10.22.2008 | 10.22.2008 |
| 07.05.2015 | 05.22.2014 | N/A | 05.13.2015 | 09.16.2015 | N/A | N/A | N/A | N/A |
| (b) | (b) | (c) | (b) | (b) | (c) | (c) | (c) | (d) |
| 15 | 450 | 281 | 248 | 14 | 304 | 269 | 46 | 194 |
| 20,520 | 403,417 | 23,565 | 355,500 | 51,300 | 78 234 | 86 530 | 49 210 | 53 755 |
| 15,030 | 372,623 | 22,339 | 343,600 | 51,300 | 76 934 | | | |
| 1,220 | 25,198 | 3,649 | 16,250 | 3,700 | 2 430 | 660 | 2 000 | |
| | | 18,690 | | | | | | |
| 13,810 | 347,425 | | 327,350 | 47,600 | 74 504 | 85 870 | 47 210 | 53 755 |
| 85.05 | 101.83 | N/A | 127.58 | 127.58 | N/A | N/A | N/A | N/A |
| 12.38 | 13.62 | 72.31 | 20.99 | 24.74 | 95,68 | 61,02 | 26,45 | 21,39 |
| | | 83.40 | | | | | | |

Under all these plans, shares are locked in for a period of four years from the date of grant.

**(a)** Options are vested at a rate of 25% per full year of presence within the Group, except in the event of retirement (vested in full). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.

**(b)** Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (vested in full) and resignation (all rights lost). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.

**(c)** Shares vest two years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. The vesting period is followed by a two-year period of non-transferability.

**(d)** Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. There is no period of non-transferability.

**The value of services rendered** by beneficiaries is determined on the grant date of the plans**:**

- for share subscription option plans, by using a Black & Scholes type model with a trinomial algorithm and exercise thresholds, particularly factoring in the number of options potentially exercisable at the end of the vesting period;
- for bonus share plans, by using a Black & Scholes type model with a Monte Carlo algorithm and two underlyings.

The exercise thresholds and probability assumptions used for the share subscription option plans are as follows:

| Threshold as a % of the strike price | Probability of exercise |
|---|---|
| 125% | 15% |
| 150% | 20% |
| 175% | 20% |
| 200% | 20% |

Based on these assumptions, 25% of beneficiaries do not elect to exercise their options early prior to the expiry date.

The main valuation assumptions for the various plans are summarised below:

| Share option and bonus share plans | 2003/1 Plan Subscription options | 2003/2 Plan Subscription options | 2004/1 Plan Subscription options | 2004/2 Plan Subscription options | 2005/1 Plan Subscription options | 2005/2 Plan Subscription options |
|---|---|---|---|---|---|---|
| Volatility | 33.25% | 33.25% | 25.65% | 25.65% | 23.75% | 21.00% |
| Risk-free interest rate | 4.08% | 4.08% | 4.45% | 4.37% | 3.83% | 3.49% |

| Share option and bonus share plans | 2005/3 Plan Subscription options | 2005/4 Plan Subscription options | 2006/1 Plan Purchase options | 2006 Plan Bonus shares | 2007/1 Plan Purchase options | 2007/2 Plan Purchase options |
|---|---|---|---|---|---|---|
| Volatility | 21.00% | 20.50% | 23.00% | 25.00% | 23.00% | 24.50% |
| Risk-free interest rate | 3.49% | 3.38% | 4.08% | 3.52% | 4.49% | 4.47% |

| Share option and bonus share plans | 2007 Plan Bonus shares | 2008/1 Plan Bonus shares | 2008/2 Plan Bonus shares | 2008/3 Plan Bonus shares |
|---|---|---|---|---|
| Volatility | 25.00% | 32.00% | 45.00% | 42.00% |
| Risk-free interest rate | 4.44% | 5.46% | 3.85% | 4.06% |

The volatilities indicated represent the expected volatilities of each plan based on maturities and strike prices available at the grant date. The dividends used for valuation purposes are those expected by the market at the grant date.

The risk-free interest rate corresponds to the 1 to 10 year interest rate curve, at the grant date, for interbank swaps.

The total charge recognised in 2008 in respect of stock options and bonus share plans was €10.4 million (€8.0 million in 2007, including €0.2 million presented under the "Discontinued operations" heading).

## 8.2. Share-based payment transactions settled in equity instruments of subsidiaries

Puma introduced share subscription option plans based on its own shares for certain employees. The characteristics of the plans still in effect as of December 31, 2008 and movements during the year are as follows:

| | 2004 Plan | 2008 Plan |
|---|---|---|
| | Subscription options | Subscription options |
| Grant date | 03/31/2004 | 07/21/2008 |
| Expiry date | 03/30/2009 | 07/20/2013 |
| Number initially granted | 459,000 | 113,000 |
| Number outstanding as of 01/01/08 | 18,750 | |
| Number forfeited in 2008 | | |
| Number exercised in 2008 | 4,500 | |
| Number expired in 2008 | | |
| Number outstanding as of 12/31/08 | 14,250 | 113,000 |
| Number exercisable as of 12/31/08 | 14,250 | |
| Strike price (€) | 206.20 | 2.56 |
| Weighted average price of options exercised (€) | 230.00 | |

Rights vest after a two-year period. The exercise of options under the 2008 Plan is subject to a Puma share performance condition.

The value of services rendered by beneficiaries at the grant date is primarily determined on the basis of the following assumptions:

| | 2004 Plan | 2008 Plan |
|---|---|---|
| Volatility | 30.00% | 29.10% |
| Risk-free interest rate | 2.19% - 2.26% | 4.60% |

Over the period, Puma recognised a charge of €1.2 million in respect of the 2008 Plan.

## 8.3. Cash-settled share-based payment transactions

The Group (Gucci Group and Puma) also grants certain employees Share Appreciation Rights (SARs) that constitute cash-settled share-based plans.

### 8.3.1. Characteristics of SARs granted by Gucci Group

SAR plans have a term of 6 to 10 years from their grant date.

SARs vest at a rate of 20% per full year of presence, except in the event of dismissal (excluding dismissal for gross negligence or misconduct) when all rights vest immediately. If an employee is dismissed for gross negligence or misconduct, all rights are lost.

The SAR strike price is determined by applying financial ratios for a basket of comparable companies to the results of the Luxury Goods Division.

The value of services rendered by beneficiaries is recalculated at each end of year by an independent expert using an option valuation model corresponding to the intrinsic value, to which a time value is added.

In 2008, Gucci Group recognised recurring operating income of €2.0 million in respect of the SARs. An expense of €18.5 million was recognised in 2007.

For the SARs outstanding as of December 31, 2008, the strike price is between €36.1 and €103.9 and the weighted average remaining contractual term is 5.8 years (6.8 years in 2007).

The carrying amount of the liability relating to Gucci Group SARs was €26.7 million as of December 31, 2008, with an intrinsic value of €27.4 million (€29.5 million and €31.1 million respectively as of December 31, 2007).

| Plan movements | 2008 | 2007 |
|---|---|---|
| SARs outstanding as of January 1 | 584,504 | 639,314 |
| *Weighted average strike price (in €)* | *47.03* | *46.22* |
| SARs granted during the year | 25,000 | 25,000 |
| *Weighted average strike price (in €)* | *94.85* | *103.90* |
| SARs exercised during the year | 47,800 | 29,550 |
| *Weighted average strike price (in €)* | *44.07* | *46.20* |
| SARs expired/forfeited during the year | 14,500 | 50,260 |
| *Weighted average strike price (in €)* | *43.88* | *65.53* |
| SARs outstanding as of December 31 | 547,204 | 584,504 |
| *Weighted average strike price (in €)* | *49.56* | *47.03* |
| SARs exercisable as of December 31 | 5,400 | 1,400 |
| *Weighted average strike price (in €)* | *101.28* | *52.41* |

## 8.3.2. Characteristics of SARs granted by Puma

The following plans were still in effect as of December 31, 2008:

- 2004 SARs Plan – Tranche III (2006 / 2011):

  The plan has a five-year term. The SARs may be exercised after a two-year lock-in period.

- 2006 SARs Plan – Tranche I (2006/2011):

The plan has a five-year term. At the end of a one-year lock-in period, beneficiaries may exercise up to 25% of their SARs in the second year, 50% in the third year and 75% in the fourth year. All rights may be exercised during the fifth year.

€3.0 million in recurring operating income was recognised in respect of Puma SARs. In 2007, an expense of €1.4 million had been recognised in the Group's consolidated financial statements.

The strike price of SARs outstanding as of December 31, 2008 was €345.5 for the 2004 Plan and between €317.2 and €341.0 for the 2006 Plan.

The carrying amount of the liability relating to Puma SARs was €1.0 million as of December 31, 2008 (€4.1 million as of December 31, 2007).

| Plan movements in 2008 | 2004/III | 2006/I |
|---|---|---|
| SARs outstanding as of January 1, 2008 | 150,000 | 65,000 |
| SARs granted during the year | | |
| SARs exercised during the year | | |
| SARs expired/forfeited during the year | | 5,000 |
| SARs outstanding as of December 31, 2008 | 150,000 | 60,000 |
| SARs exercisable as of December 31, 2008 | 150,000 | 30,000 |

## NOTE 9 RECURRING OPERATING INCOME

Recurring operating income is the primary indicator of the Group's operating performance. It breaks down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Fnac | 185.8 | 199.0 |
| Redcats | 114.1 | 186.6 |
| Conforama | 118.2 | 167.5 |
| Cfao | 276.7 | 232.3 |
| Puma | 349.7 | 236.0 |
| Luxury Goods Division | 731.0 | 668.8 |
| Holding companies and other | (54.3) | (56.5) |
| **Total** | **1,721.2** | **1,633.7** |

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €419.4 million in 2008 (€371.8 million in 2007). Other non-cash operating income and expenses amounted to -€26.6 million in 2008 (€3.0 million in 2007).

## NOTE 10 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Non-recurring operating expenses** | **(408.3)** | **(149.6)** |
| Restructuring costs | (127.8) | (26.1) |
| Asset impairment | (237.2) | (97.4) |
| Other | (43.3) | (26.1) |
| **Non-recurring operating income** | **47.3** | **252.3** |
| Capital gains on divestments | 23.2 | 221.7 |
| Other | 24.1 | 30.6 |
| **Total** | **(361.0)** | **102.7** |

The Group's other non-recurring operating income and expenses, which consist of unusual items likely to distort the assessment of the economic performance of each company, amounted to -€361.0 million in 2008 and included the following items:

- restructuring charges of €127.8 million. These costs primarily relate to Redcats (La Redoute recovery plan in France and cost cutting plans at the Scandinavian Division and in the US), Conforama (restructuring operations in Italy, the streamlining of the organisation in Spain and Portugal and platform restructuring in France), Fnac (restructuring of stores outside France), Gucci Group (closure of Sergio Rossi stores in the US and organisational streamlining at Gucci) and Puma (reorganisation and closure of stores);
- asset impairment of €237.2 million primarily relating to Conforama Italy goodwill (€122.0 million), Redcats USA goodwill (€82.3 million), intangible assets (€11.8 million) and property, plant and equipment (€21.1 million);
- net proceeds from the disposal of operating assets of €23.2 million, primarily at Fnac and Cfao;
- other income and expenses primarily relating to claims and litigation vis-à-vis third parties as well as an acquisition gain of €10.7 million stemming from the acquisition of Puma stock carried out by the Group in the second half of the fiscal year.

This line item amounted to €102.7 million in 2007 and included the following items:

- net proceeds from the disposal of operating and financial assets of €221.7 million, primarily including the capital gain on the disposal of Kadéos;
- asset impairment of €97.4 million, primarily concerning Conforama Italy goodwill (€95.3 million);
- restructuring costs of €26.1 million, notably including the restructuring of the Fnac and Conforama platforms.

## NOTE 11 FINANCE COSTS

Finance costs break down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Cost of net financial indebtedness** | **(362.8)** | **(279.3)** |
| Income from cash and cash equivalents | 41.8 | 58.3 |
| Finance costs at amortized cost | (373.1) | (330.1) |
| Finance costs on financial liabilities at fair value through income | (16.3) | |
| Gains and losses on borrowings hedged by fair value hedges | (35.7) | 4.8 |
| Gains and losses on fair value hedge derivatives | 20.5 | (12.3) |
| **Other financial income and expenses** | **(9.9)** | **(30.3)** |
| Net gains on available-for-sale financial assets | (3.5) | (1.6) |
| Gains and losses on financial liabilities at fair value through income | 9.4 | |
| Foreign exchange gains and losses | 1.2 | 11.5 |
| Ineffective portion of cash flow hedges | 12.0 | (8.3) |
| Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate) | 5.2 | 2.7 |
| Impact of discounting assets and liabilities | (10.5) | (12.3) |
| Other finance costs | (23.7) | (22.3) |
| **Total** | **(372.7)** | **(309.6)** |

# NOTE 12 INCOME TAXES

## 12.1. Analysis of the income tax expense in respect of continuing operations

### 12.1.1. Income tax expense

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Income before tax** | **987.5** | **1,426.8** |
| Tax impact on cashflow | (337.4) | (307.8) |
| Other taxes payable not impacting operating cash flow | (18.4) | (12.2) |
| **Income tax payable** | **(355.8)** | **(320.0)** |
| Deferred tax income/(expense) | 21.3 | (18.5) |
| **Total tax charge** | **(334.5)** | **(338.5)** |
| | | |
| **Effective tax rate** | **33.87%** | **23.72%** |

### 12.1.2. Reconciliation of the tax rate

| *(as a % of pre-tax income)* | 2008 |
|---|---|
| **Tax rate applicable in France** | **34.43%** |
| Impact of taxation of foreign subsidiaries | -7.49% |
| **Theoretical tax rate** | **26.74%** |
| Effect of items taxed at reduced rates | -0.13% |
| Effect of permanent differences | 0.13% |
| Effect of unrecognised temporary differences | 0.47% |
| Effect of unrecognised tax losses carried forward | 5.96% |
| Effect of changes in tax rates | -0.01% |
| Other | 0.51% |
| **Effective tax rate** | **33.87%** |

The income tax rate applicable in France is the standard rate of 33.33% plus the social surtax of 3.3%, bringing the total to 34.43%.

### 12.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Income before tax | 987.5 | 1,426.8 |
| Non-recurring items | (361.0) | 102.7 |
| **Recurring income before tax** | **1,348.5** | **1,324.1** |
| Total tax charge | (334.5) | (338.5) |
| Tax on non-recurring items | 17.8 | (8.1) |
| **Recurring tax charge** | **(352.3)** | **(330.4)** |
| | | |
| **Recurring tax rate** | **26.13%** | 24.95% |

## 12.2. Movement in balance sheet headings

### 12.2.1. Income tax payable

| *(In € million)* | 2007 | Net income | Cash outflows relating to operating activities |
|---|---|---|---|
| Current tax receivables | 105.1 | | |
| Current tax liabilities | (319.5) | | |
| **Net current tax liabilities** | **(214.4)** | **(337.4)** | **322.6** |

### 12.2.2. Deferred tax

| *(In € million)* | 2007 | Net income |
|---|---|---|
| Deferred tax assets | 701.7 | |
| Deferred tax liabilities | (2,879.0) | |
| **Net deferred tax liabilities** | **(2,177.3)** | **21.3** |

| *(In € million)* | 2007 | Net income |
|---|---|---|
| Intangible assets | (2,594.1) | (20.0) |
| Property, plant and equipment | (72.3) | 27.2 |
| Other non-current assets | (3.5) | 0.8 |
| Other current assets | 170.2 | 42.9 |
| Shareholders' equity | (27.4) | (1.1) |
| Borrowings | 5.8 | (10.8) |
| Provisions for retirement and similar benefits | 76.9 | (17.6) |
| Provisions | 26.9 | (10.2) |
| Other current liabilities | 115.4 | (14.4) |
| Recognised tax losses and tax credits | 124.8 | 24.5 |
| **Net deferred tax assets/(liabilities)** | **(2,177.3)** | **21.3** |
| Deferred tax assets | 701.7 | |
| Deferred tax liabilities | (2,879.0) | |
| **Deferred tax** | **(2,177.3)** | **21.3** |

| Cash outflows relating to investing activities | Assets classified as held for sale and operations sold or to be sold | Changes in Group structure | Other items recognised directly in shareholders' equity | 2008 |
|---|---|---|---|---|
| | | | | 101.3 |
| | | | | (325.0) |
| **20.5** | **3.9** | **2.0** | **(20.9)** | **(223.7)** |

| | Assets classified as held for sale and operations sold or to be sold | Changes in Group structure | Other items recognised directly in shareholders' equity | 2008 |
|---|---|---|---|---|
| | | | | 628.0 |
| | | | | (2,847.8) |
| | **(38.6)** | **(25.5)** | **0.3** | **(2,219.8)** |

| | Assets classified as held for sale and operations sold or to be sold | Changes in Group structure | Other items recognised directly in shareholders' equity | 2008 |
|---|---|---|---|---|
| | 32.6 | (22.6) | (24.6) | (2,628.7) |
| | 8.6 | (0.6) | 33.3 | (3.8) |
| | | | 1.6 | (1.1) |
| | (2.3) | | 32.3 | 243.1 |
| | | | 4.2 | (24.3) |
| | | | (0.8) | (5.8) |
| | (9.6) | | (9.4) | 40.3 |
| | 0.3 | | 24.2 | 41.2 |
| | 1.0 | (2.3) | (67.5) | 32.2 |
| | (69.2) | | 7.0 | 87.1 |
| | **(38.6)** | **(25.5)** | **0.3** | **(2,219.8)** |
| | | | | 628.0 |
| | | | | (2,847.8) |
| | **(38.6)** | **(25.5)** | **0.3** | **(2,219.8)** |

### 12.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €1,205.5 million as of December 31, 2008 (€896.7 million as of December 31, 2007).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

| *(In € million)* | |
|---|---|
| **As of January 1, 2007** | **1,115.5** |
| Losses generated during the year | 21.7 |
| Losses utilised and time barred during the year | (220.6) |
| Effect of changes in Group structure and exchange rate adjustments | (19.9) |
| **As of December 31, 2007** | **896.7** |
| Losses generated during the year | 485.4 |
| Losses utilised and time barred during the year | (142.9) |
| Effect of changes in Group structure and exchange rate adjustments | (33.7) |
| **As of December 31, 2008** | **1,205.5** |
| | |
| **Ordinary tax loss carry-forwards** | **518.4** |
| Expiring in less than five years | 242.6 |
| Expiring after five years | 275.8 |
| **Indefinite tax loss carry-forwards** | **687.1** |
| **Total** | **1,205.5** |

Deductible temporary differences for which no deferred tax asset was recognised as of December 31, 2008 amounted to €78.5 million (€55.0 million as of December 31, 2007).

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2008.

## NOTE 13 ASSETS CLASSIFIED AS HELD FOR SALE, OPERATIONS DISCONTINUED, SOLD OR TO BE SOLD

On January 23, 2008, PPR announced that it had received a firm offer from L'Oreal for YSL Beauté. Following consultations with the employee representative bodies and approval from the competition authorities, the effective transfer of YSL Beauté to L'Oreal took place on June 26, 2008 (Note 3.1.1).

In addition, a lack of prospects for satisfactory profitability over the medium-term led the Group to decide in December 2008 to dispose of Bédat, a young single product brand, positioned in a niche watch market.

Given the above items, the Group decided to classify these assets as "Operations discontinued, sold or to be sold", from January 1, 2008 and December 31, 2008 respectively.

For all periods presented, the operations discontinued, sold or to be sold are comprised of the business activities of Bédat, YSL Beauté, the Redcats UK Empire Stores brand, the Redcats USA "Missy" Division brands, Surcouf, Conforama Poland, Fnac Service as well as the gains (losses) on the disposal of YSL Beauté, Conforama Poland, Printemps, Orcanta and Rexel.

Pursuant to IFRS 5, the Group ceased depreciating these asset groups and all component assets with effect from the date of their classification as "Operations discontinued, sold or to be sold".

For all published periods, the net income of these activities is presented under a separate income statement heading, "Discontinued operations", and restated in the cash flow statement.

The assets and liabilities of "Operations sold or to be sold" are presented on separate lines in the Group's balance sheet, without restatement for previous periods.

Assets and liabilities of "Discontinued operations" are not presented on separate lines in the Group's balance sheet.

## Impact on the financial statements

The income and cash flow statements for operations discontinued, sold or to be sold are as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Revenue** | **748.2** | **1,438.0** |
| Cost of sales | (367.0) | (633.6) |
| **Gross profit** | **381.2** | **804.4** |
| Payroll expenses | (126.4) | (227.3) |
| Other recurring operating income and expenses | (273.0) | (533.0) |
| **Recurring operating income (loss)** | **(18.2)** | **44.1** |
| Other non-recurring operating income and expenses | (95.1) | (199.4) |
| **Operating income (loss)** | **(113.3)** | **(155.3)** |
| Finance costs, net | (8.3) | (24.9) |
| **Income (loss) before tax** | **(121.6)** | **(180.2)** |
| Income taxes | 21.2 | 34.0 |
| Share in earnings of associates | | 1.5 |
| Net income on the disposal of discontinued operations | 488.1 | 96.6 |
| **Net income (loss)** | **387.7** | **(48.1)** |
| o/w attributable to equity holders of the parent | 386.8 | (48.8) |
| o/w attributable to minority interests | 0.9 | 0.7 |

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Net cash from (used in) operating activities | (27.3) | 55.5 |
| Net cash used in investing activities | (14.6) | (21.7) |
| Net cash used in financing activities | (6.2) | (3.0) |
| Impact of exchange rate variations | | 2.5 |
| **Net cash flows** | **(48.1)** | **33.3** |
| Cash at beginning of the year and change in inter-co flows | 27.0 | (1.1) |
| **Net cash from discontinued operations** [1] | **(21.1)** | **32.2** |

*(1) Line item in the consolidated cash flow statement.*

Bédat reported 2008 revenue of €7.7 million (€13.5 million in 2007) and a net loss of €70.9 million (net loss of €4.6 million in 2007) primarily on the back of impairment losses.

YSL Beauté posted 2008 revenue of €298.9 million (€649.2 million in 2007), breaking even during the period (€92.4 million in 2007).

The Redcats UK Empire Stores brand generated 2008 revenue of €83.6 million (€216.5 million in 2007) and net income of €19.4 million (net loss of €109.9 million in 2007) stemming primarily from the €27.2 million loss recognised following the disposal of assets and liabilities of the business and the receipt of a €46.6 million gain on an old dispute with the UK Inland Revenue.

The Redcats USA "Missy" Division brands reported 2008 revenue of €123.2 million (€286.3 million in 2007) and a net loss of €3.0 million (net loss of €84.8 million in 2007), primarily stemming from impairment losses recognised following the disposal of assets and liabilities of the business.

Surcouf posted 2008 revenue of €224.9 million (€246.9 million in 2007) and a net loss of €43.5 million (net loss of €42.1 million in 2007) primarily as a result of impairment losses.

Conforama Poland posted 2008 revenue of €9.9 million (€24.4 million in 2007) and a net loss of €1.3 million (net income of €5.2 million in 2007).

Fnac Service reported a net loss of €1.1 million in 2008 (net loss of €2.4 million in 2007).

Printemps generated 2007 net income of €1.5 million representing the Group's share in earnings of the associate Printemps for the period January 1, to March 31, 2007.

Net income on the disposal of discontinued operations relates to the disposal of YSL Beauté and of Conforama Poland in 2008 and the disposal of PPR's remaining interest in France Printemps in 2007, combined with reversals of provisions for vendor warranties following the expiry of risks relating to earlier disposals. This amount is presented net of tax.

Operations sold or to be sold impacted the Group's consolidated balance sheet by the following amounts:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Assets classified as held for sale** | **61.6** | **283.5** |
| **Liabilities associated with assets classified as held for sale** | **71.0** | **229.1** |

As of December 31, 2008, assets classified as held for disposal solely concerned Surcouf and Bédat.

As of December 31, 2007, these assets concerned Surcouf, Conforama Poland, the Redcats UK Empire Stores brand and the Redcats USA "Missy" Division brands.

## NOTE 14 EARNINGS PER SHARE

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deduction of the weighted average number of shares held by consolidated companies.

Fully diluted earnings per share are based on the weighted average number of shares as defined above for the calculation of basic earnings per share plus the weighted average number of potentially dilutive ordinary shares. Earnings are adjusted for the theoretical interest charge, net of tax, in respect of convertible and exchangeable instruments.

### 14.1. Earnings per share

**EARNINGS PER SHARE AS OF DECEMBER 31, 2008**

| *(In € million)* | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to ordinary shareholders** | **924.2** | **537.4** | **386.8** |
| Weighted average number of ordinary shares outstanding | 127,243,003 | 127,243,003 | 127,243,003 |
| Weighted average number of treasury shares | (1,236,713) | (1,236,713) | (1,236,713) |
| **Weighted average number of ordinary shares** | **126,006,290** | **126,006,290** | **126,006,290** |
| **Basic earnings per share** *(in €)* | **7.33** | **4.26** | **3.07** |
| | | | |
| **Net income attributable to ordinary shareholders** | **924.2** | **537.4** | **386.8** |
| Share subscription options | | | |
| **Diluted net income attributable to equity holders of the parent** | **924.2** | **537.4** | **386.8** |
| Weighted average number of ordinary shares | 126,006,290 | 126,006,290 | 126,006,290 |
| Share subscription options | 16,714 | 16,714 | 16,714 |
| **Weighted average number of diluted ordinary shares** | **126,023,004** | **126,023,004** | **126,023,004** |
| **Fully diluted earnings per share** *(in €)* | **7.33** | **4.26** | **3.07** |

**EARNINGS PER SHARE AS OF DECEMBER 31, 2007**

| *(In € million)* | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to ordinary shareholders** | **922.3** | **971.1** | **(48.8)** |
| Weighted average number of ordinary shares outstanding | 128,460,065 | 128,460,065 | 128,460,065 |
| Weighted average number of treasury shares | (180,627) | (180,627) | (180,627) |
| **Weighted average number of ordinary shares** | **128,279,438** | **128,279,438** | **128,279,438** |
| **Basic earnings per share** *(in €)* | **7.19** | **7.57** | **(0.38)** |
| | | | |
| **Net income attributable to ordinary shareholders** | **922.3** | **971.1** | **(48.8)** |
| Share subscription options | | | |
| **Diluted net income attributable to equity holders of the parent** | **922.3** | **971.1** | **(48.8)** |
| Weighted average number of ordinary shares | 128,279,438 | 128,279,438 | 128,279,438 |
| Share subscription options | 381,061 | 381,061 | 381,061 |
| **Weighted average number of diluted ordinary shares** | **128,660,499** | **128,660,499** | **128,660,499** |
| **Fully diluted earnings per share** *(in €)* | **7.17** | **7.55** | **(0.38)** |

## 14.2. Earnings per share from continuing operations excluding non-recurring items

Non-recurring items consist of the income statement line item "Other non-recurring operating income and expenses" net of tax and minority interests.

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Net income attributable to ordinary shareholders** | **537.4** | **971.1** |
| Other non-recurring operating income and expenses | (361.0) | 102.7 |
| Income tax on other non-recurring operating income and expenses | 17.8 | (8.1) |
| Minority interests in other non-recurring operating income and expenses | 5.4 | 1.9 |
| **Net income excluding non-recurring items** | **875.2** | **874.6** |
| Weighted average number of ordinary shares outstanding | 127,243,003 | 128,460,065 |
| Weighted average number of treasury shares | (1,236,713) | (180,627) |
| **Weighted average number of ordinary shares** | **126,006,290** | **128,279,438** |
| **Basic earnings per share excluding non-recurring items** *(in €)* | **6.95** | **6.82** |
| | | |
| **Net income excluding non-recurring items** | **875.2** | **874.6** |
| Share subscription options | | |
| **Diluted net income attributable to equity holders of the parent** | **875.2** | **874.6** |
| Weighted average number of ordinary shares | 126,006,290 | 128,279,438 |
| Share subscription options | 16,714 | 381,061 |
| **Weighted average number of diluted ordinary shares** | **126,023,004** | **128,660,499** |
| **Fully diluted earnings per share** *(in €)* | **6.94** | **6.80** |

## NOTE 15 GOODWILL

| *(In € million)* | Gross | Impairment losses | Net |
|---|---|---|---|
| **Goodwill as of January 1, 2007** | **5,829.0** | **(219.7)** | **5,609.3** |
| Acquisitions | 1,346.2 | | 1,346.2 |
| Assets classified as held for sale and operations sold or to be sold | (165.0) | | (165.0) |
| Impairment losses | | (95.3) | (95.3) |
| Put options granted to minority interests | 34.0 | | 34.0 |
| Translation adjustments | (85.0) | 15.5 | (69.5) |
| Other movements | (6.1) | | (6.1) |
| **Goodwill as of December 31, 2007** | **6,953.1** | **(299.5)** | **6,653.6** |
| Acquisitions | 11.0 | | 11.0 |
| Assets classified as held for sale and operations sold or to be sold | (236.4) | 14.9 | (221.5) |
| Impairment losses (Note 18) | | (204.3) | (204.3) |
| Put options granted to minority interests | (75.7) | | (75.7) |
| Translation adjustments | 28.3 | (12.7) | 15.6 |
| Other movements | (2.8) | 2.8 | |
| **Goodwill as of December 31, 2008** | **6,677.5** | **(498.8)** | **6,178.7** |

All goodwill recognised in 2008 was allocated to cash-generating units at the end of the year.

The breakdown of the net amount of goodwill by company is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Fnac | 458.3 | 459.0 |
| Redcats | 1,147.6 | 1,236.3 |
| Conforama | 1,183.9 | 1,301.3 |
| Cfao | 140.0 | 143.6 |
| Puma | 1,164.7 | 1,205.8 |
| Luxury Goods Division | 2,084.2 | 2,307.6 |
| **Total** | **6,178.7** | **6,653.6** |

## NOTE 16 OTHER INTANGIBLE ASSETS

| *(In € million)* | Brands | Other intangible assets | Total |
|---|---|---|---|
| **Gross carrying amount as of January 1, 2007** | **6,290.3** | **794.1** | **7,084.4** |
| Changes in Group structure | 3,500.7 | 38.3 | 3,539.0 |
| Acquisitions | 2.8 | 94.9 | 97.7 |
| Assets classified as held for sale and operations sold or to be sold | | (4.9) | (4.9) |
| Other disposals | | (50.8) | (50.8) |
| Translation adjustments | (3.9) | (15.3) | (19.2) |
| Other movements | (6.5) | 8.1 | 1.6 |
| **Gross carrying amount as of December 31, 2007** | **9,783.4** | **864.4** | **10,647.8** |
| | | | |
| **Amortisation and impairment losses as of January 1, 2007** | **(31.5)** | **(450.2)** | **(481.7)** |
| Changes in Group structure | | (17.8) | (17.8) |
| Assets classified as held for sale and operations sold or to be sold | | 1.5 | 1.5 |
| Other disposals | | 49.6 | 49.6 |
| Amortisation | | (76.2) | (76.2) |
| Impairment losses | (2.1) | | (2.1) |
| Translation adjustments | (0.6) | 8.2 | 7.6 |
| Other movements | 6.5 | | 6.5 |
| **Amortisation and impairment losses as of December 31, 2007** | **(27.7)** | **(484.9)** | **(512.6)** |
| | | | |
| **Net carrying amount as of January 1, 2007** | **6,258.8** | **343.9** | **6,602.7** |
| Changes in Group structure | 3,500.7 | 20.5 | 3,521.2 |
| Acquisitions | 2.8 | 94.9 | 97.7 |
| Assets classified as held for sale and operations sold or to be sold | | (3.4) | (3.4) |
| Other disposals | | (1.2) | (1.2) |
| Amortisation | | (76.2) | (76.2) |
| Impairment losses | (2.1) | | (2.1) |
| Translation adjustments | (4.5) | (7.1) | (11.6) |
| Other movements | | 8.1 | 8.1 |
| **Net carrying amount as of December 31, 2007** | **9,755.7** | **379.5** | **10,135.2** |

| *(In € million)* | Brands | Other intangible assets | Total |
|---|---|---|---|
| **Gross carrying amount December 31, 2007** | **9,783.4** | **864.4** | **10,647.8** |
| Changes in Group structure | 45.9 | 10.0 | 55.9 |
| Acquisitions | 1.1 | 101.0 | 102.1 |
| Assets classified as held for sale and operations sold or to be sold | (28.9) | (50.2) | (79.1) |
| Other disposals | | (23.5) | (23.5) |
| Translation adjustments | 3.8 | 3.4 | 7.2 |
| Other movements | | 8.1 | 8.1 |
| **Gross carrying amount as of December 31, 2008** | **9,805.3** | **913.2** | **10,718.5** |
| | | | |
| **Amortisation and impairment losses as of December 31, 2007** | **(27.7)** | **(484.9)** | **(512.6)** |
| Changes in Group structure | | (0.8) | (0.8) |
| Assets classified as held for sale and operations sold or to be sold | | 34.2 | 34.2 |
| Other disposals | | 23.1 | 23.1 |
| Amortisation | | (75.9) | (75.9) |
| Impairment losses (Note 18) | (2.0) | (9.8) | (11.8) |
| Translation adjustments | 0.4 | (3.0) | (2.6) |
| Other movements | | 0.6 | 0.6 |
| **Amortisation and impairment losses as of December 31, 2008** | **(29.3)** | **(516.5)** | **(545.8)** |
| | | | |
| **Net carrying amount as of December 31, 2007** | **9,755.7** | **379.5** | **10,135.2** |
| Changes in Group structure | 45.9 | 9.2 | 55.1 |
| Acquisitions | 1.1 | 101.0 | 102.1 |
| Assets classified as held for sale and operations sold or to be sold | (28.9) | (16.0) | (44.9) |
| Other disposals | | (0.4) | (0.4) |
| Amortisation | | (75.9) | (75.9) |
| Impairment losses (Note 18) | (2.0) | (9.8) | (11.8) |
| Translation adjustments | 4.2 | 0.4 | 4.6 |
| Other movements | | 8.7 | 8.7 |
| **Net carrying amount as of December 31, 2008** | **9,776.0** | **396.7** | **10,172.7** |

The breakdown of net brand value by company is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Redcats | 80.6 | 30.3 |
| Cfao | 5.2 | 4.3 |
| Puma | 3,500.0 | 3,500.0 |
| Luxury Goods Division | 6,190.2 | 6,221.1 |
| **Total** | **9,776.0** | **9,755.7** |

## NOTE 17 PROPERTY, PLANT AND EQUIPMENT

| *(In € million)* | Land and buildings | Plant and equipment | Other PP & E | Total |
|---|---|---|---|---|
| **Gross carrying amount as of January 1, 2007** | **1,338.8** | **2,667.4** | **287.9** | **4,294.1** |
| Changes in Group structure | 143.9 | 151.9 | 116.6 | 412.4 |
| Acquisitions | 50.0 | 299.0 | 145.4 | 494.4 |
| Assets classified as held for sale and operations sold or to be sold | (17.1) | (34.8) | (57.8) | (109.7) |
| Disposals | (17.8) | (196.9) | (23.2) | (237.9) |
| Translation adjustments | (25.7) | (56.7) | (4.3) | (86.7) |
| Other movements | 13.8 | 46.0 | (64.6) | (4.8) |
| **Gross carrying amount as of December 31, 2007** | **1,485.9** | **2,875.9** | **400.0** | **4,761.8** |
| | | | | |
| **Depreciation and impairment as of January 1, 2007** | **(529.9)** | **(1,720.0)** | **(143.6)** | **(2,393.5)** |
| Changes in Group structure | (53.9) | (76.5) | (61.1) | (191.5) |
| Assets classified as held for sale and operations sold or to be sold | 10.0 | 47.8 | 9.8 | 67.6 |
| Disposals | 13.0 | 185.2 | 20.8 | 219.0 |
| Depreciation | (48.0) | (250.6) | (36.2) | (334.8) |
| Translation adjustments | 7.2 | 30.2 | 3.5 | 40.9 |
| Other movements | 3.9 | (0.7) | 1.6 | 4.8 |
| **Depreciation and impairment as of December 31, 2007** | **(597.7)** | **(1,784.6)** | **(205.2)** | **(2,587.5)** |
| | | | | |
| **Net carrying amount as of January 1, 2007** | **808.9** | **947.4** | **144.3** | **1,900.6** |
| Changes in Group structure | 90.0 | 75.4 | 55.5 | 220.9 |
| Acquisitions | 50.0 | 299.0 | 145.4 | 494.4 |
| Assets classified as held for sale and operations sold or to be sold | (7.1) | 13.0 | (48.0) | (42.1) |
| Disposals | (4.8) | (11.7) | (2.4) | (18.9) |
| Depreciation | (48.0) | (250.6) | (36.2) | (334.8) |
| Translation adjustments | (18.5) | (26.5) | (0.8) | (45.8) |
| Other movements | 17.7 | 45.3 | (63.0) | |
| **Net carrying amount as of December 31, 2007** | **888.2** | **1,091.3** | **194.8** | **2,174.3** |
| o/w assets owned outright | 690.9 | 1,091.3 | 176.5 | 1,958.7 |
| o/w assets held under finance leases | 197.3 | | 18.3 | 215.6 |

| *(In € million)* | Land and buildings | Plant and equipment | Other PP & E | Total |
|---|---|---|---|---|
| **Gross carrying amount as of December 31, 2007** | **1,485.9** | **2,875.9** | **400.0** | **4,761.8** |
| Changes in Group structure | 3.8 | (4.5) | 2.4 | 1.7 |
| Acquisitions | 36.6 | 299.1 | 158.1 | 493.8 |
| Assets classified as held for sale and operations sold or to be sold | (27.6) | (194.0) | | (221.6) |
| Disposals | (13.1) | (125.5) | (64.3) | (202.9) |
| Translation adjustments | (0.8) | 23.3 | (7.3) | 15.2 |
| Other movements | 3.0 | 72.3 | (42.0) | 33.3 |
| **Gross carrying amount as of December 31, 2008** | **1,487.8** | **2,946.6** | **446.9** | **4,881.3** |
| | | | | |
| **Depreciation and impairment as of December 31, 2007** | **(597.7)** | **(1,784.6)** | **(205.2)** | **(2,587.5)** |
| Changes in Group structure | | 0.4 | 0.2 | 0.6 |
| Assets classified as held for sale and operations sold or to be sold | 20.5 | 146.4 | | 166.9 |
| Disposals | 7.7 | 116.4 | 37.6 | 161.7 |
| Depreciation | (50.6) | (261.8) | (31.6) | (344.0) |
| Impairment losses (Note 18) | | (5.0) | (16.1) | (21.1) |
| Translation adjustments | 0.3 | (9.2) | 4.7 | (4.2) |
| Other movements | 7.6 | (5.7) | (2.2) | (0.3) |
| **Depreciation and impairment as of December 31, 2008** | **(612.2)** | **(1,803.1)** | **(212.6)** | **(2,627.9)** |
| | | | | |
| **Net carrying amount as of December 31, 2007** | **888.2** | **1,091.3** | **194.8** | **2,174.3** |
| Changes in Group structure | 3.8 | (4.1) | 2.6 | 2.3 |
| Acquisitions | 36.6 | 299.1 | 158.1 | 493.8 |
| Assets classified as held for sale and operations sold or to be sold | (7.1) | (47.6) | | (54.7) |
| Disposals | (5.4) | (9.1) | (26.7) | (41.2) |
| Depreciation | (50.6) | (261.8) | (31.6) | (344.0) |
| Impairment losses (Note 18) | | (5.0) | (16.1) | (21.1) |
| Translation adjustments | (0.5) | 14.1 | (2.6) | 11.0 |
| Other movements | 10.6 | 66.6 | (44.2) | 33.0 |
| **Net carrying amount as of December 31, 2008** | **875.6** | **1,143.5** | **234.3** | **2,253.4** |
| o/w assets owned outright | 695.6 | 1,143.5 | 223.6 | **2,062.7** |
| o/w assets held under finance leases | 180.0 | | 10.7 | **190.7** |

Charges to depreciation are recognised under "Cost of sales" and "Other recurring operating income and expenses" in the income statement.

# NOTE 18 IMPAIRMENT TESTS ON NON-FINANCIAL ASSETS

The principles governing the impairment of non-financial assets are set out in Note 2.7.

The main items of goodwill and intangible assets are broken down by company in Notes 15 and 16.

## 18.1. Assumptions underlying the impairment tests

The pre-tax discount and perpetual growth rates applied to expected cash flows in connection with economic assumptions and forecast operating conditions employed by the Group are as follows:

| | Discount rate | | Perpetual growth rate | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Luxury Goods Division | 8.8% - 12.5% | 10.3% - 13.2% | 3.0% - 3.5% | 3.0% - 3.5% |
| Retail Division (excl. emerging geographical areas [1]) | 9.1% - 12.4% | 8.7% - 11.6% | 0.5% - 2.5% | 0.5% - 1.0% |
| Emerging geographical areas [1] | 11.9% - 15.5% | 13.2% - 14.5% | 3.0% - 4.0% | 3.0% - 4.0% |

*(1) Emerging geographical areas include African countries and some Latin American and Eastern European countries.*

Given the high volatility of financial markets, for most CGUs the discount rates applied for 2008 impairment tests are higher than those used in 2007.

## 18.2. Impairment tests on the major items

In the case of the Gucci CGU, the recoverable amount of the CGU was determined on the basis of its value in use. The value in use is determined with respect to projected expected future cash flows, taking into account to the time value and specific risks associated with the CGU. Estimated future cash flow projections were prepared during the second half on the basis of budgets and medium-term plans with a 4-year timescale. To calculate the value in use, a terminal value equal to the perpetual capitalisation of the final year of the medium-term plan is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 3.5%.

The pre-tax discount rate applied to projected cash flows is 9.6%.

In the case of the Gucci brand, the value, based on future royalty revenue receivable on the assumption that the brand will be operated under licence by a third party, was calculated using a royalty rate of 15%, a 3.5% growth rate to extrapolate projected cash flows to perpetuity and a 9.6% pre-tax discount rate.

In the case of the Puma CGU, which includes the Puma goodwill, the recoverable amount of the CGU was determined on the basis of its value in use. The value in use is determined with respect to projected estimated future cash flows and taking into account to the time value and specific risks associated with the CGU. Estimated future cash flow projections were prepared during the second half on the basis of budgets and medium-term plans with a 4-year timescale. To calculate the value in use, a terminal value equal to the perpetual capitalisation of the final year of the medium-term plan is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 2.5%.

The pre-tax discount rate applied to projected cash flows is 10.4%.

In the case of the Puma brand, the value, based on future royalty revenue receivable on the assumption that the brand is operated under licence by a third party, was calculated using a royalty rate of 8%, a 2.5% growth rate to extrapolate projected cash flows to perpetuity and a 10.0% pre-tax discount rate.

## 18.3. Impairment losses recognised during the period

The impairment tests carried out in 2008 led the Group to recognise:

- a €122.0 million permanent impairment loss on the goodwill of the Conforama Italy cash generating unit (CGU). This loss stems from the difference between the carrying amount of the CGU asset and its recoverable amount. The value in use was calculated using a pre-tax discount rate of 9.1% and a perpetual growth rate of 0.5%;
- a €82.3 million permanent impairment loss on the goodwill of the Redcats Special Size Group CGU in the US. This loss stems from the difference between the carrying amount of the CGU asset and its recoverable amount. The value in use was calculated using a pre-tax discount rate of 12.4% and a perpetual growth rate of 1.0%;

- an impairment loss on other intangible assets of Redcats and of Luxury Goods of €9.8 million and €2.0 million, respectively;
- a €21.1 million impairment loss on property, plant and equipment.

All these expenses were recognised in the income statement under "Other non-recurring operating income and expenses".

The impairment tests carried out in 2008 did not identify any impairment losses in respect of intangible assets, property, plant and equipment and goodwill of the CGUs, other than those described above.

A 0.25 point change in the growth rates or discount rates used would not give rise to the recognition of additional impairment losses in the Group's consolidated financial statements.

## NOTE 19 INVESTMENTS IN ASSOCIATES

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Investments in associates | 74.5 | 19.7 |

As of December 31, 2008, investments in associates included the investment in Sowind Group.

## NOTE 20 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Non-consolidated investments | 34.9 | 28.8 |
| Derivative financial instruments (Note 30) | 40.3 | 21.0 |
| Available-for-sale financial assets | 2.1 | 5.9 |
| Loans and receivables due from non-consolidated investments | 92.8 | 67.6 |
| Deposits and guarantees | 103.4 | 96.5 |
| Other | 50.3 | 46.3 |
| **Total** | **323.8** | **266.1** |

## NOTE 21 INVENTORIES

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Commercial inventories | 3,682.3 | 3,412.2 |
| Industrial inventories | 291.7 | 316.7 |
| **Gross carrying amount** | **3,974.0** | **3,728.9** |
| Allowances | (508.5) | (494.8) |
| **Net carrying amount** | **3,465.5** | **3,234.1** |

| **Movements in allowances** | |
|---|---|
| As of December 31, 2007 | (494.8) |
| (Charge)/reversal | (23.3) |
| Changes in Group structure | (0.1) |
| Assets classified as held for sale and operations sold or to be sold | 18.4 |
| Translation adjustments | (8.7) |
| **As of December 31, 2008** | **(508.5)** |

The carrying amount of inventories pledged to secure liabilities was €85.1 million as of December 31, 2008 (€99.0 million as of December 31, 2007).

## NOTE 22 TRADE RECEIVABLES

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Trade receivables | 1,505.8 | 1,720.7 |
| Allowances | (202.8) | (216.9) |
| **Net carrying amount** | **1,303.0** | **1,503.8** |

| **Movements in allowances** | |
|---|---|
| Allowances as of December 31, 2007 | (216.9) |
| (Charge)/reversal | (3.3) |
| Changes in Group structure | 0.2 |
| Assets classified as held for sale and operations sold or to be sold | 16.3 |
| Translation adjustments | 0.9 |
| **Allowances as of December 31, 2008** | **(202.8)** |

Provisions are calculated on the basis of the likelihood of recovering the receivables concerned. Trade receivables break down by age as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Not past due | 968.4 | 1,164.2 |
| Less than one month past due | 221.5 | 239.4 |
| One to six months past due | 167.5 | 146.9 |
| More than six months past due | 148.4 | 170.2 |
| Trade receivables allowance | (202.8) | (216.9) |
| **Net carrying amount** | **1,303.0** | **1,503.8** |

## NOTE 23 OTHER CURRENT ASSETS AND LIABILITIES

| *(In € million)* | 2007 | Working capital cash flows | Assets classified as held for sale and operations sold or to be sold | Other cash flows | Changes in Group structure | Translation adjustments and other | 2008 |
|---|---|---|---|---|---|---|---|
| Inventories | 3,234.1 | 299.9 | (85.8) | | 2.1 | 15.2 | 3,465.5 |
| Trade receivables | 1,503.8 | (52.7) | (145.4) | | 0.8 | (3.5) | 1,303.0 |
| Other current financial assets and liabilities | 20.9 | 0.6 | (0.1) | (0.6) | | 46.4 | 67.2 |
| Current tax receivables/liabilities | (214.4) | | 3.9 | 5.7 | 2.0 | (20.9) | (223.7) |
| Trade payables | (2,942.6) | (95.0) | 69.8 | | 9.4 | (7.6) | (2,966.0) |
| Other current assets and liabilities | (1,446.5) | 79.6 | (179.0) | (19.3) | (14.8) | 13.9 | (1,566.1) |
| **Working capital requirements** | **155.3** | **232.4** | **(336.6)** | **(14.2)** | **(0.5)** | **43.5** | **79.9** |
| Customer loans | 235.3 | (8.1) | | | | (37.7) | 189.5 |

Given the nature of its activities, the Group's exposure to customer default would not have a material impact on the Group's business, financial position or assets.

## NOTE 24 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets are primarily comprised of derivative financial instruments (Note 30).

# NOTE 25 SHAREHOLDERS' EQUITY

As of December 31, 2008, the share capital amounted to €506,221,508. The share capital was comprised of 126,555,377 fully paid-up shares with a par value of €4 each (128,081,939 shares with a par value of €4 each as of December 31, 2007).

## 25.1. PPR treasury shares and options on PPR shares

During 2008, the Group disposed of a net amount of 506,500 treasury shares as follows:

- acquisition of 1,001,253 shares under the liquidity contract;
- disposal of 1,587,753 shares under the liquidity contract;
- acquisition of 18,690 shares granted to employees under the 2006 bonus share plan expiring in May 2008;
- acquisition of 80,000 shares for the purpose of granting them to employees under the 2008 bonus share plan expiring in June 2010;
- acquisition of 1,552,810 shares cancelled by decision of the Board of Directors on June 9, 2008, pursuant to the authorisation granted by the Shareholders' Meeting of May 14, 2007.

In addition, following various share subscription option exercises in 2008, the capital rose by 26,248 shares, accordingly bringing the PPR share capital to 126,555,377 shares as of December 31, 2008.

Finally, during 2008, the Group did not buy any PPR share purchase options. Share purchase options expiring in 2008 were not exercised.

As of December 31, 2008, the Group held 1,308,193 PPR share purchase options, primarily intended to cover share subscription and purchase option plans.

On May 26, 2004, PPR granted a mandate to a financial intermediary in order to support trading liquidity and the stability of the share price. This contract complies with the provisions of the Professional Code of Conduct drawn up by the *Association française des entreprises d'investissement* (AFEI, French Association of Investment Companies). The agreement was initially allocated €40 million, split equally between cash and PPR shares, and was allocated an additional €20 million in cash on September 3, 2004 followed by €30 million on December 18, 2007.

As of December 31, 2008, PPR did not hold any shares under the liquidity contract (586,500 shares as of December 31, 2007). Outside the liquidity contract, PPR held 80,000 shares for the purpose of granting them to employees under the 2008 bonus share plan expiring in June 2010. As of December 31, 2007, no shares were held by the company outside the liquidity contract.

## 25.2. Appropriation of 2008 net income

The Board of Directors will propose to the Ordinary General Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2008, that a dividend of €3.30 per share be distributed in respect of said financial year, representing a total of €417.6 million.

A dividend of €3.45 per share was distributed in respect of 2007.

### 25.3. Remeasurement of financial instruments

The remeasurement of financial instruments recording unrealised gains and losses on cash flow hedging instruments, available-for-disposal financial assets and other financial instruments breaks down as follows:

| *(In € million)* | Cash flow hedges | Available-for-sale financial assets | Other financial instruments | Total attributable to equity holders of the parent |
|---|---|---|---|---|
| **As of January 1, 2007** | **36.3** | **1.6** | **10.3** | **48.2** |
| Fair value gains and losses | 40.0 | (2.2) | (14.6) | 23.2 |
| Gains and losses transferred to income | (48.0) | | | (48.0) |
| Income tax | 2.2 | 0.8 | 5.0 | 8.0 |
| Income and expenses recognised directly in shareholders' equity | (5.8) | (1.4) | (9.6) | (16.8) |
| **As of December 31, 2007** | **30.5** | **0.2** | **0.7** | **31.4** |
| Fair value gains and losses | (12.0) | (3.8) | | (15.8) |
| Gains and losses transferred to income | (29.9) | | | (29.9) |
| Income tax | (22.7) | 1.3 | | (21.4) |
| Income and expenses recognised directly in shareholders' equity | (64.6) | (2.5) | | (67.1) |
| **As of December 31, 2008** | **(34.1)** | **(2.3)** | **0.7** | **(35.7)** |

A negative amount on the "Gains and losses transferred to income" line item indicates the recognition of income in the income statement.

Gains and losses on cash flow hedging instruments transferred to income are recognised under gross profit.

Gains and losses on available-for sale financial assets transferred to income are recognised under finance costs.

## NOTE 26 EMPLOYEE BENEFITS AND EQUIVALENT

In accordance with the laws and practices in each country, Group employees receive long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits take the form of defined contribution or defined benefit plans.

Under defined contribution plans, the Group is not obliged to make any additional payments beyond contributions already made. Contributions to these plans are expensed as incurred.

An actuarial valuation of defined benefit plans is carried out by independent experts. These benefits primarily concern retirement termination payments and long-service bonuses in France, final salary type supplementary pension plans in the United Kingdom, statutory dismissal compensation in Italy (TFR), and mandatory supplementary pension plans (LPP) in Switzerland.

The Group has no obligation with respect to medical costs.

## 26.1. Changes during the year

The present value of the obligation in respect of defined benefit plans changed as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Present value of obligation as of January 1** | **563.3** | **551.7** |
| Current service cost | 19.8 | 23.3 |
| Contributions paid by beneficiaries | 4.1 | 4.0 |
| Interest cost | 25.6 | 26.6 |
| Benefits paid | (33.0) | (27.9) |
| Past service cost | 1.5 | |
| Actuarial gains and losses | (8.3) | (8.1) |
| Curtailments and settlements | (12.6) | (17.9) |
| Changes in Group structure | 11.2 | 37.6 |
| Assets classified as held for sale and operations sold or to be sold | (69.7) | (0.2) |
| Exchange differences | (39.1) | (25.8) |
| **Present value of obligation as of December 31** | **462.8** | **563.3** |

As of December 31, 2008, the present value of the obligation amounted to €462.8 million and broke down as follows:

- €131.1 million in respect of completely unfunded plans (€97.0 million in 2007);
- €331.7 million in respect of fully or partially funded plans (€466.3 million in 2007).

The breakdown in the present value of the obligation by type of plan and country as of December 31, 2008 was as follows:

| *(In € million)* | 2008 |
|---|---|
| Retirement gratuities – France | 119.4 |
| Long-service awards – France | 4.8 |
| Statutory termination indemnities ("TFR") – Italy | 35.7 |
| Supplementary plans – United Kingdom | 136.9 |
| Supplementary plans ("LPP") – Switzerland | 66.7 |
| Other | 99.3 |
| **Present value of obligation as of December 31** | **462.8** |

The increase in fair value of defined benefit plan assets changed as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Fair value of defined benefit plan assets as of January 1** | **296.0** | **281.2** |
| Contributions paid by employer | 29.8 | 33.7 |
| Contributions paid by beneficiaries | 4.1 | 4.0 |
| Expected return on plan assets | 13.5 | 14.7 |
| Benefits paid | (33.0) | (27.9) |
| Actuarial gains and losses | (38.7) | (3.0) |
| Settlements | (0.7) | (2.8) |
| Changes in Group structure | 3.2 | 16.5 |
| Assets classified as held for sale and operations sold or to be sold | (36.1) | |
| Exchange differences | (34.0) | (20.4) |
| **Fair value of defined benefit plan assets as of December 31** | **204.1** | **296.0** |

The Group expects to pay an estimated €25.8 million in contributions in 2009.

Funded defined benefit plan assets break down as follows:

- insurance policies account for 41.8% of the total fair value of assets (29% in 2007);
- equity instruments account for 18.6% (29% in 2007);
- debt instruments account for 24.8% (25% in 2007);
- and other assets account for 14.8% (17% in 2007).

The reconciliation of balance sheet data with the actuarial obligation in respect of defined benefit plans breaks down as follows:

| *(In € million)* | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Present value of obligation | 462.8 | 563.3 | 551.7 | 538.5 | 470.8 |
| Fair value of defined benefit plan assets | (204.1) | (296.0) | (281.2) | (248.6) | (212.2) |
| **Funding shortfall/(excess)** | **258.7** | **267.3** | **270.5** | **289.9** | **258.6** |
| Unrecognised past service cost | (7.0) | (8.4) | (9.8) | (10.5) | (11.1) |
| Amount not recognised in assets | 5.4 | 8.3 | | | |
| Fair value of redemption rights | 1.5 | | | | |
| **Provisions (net assets) recognised in the balance sheet** | **258.6** | **267.2** | **260.7** | **279.4** | **247.5** |
| o/w provisions - continuing operations | 258.4 | 267.2 | 260.7 | 279.4 | 247.5 |
| o/w provisions - discontinued operations | 0.2 | | | | |
| o/w net assets | | | | | |
| Experience adjustments on plan liabilities | 0.1% | 0.9% | 4.5% | 5.9% | 7.1% |
| Experience adjustments on plan assets | 13.1% | 1.0% | 1.7% | 5.6% | 5.9% |

## 26.2. Expenses recognised

The total expense of €22.0 million recognised in respect of defined benefit plans breaks down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Current service cost | 19.8 | 23.3 |
| Interest cost | 25.6 | 26.6 |
| Expected return on plan assets | (13.5) | (14.7) |
| Actuarial gains/losses recognised in net income | (0.8) | |
| Past service cost taken to net income | 2.1 | 1.3 |
| Curtailments and settlements | (11.2) | (15.1) |
| **Total charge** | **22.0** | **21.4** |
| o/w recognised in operating expenses | 8.2 | 6.2 |
| in finance costs | 12.6 | 11.9 |
| in discontinued operations | 1.2 | 3.3 |

In accordance with the option provided under IAS 19, revised in December 2004, the Group recognises actuarial gains and losses on defined benefit plans directly in equity in the period.

In 2008, €31.2 million was recognised in respect of these actuarial gains and losses.

Accumulated actuarial gains and losses recognised in shareholders' equity since January 1, 2004 amounted to €56.3 million as of December 31, 2008.

### 26.3. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's obligations are as follows:

| | Total France | | Total Switzerland | | Total Italy | | Total UK | | Total Other | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Discount rate | 5.50% | 5.25% | 3.00% | 3.50% | 5.50% | 5.25% | 6.20% | 5.90% | 4.94% | 5.13% |
| Expected return on plan assets | 4.75% | 4.75% | 4.68% | 4.46% | | | 6.28% | 5.71% | 4.57% | 4.94% |
| Expected rate of increase in salaries | 2.86% | 2.82% | 2.27% | 2.25% | 3.60% | 3.68% | 2.53% | 2.37% | 2.15% | 2.34% |

The expected return on assets is determined for each fund on the basis of historic performance, current and long-term outlook and the asset allocation of the funds under management. These assumptions are reviewed annually on the basis of changes to the allocation of funds under management and changes in long-term market expectations for each asset class managed.

## NOTE 27 PROVISIONS

| *(In € million)* | 2007 | Charge | Reversal (utilized provision) | Reversal (surplus provision) | Translation adjustments | Changes in Group structure | Other | 2008 |
|---|---|---|---|---|---|---|---|---|
| Non-current provisions for restructuring | 2.2 | 23.0 | (1.8) | (0.1) | (0.4) | | 0.1 | 23.0 |
| Non-current provisions for claims and litigation | 65.3 | 10.2 | (5.1) | (2.1) | (0.2) | | 0.5 | 68.6 |
| Other non-current provisions | 78.1 | 1.1 | (2.6) | (3.7) | (0.1) | | | 72.8 |
| **Other non-current provisions for contingencies and losses** | **145.6** | **34.3** | **(9.5)** | **(5.9)** | **(0.7)** | | **0.6** | **164.4** |
| Current provisions for restructuring | 2.6 | 68.0 | (1.4) | (0.4) | 0.5 | | | 69.3 |
| Current provisions for claims and litigation | 55.6 | 43.1 | (11.0) | (9.1) | | | 3.3 | 81.9 |
| Other current provisions | 37.3 | 10.9 | (8.7) | (0.7) | | 0.6 | (0.7) | 38.7 |
| **Other current provisions for contingencies and losses** | **95.5** | **122.0** | **(21.1)** | **(10.2)** | **0.5** | **0.6** | **2.6** | **189.9** |
| **Other provisions for contingencies and losses** | **241.1** | **156.3** | **(30.6)** | **(16.1)** | **(0.2)** | **0.6** | **3.2** | **354.3** |
| **Income statement impact** | | **(156.3)** | | **16.1** | | | | **(140.2)** |
| - Impact on recurring operating income | | (18.1) | | 5.5 | | | | (12.6) |
| - Impact on other non-recurring operating income and expenses | | (131.4) | | 9.2 | | | | (122.2) |
| - Impact on finance costs | | (4.2) | | | | | | (4.2) |
| - Impact on income taxes | | (2.6) | | | | | | (2.6) |
| - Impact on discontinued operations | | | | 1.4 | | | | 1.4 |

Provisions for claims and litigation mainly relate to claims brought by third parties and litigation with tax authorities in various countries. Other provisions mainly cover risks relating to vendor warranties.

Reversals of surplus provisions during the year mainly concern the settlement of tax disputes and the expiry of risks relating to vendor warranties.

# NOTE 28 CASH AND CASH EQUIVALENTS

## 28.1. Breakdown by category

This item breaks down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Cash | 842.7 | 1,163.3 |
| Cash equivalents | 273.9 | 549.9 |
| **Total** | **1,116.6** | **1,713.2** |

As of December 31, 2008, cash equivalents include UCITS, certificates of deposit and term deposits with a maturity of less than three months.

The items booked by the Group as "Cash and cash equivalents" strictly meet the criteria stated in the AMF's (AMF, the French Stock Market Regulator) guidance, published in March 2008. In particular, the investments are regularly reviewed in accordance with the Group's procedures and in strict compliance with the qualification criteria defined by the IAS 7 standard. As of December 31, 2008, these analyses have not led to previously-accepted changes in accounts classification.

## 28.2. Breakdown by currency

| *(In € million)* | 2008 | % | 2007 | % |
|---|---|---|---|---|
| Euro | 473.5 | 42.4% | 826.7 | 48.3% |
| US dollar | 181.2 | 16.2% | 426.5 | 24.9% |
| Swiss franc | 82.8 | 7.4% | 62.5 | 3.6% |
| Yen | 60.8 | 5.5% | 42.4 | 2.5% |
| Pound sterling | 59.6 | 5.3% | 106.2 | 6.2% |
| CFA franc | 41.1 | 3.7% | 49.6 | 2.9% |
| Other currencies | 217.6 | 19.5% | 199.3 | 11.6% |
| **Total** | **1,116.6** | | **1,713.2** | |

# NOTE 29 BORROWINGS

## 29.1. Breakdown of borrowings by maturity

| *(In € million)* | 2008 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **3,961.3** | | **218.8** | **1,014.8** | **607.8** | **1,936.3** | **183.6** |
| Bonds | 1,793.4 | | | 812.4 | 196.3 | 784.7 | |
| Confirmed lines of credit | 1,554.3 | | 54.3 | | 384.4 | 1,115.6 | |
| Other bank borrowings | 403.6 | | 143.3 | 191.4 | 18.3 | 17.8 | 32.8 |
| Obligations under finance leases | 90.2 | | 12.4 | 6.3 | 3.8 | 9.8 | 57.9 |
| Employee profit-sharing | 25.7 | | 7.6 | 4.7 | 5.0 | 8.4 | |
| Other borrowings | 94.1 | | 1.2 | | | | 92.9 |
| **Current borrowings** | **2,911.6** | **2,911.6** | | | | | |
| Bonds | 751.5 | 751.5 | | | | | |
| Confirmed lines of credit | 101.2 | 101.2 | | | | | |
| Draw-downs on unconfirmed lines of credit | 320.8 | 320.8 | | | | | |
| Other bank borrowings | 620.3 | 620.3 | | | | | |
| Obligations under finance leases | 11.1 | 11.1 | | | | | |
| Employee profit-sharing | 6.6 | 6.6 | | | | | |
| Bank overdrafts | 183.1 | 183.1 | | | | | |
| Commercial paper | 784.9 | 784.9 | | | | | |
| Other borrowings | 132.1 | 132.1 | | | | | |
| **Total** | **6,872.9** | **2,911.6** | **218.8** | **1,014.8** | **607.8** | **1,936.3** | **183.6** |
| **%** | | **42.3%** | **3.2%** | **14.8%** | **8.8%** | **28.2%** | **2.7%** |

| *(In € million)* | 2007 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **4,670.3** | | **958.8** | **183.1** | **920.1** | **1,772.5** | **835.8** |
| Bonds | 2,114.8 | | 742.0 | | 784.6 | | 588.2 |
| Confirmed lines of credit | 1,833.2 | | 95.5 | | | 1,737.7 | |
| Other bank borrowings | 390.8 | | 53.6 | 147.5 | 115.2 | 20.7 | 53.8 |
| Obligations under finance leases | 94.1 | | 14.7 | 14.5 | 7.4 | 5.2 | 52.3 |
| Employee profit-sharing | 37.3 | | 8.6 | 11.3 | 8.5 | 8.9 | |
| Other borrowings | 200.1 | | 44.4 | 9.8 | 4.4 | | 141.5 |
| **Current borrowings** | **3,420.1** | **3,420.1** | | | | | |
| Bonds | 2.3 | 2.3 | | | | | |
| Confirmed lines of credit | 87.4 | 87.4 | | | | | |
| Draw-downs on unconfirmed lines of credit | 279.7 | 279.7 | | | | | |
| Other bank borrowings | 1,930.8 | 1,930.8 | | | | | |
| Obligations under finance leases | 19.0 | 19.0 | | | | | |
| Employee profit-sharing | 6.2 | 6.2 | | | | | |
| Bank overdrafts | 262.4 | 262.4 | | | | | |
| Commercial paper | 662.7 | 662.7 | | | | | |
| Other borrowings | 169.6 | 169.6 | | | | | |
| **Total** | **8,090.4** | **3,420.1** | **958.8** | **183.1** | **920.1** | **1,772.5** | **835.8** |
| **%** | | **42.3%** | **11.8%** | **2.3%** | **11.4%** | **21.9%** | **10.3%** |

As of December 31, 2008, all gross borrowings are recognised at amortised cost based on an effective interest rate taking into account any identified issue costs and redemption or issue premiums relating to each liability, with the exception of the bond issues of May 2008 indexed on changes to the PPR share recognised at fair value through the income statement.

In addition, a fair value adjustment of €14.5 million was recognised as of December 31, 2008 (€21.2 million as of December 31, 2007) in respect of borrowings, mainly in the form of bond issues, partially or fully hedged under fair value hedging relationships.

As of December 31, 2008, bond issues represented 37.0% of gross debt against 26.2% in 2007.

Debts with a maturity of more than one year represented 57.7% of total gross borrowings as of December 31, 2008 and December 31, 2007.

The total amount of confirmed lines of credit stood at €6,694.8 million at the balance sheet date, including €1,655.5 million in the form of credit-line draw-downs and €49.7 million used in the form of short-term loans.

Short-term draw-downs on facilities backed by confirmed lines of credit of more than one year are included in non-current debt.

Accrued interest is recorded in "Other borrowings".

The financing of customer loans contributed €189.5 million to gross borrowings as of December 31, 2008.

## 29.2. Breakdown by repayment currency

| *(In € million)* | 2008 | Non-current borrowings | Current borrowings | % | 2007 | % |
|---|---|---|---|---|---|---|
| Euro | 5,912.8 | 3,614.5 | 2,298.3 | 86.0% | 6,953.4 | 85.9% |
| Yen | 465.9 | 229.4 | 236.5 | 6.8% | 380.0 | 4.7% |
| Swiss franc | 121.5 | 21.4 | 100.1 | 1.8% | 114.3 | 1.4% |
| CFA franc | 101.7 | 12.8 | 88.9 | 1.5% | 95.6 | 1.2% |
| US dollar | 95.1 | 59.7 | 35.4 | 1.4% | 297.1 | 3.7% |
| Pound sterling | 13.6 | 7.2 | 6.4 | 0.2% | 41.4 | 0.5% |
| Other currencies | 162.3 | 16.3 | 146.0 | 2.3% | 208.6 | 2.6% |
| **Total** | **6,872.9** | **3,961.3** | **2,911.6** | | **8,090.4** | |

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

## 29.3. Breakdown of gross borrowings by category

PPR Group gross borrowings break downs as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Bonds | 2,544.9 | 2,117.1 |
| Other bank borrowings | 1,023.9 | 2,321.6 |
| Confirmed lines of credit | 1,655.5 | 1,920.6 |
| Draw-downs on unconfirmed lines of credit | 320.8 | 279.7 |
| Commercial paper | 784.9 | 662.7 |
| Obligations under finance leases | 101.3 | 113.1 |
| Employee profit-sharing | 32.3 | 43.5 |
| Bank overdrafts | 183.1 | 262.4 |
| Other borrowings | 226.2 | 369.7 |
| **Total** | **6,872.9** | **8,090.4** |

Group borrowings primarily consist of bonds, bank borrowings, draw-downs on confirmed lines of credit and commercial paper issues, which account for 91.4% of gross borrowings as of December 31, 2007, compared to 90.7% as of December 31, 2008.

As of December 31, 2008, other borrowings include €107.9 million in respect of put options granted to minority shareholders (Note 2.1.2).

## 29.4. Bond issues

### Bonds issued by PPR

The Group has a EMTN (Euro Medium-Term note) programme with a ceiling of €5,000 million as of December 31, 2008.

The date of signature and approval of this programme by the Grand Duchy of Luxembourg's CSSF (financial sector supervisory commission) was December 10, 2008. The pledge expiry date of the current programme as of December 31, 2008 was December 10, 2009.

As of December 31, 2008, bonds issued under this programme totalled €2,550 million.

All borrowings benefit from the PPR Group rating awarded by Standard & Poor's of "BBB-", with a stable outlook and are not subject to any financial covenant.

*(In € million)*

| Face value | Issue interest rate | Effective interest rate | Issue date | Documented / non-documented hedge | Maturity | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| 750.0 (1) | 5.00% fixed | 5.20% | 07.23.2003 | Euribor 3 month floating rate swap for €500 million<br>*Documented under IFRS* | 01.23.2009 | **749.9** | 739.9 |
| 800.0 (2) | 5.25% fixed | 5.34% | 03.29.2004 | Euribor 3 month floating rate swap for €650 million<br>*Documented under IFRS* | 03.29.2011 | **812.4** | 784.6 |
| 600.0 (3) | 4.00% fixed | 4.08% & 4.79% | 06.29.2005 & 06.19.2006 | - | 01.29.2013 | **590.4** | 588.2 |
| 200.0 (4) | 6.405% fixed | - | 05.16.2008 | - | 11.16.2012 | **196.3** | |
| 200.0 (5) | 6.536% fixed | - | 05.16.2008 | - | 05.16.2013 | **194.3** | |

*(1) Issue price: bond issue on July 23, 2003, represented by 750,000 bonds with a face value of €1,000 each, under the EMTN programme. Redemption: in full on January 23, 2009.*

*(2) Issue price: bond issue, represented by 800,000 bonds with a face value of €1,000 each, under the EMTN programme, comprising 650,000 bonds issued on March 29, 2004 and 150,000 additional bonds issued on July 23, 2004, raising the issue to 800,000 bonds. Redemption: in full on March 29, 2011.*

*(3) Issue price: bond issue, represented by 600,000 bonds with a face value of €1,000 each, under the EMTN programme, comprising 300,000 bonds issued on June 29, 2005 and 300,000 additional bonds issued on June 19, 2006, raising the issue to 600,000 bonds. Redemption: in full on January 29, 2013.*

*(4) Issue price: bond issue indexed on the PPR share, issued on May 16, 2008 under the EMTN programme, represented by 2,362,907 bonds with a face value of €84.64. Redemption: the redemption price is indexed on changes to the PPR share price. It is of a maximum amount of €236.9 million and a minimum amount of €136.9 million with a maturity date of November 16, 2012.*

*(5) Issue price: bond issue indexed on the PPR share, issued on May 16, 2008 under the EMTN programme, represented by 2,362,907 bonds with a face value of €84.64. Redemption: the redemption price is indexed on changes to the PPR share price. It is of a maximum amount of €238.2 million and a minimum amount of €138.2 million with a maturity date of May 16, 2013*

The amounts recognised in the balance sheet have been determined using amortised cost accounting rules based on the effective interest rate and taking account of the fair value adjustment generated by the hedging relationship documented pursuant to application of IAS 39, with the exception of the bond issues of May 2008 indexed on changes to the PPR share price, which are recognised at fair value through the income statement.

Accrued interest is recorded in "Other borrowings".

## 29.5. Main bank borrowings and confirmed lines of credit

### 29.5.1. Breakdown of main bank borrowings

The Group has the following main bank borrowings:

#### *Bank borrowings contracted by PPR and Sapardis*

*(In € million)*

| Face value | Issue interest rate | Effective interest rate | Issue date | Documented / non-documented hedge | Maturity | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| 500.0 | Euribor floating +0.375% | - | 07.18.2007 | - | 06.26.2009 | **500.0** | 1,500.0 |
| 290.0 | Euribor floating +0.375% | - | 07.18.2007 | - | 06.26.2009 | | 290.0 |

#### *Long and medium-term borrowings contracted by PPR Finance SNC*

*(In € million)*

| Face value | Issue interest rate | Effective interest rate | Issue date | Documented / non-documented hedge | Maturity | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| 52.6 | Euribor 3 month floating +0.40% | - | 06.16.1998 | Euribor 3 month floating rate swap for the full amount<br>*Not documented under IFRS* | 06.16.2010 | **52.6** | 52.6 |
| 50.0 | Euribor 3 month floating +0.20% | - | 12.15.2006 | - | 12.15.2011 | **50.0** | 50.0 |

### *Long and medium-term borrowings contracted by Gucci Group*

*(In € million)*

| Face value | Issue interest rate | Effective interest rate | Issue date | Documented/ non-documented hedge | Maturity | 2008 | 2007 |
|---|---|---|---|---|---|---|---|
| 35.9 (1) | USD Libor floating +1.00% | - | 08.08.2003 | - | 08.15.2013 | **18.0** | 20.4 |
| 35.0 (2) | Euribor floating +0.70% | - | 03.29.2004 | - | 06.30.2014 | **24.9** | 29.0 |
| 67.4 (3) | JPY Tibor floating +0.35% | - | 09.15.2006 | - | 09.15.2011 | **53.9** | 46.4 |
| 35.7 (4) | JPY Tibor floating +0.25% | - | 11.08.2007 | - | 11.08.2010 | **35.7** | 27.3 |
| 31.7 (5) | 1.26% fixed | - | 03.31.2008 | - | 03.31.2011 | **28.5** | |
| 59.5 (6) | 1.536% fixed | - | 04.30.2008 | - | 04.28.2011 | **57.5** | |

*(1) Redeemable loan contracted by Gucci America Inc. in the amount of US$50 million (€35.9 million); the outstanding balance on this loan as of December 31, 2008 is US$25 million (€18.0 million).*
*(2) Loan redeemable as of 2006 initially contracted for €35 million.*
*(3) Redeemable loan contracted in December 2006 for 8,500 million yen (€67.4 million).*
*(4) Loan contracted in November 2007 for 4,500 million yen (€35.7 million).*
*(5) Loan contracted in March 2008 for 4,000 million yen (€31.7 million).*
*(6) Loan contracted in April 2008 for 7,500 million yen (€59.5 million)*

## 29.5.2. Confirmed lines of credit

As of December 31, 2008, the Group had access to confirmed lines of credit of €6,694.8 million, compared to €6,724.9 million as of December 31, 2007.

The undrawn balance on these confirmed lines of credit as of December 31, 2008 was €4,989.6 million, compared to €4,743 million as of December 31, 2007.

The unused confirmed lines of credit guarantee the Group's liquidity and notably back the commercial paper issue programme, which represented total outstandings of €784.9 million as of December 31, 2008, compared to €662.7 million as of December 31, 2007.

## 29.5.3. Breakdown of confirmed lines of credit

PPR, SAPARDIS and PPR Finance SNC: €6,136 million distributed by maturity as follows:

| *(In € million)* | 2008 | Maturing in less than one year | Maturing in one to five years | Maturing in more than five years | 2007 |
|---|---|---|---|---|---|
| Confirmed lines of credit | **6,136.0** | 115.0 | 6,021.0 | | **6,136.0** |

The confirmed credit lines include the syndicated revolving loans of €2,750 million set up in March 2005 and €1,500 million set up for the friendly takeover bid for Puma AG in 2007. The syndicated revolving credit instalments of €2,750 million are spread as follows, after exercising the maturity-extension option: €2,605 million were extended to March 2012, €70 million to March 2011 and €75 million retain the initial maturity of March 2010. Maturity was also extended for the syndicated revolving credit of €1,500 million, bringing the maturity dates to June 2012 for €384.4 million and to June 2013 for €1,115.6 million.

The short-term tranche for financing the purchase of Puma, in the form of a "term loan" for an initial amount of €1,790 million with an initial maturity of one year, renewable for an additional year at the option of PPR, is included in bank borrowings; €500 million of it has been extended to mature in June 2009.

Other confirmed lines of credit: €558.8 million distributed by maturity as follows:

| *(In € million)* | 2008 | Maturing in less than one year | Maturing in one to five years | Maturing in more than five years | 2007 |
|---|---|---|---|---|---|
| Redcats [1] | **136.3** | | 136.3 | | 125.1 |
| Gucci Group NV [2] | **155.0** | 115.4 | 39.6 | | 207.3 |
| Puma [3] | **267.5** | 267.5 | | | 256.5 |
| | **558.8** | 382.9 | 175.9 | | **588.9** |

*(1) Redcats: including US$100 million (€71.9 million) and 700 million Swedish krona (€64.4 million).*
*(2) Gucci Group NV: including CHF150 million (€101.0 million), JPY5,000 million (€39.6 million) and US$20 million (€14.4 million).*
*(3) Puma: including €49.7 million drawn in the form of bank borrowings at the end of December 2008.*

The Group's confirmed bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: pari passu ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation.

PPR and PPR Finance SNC confirmed lines of credit comprise a default clause (early repayment) in the event of failure to satisfy the following financial covenant: Consolidated net financial indebtedness/ Consolidated EBITDA less than or equal to 3.75.

The Group was in compliance with all these covenants as of December 31, 2008 and there is no foreseeable risk of breach.

## NOTE 30 EXPOSURE TO FOREIGN EXCHANGE, INTEREST RATE AND EQUITY RISK

The Group uses derivative financial instruments to manage its exposure to market risks.

The following derivative financial instruments were used by the Group as of December 31, 2008:

### 30.1. Exposure to interest rate risk

In order to manage interest rate risk on financial assets and liabilities, and particularly borrowings, PPR Group uses instruments with the following outstanding notional amounts:

| *(In € million)* | 2008 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond | 2007 |
|---|---|---|---|---|---|---|---|---|
| Swaps: fixed-rate lender | 1,333.1 | 683.1 | | 650.0 | | | | 1,399.5 |
| Swaps: fixed-rate borrower | 401.8 | 350.0 | 51.8 | | | | | 890.0 |
| Purchases of collars | 850.0 | | 550.0 | 300.0 | | | | 100.0 |
| Purchases of caps | 1,100.0 | 700.0 | 400.0 | | | | | 1,550.0 |
| Other interest rate instruments [1] | 152.6 | | 152.6 | | | | | 152.6 |
| **Total** | **3,837.5** | **1,733.1** | **1,154.4** | **950.0** | | | | **4,092.1** |

*(1) Including floating/floating rate swap.*

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 swaps as a fixed-rate lender to the amount of €1,150.0 million to hedge PPR bond issues;
- convert fixed-rate negotiable debt securities, loans and credit-line draw-downs to floating rates: the Group entered into interest rate swaps as a fixed-rate lender to the amount of €183.1 million;

- set the rate of floating-rate borrowings: the Group entered into interest rate swaps as a fixed-rate lender to the amount of €401.8 million;
- manage interest-rate risk on borrowings *via* option transactions: the Group entered into options to the amount of €1,950 million.

Pursuant to application of IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2008, documented and non-documented financial instruments were as follows:

| *(In € million)* | 2008 | Fair value hedge | Cash flow hedge | Non-documented hedge |
|---|---|---|---|---|
| Swaps: fixed-rate lender | 1,333.1 | 1,150.0 | | 183.1 |
| Swaps: fixed-rate borrower | 401.8 | | 51.8 | 350.0 |
| Purchases of collars | 850.0 | | | 850.0 |
| Purchases of caps | 1,100.0 | | | 1,100.0 |
| Other interest rate instruments | 152.6 | | | 152.6 |
| **Total** | **3,837.5** | **1,150.0** | **51.8** | **2,635.7** |

These interest rate derivative instruments are recognised in the balance sheet at their year-end market value.

The accounting treatment of fair value movements depends on the purpose of the derivative instrument and the resulting accounting classification.

In the case of interest rate derivative instruments designated as fair value hedges, fair value movements are recognised in net income of the period, offsetting in full or in part the revaluation of the hedged debt. The ineffective portion of the fair value hedge impacts finance costs for the period.

As of December 31, 2008, fair value hedges concerned fixed-rate bonds issued by the Group in July 2003 and March 2004 and hedged by interest rate swaps in the nominal amount of €500 million and €650 million, respectively.

In the case of interest rate derivative instruments designated as cash flow hedges, the effective portion of the fair value movement is initially recognised in equity and reclassified in net income when the hedged position affects net income. The ineffective portion of the fair value hedge impacts finance costs for the period.

As of December 31, 2008, cash flow hedges concern borrowings issued in Japanese yen and hedged to the amount of JPY 6.5 billion (€51.8 million).

Fair value movements in respect of non-documented derivative instruments are recognised directly in net income, with an impact on finance costs for the period.

As of December 31, 2008, derivative instruments that did not qualify for hedge accounting under IAS 39 criteria primarily comprised optional instruments in the form of caps and collars, negotiated to hedge revolving floating-rate financing.

**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:

| | | 2008 maturities | | | |
|---|---|---|---|---|---|
| *(In € million)* | 2008 | Less than one year | One to five years | More than five years | 2007 |
| **Fixed-rate financial assets** | **214.5** | 197.5 | 14.2 | 2.8 | **272.9** |
| Bonds | **2,544.9** | 751.5 | 1,793.4 | | 2,117.1 |
| Commercial paper | **620.9** | 620.9 | | | 424.7 |
| Other borrowings | **166.0** | 70.9 | 94.2 | 0.9 | 257.0 |
| **Fixed-rate financial liabilities** | **3,331.8** | 1,443.3 | 1,887.6 | 0.9 | **2,798.8** |

- floating-rate financial assets and liabilities, exposed to a cash flow risk before management:

| *(In € million)* | 2008 | 2008 maturities | | | 2007 |
|---|---|---|---|---|---|
| | | Less than one year | One to five years | More than five years | |
| **Floating-rate financial assets** | **1,027.9** | 980.6 | 35.6 | 11.7 | **1,543.7** |
| Bonds | | | | | |
| Commercial paper | **164.0** | 164.0 | | | 238.0 |
| Other borrowings | **3,377.1** | 1,304.3 | 1,890.1 | 182.7 | 5,053.6 |
| **Floating-rate financial liabilities** | **3,541.1** | 1,468.3 | 1,890.1 | 182.7 | **5,291.6** |

**After management** and taking into account hedging transactions, 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 after management:

| *(In € million)* | 2008 | 2008 maturities | | | 2007 |
|---|---|---|---|---|---|
| | | Less than one year | One to five years | More than five years | |
| **Fixed-rate financial assets** | **214.5** | 197.5 | 14.2 | 2.8 | **272.9** |
| Bonds | **1,932.6** | 501.6 | 1,431.0 | | 992.6 |
| Commercial paper | **737.8** | 737.8 | | | 625.5 |
| Other borrowings | **1,767.8** | 574.8 | 1,192.1 | 0.9 | 2,267.3 |
| **Fixed-rate financial liabilities** | **4,438.2** | 1,814.2 | 2,623.1 | 0.9 | **3,885.4** |

- floating-rate financial assets and liabilities, exposed to a cash flow risk after management:

| *(In € million)* | 2008 | 2008 maturities | | | 2007 |
|---|---|---|---|---|---|
| | | Less than one year | One to five years | More than five years | |
| **Floating-rate financial assets** | **1,027.9** | 980.6 | 35.6 | 11.7 | **1,543.7** |
| Bonds | **612.3** | 249.9 | 362.4 | | 1,124.5 |
| Commercial paper | **47.1** | 47.1 | | | 37.2 |
| Other borrowings | **1,775.3** | 800.4 | 792.2 | 182.7 | 3,043.3 |
| **Floating-rate financial liabilities** | **2,434.7** | 1,097.4 | 1,154.6 | 182.7 | **4,205.0** |

Financial assets and liabilities consist of interest-bearing balance sheet items.

The breakdown of gross borrowings by type of rate before and after hedging transactions is as follows:

| *(In € million)* | 2008 | Before hedging | | After hedging | |
|---|---|---|---|---|---|
| | | Fixed-rate | Floating-rate | Fixed-rate | Floating-rate |
| **Gross borrowings** | **6,872.9** | **3,331.8** | **3,541.1** | **4,438.2** | **2,434.7** |
| % | | 48.5% | 51.5% | 64.6% | 35.4% |

| *(In € million)* | 2007 | Before hedging | | After hedging | |
|---|---|---|---|---|---|
| | | Fixed-rate | Floating-rate | Fixed-rate | Floating-rate |
| **Gross borrowings** | **8,090.4** | **2,798.8** | **5,291.6** | **3,885.4** | **4,205.0** |
| % | | 34.6% | 65.4% | 48.0% | 52.0% |

### Analysis of sensitivity to interest rate risk

Given this breakdown between fixed-rate and floating-rate assets and liabilities after the impact of derivative instruments, a 100 basis point instantaneous increase or decrease in interest rates would have a full-year impact, as of December 31, 2008, of €29.1 million on Group consolidated net income before tax, excluding fair value adjustments in respect of derivative instruments not qualifying for hedge accounting, and financial liabilities evaluated at fair value through the income statement, compared to €36.9 million as of December 31, 2007.

Based on year-end market data, the impact of interest rate derivative instruments and financial liabilities evaluated at fair value through the income statement, in the event of an increase or decrease in the euro interest rate curve of 100 basis points, would be as follows:

| *(In € million)* | Impact on reserves | Impact on net income |
|---|---|---|
| **As of December 31, 2008** | | |
| Increase of 100 basis points | | 29.9 |
| Decrease of 100 basis points | | (30.4) |
| **As of December 31, 2007** | | |
| Increase of 100 basis points | | 23.2 |
| Decrease of 100 basis points | | (13.9) |

All other market variables are assumed to be constant for the purposes of the sensitivity analysis.

The impact on equity is generated by interest rate instruments qualifying for cash flow hedge accounting.

The impact on net finance costs is generated by interest rate instruments not qualifying for hedge accounting.

The impact of interest rate derivative instruments denominated in a currency that is not the functional currency of the Group is not material at the balance sheet date.

These amounts are presented before tax.

As of December 31, 2008, interest rate derivatives qualifying for cash flow hedge accounting with a residual maturity of less than two years totalled €51.8 million. They have a term comparable to that of the borrowings they hedge and as such impact the same fiscal year as the risk hedged. At the balance sheet date, the evaluation of these cash-flow derivatives had no significant sensitivity to changes in yen rates.

## 30.2. Exposure to foreign exchange risk

PPR Group uses instruments with the following outstanding notional amounts to manage foreign exchange risk:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Currency forwards and currency swaps | (187.2) | (620.4) |
| Currency options - tunnels | (385.1) | (248.6) |
| Currency options purchased | 210.7 | 240.2 |
| Currency options sold | (19.3) | (0.7) |
| **Total** | **(380.9)** | **(629.5)** |

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 can also be required to implement simple options strategies (purchase of options or tunnels) to hedge future exposures.

Pursuant to application of IAS 39, these derivative financial instruments were analysed with respect to hedge accounting eligibility criteria. The Group has no derivatives eligible for net investment hedge accounting.

As of December 31, 2008, documented and non-documented derivative instruments were as follows:

| *(In € million)* | 2008 | EUR | USD | JPY | GBP |
|---|---|---|---|---|---|
| **Cash flow hedge** | | | | | |
| Forward purchases & forward purchase swaps | **841.5** | 23.7 | 797.8 | | 0.1 |
| Forward sales & forward sale swaps | **(929.2)** | (26.7) | (425.9) | | (91.8) |
| Currency options – purchases of export tunnels | **(385.1)** | | (58.9) | (326.2) | |
| **Fair value hedge** | | | | | |
| Forward purchases & forward purchase swaps | **629.9** | 112.4 | 233.5 | 208.3 | 5.0 |
| Forward sales & forward sale swaps | **(887.7)** | (11.8) | (442.9) | (102.0) | (89.0) |
| **Not documented** | | | | | |
| Forward purchases & forward purchase swaps | **332.1** | 21.3 | 290.6 | 9.9 | |
| Forward sales & forward sale swaps | **(173.8)** | (18.1) | (63.8) | (9.9) | (1.1) |
| Currency options – purchases | **210.7** | | 163.1 | | 21.3 |
| Currency options – sales | **(19.3)** | | (5.8) | | (2.7) |
| **Maturity** | | | | | |
| **Less than one year** | | | | | |
| Forward purchases & forward purchase swaps | **1,773.2** | 157.0 | 1,301.0 | 209.1 | 5.1 |
| Forward sales & forward sale swaps | **(1,934.1)** | (56.6) | (918.4) | (102.8) | (179.9) |
| Currency options – purchases of export tunnels | **(264.0)** | | | (264.0) | |
| Currency options – purchases | **200.5** | | 155.4 | | 21.3 |
| Currency options – sales | **(19.3)** | | (5.8) | | (2.7) |
| **More than one year** | | | | | |
| Forward purchases & forward purchase swaps | **30.3** | 0.4 | 20.9 | 9.1 | |
| Forward sales & forward sale swaps | **(56.6)** | | (14.2) | (9.1) | (2.0) |
| Currency options – purchases of export tunnels | **(121.1)** | | (58.9) | (62.2) | |
| Currency options – purchases | **10.2** | | 7.7 | | |
| Currency options – sales | | | | | |

Foreign exchange derivative instruments are recognised in the balance sheet at their year-end market value.

Derivatives qualifying as cash flow hedges are used to hedge highly probable future flows (not yet recognised) based on a budget for the current budget period (season or catalogue, quarter, half-year, etc.) or certain future flows not yet recognised (firm orders).

As of December 31, 2008, foreign exchange derivatives qualifying as cash flow hedges essentially have a residual maturity of less than one year and hedge cash flows expected to be realised and recorded in the accounts in the coming fiscal year.

Derivatives qualifying as fair value hedges are used to hedge items recognised in the Group balance sheet at the year-end or certain future flows not yet recognised (firm orders). These hedges mainly concern Luxury Goods Division brands in the case of balance sheet items and certain retail brands in the case of firm commitments.

Certain foreign exchange derivatives managed for hedging purposes are not documented in connection with IAS 39 hedge accounting and, as such, are recorded as derivative instruments, with movements in their fair value impacting finance costs.

These derivatives mainly hedge balance sheet items and future flows which do not satisfy the "highly probable" criteria required by IAS 39.

| CHF | NOK | HKD | CNY | KRW | Other | 2007 |
|---|---|---|---|---|---|---|
| 0.5 | 0.8 | 12.1 | | | 6.5 | **800.8** |
| (33.8) | (36.4) | (130.6) | (87.0) | (20.4) | (76.6) | **(999.2)** |
| | | | | | | **(248.6)** |
| 35.0 | | 15.3 | 8.7 | 3.4 | 8.3 | **368.9** |
| (145.9) | | (41.3) | (14.5) | (8.6) | (31.7) | **(722.3)** |
| 9.3 | | 1.0 | | | | **168.9** |
| (16.3) | (28.7) | (0.2) | | | (35.7) | **(237.5)** |
| 11.4 | 11.7 | 3.2 | | | | **240.2** |
| (0.7) | (3.5) | (1.2) | | | (5.4) | **(0.7)** |
| 44.8 | 0.8 | 28.5 | 8.7 | 3.4 | 14.8 | **1,321.7** |
| (195.0) | (65.1) | (172.1) | (84.1) | (26.9) | (133.2) | **(1,935.9)** |
| | | | | | | **(220.1)** |
| 11.4 | 9.2 | 3.2 | | | | **221.1** |
| (0.7) | (3.5) | (1.2) | | | (5.4) | **(0.7)** |
| | | (0.1) | | | | **16.9** |
| (1.0) | | | (17.4) | (2.1) | (10.8) | **(23.1)** |
| | | | | | | **(28.5)** |
| | 2.5 | | | | | **19.1** |

As of December 31, 2008, the exposure to foreign exchange risk on the balance sheet is as follows:

| *(In € million)* | 2008 | EUR | USD | JPY | GBP |
|---|---|---|---|---|---|
| Money market assets | **1,697.5** | 44.6 | 568.7 | 174.4 | 145.4 |
| Money market liabilities | **2,000.2** | 157.7 | 731.7 | 581.4 | 31.9 |
| Gross exposure in the balance sheet | (302.7) | (113.1) | (163.0) | (407.0) | 113.5 |
| Forecast gross exposure | 233.7 | (2.8) | (473.1) | 261.9 | 99.0 |
| **Gross exposure before hedging** | **(69.0)** | **(115.9)** | **(636.1)** | **(145.1)** | **212.5** |
| Hedging instruments | (435.0) | 97.6 | 473.6 | (219.9) | (194.3) |
| **Gross exposure after hedging** | **(504.0)** | **(18.3)** | **(162.5)** | **(365.0)** | **18.2** |

Monetary assets comprise loans and receivables, bank balances, investments and cash equivalents with a maturity of less than three months at the acquisition date.

Monetary liabilities comprise borrowings, operating payables and other payables.

The majority of these monetary items are denominated in the functional currency in which the subsidiary operates or converted into the functional currency of the Group using foreign exchange derivative instruments in accordance with prevailing procedures.

### Analysis of sensitivity to foreign exchange risk

This analysis excludes the impact of translating the financial statements of each Group entity into the presentation currency (euro) and the valuation of the balance sheet foreign exchange position considered immaterial at the balance sheet date.

Based on year-end market data, foreign exchange derivative instruments would have the following impact in the event of an instantaneous 10% increase or decrease in the euro exchange rate against the principal currencies to which the Group is exposed (the US dollar and Japanese yen):

| As of December 31, 2008 | Impact on reserves | | Impact on net income | |
|---|---|---|---|---|
| *(In € million)* | +10% change | -10% change | +10% change | -10% change |
| US dollar | (30.8) | 37.7 | (14.6) | 20.8 |
| Japanese yen | 29.6 | (36.0) | (0.3) | 0.2 |

| As of December 31, 2007 | Impact on reserves | | Impact on net income | |
|---|---|---|---|---|
| *(In € million)* | +10% change | -10% change | +10% change | -10% change |
| US dollar | (26.0) | 29.7 | (1.3) | 7.2 |
| Japanese yen | 22.6 | (26.7) | (0.4) | (0.2) |

All other market variables are assumed to be constant for the purposes of the sensitivity analysis.

The impact on equity is generated by foreign exchange instruments qualifying for cash flow hedge accounting.

The impact on net finance costs is generated by foreign exchange instruments not qualifying for cash flow hedge accounting and by the change in the ineffective portion of cash flow hedges.

These amounts are presented before tax.

## 30.3. Exposure to equity risk

In the normal course of its business, the Group enters into transactions involving shares in consolidated companies or shares issued by PPR.

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

| CHF | NOK | HKD | CNY | KRW | Other | 2007 |
|---|---|---|---|---|---|---|
| 234.3 | 15.2 | 63.7 | 5.8 | 17.7 | 427.7 | **2,002.2** |
| 169.7 | 11.8 | 25.4 | | 0.1 | 290.5 | **1,556.5** |
| 64.6 | 3.4 | 38.3 | 5.8 | 17.6 | 137.2 | 445.7 |
| 36.2 | 39.0 | 114.7 | 87.0 | 20.4 | 51.4 | 415.0 |
| **100.8** | **42.4** | **153.0** | **92.8** | **38.0** | **188.6** | **860.7** |
| (163.8) | (43.8) | (141.6) | (92.8) | (25.6) | (124.4) | (742.4) |
| **(63.0)** | **(1.4)** | **11.4** | | **12.4** | **64.2** | **118.3** |

As of December 31, 2008, no equity risk hedging transaction had been recognised as a derivative instrument pursuant to the application of IAS 39.

Bonds issued in May 2008 are indexed on the price of the PPR share. The redemption price of these bonds is indexed on changes to the price of the PPR share within upper and lower limits.

Based on year-end market data, a 10% increase in the PPR share price would have a positive full-year impact of €4.3 million on the Group's pre-tax consolidated income and would result in a 4.3 million reduction in the value of bond debt on the balance sheet. Reciprocally, a 10% decrease in the PPR share price would have a negative full-year impact of €3.8 million on the Group's pre-tax consolidated income and would result in a 3.8 million increase in the value of bond debt on the balance sheet.

The indexed bonds issued in May 2008 are recognised at fair value through the income statement. The variation in fair value recorded in net income includes changes to PPR's issuer spread. As of December 31, 2008, the evaluation of indexed bond issues includes an adjustment of €74.4 million related to the increase in PPR's issuer spread since the issue date. The variation related to changes in the issuer spread has been calculated from prices of CDS (Credit Default Swaps) for PPR on references and maturities consistent with the indexed bonds that were issued. Based on market conditions at the year-end, a reduction of 10% in PPR's issuer spread would increase the market value of indexed bond issues by €10.0 million and increase the finance cost for the year by the same amount. Reciprocally, an increase of 10% in PPR's issuer spread would reduce the market value of indexed bond issues by €9.7 million and reduce the finance cost for the year by the same amount.

## 30.4. Other market risks – Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to foreign exchange, interest rate and equity risk arising in the normal course of business. All transactions involving derivatives are carried out on organised markets or over the counter with leading firms and do not carry any counterparty risk.

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 on its receivables. Generally, the Group considers that it is not exposed to any specific credit risk on these financial assets.

## 30.5. Derivative instruments at market value

As of December 31, 2008, and in accordance with IAS 39, the market value of derivative financial instruments is recognised in balance sheet assets under the headings "Non-current financial assets" and "Other current financial assets" and in balance sheet liabilities under the headings "Other non-current financial liabilities" and "Other current financial liabilities".

The fair value of derivatives hedging interest rate risks is recognised in non-current or current assets or liabilities depending on the maturity of the underlying debt to which they are allocated.

The fair value of foreign exchange derivatives is recognised in other current financial assets or liabilities.

| *(In € million)* | 2008 | Interest rate risk | Foreign exchange risk | Other market risks | 2007 |
|---|---|---|---|---|---|
| **Derivative assets** | **175.8** | **60.0** | **115.8** | | **102.5** |
| **Non-current** | **40.3** | **40.3** | | | **21.0** |
| At fair value through income | **0.2** | 0.2 | | | 0.4 |
| Cash flow hedges | | | | | |
| Fair value hedges | **40.1** | 40.1 | | | 20.6 |
| **Current** | **135.5** | **19.7** | **115.8** | | **81.5** |
| At fair value through income | **31.6** | 3.4 | 28.2 | | 34.4 |
| Cash flow hedges | **65.8** | | 65.8 | | 39.1 |
| Fair value hedges | **38.1** | 16.3 | 21.8 | | 8.0 |
| **Derivative liabilities** | **69.3** | **10.8** | **58.5** | | **65.4** |
| **Non-current** | | | | | |
| At fair value through income | | | | | |
| Cash flow hedges | | | | | |
| Fair value hedges | | | | | |
| **Current** | **69.3** | **10.8** | **58.5** | | **65.4** |
| At fair value through income | **12.8** | 10.4 | 2.4 | | 13.9 |
| Cash flow hedges | **45.4** | 0.4 | 45.0 | | 44.5 |
| Fair value hedges | **11.1** | | 11.1 | | 7.0 |
| **Total** | **106.5** | **49.2** | **57.3** | | **37.1** |

Derivatives qualifying for fair value hedge accounting mainly hedge debt issued in the form of bonds and are presented in balance sheet assets in the amount of €56.4 million as of December 31, 2008 and €20.6 million as of December 31, 2007.

The effective portion of derivatives hedging future cash flows is recorded by offset against shareholders' equity.

The movement in the Cash flow hedge reserve in 2008 is presented in Note 25.3.

## 30.6. Liquidity risk

Liquidity risk management for the Group and each of its companies is closely monitored and periodically assessed by PPR, with the help of Group and company financial reporting procedures.

In order to guarantee its liquidity, the Group holds confirmed lines of credit of €6,694.8 million, including €4,989.6 million not yet drawn and available cash of €1,116.6 million as of December 31, 2008.

The following analysis concerns the contractual commitments of borrowings and trade payables and notably includes accrued interest payable and excludes the impact of netting agreements. It also includes Group commitments relating to derivative instruments recorded in balance sheet assets or liabilities.

Forecast cash flows relating to interest payable are included in "Other borrowings" and calculated up to the contractual maturity of the borrowing to which they relate. They are calculated up to the contractual maturity of the debts to which they are attached. Future floating-rate interest is set based on the last coupon for the current period, based on fixings applicable at the balance sheet date for flows relating to subsequent maturities.

The future cash flows presented have not been discounted.

This analysis excludes non-derivative financial assets in the balance sheet and notably the lines items cash and cash equivalents and trade receivables including customer loans of €1,116.6 million and €1,492.5 million respectively as of December 31, 2008.

| *(In € million)* | 2008 Net carrying amount | 2008 Cash flow | Less than one year | One to five years | More than five years |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Bonds | 2,544.9 | (2,551.6) | (751.6) | (1,800.0) | |
| Commercial paper | 784.9 | (788.6) | (788.6) | | |
| Other borrowings | 3,543.1 | (4,202.6) | (1,476.0) | (2,512.6) | (214.0) |
| Trade payables | 2,966.0 | (2,966.0) | (2,966.0) | | |
| **Derivative financial instruments** | | | | | |
| **Interest rate hedges** | (49.2) | | | | |
| Interest rate swaps | | 51.3 | 19.1 | 32.2 | |
| Other interest rate instruments | | (0.8) | (0.1) | (0.7) | |
| **Foreign exchange hedges** | (57.3) | | | | |
| Currency forwards and currency swaps | | | | | |
| Outflows | | (3,485.1) | (3,234.5) | (250.6) | |
| Inflows | | 3,565.2 | 3,314.0 | 251.2 | |
| Other foreign exchange instruments | | | | | |
| Outflows | | (635.8) | (449.4) | (186.4) | |
| Inflows | | 615.7 | 422.8 | 192.9 | |
| **Total** | **9,732.4** | **(10,398.3)** | **(5,910.3)** | **(4,274.0)** | **(214.0)** |

| *(In € million)* | 2007 Net carrying amount | 2007 Cash flow | Less than one year | One to five years | More than five years |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | | | | | |
| Bonds | 2,117.1 | (2,154.3) | (2.3) | (1,552.0) | (600.0) |
| Commercial paper | 662.7 | (663.9) | (663.9) | | |
| Other borrowings | 5,310.6 | (6,301.9) | (3,038.2) | (2,928.0) | (335.7) |
| Trade payables | 2,942.6 | (2,942.6) | (2,942.6) | | |
| **Derivative financial instruments** | | | | | |
| **Interest rate hedges** | (31.7) | | | | |
| Interest rate swaps | | 19.3 | (10.9) | 30.2 | |
| Other interest rate instruments | | 6.9 | 5.4 | 1.5 | |
| **Foreign exchange hedges** | (5.4) | | | | |
| Currency forwards and currency swaps | | | | | |
| Outflows | | (3,028.6) | (3,005.7) | (22.9) | |
| Inflows | | 3,016.8 | 2,993.4 | 23.4 | |
| Other foreign exchange instruments | | | | | |
| Outflows | | (299.1) | (265.7) | (33.4) | |
| Inflows | | 317.6 | 282.5 | 35.1 | |
| **Total** | **10,995.9** | **(12,029.8)** | **(6,648.0)** | **(4,446.1)** | **(935.7)** |

## NOTE 31 NET FINANCIAL INDEBTEDNESS

Group net financial indebtedness breaks down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Gross borrowings excluding the financing of customer loans | 6,683.4 | 7,855.1 |
| Fair value hedging instruments (interest rate) | (56.4) | (20.6) |
| Cash and cash equivalents | (1,116.6) | (1,713.2) |
| **Net financial indebtedness** | **5,510.4** | **6,121.3** |

## NOTE 32 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

Financial instrument measurement principles and market values as of December 31, 2008 are presented below:

| | 2008 | | Breakdown by accounting classification | | | | | |
|---|---|---|---|---|---|---|---|---|
| *(In € million)* | Net carrying amount | Market value | Fair value through income | Available -for- sale assets | Loans and receivables | Amortised cost | Derivatives qualifying for hedge accounting | Derivatives not qualifying for hedge accounting |
| **Non-current assets** | | | | | | | | |
| Non-current financial assets | 323.8 | 323.8 | | 37.0 | 246.5 | | 40.1 | 0.2 |
| **Current assets** | | | | | | | | |
| Trade receivables | 1,303.0 | 1,303.0 | | | | 1,303.0 | | |
| Customer loans | 189.5 | 189.5 | | | | 189.5 | | |
| Other current financial assets | 143.1 | 143.1 | | | 7.6 | | 103.9 | 31.6 |
| Cash and cash equivalents | 1,116.6 | 1,116.6 | 273.9 | | | 842.7 | | |
| **Non-current liabilities** | | | | | | | | |
| Non-current borrowings | 3,961.3 | 3,828.5 | 390.6 | | | 3,570.7 | | |
| **Current liabilities** | | | | | | | | |
| Current borrowings | 2,722.1 | 2,721.2 | | | | 2,722.1 | | |
| Financing of customer loans | 189.5 | 189.5 | | | | 189.5 | | |
| Other current financial liabilities | 75.9 | 75.9 | | | | 6.6 | 56.5 | 12.8 |
| Trade payables | 2,966.0 | 2,966.0 | | | | 2,966.0 | | |

| *(In € million)* | 2007 Net carrying amount | 2007 Market value | Breakdown by accounting classification: Fair value through income | Available-for-sale assets | Loans and receivables | Amortised cost | Derivatives qualifying for hedge accounting | Derivatives not qualifying for hedge accounting |
|---|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | | |
| Non-current financial assets | 266.1 | 266.1 | | 34.7 | 210.4 | | 20.6 | 0.4 |
| **Current assets** | | | | | | | | |
| Trade receivables | 1,503.8 | 1,503.8 | | | | 1,503.8 | | |
| Customer loans | 235.3 | 235.3 | | | | 235.3 | | |
| Other current financial assets | 93.5 | 93.5 | | | 12.0 | | 47.1 | 34.4 |
| Cash and cash equivalents | 1,713.2 | 1,713.2 | 549.9 | | | 1,163.3 | | |
| **Non-current liabilities** | | | | | | | | |
| Non-current borrowings | 4,670.3 | 4,652.2 | | | | 4,670.3 | | |
| **Current liabilities** | | | | | | | | |
| Current borrowings | 3,184.8 | 3,184.8 | | | | 3,184.8 | | |
| Financing of customer loans | 235.3 | 235.3 | | | | 235.3 | | |
| Other current financial liabilities | 72.6 | 72.6 | | | | 7.2 | 51.5 | 13.9 |
| Trade payables | 2,942.6 | 2,942.6 | | | | 2,942.6 | | |

The market values of most of the Group's financial instruments are based on estimates, except for investments in non-consolidated listed companies, marketable securities and listed bonds, which are recorded on the basis of their last known price as of December 31, 2008.

The following methods were adopted:

- financial instruments other than derivatives recorded in balance sheet assets

  Net carrying amounts are based on reasonable estimates of market value, with the exception of listed marketable securities and investments in non-consolidated companies, whose market value was determined based on the last known stock market price as of December 31, 2008 for the securities listed. Non-current financial assets are described in Note 20;

- financial instruments other than derivatives recorded in balance sheet liabilities

  The market value of listed bonds was determined on the basis of the last stock market price at the balance sheet 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 at the balance sheet date, the price of the PPR share and assumptions concerning volatility in relation to the valuation of indexed bond issues;

- derivative financial instruments

  The market value was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that incorporate market conditions at the balance sheet date.

# NOTE 33 CASH FLOW STATEMENT

On December 31, 2008, cash and cash equivalents, net of bank overdrafts, amounted to €933.5 million which corresponds to total cash and cash equivalents presented in the cash flow statement.

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Cash and cash equivalents in the balance sheet** | **1,116.6** | **1,713.2** |
| Bank overdrafts | (183.1) | (262.4) |
| **Cash and cash equivalents in the cash flow statement** | **933.5** | **1,450.8** |

## 33.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| **Net income from continuing operations** | **654.4** | **1,089.5** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | 419.4 | 371.8 |
| Charges relating to share options and equivalent | 11.6 | 7.8 |
| Impairment losses on non-current operating assets | 237.2 | 97.4 |
| Gains/losses on asset disposals, net of tax | (23.2) | (205.2) |
| Income/(expenses) in respect of fair value movements | (7.1) | (0.3) |
| Deferred tax | (21.3) | 18.5 |
| Share in earnings of associates | (1.4) | (1.2) |
| Dividends received from associates | 2.3 | 1.9 |
| Other non-cash income and expenses | 116.1 | (8.7) |
| **Cash flow from operating activities** | **1,388.0** | **1,371.5** |

## 33.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets were €592.7 million in 2008 (€573.1 million in 2007).

Purchases of property, plant and equipment under finance leases totalled €7.8 million in 2008 (€8.3 million in 2007).

## 33.3. Acquisitions and disposals of subsidiaries

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Acquisitions of subsidiaries, net of cash acquired | (222.1) | (3,337.5) |
| Proceeds from disposals of subsidiaries, net of cash transferred | 1,202.2 | 349.2 |
| **Total** | **980.1** | **(2,988.3)** |

In 2008, acquisitions of subsidiaries mainly involved the stakes in Girard-Perregaux (Note 3.1.2) and the acquisition of minority interests in Puma and Gucci, bringing the Group's stake to 69.36% and 99.84% respectively on December 31, 2008. Disposals of subsidiaries mainly involved the sale of YSL Beauté and Conforama Poland.

In 2007, acquisitions of subsidiaries primarily concerned Puma and United Retail Group. Disposals of subsidiaries primarily concerned the sale of Printemps and Kadéos.

### 33.4. Treasury share transactions

In 2008, treasury share transaction had the following impact (Note 25.1):

- acquisition of 1,552,810 shares cancelled by decision of the Board of Directors for €143.9 million;
- net sale of 586,500 PPR treasury shares under the liquidity contract for €20.2 million;
- acquisition of 18,690 PPR shares granted to employees under the 2006 bonus share plan maturing in May 2008, for €1.6 million;
- acquisition of 80,000 PPR shares for granting to employees under the 2008 bonus share plan maturing in June 2010, for €6.4 million.

In 2007, treasury share transactions had the following impact:

- net acquisition of 586,500 PPR treasury shares under the liquidity contract for €69.2 million;
- acquisition of 21,775 PPR shares for granting to employees under the 2005 bonus share plan maturing in 2007, for €2.9 million;
- acquisition of 505,577 shares cancelled by decision of the Board of Directors for €61.3 million;
- acquisition of 350,000 PPR share purchase options in order to hedge stock-options granted to employees in 2007, for €10.4 million in premiums;
- acquisition of 500,000 PPR share purchase options with a view to their cancellation in accordance with the provisions of the share buyback programme authorised by the Annual General Shareholders' Meeting of May 14, 2007, for €4.6 million in premiums;
- sale of 228,193 purchase options purchased in September 2004 in order to adapt the hedge position to reflect changes in the number of share purchase options granted to employees still outstanding, for €0.5 million in premiums received.

### 33.5. Puma treasury shares

In 2008, Puma acquired 825,000 Puma shares worth a total of €181.4 million. The impact of this disbursement is presented on the line "Share Capital Increase/Decrease" in the consolidated cash flow statement. On December 31, 2008, Puma had 950,000 treasury shares.

### 33.6. Debt issues and redemptions

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Debt issues | 723.0 | 1,797.1 |
| Debt redemptions | (1,325.7) | (606.7) |
| Increase (decrease) in other borrowings | (639.2) | 1,650.5 |
| **Total** | **(1,241.9)** | **2,840.9** |

The debt issues primarily concern both tranches of the bond issue pegged to the price of the PPR share issued in May 2008 for a total of €400 million.

The debt redemptions mainly concern the partial redemption of debt initially issued in 2007 to partly finance the friendly takeover bid on Puma AG for €1,290 million.

## NOTE 34 CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS NOT RECOGNISED AND RISKS

### 34.1. Compulsory buy-out of Gucci shares

Following the delisting of Gucci Group N.V. shares from the New York Stock Exchange on June 14, 2004 and from the Amsterdam Euronext on July 1, 2004, the Group decided to launch before the Dutch Court a compulsory buy-out procedure for the shares it does not hold, while buying back the shares available for sale; on December 31, 2008, 0.07% of share capital issued had not yet been voluntarily presented for purchase.

## 34.2. Commitments given and received following asset disposals

Vendor warranties given by the Group on the sale of companies are summarised below:

| Disposals | Vendor warranties |
|---|---|
| **May 2003** | |
| Sale of Guilbert Contract to Office Depot | Tax warranties covering periods not yet time barred. |
| **June 2003** | |
| Sale of Pinault Bois & Matériaux to Wolseley | The warranty granted by Saprodis on the sale of the controlling interest in Pinault Bois & Matériaux to Wolseley in June 2003 has expired. However, a specific warranty is still in effect for certain damages relating to health, safety and the environment. This warranty expires on July 7, 2014 and is capped at €50 million. |
| **December 2004** | |
| Sale of Rexel | Tax warranties covering periods not yet time barred. |
| **July 2006** | |
| Sale of Orcanta | Tax warranties covering periods not yet time barred. |
| **August 2006** | |
| Sale of France Printemps | Standard vendor warranties, with warranties covering tax-related claims expiring on December 31, 2009. |
| **June 2008** | |
| Sale of YSL Beauté | Standard vendor warranties expiring on March 31, 2010, with warranties covering tax-related or similar claims expiring when the period becomes time-barred, plus three months. This warranty is capped at €150 million. |

In addition to the vendor warranties described above, vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

## 34.3. Other commitments given

### 34.3.1. Contractual obligations

The table below shows all the Group's contractual commitments and obligations, excluding employee benefit obligations presented in the preceding notes.

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| *(In € million)* | Less than one year | One to five years | More than five years | 2008 | 2007 |
| Non-current borrowings (Note 29) | | 3,777.7 | 183.6 | 3,961.3 | 4,670.3 |
| Operating lease agreements | 574.5 | 1,456.6 | 999.9 | 3,031.0 | 3,341.3 |
| Binding purchase commitments | 221.3 | 55.8 | | 277.1 | 361.3 |
| **Total commitments given** | **795.8** | **5,290.1** | **1,183.5** | **7,269.4** | **8,372.9** |
| **Total commitments received** | | | | | |

### *Operating lease agreements*

The amount of contractual obligations presented on the line "Operating lease agreements" represents minimum future lease payments under operating lease agreements for the period they cannot be cancelled by the lessee. These mainly include rental payments which cannot be cancelled in respect of stores, logistic hubs and other buildings (head offices and administrative offices).

As of December 31, 2008, total minimum future lease payments which the Group expects to receive under non-cancellable sub-lease agreements total €3.1 million (€2.6 million as of December 31, 2007).

The 2008 rental charge in respect of minimum lease payments is €605.8 million (€470.6 million in 2007) and the charge for contingent payments is €189.3 million (€198.1 million in 2007), based on actual revenue.

Sub-lease revenue totalled €2.4 million in 2008 (€6.2 million in 2007).

### *Finance leases*

The present value of minimum future lease payments included in "Borrowings" and relating to capitalised assets satisfying the finance lease definition in accordance with IAS 17 is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Maturing in less than one year | 13.5 | 25.9 |
| Maturing in one to five years | 41.7 | 53.3 |
| Maturing in more than five years | 84.6 | 88.4 |
| | 139.8 | 167.6 |
| Finance costs included | (38.5) | (54.5) |
| **Present value of minimum lease payments** | **101.3** | **113.1** |

As of December 31, 2008, total minimum future lease payments which the Group expects to receive under non-cancellable sub-lease agreements total €5.3 million (€20.6 million as of December 31, 2007).

## 34.3.2. Guarantees and other collateral

Guarantees and other collateral granted by the Group break down as follows:

| *(In € million)* | Pledge start date | Pledge expiry date | Amount of assets pledged at 12.31.2008 | Balance sheet total (NCA) | Corresponding % | Amount of assets pledged at 12.31.2007 |
|---|---|---|---|---|---|---|
| Intangible assets | | | | 10,172.7 | 0.0% | |
| Property, plant and equipment | 01.15.2004 | 07.25.2016 | 246.4 | 2,253.4 | 10.9% | 255.8 |
| Non-current financial assets | | | | 323.8 | 0.0% | |
| **Total non-current assets pledged as collateral** | | | **246.4** | **12,749.9** | **1.9%** | **255.8** |

## 34.3.3. Individual Training Entitlement

Pursuant to Law no. 2004-391 of May 4, 2004, on vocational training, all employees of the Group's French companies receive a 20-hour training credit each year, which can be cumulated over six years and is capped at 120 hours. Any training courses followed within the framework of this training entitlement are deducted from the number of training hours accumulated.

The volume of training hours acquired by employees and not consumed as of December 31, 2008 amounted to 1.8 million (1.5 million as of December 31, 2007).

### 34.3.4. Other commitments

Other commitments break down as follows:

| (In € million) | Payments due by period | | | 2008 | 2007 |
|---|---|---|---|---|---|
| | Less than one year | One to five years | More than five years | | |
| Confirmed lines of credit (Note 29) | 497.9 | 6,196.9 | | 6,694.8 | 6,724.9 |
| Letters of credit | 18.6 | 33.0 | | 51.6 | 20.8 |
| Other guarantees received | 16.5 | 0.6 | 16.2 | 33.3 | 17.1 |
| **Total commitments received** | **533.0** | **6,230.5** | **16.2** | **6,779.7** | **6,762.8** |
| Guarantees given to banks responsible for cash pooling arrangements | 38.2 | 1.7 | | 39.9 | 64.5 |
| Rent guarantees, property guarantees | 67.9 | 12.2 | 34.0 | 114.1 | 112.5 |
| Guarantees on lease agreements | 0.5 | 2.3 | 0.5 | 3.3 | 4.3 |
| Sponsoring and advertising commitments | 71.8 | 171.1 | 22.3 | 265.2 | 234.9 |
| Other commitments | 142.6 | 24.3 | 40.2 | 207.1 | 201.2 |
| **Total commitments given** | **321.0** | **211.6** | **97.0** | **629.6** | **617.4** |

The other commitments given primarily include customs warranties and operating guarantees.

To the best of the Group's knowledge, there are no other significant commitments given or contingent liabilities.

## 34.4. Group reliance on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or supply contracts.

## 34.5. 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 and customs authorities. Reserves for contingencies and losses have been set aside for the probable costs, as estimated by the Group's entities and their counsel. According to 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. The Group believes there is no known litigation likely to have a potential material impact on the Group's assets, operating results or financial position that is not adequately covered by provisions recorded at the end of the year.

No individual claim is material to the Company or the Group.

No dispute or arbitration has had in the recent past or is likely to have in the future a significant impact on the financial position, activity or net income of the Company or the Group.

# NOTE 35 TRANSACTIONS WITH RELATED PARTIES

## 35.1. Related party controlling the Group

PPR is controlled by Artémis, which in turn is wholly owned by Société Financière Pinault. As of December 31, 2008, the Artémis Group held 40.8% of PPR's share capital and 55.3% of voting rights.

The main transactions carried out between the consolidated companies of the PPR Group and Artémis in 2008 were as follows:

- payment of the 2007 dividend of €178.1 million (€155.2 million for 2006);
- capitalisation of a fee of €6.6 million for 2008 (€6.7 million in 2007) for business development consulting services, support in connection with complex transactions, and the supply of development opportunities, new business and cost reduction initiatives. This remuneration was subject to an agreement that was reviewed by the Audit Committee and authorized by the Board of Directors.

### 35.2. Associates

In the normal course of business, the Group enters into transactions with associates on an arm's length basis.

The main transactions with associates are summarised in the following table:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Non-current loans and receivables due from non-consolidated investments | 0.6 | |
| Trade receivables | 11.1 | 6.4 |
| Other current assets | | |
| Other current liabilities | 0.4 | 0.4 |
| Sales of goods and services | 46.6 | 30.5 |
| Other operating income and expenses | | |

### 35.3. Management remuneration

Remuneration paid to members of the Board of Directors and the Group's Executive Committee is as follows:

| *(In € million)* | 2008 | 2007 |
|---|---|---|
| Short-term benefits | 26.0 | 26.1 |
| Post-employment benefits | 1.8 | 1.5 |
| Other long-term benefits | 0.5 | 0.1 |
| Termination indemnities | 0.8 | |
| Share-based payment | 4.5 | 2.9 |
| **Total** | **33.6** | **30.6** |

Short-term advantages and termination benefits correspond to the amounts paid during the year, post-employment benefits, other long-term benefits and share-based payments correspond to the amounts recorded as expenses.

A list of the members of the Board of Directors and Executive Committee is presented in the "Corporate Governance" section of the Reference Document.

## NOTE 36 SUBSEQUENT EVENTS

### 36.1. Recovery plans at Conforama and Fnac

On February 18, 2009, Conforama presented a €50 million full-year cost-cutting plan that aims to make it more competitive. This plan includes a €25 million payroll cut based on improved store productivity and changes in organisation with centralised back-office functions. It also plans to cut logistics costs by €10 million, Head Office costs by €9 million, real estate costs by €3 million and markdowns by €3 million.

On February 18, 2009, Fnac announced a recovery plan based on a new sales push that included €35 million in full-year cost-cutting measures. These cost cuts will affect all areas (productivity, overhead, communication, leases, etc.).

## 36.2. Acquisitions by Puma

On January 1, 2009, Puma took a majority stake in the Dutch company' Dobotex International BV, a historic partner that owns the licence for Puma socks and underwear outside the US.

In addition, on January 12, 2009, Puma announced its full acquisition of Swedish company Brandon AB, a merchandising and promotion specialist, effective January 1. This transaction is subject to the competition authorities' approval. This acquisition should reinforce Puma's activity by giving it additional expertise in the area of merchandising and promotion, which will allow it to introduce operational synergies across all product categories.

## 36.3. Appointment of the Chairman and CEO of Redcats

On February 11, 2009, PPR announced that Jean-Michel Noir had been named Chairman and CEO of Redcats and member of PPR's Executive Committee. Jean-Michel Noir was previously Chief Operating Officer for the Vivarte Group and will join Redcats in early April 2009.

# NOTE 37 LIST OF CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2008

The list of Group subsidiaries is as follows:

Consolidation full consolidation F
Consolidation equity method E

| Companies | % interest 12.31.2008 | | % interest 12.31.2007 | |
|---|---|---|---|---|
| **PPR** | | | | |
| **GUCCI** | | | | |
| GUCCI GROUP NV (Netherlands) | F | 99.84 | F | 99.52 |
| **France** | | | | |
| BALENCIAGA S.A. | F | 91.00 | F | 91.00 |
| BEAUTÉ RECHERCHE ET INDUSTRIES SAS | | Cession | F | 100.00 |
| BOTTEGA VENETA France HOLDING SAS | F | 100.00 | F | 100.00 |
| BOTTEGA VENETA France SA | F | 100.00 | F | 100.00 |
| BOUCHERON HOLDING SA | F | 100.00 | F | 100.00 |
| BOUCHERON SAS | F | 100.00 | F | 100.00 |
| BOUCHERON.COM | F | 100.00 | F | 100.00 |
| C. MENDES SA | F | 100.00 | F | 100.00 |
| GG FRANCE 10 | F | 100.00 | F | 100.00 |
| GG FRANCE 11 | F | 100.00 | | Creation |
| GG FRANCE HOLDING SARL | F | 100.00 | F | 100.00 |
| GG FRANCE SERVICES | F | 100.00 | F | 100.00 |
| GUCCI FRANCE SAS | F | 100.00 | F | 100.00 |
| GUCCI GROUP WATCHES France, SAS | F | 100.00 | F | 100.00 |
| LES BOUTIQUES BOUCHERON | F | 100.00 | F | 100.00 |
| PARFUMS BALENCIAGA (SARL) | | Merged | F | 100.00 |
| ROGER & GALLET (SAS) | | Cession | F | 100.00 |
| STELLA McCARTNEY FRANCE SAS | F | 50.00 | F | 50.00 |
| YSL BEAUTÉ CONSULTING SAS | F | 100.00 | F | 100.00 |
| YSL BEAUTÉ Holding SAS | | Cession | F | 100.00 |
| YSL BEAUTÉ SAS | | Cession | F | 100.00 |
| YSL VENTES PRIVÉES France | F | 100.00 | | Creation |
| YVES SAINT LAURENT BOUTIQUE France SAS | F | 100.00 | F | 100.00 |
| YVES SAINT LAURENT PARFUMS SAS | F | 100.00 | F | 100.00 |
| YVES SAINT LAURENT SAS | F | 99.99 | F | 99.99 |
| YVES SAINT LAURENT SERVICES SAS | F | 100.00 | F | 100.00 |
| **Germany** | | | | |
| BOTTEGA VENETA GERMANY GmbH | F | 100.00 | F | 100.00 |
| GG LUXURY GOODS GmbH | F | 100.00 | F | 100.00 |
| GG LUXURY GOODS MUNICH GmbH (ex HEPTUS 107 GmbH) | F | 100.00 | F | 100.00 |
| TRADEMA DEUTSCHLAND GmbH | E | 23.00 | | Acquistion |
| YSL BEAUTÉ GmbH | | Cession | F | 100.00 |
| YVES SAINT LAURENT GERMANY GmbH | F | 100.00 | F | 100.00 |
| **Austria** | | | | |
| GUCCI AUSTRIA GmbH | F | 100.00 | F | 100.00 |
| YSL BEAUTÉ HGmbh | | Cession | 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 BENELUX SE | | Cession | F | 100.00 |
| YVES SAINT LAURENT BELGIUM S.PRL | F | 99.00 | F | 99.00 |
| **Spain** | | | | |
| BOTTEGA VENETA ESPANA SL | F | 100.00 | F | 100.00 |
| LUXURY GOODS SPAIN SL | F | 100.00 | F | 100.00 |
| LUXURY TIMEPIECES ESPAÑA SL | F | 100.00 | F | 100.00 |
| NOGA LUXE SLU | F | 100.00 | F | 100.00 |
| SERGIO ROSSI SPAIN, SL | F | 100.00 | F | 100.00 |
| YSL BEAUTÉ SA | | Cession | F | 100.00 |
| YVES SAINT LAURENT SPAIN SA | F | 100.00 | F | 100.00 |
| **United Kingdom** | | | | |
| ALEXANDER McQUEEN TRADING Ltd | F | 51.00 | F | 51.00 |
| AUTUMNPAPER Limited | F | 51.00 | F | 51.00 |
| BALENCIAGA UK Ltd | F | 91.00 | F | 91.00 |
| BIRDSWAN SOLUTIONS Ltd | F | 51.00 | F | 51.00 |
| BOTTEGA VENETA U.K. Co. Limited | F | 100.00 | F | 100.00 |
| BOUCHERON UK Ltd | F | 100.00 | F | 100.00 |
| GUCCI LIMITED | F | 100.00 | F | 100.00 |
| GUCCI SERVICES LIMITED | F | 100.00 | F | 100.00 |
| JOHN FIELD Ltd | | Cession | F | 51.00 |
| LUXURY TIMEPIECES (UK) Ltd | F | 100.00 | F | 100.00 |
| PAINTGATE Limited | F | 100.00 | F | 100.00 |
| SERGIO ROSSI UK Limited | F | 100.00 | F | 100.00 |
| SOWIND UK Ltd. | E | 23.00 | | Acquistion |
| STELLA McCARTNEY Limited | F | 50.00 | F | 50.00 |
| YSL BEAUTÉ Ltd. | | Cession | F | 100.00 |
| YVES SAINT LAURENT UK Ltd | F | 100.00 | F | 100.00 |
| **Greece** | | | | |
| YSL BEAUTÉ AEBE | | Cession | F | 51.00 |
| **Hungary** | | | | |
| GUCCI Hungary K.F.T (ex GUCCI MAGYARORSZAG Kft.) | F | 100.00 | F | 100.00 |
| **Ireland** | | | | |
| GUCCI IRELAND LIMITED | F | 100.00 | F | 100.00 |
| **Italy** | | | | |
| ANFIO SpA | F | 100.00 | F | 100.00 |
| B.V ITALIA Srl | F | 100.00 | F | 100.00 |

| Companies | % interest 12.31.2008 | 12.31.2007 |
|---|---|---|
| B.V. Outlets Srl | F 100.00 | Creation |
| B.V. SERVIZI Srl | F 100.00 | F 100.00 |
| BARUFFI Srl | F 100.00 | F 100.00 |
| BOTTEGA VENETA Srl | F 100.00 | F 100.00 |
| CAPRI GROUP Srl | F 75.00 | F 75.00 |
| CARAVEL PELLI PREGIATE Srl | F 100.00 | F 51.00 |
| CONCERIA BLU TONIC SpA | F 51.00 | F 51.00 |
| DESIGN MANAGEMENT Srl | F 100.00 | F 100.00 |
| G COMMERCE EUROPE SpA | F 100.00 | F 100.00 |
| G.F. LOGISTICA Srl | F 100.00 | F 100.00 |
| G.F. SERVICES Srl | F 100.00 | F 100.00 |
| GAUGUIN Srl | F 100.00 | F 100.00 |
| G-CARDS EUROPE SpA | F 100.00 | F 100.00 |
| GG ITALIA HOLDINGS SpA | F 100.00 | F 100.00 |
| GGW ITALIA S.r.l. | F 100.00 | F 100.00 |
| GUCCI FINANZIARIA SpA | F 100.00 | F 100.00 |
| GUCCI IMMOBILLARE LECCIO Srl | F 64.00 | F 64.00 |
| GUCCI LOGISTICA SpA | F 100.00 | F 100.00 |
| GUCCI VENEZIA SpA | F 100.00 | F 100.00 |
| GUCCIO GUCCI SpA | F 100.00 | F 100.00 |
| LUXURY GOODS ITALIA SpA | F 100.00 | F 100.00 |
| LUXURY GOODS OUTLET Srl | F 100.00 | F 100.00 |
| PAOLETTI Srl | F 51.00 | F 51.00 |
| PIGINI Srl | F 70.00 | F 70.00 |
| REGAIN 1957 Srl | F 70.00 | F 70.00 |
| REXCOURTA SpA | F 100.00 | F 100.00 |
| SERGIO ROSSI MANUFACTURING Srl | F 100.00 | F 100.00 |
| SERGIO ROSSI RETAIL Srl | F 100.00 | F 100.00 |
| SERGIO ROSSI SpA | F 100.00 | F 100.00 |
| SERGIO ROSSI SERVICES Srl | F 100.00 | F 100.00 |
| STELLA McCARTNEY ITALIA Srl | F 100.00 | Creation |
| TIGER FLEX Srl | F 75.00 | F 75.00 |
| YSL BEAUTÉ ITALIA SpA | Cession | F 100.00 |
| **Luxembourg** | | |
| BOTTEGA VENETA INTERNATIONAL SARL | F 100.00 | F 100.00 |
| BOUCHERON LUXEMBOURG SARL | F 100.00 | F 100.00 |
| GUCCI LUXEMBOURG SA | F 100.00 | F 100.00 |
| SERGIO ROSSI INTERNATIONAL SARL | F 100.00 | F 100.00 |
| **Monaco** | | |
| BOUCHERON SAM | F 100.00 | F 100.00 |
| GUCCI Sam | F 100.00 | F 100.00 |
| SAM YVES SAINT LAURENT OF MONACO | F 100.00 | F 100.00 |
| **The Netherlands** | | |
| BOTTEGA VENETA ASIAN TRADE BV | F 100.00 | F 100.00 |
| BOTTEGA VENETA BV | F 100.00 | F 100.00 |
| GEMINI ARUBA NV | F 100.00 | F 100.00 |
| GUCCI ASIAN HOLDING BV | F 100.00 | F 100.00 |
| GUCCI INTERNATIONAL NV | F 100.00 | F 100.00 |
| GUCCI NETHERLANDS B.V. | F 100.00 | F 100.00 |
| GUCCI PARTICIPATION B.V. | F 100.00 | F 100.00 |
| OLIMA BV | F 100.00 | F 100.00 |
| **Portugal** | | |
| YSL BEAUTÉ S.A. | Cession | F 51.00 |
| **Czech Republic** | | |
| LUXURY GOODS CZECH REPUBLIC S.R.O. | F 100.00 | F 100.00 |
| **Russia** | | |
| YSL BEAUTÉ VOSTOK | Cession | F 100.00 |
| **Switzerland** | | |
| ATELIERS BAUTTE S.A. | E 23.00 | Acquistion |
| BEDAT & CO S.A. | F 100.00 | F 100.00 |
| BOUCHERON INTERNATIONAL S.A. | F 100.00 | F 100.00 |
| BOUCHERON SUISSE | F 100.00 | F 100.00 |
| GIRARD-PERREGAUX S.A. | E 23.00 | Acquistion |
| JEANRICHARD S.A. | E 23.00 | Acquistion |
| LUXURY GOODS INTERNATIONAL S.A. | F 100.00 | F 100.00 |
| LUXURY GOODS LOGISTIC S.A. | F 51.00 | F 51.00 |
| LUXURY GOODS OPERATIONS (L.G.O.) S.A. | F 51.00 | F 51.00 |
| LUXURY TIMEPIECES DESIGN S.A. | F 100.00 | F 100.00 |
| LUXURY TIMEPIECES INTERNATIONAL S.A. | F 100.00 | F 100.00 |
| SOWIND GROUP S.A. | E 23.00 | Acquistion |
| SOWIND MANUFACTURES S.A. | E 23.00 | Acquistion |
| SOWIND SERVICES S.A. | E 23.00 | Acquistion |
| YSL BEAUTÉ SUISSE | Cession | F 100.00 |
| **Sweden** | | |
| GUCCI SWEDEN AB | F 100.00 | Creation |
| **Brazil** | | |
| GUCCI BRAZIL IMPORTACAO E EXPORTACAO Ltda | F 100.00 | Creation |
| **Canada** | | |
| GUCCI BOUTIQUES, Inc. | F 100.00 | F 100.00 |
| LUXURY TIMEPIECES (Canada) Inc. | F 100.00 | F 100.00 |
| YSL BEAUTÉ CANADA Inc. | Cession | F 100.00 |
| **United States** | | |
| BALENCIAGA AMERICA Inc. | F 91.00 | F 91.00 |
| BEDAT & CO USA LLC | F 100.00 | F 100.00 |
| BOTTEGA VENETA Inc. Limited | F 100.00 | F 100.00 |
| BOUCHERON JOAILLERIE (USA) Inc. | F 100.00 | F 100.00 |
| BOUCHERON USA Ltd | Cession | F 100.00 |
| GUCCI AMERICA Inc. | F 100.00 | F 100.00 |
| GUCCI CARIBBEAN Inc | F 100.00 | F 100.00 |
| GUCCI GROUP WATCHES Inc | F 100.00 | F 100.00 |
| GUCCI NORTH AMERICA HOLDINGS Inc. | F 100.00 | F 100.00 |
| LUXURY HOLDINGS Inc. | F 100.00 | F 100.00 |
| SERGIO ROSSI USA Inc. | F 100.00 | F 100.00 |
| STELLA McCARTNEY AMERICA Inc. | F 50.00 | F 50.00 |
| TRADEMA OF AMERICA Inc. | E 23.00 | Acquistion |
| YSL BEAUTÉ Inc. | Cession | F 100.00 |
| YSL BEAUTÉ MIAMI Inc. | Cession | F 100.00 |
| YVES SAINT LAURENT AMERICA HOLDING Inc. | F 100.00 | F 100.00 |

| Companies | % interest 12.31.2008 | 12.31.2007 |
|---|---|---|
| YVES SAINT LAURENT AMERICA Inc. | F 100.00 | F 100.00 |
| **Mexico** | | |
| GUCCI IMPORTACIONES SA | F 100.00 | F 100.00 |
| GUCCI MEXICO SA | F 100.00 | F 100.00 |
| LUXURY RETAIL SERVICES SA (ex RETAIL LUXURY SERVICES SA DE CV) | F 100.00 | F 100.00 |
| **Australia** | | |
| GUCCI AUSTRALIA PTY Limited | F 100.00 | F 100.00 |
| YSL BEAUTÉ AUSTRALIA PTY Ltd. | Cession | F 100.00 |
| **New Zealand** | | |
| GUCCI NEW ZEALAND Ltd | F 100.00 | Creation |
| YSL BEAUTÉ NZ Ltd | Cession | F 100.00 |
| **China** | | |
| BOTTEGA VENETA HONG KONG LIMITED | F 100.00 | F 100.00 |
| BOTTEGA VENETA (CHINA) TRADING Ltd | F 100.00 | Creation |
| BOTTEGA VENETA MACAU Ltd | F 100.00 | Creation |
| GUCCI (CHINA) TRADING Ltd | F 100.00 | F 100.00 |
| GUCCI GROUP (Hong Kong) LIMITED | F 100.00 | F 100.00 |
| GUCCI MACAU LIMITED | F 100.00 | Creation |
| LUXURY TIMEPIECES (HONG KONG) LIMITED | F 100.00 | F 100.00 |
| YSL BEAUTÉ HONG KONG Ltd | Cession | F 100.00 |
| **Korea** | | |
| BOTTEGA VENETA KOREA Ltd | F 100.00 | F 100.00 |
| GUCCI GROUP KOREA Ltd | F 100.00 | F 100.00 |
| **United Arab Emirates** | | |
| YSL BEAUTÉ MIDDLE EAST FZCO | Cession | F 66.76 |
| **Guam** | | |
| BOTTEGA VENETA GUAM Inc. | F 100.00 | F 100.00 |
| GUCCI GROUP GUAM Inc. | F 100.00 | F 100.00 |
| **India** | | |
| GUCCI INDIA PRIVATE Ltd. | F 99.00 | F 99.00 |
| **Japan** | | |
| BALENCIAGA JAPAN CO Ltd. | F 100.00 | Creation |
| BOTTEGA VENETA JAPAN LIMITED | F 100.00 | F 100.00 |
| BOUCHERON JAPAN LIMITED | Liquidation | F 100.00 |
| GUCCI GROUP JAPAN HOLDING LIMITED | F 100.00 | F 100.00 |
| GUCCI GROUP JAPAN LIMITED | F 100.00 | F 100.00 |
| LUXURY TIMEPIECES JAPAN LIMITED | F 100.00 | F 100.00 |
| SERGIO ROSSI JAPAN LIMITED | Merged | F 100.00 |
| SOWIND JAPON KK | E 23.00 | Acquistion |
| YUGEN KAISHA GUCCI | F 100.00 | F 100.00 |
| YVES SAINT LAURENT FASHION JAPAN Ltd | F 100.00 | F 100.00 |
| YVES SAINT LAURENT PARFUMS KK | Cession | F 100.00 |
| **Malaysia** | | |
| BOTTEGA VENETA MALAYSIA Sdn Bhd | F 100.00 | F 100.00 |
| GUCCI (MALAYSIA) Sdn Bhd | F 100.00 | F 100.00 |
| **Singapore** | | |
| BOTTEGA VENETA SINGAPORE PRIVATE LIMITED | F 100.00 | F 100.00 |
| GUCCI SINGAPORE Pte Limited | F 100.00 | F 100.00 |
| YSL BEAUTÉ SINGAPORE PTE Ltd. | Cession | F 100.00 |
| **Taiwan** | | |
| BOUCHERON TAIWAN CO LTD | F 89.40 | F 100.00 |
| GUCCI GROUP WATCHES TAIWAN LIMITED | F 100.00 | F 51.00 |
| GUCCI TAIWAN LIMITED | Liquidation | F 100.00 |
| **Thailand** | | |
| GUCCI THAILAND CO LTD | F 100.00 | F 100.00 |
| **CONFORAMA** | | |
| CONFORAMA | F 99.95 | F 99.95 |
| **France** | | |
| CENTRE TECHNIQUE DE L'EST | Merged | F 100.00 |
| COGEDEM | F 100.00 | F 100.00 |
| CONFORAMA France | F 100.00 | F 100.00 |
| CONFORAMA MANAGEMENT | F 100.00 | F 100.00 |
| IHTM FRANCE | F 100.00 | F 100.00 |
| RABINEAU | F 100.00 | F 100.00 |
| SODICE EXPANSION | F 100.00 | F 100.00 |
| **Croatia** | | |
| FLIBA D.O.O. | F 100.00 | F 100.00 |
| **Spain** | | |
| CONFORAMA ESPANA (ex BRICO HOGAR) | F 100.00 | F 100.00 |
| **Italy** | | |
| CONFORAMA ITALIA | F 100.00 | F 100.00 |
| CREDIRAMA | E 49.00 | E 49.00 |
| IHTM ITALIE | F 100.00 | F 100.00 |
| **Luxembourg** | | |
| CONFORAMA LUXEMBOURG | F 100.00 | F 100.00 |
| **Poland** | | |
| CONFORAMA POLSKA | Cession | F 100.00 |
| IHTM POLOGNE | F 100.00 | F 100.00 |
| **Portugal** | | |
| CONFORAMA Portugal (ex HIPERMOVEL) | F 100.00 | F 100.00 |
| **Romania** | | |
| IHTM ROUMANIE | F 100.00 | F 100.00 |
| **Switzerland** | | |
| CONFORAMA SUISSE | F 100.00 | F 100.00 |
| IHTM | F 100.00 | F 100.00 |
| **Hong-Kong** | | |
| CONFORAMA TRADING LIMITED | F 100.00 | F 100.00 |
| **Singapore** | | |
| CONFORAMA ASIA | Liquidation | F 100.00 |
| **Vietnam** | | |
| IHTM VIETNAM | F 100.00 | F 100.00 |
| **FNAC** | | |
| FNAC SA | F 100.00 | F 100.00 |
| **France** | | |
| ATTITUDE | F 100.00 | F 100.00 |

| Companies | % interest 12.31.2008 | 12.31.2007 |
|---|---|---|
| BILLETEL | F 100.00 | F 100.00 |
| BILLETTERIE DISTRIBUTION | F 100.00 | F 54.99 |
| BILLETTERIE HOLDING | F 100.00 | F 100.00 |
| FNAC DIRECT | F 100.00 | F 100.00 |
| FNAC EVEIL ET JEUX | F 100.00 | F 95.02 |
| FNAC LOGISTIQUE SAS | F 100.00 | 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 |
| FORM@HOME | F 100.00 | F 95.00 |
| MSS | F 100.00 | F 100.00 |
| SAS RELAIS FNAC | F 100.00 | F 100.00 |
| SFL (ALIZE) | F 100.00 | F 100.00 |
| SNC CODIREP | F 100.00 | F 100.00 |
| SOCIETE DU 67 | F 100.00 | F 100.00 |
| SPLITGAMES | F 100.00 | Acquistion |
| SURCOUF | F 100.00 | F 100.00 |
| **Belgium** | | |
| FNAC BELGIUM | F 100.00 | F 100.00 |
| **Spain** | | |
| FNAC ESPANA SA | F 100.00 | F 100.00 |
| **Greece** | | |
| FMB General Commercial SA | E 50.00 | E 50.00 |
| **Italy** | | |
| FNAC ITALIA 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 |
| **Brazil** | | |
| FNAC BRESIL | 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 |
| LA MAISON DE VALÉRIE | F 100.00 | F 100.00 |
| LA REDOUTE | F 100.00 | F 100.00 |
| LES AUBAINES MAGASINS | F 100.00 | F 100.00 |
| LES AUBAINES VPC | F 100.00 | F 100.00 |
| LES DEFIS | F 100.00 | F 100.00 |
| MOVITEX | F 100.00 | F 100.00 |
| REDCATS INTERNATIONAL | F 100.00 | F 100.00 |
| REDCATS INTERNATIONAL HOLDING SARL | F 100.00 | F 100.00 |
| REDCATS MANAGEMENT SERVICES | F 100.00 | F 100.00 |
| REDOUTE MAG | F 100.00 | F 100.00 |
| REFERENCE BRESIL | 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 |
| SOMEWHERE STOCKS | F 100.00 | F 100.00 |
| THOMAS INDUSTRIES | F 100.00 | F 100.00 |
| VBMAG | F 100.00 | F 100.00 |
| **Germany** | | |
| CYRILLUS GMBH | F 100.00 | F 100.00 |
| VERTBAUDET GMBH & CO. KG | E 50.00 | E 50.00 |
| VERTBAUDET VERWALTUNGS GMBH | E 50.00 | E 50.00 |
| **Austria** | | |
| REDCATS BETEILIGUNG GMBH | F 100.00 | F 100.00 |
| REDOUTE VERSAND GMBH (ex REDOUTE AUTRICHE) | 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 | F 100.00 | F 100.00 |
| **Spain** | | |
| REDCATS ESPANA (ex REDCATS CATALOGO SA) | F 100.00 | F 100.00 |
| **Estonia** | | |
| ELLOS EESTI OU (ex ELLOS ESTONIE OY) | F 100.00 | F 100.00 |
| **Finland** | | |
| ELLOS HOME ENTERTAINEMENT OY | F 100.00 | F 100.00 |
| ELLOS TILI OY | F 100.00 | F 100.00 |
| REDCATS OY | F 100.00 | F 100.00 |
| **United Kingdom** | | |
| COZY LIMITED | F 100.00 | F 100.00 |
| CYRILLUS UK | F 100.00 | F 100.00 |
| EMPIRE STORE LIMITED | F 100.00 | F 100.00 |
| HOLDSWORTH COLLECTION LIMITED | F 100.00 | F 100.00 |
| HOME SHOPPING COURIERS LIMITED | F 100.00 | F 100.00 |
| MOVITEX UK LIMITED | F 100.00 | F 100.00 |
| REDCATS (BRANDS) LIMITED | F 100.00 | F 100.00 |
| REDCATS FINANCE LIMITED (Ex REDCATS FINANCE UK) | F 100.00 | F 100.00 |
| REDCATS UK PLC (ex EMPIRE STORES GROUP PLC) | F 100.00 | F 100.00 |
| REDOUTE UK | F 100.00 | F 100.00 |
| SPORTS AND PASTIMES LIMITED | F 100.00 | F 100.00 |
| THE BARGAIN STREET SHOP | F 100.00 | F 100.00 |
| VERTBAUDET UK | F 100.00 | F 100.00 |
| **Greece** | | |
| REDOUTE HELLAS | F 100.00 | F 100.00 |
| **Italy** | | |
| REDCATS ITALY | F 100.00 | F 100.00 |

| Companies | % interest 12.31.2008 | | % interest 12.31.2007 | |
|---|---|---|---|---|
| **Norway** | | | | |
| ELLOS HOLDING AS | F | 100.00 | F | 100.00 |
| REDCATS AS | F | 100.00 | F | 100.00 |
| REDOUTE NORWAY AS (ex REDOUTE NORGE AS) | F | 100.00 | F | 100.00 |
| **The Netherlands** | | | | |
| REDCATS INT. HOLDING BV | F | 100.00 | F | 100.00 |
| **Portugal** | | | | |
| REDCATS Portugal (ex REDOUTE Portugal) | F | 100.00 | F | 100.00 |
| VERTBAUDET PORTUGAL | | Merged | F | 100.00 |
| **Russia** | | | | |
| REDOUTE RUSSIE | F | 100.00 | F | 100.00 |
| **Sweden** | | | | |
| ELLOS AB | F | 100.00 | F | 100.00 |
| JOTEX AB HOLDING COMPANY | F | 100.00 | F | 100.00 |
| REDCATS NORDIC AB | F | 100.00 | F | 100.00 |
| REDCATS FINANCE AB (ex REDCATS TREASURY AB) | F | 100.00 | F | 100.00 |
| REDOUTE SVERIGE AB (ex REDOUTE SCANDINAVIE) | F | 100.00 | F | 100.00 |
| **Switzerland** | | | | |
| CYRILLUS SUISSE SA | F | 100.00 | F | 100.00 |
| REDCATS SUISSE SA (ex REDOUTE CH. SA) | F | 100.00 | F | 100.00 |
| **Brazil** | | | | |
| REDCATS DO BRASIL | F | 100.00 | F | 100.00 |
| **United-States** | | | | |
| AVENUE GIFT CARDS, Inc | F | 100.00 | F | 100.00 |
| AVENUE, Inc. | F | 100.00 | F | 100.00 |
| BNY SERVICE CORPORATION | F | 100.00 | F | 100.00 |
| CLOUDWALKER | F | 100.00 | F | 100.00 |
| GUIDE OUTDOOR.COM.INC | F | 100.00 | F | 100.00 |
| JESSICA LONDON INC (ex CHADWICK'S OF BOSTON) | F | 100.00 | F | 100.00 |
| REDCATS USA DROP SHIP | F | 100.00 | | Creation |
| REDCATS USA GIFT CARDS | F | 100.00 | | Creation |
| REDCATS USA LLC | F | 100.00 | F | 100.00 |
| REDCATS USA LP | F | 100.00 | F | 100.00 |
| REDCATS USA MANAGEMENT SERVICES LP | F | 100.00 | F | 100.00 |
| REDCATS USA, Inc. | F | 100.00 | F | 100.00 |
| SPS INVESTMENT LLC | F | 100.00 | F | 100.00 |
| TGW MANAGEMENT SERVICES INC | F | 100.00 | F | 100.00 |
| THE GOLF WAREHOUSE | F | 100.00 | F | 100.00 |
| THE SPORTMAN'S GUIDE OUTLET INC | F | 100.00 | F | 100.00 |
| THE SPORTSMAN'S GUIDE INC | F | 100.00 | F | 100.00 |
| TSG MANAGEMENT SERVICES INC | F | 100.00 | F | 100.00 |
| UNITED RETAIL HOLDING CORPORATION (ex UNITED RETAIL HOLDING COMPANY, Inc.) | F | 100.00 | F | 100.00 |
| UNITED RETAIL DISTRIBUTION SERVICES, Inc. | F | 100.00 | F | 100.00 |
| UNITED RETAIL GROUP, Inc. | F | 100.00 | F | 100.00 |
| UNITED RETAIL LOGISTIC OPERATIONS, Inc. | F | 100.00 | F | 100.00 |
| UNITED RETAIL, Inc. | F | 100.00 | F | 100.00 |
| VLP CORPORATION | F | 100.00 | F | 100.00 |
| **Hong Kong** | | | | |
| REDCATS ASIA LIMITED | F | 100.00 | F | 100.00 |
| REDCATS ASIA GLOBAL SOURCING | F | 100.00 | | Creation |
| REDCATS MANAGEMENT CONSULTING (SHANGHAI) | F | 100.00 | F | 100.00 |
| **India** | | | | |
| REDCATS INDIA PRIVATE LIMITED | F | 100.00 | F | 100.00 |
| **Japan** | | | | |
| CYRILLUS JAPON | F | 100.00 | F | 100.00 |
| **Turkey** | | | | |
| REDCATS TURKEY | F | 100.00 | F | 100.00 |
| **CFAO** | | | | |
| CFAO | F | 99.94 | F | 99.94 |
| **France** | | | | |
| CIDER-ACDM | F | 99.68 | F | 99.68 |
| CONTINENTAL PHARMACEUTIQUE | F | 72.68 | F | 72.59 |
| COTAFI | F | 100.00 | F | 100.00 |
| PROPHARMED France (ex DEPHI) | F | 99.68 | F | 99.68 |
| DOMAFI | F | 100.00 | F | 100.00 |
| EPDIS | F | 99.68 | F | 99.68 |
| EURAPHARMA | F | 99.68 | F | 99.68 |
| GEREFI | F | 100.00 | F | 100.00 |
| HDS | F | 100.00 | F | 100.00 |
| ALIOS FINANCE (ex HOLDEFI) | E | 24.27 | E | 24.27 |
| HOLDINTER | F | 100.00 | F | 100.00 |
| HOLDINTER AND CIE | F | 100.00 | F | 100.00 |
| PROMOTION DT | F | 99.68 | F | 99.68 |
| 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 |
| **United Kingdom** | | | | |
| EURAFRIC TRADING | F | 100.00 | F | 100.00 |
| MASSILIA HOLDING | F | 100.00 | F | 100.00 |
| **Switzerland** | | | | |
| PROPHARMED INTERNATIONAL (ex CIDER PROMOTION INTERNATIONAL) | F | 99.63 | F | 99.63 |
| EURALAB | F | 99.66 | F | 99.66 |
| **French overseas departments and territories** | | | | |
| ALMAMETO (New Caledonia) | F | 50.00 | F | 50.00 |
| ANTILLES PHARM (West Indies) | F | 75.97 | | Creation |
| C TECHNO (Réunion) | | Cession | F | 48.03 |
| CMM (Réunion) | F | 98.02 | F | 98.02 |
| CMM UD (Réunion) | E | 45.00 | E | 45.00 |
| EPDEP (West Indies) | F | 72.68 | | Creation |
| INTERMOTORS (New Caledonia) | F | 99.80 | F | 99.80 |
| LABOREX SAINT MARTIN (West Indies) | F | 73.89 | F | 70.88 |

| Companies | % interest 12.31.2008 | | % interest 12.31.2007 | |
|---|---|---|---|---|
| LOCAUTO (New Caledonia) | E | 48.99 | E | 48.99 |
| MENARD FRERES (New Caledonia) | F | 99.99 | F | 99.99 |
| NCCIE (Guiana) | F | 100.00 | F | 100.00 |
| O.C.D.P. (New Caledonia) | E | 33.11 | E | 33.11 |
| PRESTIGE MOTORS (New Caledonia) | F | 99.97 | F | 99.96 |
| RP PHARM (Réunion) | F | 69.82 | F | 69.82 |
| SCA (New Caledonia) | | Merged | F | 99.95 |
| SEIGNEURIE OCEAN INDIEN (Réunion) | E | 49.00 | E | 49.00 |
| SOCIETE PHARMACEUTIQUE DES CARAIBES (West Indies) | F | 81.74 | F | 87.72 |
| SOREDIP (Réunion) | F | 67.16 | F | 67.16 |
| SPA (West Indies) | F | 46.50 | F | 46.15 |
| SPG (Guiana) | F | 55.61 | F | 55.06 |
| TAHITI PHARM (French Polynesia) | F | 88.43 | F | 88.05 |
| **Algeria** | | | | |
| ALBM/CFAO TECHNO | F | 99.84 | F | 99.84 |
| ASIAN HALL ALGERIE | F | 99.99 | F | 100.00 |
| BAVARIA MOTORS ALGERIE | F | 100.00 | F | 100.00 |
| DIAMAL | F | 60.00 | F | 60.00 |
| PHARMA ALGERIE | F | 59.81 | F | 59.81 |
| **Angola** | | | | |
| PHARMA ANGOLA | F | 89.21 | F | 89.21 |
| **Benin** | | | | |
| CFAO MOTORS BENIN | F | 99.27 | F | 99.27 |
| PROMOPHARMA | F | 52.78 | F | 51.34 |
| **Burkina Faso** | | | | |
| CFAO MOTORS BURKINA | F | 73.09 | F | 73.09 |
| CFAO TECHNOLOGIES BURKINA | F | 99.99 | F | 99.99 |
| LABOREX BURKINA | F | 86.88 | F | 87.19 |
| SIFA | F | 58.71 | F | 58.71 |
| **Cameroon** | | | | |
| CAMI | F | 67.41 | F | 67.10 |
| CEP | E | 24.19 | E | 24.19 |
| CFAO TECHNOLOGIES CAMEROUN | F | 85.06 | F | 84.92 |
| COMETAL | E | 50.00 | E | 50.00 |
| ICRAFON | F | 52.01 | F | 52.01 |
| LABOREX CAMEROUN | F | 64.68 | F | 64.60 |
| SOCADA | F | 100.00 | F | 100.00 |
| SPLV CAMEROUN | F | 99.99 | | Creation |
| SUPERDOLL | E | 45.00 | E | 45.00 |
| **Central African Republic** | | | | |
| CFAO MOTORS RCA | F | 100.00 | F | 100.00 |
| **Congo** | | | | |
| BRASSERIES DU CONGO | F | 50.00 | F | 50.00 |
| CFAO CONGO | F | 100.00 | F | 100.00 |
| LABOREX CONGO | F | 73.57 | F | 72.64 |
| **Ivory Coast** | | | | |
| CFAO COTE D'IVOIRE | F | 96.38 | F | 96.38 |
| CFAO TECHNOLOGIES CI LTD | F | 96.38 | F | 96.37 |
| CIDP | F | 100.00 | F | 100.00 |
| COPHARMED | F | 49.86 | F | 49.86 |
| MIPA | F | 100.00 | F | 100.00 |
| SARI | F | 89.77 | F | 89.77 |
| SPLV CI | F | 100.00 | F | 99.97 |
| **Egypt** | | | | |
| SICEP | E | 30.77 | E | 30.77 |
| **Gabon** | | | | |
| CFAO MOTORS GABON (ex CFAO GABON) | F | 96.87 | F | 96.87 |
| CFAO TECHNOLOGIES GABON | F | 99.99 | F | 99.99 |
| PHARMAGABON | F | 50.11 | F | 53.36 |
| SPLV GABON | F | 100.00 | F | 100.00 |
| **Gambia** | | | | |
| CFAO (GAMBIA) LIMITED | F | 78.98 | F | 78.98 |
| **Ghana** | | | | |
| CFAO GHANA | F | 88.21 | F | 88.21 |
| GOKALS LABOREX GHANA | F | 54.83 | | Acquistion |
| PENS & PLASTICS | F | 100.00 | F | 100.00 |
| **Guinea-Bissau** | | | | |
| CFAO GUINEE BISSAU | F | 100.00 | F | 100.00 |
| **Guinea-Conakri** | | | | |
| CFAO GUINEE | F | 100.00 | F | 100.00 |
| LABOREX GUINEE | F | 71.65 | F | 71.65 |
| **Equatorial Guinea** | | | | |
| CFAO MOTORS GUINEE EQUATORIALE (ex SEGAMI) | F | 100.00 | F | 100.00 |
| **Mauritius** | | | | |
| CAPSTONE CORPORATION | F | 100.00 | F | 100.00 |
| CAPSTONE INTERNATIONAL | F | 60.00 | F | 60.00 |
| INTERCONTINENTAL PHARM | F | 54.83 | | Creation |
| IET | F | 100.00 | F | 100.00 |
| IMC | F | 100.00 | F | 100.00 |
| MASCAREIGNE DE PARTICIPATION | E | 48.99 | E | 48.99 |
| **Kenya** | | | | |
| DT DOBIE KENYA | F | 100.00 | F | 100.00 |
| EPDIS KENYA Limited | F | 99.68 | F | 99.68 |
| LABOREX KENYA | F | 99.68 | F | 99.68 |
| TRIDECON | F | 100.00 | F | 100.00 |
| **Madagascar** | | | | |
| AUSTRAL AUTO | E | 48.98 | E | 48.98 |
| NAUTIC ILES | E | 24.01 | E | 24.01 |
| SICAM | E | 27.39 | E | 27.39 |
| SIGM | E | 48.93 | E | 48.93 |
| SIRH | E | 49.00 | E | 49.00 |
| SME | E | 48.50 | E | 48.50 |
| SOCIMEX | E | 49.00 | E | 49.00 |
| SOMADA | E | 27.43 | E | 27.43 |
| SOMAPHAR | F | 89.02 | F | 89.02 |

| Companies | % interest 12.31.2008 | 12.31.2007 |
|---|---|---|
| **Malawi** | | |
| CFAO MALAWI LIMITED | F 100.00 | F 99.99 |
| **Mali** | | |
| CFAO MOTORS MALI | F 90.00 | F 90.00 |
| CFAO TECHNOLOGIES MALI | F 99.99 | F 95.58 |
| IMACY | F 100.00 | F 100.00 |
| LABOREX MALI | F 55.19 | F 54.49 |
| **Morocco** | | |
| ASIAN HALL MAROC | F 99.98 | F 99.98 |
| CFAO MOTORS MAROC | F 100.00 | F 100.00 |
| COMAMUSSY | F 84.20 | F 84.20 |
| DAF INDUSTRIES MAROC | F 100.00 | F 100.00 |
| DIMAC | F 100.00 | F 99.91 |
| FANTASIA | F 84.19 | F 84.19 |
| MANORBOIS | Cession | E 21.05 |
| MUSSY BOIS | F 84.19 | F 84.19 |
| SUD PARTICIPATIONS | F 84.20 | F 84.20 |
| **Mauritania** | | |
| CFAO MOTORS MAURITANIE | F 100.00 | F 99.60 |
| LABOREX MAURITANIE | F 98.67 | F 98.68 |
| **Niger** | | |
| CFAO MOTORS NIGER | F 99.85 | F 99.85 |
| LABOREX NIGER | F 66.45 | F 67.59 |
| **Nigeria** | | |
| ALLIANCE AUTO NIGERIA | F 99.99 | F 99.90 |
| ASIAN HALL CICA NIGERIEA | F 97.58 | F 79.29 |
| GROUPE CFAO NIGERIA | F 100.00 | F 100.00 |
| **Uganda** | | |
| LABOREX OUGANDA | F 99.68 | F 99.68 |
| **Democratic Republic of Congo** | | |
| AFRIMA | Merged | F 100.00 |
| AFRIMTRANSIT | Liquidation | F 100.00 |
| CFAO MOTORS RDC | F 100.00 | F 100.00 |
| **Sao Tomé** | | |
| LUSITANA LDA | F 100.00 | F 100.00 |
| **Senegal** | | |
| ABM | Merged | F 100.00 |
| CFAO SENEGAL | F 84.95 | F 84.94 |
| CFAO TECHNOLOGIES SENEGAL | F 100.00 | F 100.00 |
| LABOREX SENEGAL | F 61.47 | F 59.04 |
| PM II | F 99.96 | F 99.96 |
| **Tanzania** | | |
| DT DOBIE TANZANIA | F 100.00 | F 100.00 |
| LABOREX TANZANIE | F 99.63 | Creation |
| **Tchad** | | |
| CFAO MOTORS TCHAD | F 97.71 | F 97.71 |
| LABOREX TCHAD | F 60.22 | F 63.36 |
| **Togo** | | |
| CFAO TOGO | F 69.72 | F 69.72 |
| TOGO UNIPHART | F 76.34 | F 76.34 |
| **Zambia** | | |
| CFAO ZAMBIA LTD | F 100.00 | F 100.00 |
| **China** | | |
| OPEN ASIA EQUIPMENT LTD | F 50.99 | F 50.99 |
| **Vietnam** | | |
| OPENASIA HEAVY EQUIPMENT LTD | F 50.99 | F 50.99 |
| **PUMA** | | |
| PUMA AG RUDOLF DASSLER SPORT (GERMANY) | F 69.36 | F 63.55 |
| **France** | | |
| PUMA FRANCE SAS | F 100.00 | F 100.00 |
| PUMA SPEEDCAT SAS | F 100.00 | F 100.00 |
| **Germany** | | |
| PREMIER FLUG GMBH&CO. KG | F 50.00 | F 50.00 |
| PUMA AVANTI GMBH | F 100.00 | F 100.00 |
| PUMA MOSTRO GMBH | F 100.00 | F 100.00 |
| PUMA SPRINT GMBH | F 100.00 | F 100.00 |
| PUMA VERTRIEB GMBH | F 100.00 | F 100.00 |
| **Austria** | | |
| AUSTRIA PUMA DASSLER GES. M.B.H. | F 100.00 | F 100.00 |
| **Bulgaria** | | |
| PUMA BULGARIA LTD | F 100.00 | F 100.00 |
| **Cyprus** | | |
| PUMA CYPRUS LTD. | F 100.00 | Creation |
| **Croatia** | | |
| PUMA SPORT HRVATSKA D.O.O. | F 100.00 | F 100.00 |
| **Denmark** | | |
| PUMA DENMARK A/S | F 100.00 | F 100.00 |
| **Estonia** | | |
| PUMA BALTIC OU | F 100.00 | F 100.00 |
| **Finland** | | |
| PUMA FINLAND OY | F 100.00 | F 100.00 |
| TRETORN FINLAND OY | F 100.00 | F 100.00 |
| **United Kingdom** | | |
| PUMA PREMIER LTD | F 100.00 | F 100.00 |
| PUMA UNITED KINGDOM LTD | F 100.00 | F 100.00 |
| CHALAYAN LLP | F 60.00 | Creation |
| **Greece** | | |
| PUMA HELLAS S.A. | F 100.00 | F 100.00 |
| **Hungary** | | |
| PUMA HUNGARY KFT. | F 100.00 | F 100.00 |
| **Ireland** | | |
| TRETORN R&D LTD. | F 100.00 | F 100.00 |
| TRETORN SPORT LTD. | Liquidation | F 100.00 |
| TRETORN TENNIS LTD. | Liquidation | F 100.00 |

| Companies | % interest 12.31.2008 | | 12.31.2007 | |
|---|---|---|---|---|
| **Italy** | | | | |
| PUMA ITALIA S.R.L. | F | 100.00 | F | 100.00 |
| **Lithuania** | | | | |
| PUMA LIETUVA UAB | F | 100.00 | F | 100.00 |
| **Malta** | | | | |
| PUMA BLUE SEA LTD | F | 100.00 | F | 100.00 |
| PUMA MALTA LTD | F | 100.00 | F | 100.00 |
| PUMA RACING LTD | F | 100.00 | F | 100.00 |
| **Norway** | | | | |
| PUMA NORWAY AS | F | 100.00 | F | 100.00 |
| **The Nertherlands** | | | | |
| PUMA BENELUX B.V. | F | 100.00 | F | 100.00 |
| **Poland** | | | | |
| PUMA POLSKA SPOLKA ZOO | F | 100.00 | F | 100.00 |
| **Portugal** | | | | |
| PUMA PORTUGAL ARTIGOS DESPORTIVOS LDA. | F | 100.00 | F | 100.00 |
| **Czech Republic** | | | | |
| PUMA CZECH REPUBLIC S.R.O. | F | 100.00 | F | 100.00 |
| **Romania** | | | | |
| PUMA SPORT ROMANIA S.R.L. | F | 100.00 | F | 100.00 |
| **Russia** | | | | |
| PUMA-RUS GMBH | F | 100.00 | F | 100.00 |
| **Slovakia** | | | | |
| PUMA SLOVAKIA S.R.O. | F | 100.00 | F | 100.00 |
| **Slovenia** | | | | |
| PUMA LJUBLJANA, TRGOVINA, D.O.O. | F | 100.00 | F | 100.00 |
| **Sweden** | | | | |
| HUNT SPORT AB | F | 100.00 | F | 100.00 |
| PUMA NORDIC AB | F | 100.00 | F | 100.00 |
| TRETORN AB | F | 100.00 | F | 100.00 |
| TRETORN SWEDEN AB | F | 100.00 | F | 100.00 |
| **Switzerland** | | | | |
| MOUNT PUMA AG (SCHWEIZ) | F | 100.00 | F | 100.00 |
| PUMA RETAIL AG | F | 100.00 | F | 100.00 |
| PUMA SCHWEIZ AG | F | 100.00 | F | 100.00 |
| **Ukraine** | | | | |
| PUMA UKRAINE LTD. | F | 100.00 | F | 100.00 |
| **Argentinia** | | | | |
| UNISOL SA | F | 100.00 | F | 65.00 |
| **Brazil** | | | | |
| PUMA SPORTS LTDA. | F | 100.00 | F | 100.00 |
| **Canada** | | | | |
| PUMA CANADA, INC. | F | 100.00 | F | 100.00 |
| **Chile** | | | | |
| PUMA CHILE SA | F | 100.00 | F | 100.00 |
| PUMA SERVICIOS SPA | F | 100.00 | | Creation |
| **United States** | | | | |
| PUMA NORTH AMERICA, INC. | F | 100.00 | F | 100.00 |
| PUMA SUEDE HOLDING, INC. | F | 100.00 | F | 100.00 |
| **British Virgin Islands** | | | | |
| LIBERTY CHINA HOLDING LTD | F | 100.00 | F | 100.00 |
| **Mexico** | | | | |
| PUMA MEXICO SPORT S.A. DE C.V. | F | 100.00 | F | 100.00 |
| SERVICIOS PROFESIONALES RDS S.A. DE C.V. | F | 100.00 | F | 100.00 |
| **Peru** | | | | |
| DISTRUIBUIDORA DEPORTIVA PUMA S.A.C. | F | 100.00 | F | 100.00 |
| **Uruguay** | | | | |
| PUMA SPORTS LA SA | F | 100.00 | F | 100.00 |
| **South Africa** | | | | |
| PUMA SPORTS DISTRIBUTORS (PTY) LIMITED | F | 100.00 | F | 100.00 |
| PUMA SPORTS SA | F | 100.00 | F | 100.00 |
| **Australia** | | | | |
| KOALA PTY LTD. | F | 100.00 | F | 100.00 |
| PUMA AUSTRALIA PTY. LTD. | F | 100.00 | F | 100.00 |
| WHITE DIAMOND AUSTRALIA PTY. LTD. | F | 100.00 | F | 100.00 |
| WHITE DIAMOND PROPERTIES | F | 100.00 | F | 100.00 |
| **New Zealand** | | | | |
| PUMA NEW ZEALAND LTD | F | 100.00 | F | 100.00 |
| **United Arab Emirates** | | | | |
| PUMA MIDDLE EAST FZ LLC | F | 100.00 | F | 100.00 |
| PUMA UAE LLC | F | 100.00 | F | 100.00 |
| **Turkey** | | | | |
| PUMA SPOR GIYIM SANANYI VE TICARET A.S. | F | 100.00 | F | 100.00 |
| **China** | | | | |
| PUMA CHINA LTD | F | 100.00 | F | 100.00 |
| **Hong Kong** | | | | |
| DEVELOPMENT SERVICES LTD. | F | 100.00 | F | 100.00 |
| PUMA ASIA PACIFIC LTD. | F | 100.00 | F | 100.00 |
| PUMA HONG KONG LTD. | F | 100.00 | F | 100.00 |
| WORLD CAT LTD. | F | 100.00 | F | 100.00 |
| **India** | | | | |
| PUMA SPORTS INDIA PVT LTD. | F | 100.00 | F | 100.00 |
| | F | 100.00 | F | 100.00 |
| **Japan** | | | | |
| PUMA APPAREL JAPAN K.K. | F | 100.00 | F | 100.00 |
| PUMA JAPAN K.K. | F | 100.00 | F | 100.00 |
| **Korea** | | | | |
| PUMA KOREA LTD. | F | 100.00 | F | 100.00 |
| **Malaysia** | | | | |
| PUMA SPORTS GOODS SDN. BHD. | F | 100.00 | F | 100.00 |
| **Singapore** | | | | |
| PUMA SPORTS SINGAPORE PTE. LTD. | F | 100.00 | F | 100.00 |
| WORLD CAT (S) PTE LTD. | F | 100.00 | F | 100.00 |
| **Taiwan** | | | | |
| PUMA TAIWAN SPORTS LTD. | F | 100.00 | F | 100.00 |
| WORLD CAT TRADING CO. LTD | F | 100.00 | F | 100.00 |
| **Vietnam** | | | | |
| WORLD CAT VIETNAM CO. LTD. | F | 100.00 | | Creation |

| Companies | % interest 12.31.2008 | 12.31.2007 |
|---|---|---|
| **HOLDINGS & 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 |
| FINANCIERE MAROTHI | F 100.00 | F 100.00 |
| PPR PURCHASING | F 100.00 | F 100.00 |
| PPR FINANCE | F 100.00 | F 100.00 |
| PPR IMPORT SERVICE | F 100.00 | F 100.00 |
| SAPARDIS | F 100.00 | F 100.00 |
| SAPRODIS | F 100.00 | F 100.00 |
| SFGM | Liquidation | F 100.00 |
| **Luxembourg** | | |
| PPR INTERNATIONAL | F 100.00 | F 100.00 |
| PRINTEMPS REASSURANCE | F 100.00 | F 100.00 |
| **The Netherlands** | | |
| SCHOLEFIELD GOODMAN BV | F 100.00 | F 100.00 |
| **Switzerland** | | |
| PPR MARKETING SERVICES | F 100.00 | F 100.00 |

# Statutory Auditors' Report

## on the consolidated financial statements for the year ended December 31, 2008

Dear Shareholders,

In accordance with our appointment as statutory auditors at the General Shareholders' Meetings, we report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of PPR;
- the justification of our assessments;
- the specific verification procedures required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

**I. Opinion on the consolidated financial statements**

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of any material misstatement. An audit consists in checking, on a test basis, or using other methods of selection, the evidence supporting amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall presentation of the financial statements. We believe that the evidence we collected is sufficient and provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2008 and of the results of its operations during the year in accordance with IFRS as adopted in the European Union.

Without calling into question our above opinion, we would like to draw your attention to Note 2 "Accounting policies and methods" and to Note 5 "Operating Segments," which describe the change in accounting method as a result of the early application of IFRS 8 "Operating segments" retroactively for the periods given in the notes to the consolidated financial statements.

**II. Justification of assessments**

The accounting estimates used to prepare the financial statements as of December 31, 2008 were made under circumstances of some difficulty in forecasting the economic outlook. These circumstances are described in Note 2.1.2 to the consolidated financial statements "Use of estimates and judgement".

It is in this context that, pursuant to Article L. 823-9 of the French Commercial Code, we draw your attention to the following:

In the second half of the fiscal year, the Company systematically performs impairment tests on goodwill and assets with indefinite useful lives and also assesses if there is any indication of an impairment loss on its long-term assets, applying the methods described in Note 2.7 and based on the assumptions set out in Note 2.1.2 to the consolidated financial statements. We have reviewed the methods by which these impairment tests are performed as well as the projected cash flows and assumptions used.

The Company recognises provisions as described in Note 2.14 to the consolidated financial statements. Our procedures consisted in assessing the information and assumptions on which these estimates were based, reviewing on a test basis the calculations performed by the Company and examining the procedures used by management to approve these estimates. We have, on this basis, assessed the reasonableness of these estimates.

Note 2.15 to the consolidated financial statements sets out the methods used to value long-term employee benefits. External actuaries have measured these obligations. Our procedures consisted in reviewing the information used, assessing the assumptions adopted and verifying that Note 26 to the consolidated financial statements provides appropriate disclosure.

These assessments were performed as part of our audit of the overall consolidated financial statements and contributed to the expression of the opinion in the first part of this report.

**III. Specific verification procedures**

We also carried out the specific verification procedures required by law on the information contained 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.

Paris La Défense and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

| KPMG Audit<br>Division of KPMG S.A. | | Deloitte & Associés |
|---|---|---|
| Patrick-Hubert Petit | Jean-Paul Picard | Antoine de Riedmatten4 |

# Parent company financial statements

The annual financial statements are prepared in accordance with the provisions of CRC (*Comité de la réglementation comptable* - French Accounting Regulations Committee) Regulation No. 99.03 of April 29, 1999 on the revision of the French General Chart of Accounts and the new accounting rules on assets introduced by CRC Regulation No. 2002-10, as amended by CRC Regulation No. 2003-07 and CRC Regulation No. 2004-06.

## BALANCE SHEET ASSETS AS OF DECEMBER 31, 2008 AND 2007

| **Assets** *(in millions of euros)* | **Notes** | **2008** | **2007** |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in operating companies: | | | |
| Gucci Group NV | | 2,548.2 | 2,517.2 |
| Redcats | | 1,232.5 | 1,232.5 |
| Conforama Holding | | 252.4 | 252.4 |
| Investments in intermediary holding companies: | | | |
| Financière Marothi | | 4,648.1 | 4,648.1 |
| Sapardis | | 1,804.0 | 1,804.0 |
| Saprodis | | 568.8 | 568.8 |
| Discodis | | 299.7 | 299.7 |
| Other | | 130.9 | 138.0 |
| Other long-term investments [1] | | 2.5 | 74.5 |
| Provisions for impairment [1] | | (16.0) | (27.1) |
| | 3 | 11,471.1 | 11,508.1 |
| Intangible assets and property, plant and equipment | | 14.4 | 13.8 |
| Depreciation, amortisation and impairment | | (10.6) | (9.5) |
| | 4 | 3.8 | 4.3 |
| **Total non-current assets** | | **11,474.9** | **11,512.4** |
| **Current assets** | | | |
| Receivables [2] [3] | 5 | 246.1 | 166.2 |
| Marketable securities | 6 | 61.0 | 38.3 |
| Cash | 6 | 0.6 | 0.5 |
| **Total current assets** | | **307.7** | **205.0** |
| **TOTAL ASSETS** | | **11,782.6** | **11,717.4** |
| *(1) o/w due within less than one year:* | | *-* | *65.7* |
| *(2) o/w due in over one year:* | | *25.6* | *24.3* |
| *(3) o/w concerning associates:* | | *136.4* | *30.9* |

## BALANCE SHEET LIABILITIES AND SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2008 AND 2007

| Liabilities and shareholders' equity *(in millions of euros)* | Notes | 2008 | 2007 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 506.2 | 512.3 |
| Additional paid-in capital | | 2,102.8 | 2,238.9 |
| Reserves | 7 | 1,588.9 | 1,588.9 |
| Retained earnings | | 1,624.7 | 1,315.6 |
| Net income for the year | | 76.5 | 742.9 |
| **Total shareholders' equity** | | **5,899.1** | **6,398.6** |
| **Provisions** | 8 | **180.2** | **148.6** |
| **Liabilities** | | | |
| Bonds (1) | 9.1 | 2,550.0 | 2,150.0 |
| Other borrowings (1) (3) | 9.1 | 2,955.6 | 2,908.1 |
| Other liabilities (2) (3) | 10 | 197.7 | 112.1 |
| | | 5,703.3 | 5,170.2 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **11,782.6** | **11,717.4** |
| *(1) o/w due in over one year:* | | *3,300.0* | *2,150.0* |
| *(2) o/w due in over one year:* | | *1.0* | *1.3* |
| *(3) o/w concerning associates:* | | *1,388.6* | *2,859.3* |

## INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| *(in millions of euros)* | Notes | 2008 | 2007 |
|---|---|---|---|
| Operating income | | 61.5 | 52.4 |
| Operating expenses | | (78.8) | (65.0) |
| **Net operating loss** | 12 | **(17.3)** | **(12.6)** |
| Dividends received | | 377.3 | 499.2 |
| Other financial income and expenses | | (299.2) | (185.3) |
| **Net financial income** | 13 | **78.1** | **313.9** |
| **Recurring income before tax** | | **60.8** | **301.3** |
| Non-recurring income | 14 | (85.1) | 376.0 |
| Employee profit-sharing | | (1.8) | (2.0) |
| Income tax | 15 | 102.6 | 67.6 |
| **Net income for the year** | | **76.5** | **742.9** |

## STATEMENT OF CASH FLOW FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

| *(in millions of euros)* | 2008 | 2007 |
|---|---|---|
| Dividends received | 377.3 | 499.2 |
| Interest on borrowings | (176.7) | (118.0) |
| Income tax paid | 75.9 | 81.6 |
| Other | (120.7) | (72.6) |
| **Change in cash resulting from operating activities** | **155.8** | **390.2** |
| (Acquisitions)/disposals of operating assets | (1.2) | 4.1 |
| Change in long-term investments | (147.0) | (1,511.1) |
| **Change in cash resulting from operating activities** | **(148.2)** | **(1,507.0)** |
| Net change in borrowings | 447.5 | 1,453.4 |
| Share capital increases | 1.5 | 13.3 |
| Dividends paid by PPR | (433.8) | (385.2) |
| **Net cash from financing activities** | **15.2** | **1,081.5** |
| **Change in cash and cash equivalents** | **22.8** | **(35.3)** |
| | | |
| **Cash and cash equivalents at the beginning of the year** | **38.8** | **74.1** |
| **Cash and cash equivalents at the end of the year** | **61.6** | **38.8** |

## CHANGE IN SHAREHOLDERS' EQUITY

| *(in millions of euros)* **(before appropriation of net income)** | Number of shares | Share capital | Additional paid-in capital | Reserves and retained earnings | Net income for the year | Shareholders' equity |
|---|---|---|---|---|---|---|
| **As of December 31, 2006** | **128,387,274** | **513.5** | **2,285.6** | **2,448.9** | **840.7** | **6,088.7** |
| Appropriation of 2006 net income | | | | 840.7 | (840.7) | - |
| Dividend paid | | | | (385.2) | | (385.2) |
| Exercise of stock options | 200,242 | 0.8 | 12.5 | | | 13.3 |
| Cancellation of 505,577 treasury shares | (505,577) | (2.0) | (59.2) | | | (61.2) |
| Changes in tax-driven provisions | | | | 0.1 | | 0.1 |
| 2007 net income | | | | | 742.9 | 742.9 |
| **As of December 31, 2007** | **128,081,939** | **512.3** | **2,238.9** | **2,904.5** | **742.9** | **6,398.6** |
| Appropriation of 2007 net income | | | | 742.9 | (742.9) | - |
| Dividend paid | | | | (433.8) | | (433.8) |
| Exercise of stock options | 26,248 | 0.1 | 1.6 | | | 1.7 |
| Cancellation of 1,552,810 securities | (1,552,810) | (6.2) | (137.7) | | | (143.9) |
| Revaluation reserve (SFGM liquidation) | | | | (0.2) | | (0.2) |
| Changes in regulated provisions | | | | 0.2 | | 0.2 |
| 2008 net income | | | | | 76.5 | 76.5 |
| **As of December 31, 2008** | **126,555,377** | **506.2** | **2,102.8** | **3,213.6** | **76.5** | **5,899.1** |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Highlights of the year

On May 16, 2008, the Company issued €400 million in bonds indexed to the performance of the PPR stock, on the following terms:

- an initial €200 million tranche at a fixed rate of 6.405%, maturing on November 16, 2012;
- a second €200 million tranche at a fixed rate of 6.536%, maturing on May 16, 2013.

## 2. Accounting rules and methods

The annual financial statements are prepared in accordance with the provisions of CRC Regulation No. 99.03 of April 29, 1999 on the revision of the French General Chart of Accounts and the new accounting rules on assets introduced by CRC Regulation No. 2002-10, as amended by CRC Regulation No. 2003-07 and CRC Regulation No. 2004-06.

PPR applies the notice in Regulation no. 2008-15 of December 4, 2008 on the accounting treatment of share subscription and purchase option plans and employee bonus share plans. This treatment did not have a material impact on the Company's financial statements.

### 2.1. Long-term investments

#### *Investments*

Securities classified as "Investments" are those considered necessary for the Company's activities, particularly because they allow influence to be exerted over the issuer or for it to be controlled.

Pursuant to CNC Emergency Committee notice No. 2007-C of June 15, 2007, the Company has elected to recognise acquisition costs in the price of investments.

At year-end, the gross amount of securities is compared to their value in use to the Company, determined with reference to the Subsidiary's estimated value and taking into consideration to the purpose of the original transaction. This value in use is determined on the basis of a multi-criteria analysis that primarily looks at projections of future cash flows, the reassessed asset, the share of consolidated or revalued shareholders' equity and other methods, where required.

An impairment loss is recorded where this value falls below the gross amount.

#### *Other long-term investments*

Other long-term investments notably include other investments and certain treasury shares.

**Other investments (excluding treasury shares)**

Other investments are those that the Company plans or is required to retain on a permanent basis, but ownership of which is not deemed necessary for the Company's activities.

The gross amount is equal to the acquisition cost including any possible acquisition costs.

An impairment loss is recorded having regard to the value in use of these securities to the Company.

**Treasury shares**

Treasury shares acquired under a liquidity contract are recorded under "Other long-term investments". These shares are the subject of an impairment loss regarding the average share price over the final month of the fiscal year.

Treasury shares acquired for the express purpose of being used in a future capital reduction are classified under "Other long-term investments". No impairment loss is noted on these shares regarding the share price.

### 2.2. Marketable securities and negotiable debt instruments

#### *Treasury shares*

Treasury shares acquired for the express purpose of being subsequently granted to employees under share purchase option plans or bonus share plans are recorded under "marketable securities". No impairment loss is noted regarding the share price.

#### *Other shares*

Shares are recorded at their acquisition cost. An impairment loss is recorded where the closing price falls below the carrying amount.

#### *Bonds*

Bonds are recorded on the acquisition date at their par value adjusted by the premium or discount. Accrued interest at the acquisition date and at year-end is recorded under "related receivables".

At year-end, the cost is compared to the market value over the final month without incorporating accrued interest. An impairment loss is recorded where this value falls below the gross amount.

#### *Mutual funds (Sicav)*

Mutual fund shares are recorded at their acquisition cost excluding subscription fees. At year-end, they are estimated at their net asset value. Impairment losses are recorded in respect of any unrealised capital losses. No unrealised capital gains are recorded.

### *Negotiable certificates of deposit, certificates of deposit and financing company notes*

These negotiable debt instruments are subscribed for on the primary market or purchased on the secondary market. They are recorded at their acquisition cost after deduction of accrued interest at the acquisition date when acquired on the secondary market.

Prepaid interest is recognised as investment income on a proportional basis for the fiscal year.

## 2.3. Financial instruments

All foreign currency and interest rate positions are taken via instruments listed on exchange-traded or over-the-counter markets representing minimal counterparty risk. Any gain or loss generated on financial instruments used in hedging is systematically offset against any gain or loss on the hedged items.

Where financial instruments do not qualify as hedges, any gains or losses resulting from changes in their market value are recorded in the income statement, except for over-the-counter transactions. For these transactions, a provision is recorded for any unrealised losses, while unrealised gains are not recorded.

## 2.4. Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their exchange value on the transaction date. Borrowings, receivables and liquidity positions denominated in foreign currencies are translated at the year-end exchange rate. In the case of foreign currency hedging, borrowings and receivables are converted at the hedging rate.

Any translation difference stemming from the valuation of foreign currency borrowings and receivables is recorded in accrual accounts, as an asset for unrealised losses and a liability for unrealised gains. A contingency provision is recorded to cover unhedged unrealised losses. Where the borrowings and receivables are hedged by financial instruments, any foreign currency gain or loss is immediately recorded in the income statement.

## 2.5. Bond issue and capital increase fees - Bond redemption premiums

Bond issue fees are recognised at the issue date.

Costs associated with increases in capital, mergers or restructuring are charged against the additional paid-in capital arising from the merger or restructuring.

Bonds are recorded at their par value.

Any issue or redemption premiums are assigned to the relevant balance sheet item and amortised over the term of the bond.

For convertible bonds, the redemption premium registration is staggered over the term of the bond, in accordance with the preferred accounting methods.

In the case of an indexed bond issue, a redemption contingency provision must be recorded where the estimated redemption at year-end exceeds the amount of the issue. This provision is calculated *prorata temporis* over the term of the bond.

## 2.6. Provisions

Provisions are recorded in accordance with CNC (Conseil National de la Comptabilité - *French Accounting Standards Council*) Regulation no. 2000.06 and include pension and retirement termination payment obligations pursuant to recommendation 2003.R.01 of July 22, 2004.

Within the scope of defined benefit plans, obligations are measured using the projected unit credit method based on agreements in force within the Company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on economic conditions. These plans and termination benefits are the object on a valuation carried out by independent actuaries on an annual basis in the case of the most material plans and at regular intervals for the other plans. These appraisals take account notably of future compensation levels, the likely working life of employees, life expectancy and staff turnover.

## 2.7. Tax consolidation

PPR has established a tax consolidation group in France together with several subsidiaries and sub-subsidiaries.

Each subsidiary recognises a tax expense for the amount of tax it would have paid on a stand-alone basis. The tax savings made by the Group as a result of tax consolidation are retained by PPR, as parent company of the consolidated Group.

## 3. Net long-term investments

| *(in millions of euros)* | As of 12/31/2007 | Increase | Decrease | As of 12/31/2008 |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| **Investments in operating companies** | **4,002.1** | **31.0** | | **4,033.1** |
| Gucci Group NV | 2,517.2 | 31.0 | | 2,548.2 |
| Redcats | 1,232.5 | | | 1,232.5 |
| Conforama Holding | 252.4 | | | 252.4 |
| **Investments in intermediary holding companies** | **7,458.6** | **6.0** | **(13.1)** | **7,451.5** |
| Financière Marothi | 4,648.1 | | | 4,648.1 |
| Sapardis | 1,804.0 | | | 1,804.0 |
| Saprodis | 568.8 | | | 568.8 |
| Discodis | 299.7 | | | 299.7 |
| Caumartin Participations | 82.3 | 0.1 | | 82.4 |
| PPR Luxembourg | 14.4 | | | 14.4 |
| Printemps Réassurances | 10.2 | | | 10.2 |
| Club de développement | 9.1 | | | 9.1 |
| SFGM | 7.3 | | (7.3) | |
| Other | 14.7 | 5.9 | (5.8) | 14.8 |
| **Other long-term investments** | **74.6** | **211.2** | **(283.3)** | **2.5** |
| Treasury shares (liquidity contract) (1) | 72.1 | 67.3 | (139.4) | |
| Treasury shares (for cancellation) (1) | | 143.9 | (143.9) | |
| Other investments | 0.8 | | | 0.8 |
| Loans | 0.6 | | | 0.6 |
| Deposits and guarantees | 1.1 | | | 1.1 |
| **Gross carrying amount** | **11,535.3** | **248.2** | **(296.4)** | **11,487.1** |
| | | | | |
| **Impairment losses** | | | | |
| **Investments in intermediary holding companies** | **(20.2)** | **(0.9)** | **5.8** | **(15.3)** |
| PPR Luxembourg | (4.3) | | 0.4 | (3.9) |
| Club de développement | (7.9) | (0.7) | | (8.6) |
| Other | (8.0) | (0.2) | 5.4 | (2.8) |
| **Other long-term investments** | **(7.0)** | | **6.3** | **(0.7)** |
| Treasury shares (liquidity contract) | (6.3) | | 6.3 | |
| Other investments | (0.7) | | | (0.7) |
| **Impairment losses** | **(27.2)** | **(0.9)** | **12.1** | **(16.0)** |
| **NET CARRYING AMOUNT** | **11,508.1** | | | **11,471.1** |

*(1) The amount corresponding to treasury shares is frozen in tax-driven reserves.*

### Treasury share transactions

During 2008, the Group disposed of a net number of 506,500 treasury shares as follows:

- acquisition of 1,001,253 shares under the liquidity contract;
- disposal of 1,587,753 shares under the liquidity contract;
- acquisition of 18,690 shares granted to employees under the 2006 bonus share plan expiring in May 2008;
- acquisition of 80,000 shares for the purpose of granting them to employees under the 2008 bonus share plan expiring in June 2010;
- acquisition of 1,552,810 shares cancelled by resolution of the Board of Directors on June 9, 2008, effective that day, pursuant to the authorisations granted by the General Shareholders' Meeting of May 14, 2007.

In addition, following various share subscription option exercises in 2008, the capital was increased by 26,248 shares, accordingly raising the PPR share capital to 126,555,377 shares as of December 31, 2008.

The Group did not acquire any PPR share purchase options in 2008. The purchase options expiring in 2008 were not exercised.

As of December 31, 2008, the Group held 1,308,193 PPR share purchase options, primarily intended to cover share subscription and purchase option plans.

On May 26, 2004, PPR granted a mandate to a financial intermediary for the purposes of supporting trading liquidity and share price stability. This agreement complies with the provisions of the Professional Code of Conduct drawn up by the AFEI (*Association Française des Entreprises d'Investissement* - French Association of Investment Companies).

The contract was initially allocated €40 million, split equally between cash and PPR shares, and was allocated an additional €20 million in cash on September 3, 2004 followed by €30 million on December 18, 2007.

As of December 31, 2008, PPR did not hold any shares under the liquidity contract (586,500 shares as of December 31, 2007). Outside the liquidity contract, PPR held 80,000 shares for the purpose of granting them to employees under the 2008 bonus share plan expiring in June 2010. As of December 31, 2007, no shares were held by the Company outside the liquidity contract.

## 4. Intangible assets and property, plant and equipment

Movements in intangible assets and property, plant and equipment break down as follows:

| *(in millions of euros)* | Land and buildings | Plant and equipment | Other | Total |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| December 31, 2007 | 2.6 | 0.5 | 10.7 | 13.8 |
| Acquisitions | | | 1.1 | 1.1 |
| Disposals | | (0.3) | (0.2) | (0.5) |
| **December 31, 2008** | **2.6** | **0.2** | **11.6** | **14.4** |
| **Depreciation, amortisation and provisions** | | | | |
| December 31, 2007 | (1.2) | (0.5) | (7.8) | (9.5) |
| Charges | (0.3) | | (1.3) | (1.6) |
| Disposal reversals | | 0.3 | 0.2 | 0.5 |
| **December 31, 2008** | **(1.5)** | **(0.2)** | **(8.9)** | **(10.6)** |
| **Net carrying amount** | | | | |
| December 31, 2007 | 1.4 | | 2.9 | 4.3 |
| **December 31, 2008** | **1.1** | | **2.7** | **3.8** |

Other non-current assets mainly include improvements, head office equipment and furniture and other intangible assets (software).

## 5. Receivables

These line items break down as follows:

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Tax consolidation current accounts | 126.9 | 25.7 |
| Swap suspense account | 42.5 | 42.9 |
| Prepaid expenses | 23.9 | 44.9 |
| Receivable in respect of the sale of France Printemps | 25.6 | 24.3 |
| Group customers | 9.5 | 4.1 |
| Exceptional dividend withholding | - | 7.9 |
| Bond issue premiums | 8.3 | 11.2 |
| Other | 9.4 | 5.2 |
| **TOTAL** | **246.1** | **166.2** |
| o/w concerning associates: | 136.4 | 30.6 |

Prepaid expenses mainly relate to call purchase premiums of €17.0 million (€33.2 million as of December 31, 2007).

## 6. Marketable securities and cash

These line items break down as follows:

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Treasury shares pending employee grants | 6.4 | - |
| Listed securities | 58.3 | 38.3 |
| Impairment of listed securities | (3.7) | - |
| **Marketable securities** | **61.0** | **38.3** |
| Bank deposits and fund transfers | 0.6 | 0.2 |
| Cash current accounts | - | 0.3 |
| **Cash** | **0.6** | **0.5** |
| **CASH AND CASH EQUIVALENTS** | **61.6** | **38.8** |
| o/w concerning associates: | - | 0.3 |

Listed securities are mainly comprised of mutual funds (Sicav) of €52.5 million (€32.6 million as of December 31, 2007).

## 7. Reserves

The Company's reserves, before appropriation of net income, break down as follows:

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Legal reserve | 51.4 | 51.4 |
| Tax-driven reserves | 1,293.6 | 1,293.6 |
| Other reserves | 240.3 | 240.3 |
| **Reserves** | **1,585.3** | **1,585.3** |
| Revaluation differences | - | 0.2 |
| Tax-driven provisions | 3.6 | 3.4 |
| **TOTAL** | **1,588.9** | **1,588.9** |

## 8. Provisions

| *(in millions of euros)* | 12/31/2007 | Charges | Reversals used | Reversals not used | 12/31/2008 |
|---|---|---|---|---|---|
| Disputes with public authorities | 106.3 | 32.0 | 6.3 | | 132.0 |
| Disputes with third parties | 2.0 | | | | 2.0 |
| Subsidiary risks | 3.0 | | | | 3.0 |
| Pension and retirement termination payment obligations and equivalent | 22.6 | 4.9 | 2.2 | | 25.3 |
| Call purchase premiums | 14.7 | 4.1 | | 10.9 | 7.9 |
| Bond redemption risk | | 10.0 | | | 10.0 |
| **TOTAL** | **148.6** | **51.0** | **8.5** | **10.9** | **180.2** |
| o/w: | | | | | |
| operating | | 1.2 | 1.8 | | |
| financial | | 17.8 | 0.4 | 10.9 | |
| exceptional | | 32.0 | 6.3 | | |

The main actuarial assumptions used to determine pension and retirement termination payment obligations and equivalent are:

- a discount rate of 5.50% compared to 5.25% in 2007;
- a return on assets rate of 4.75% as in 2007;
- an expected rate of salary increase of 3.00% as in 2007.

## 9. Borrowings

### Bond Issues

| *(in millions of euros)* | Interest rate | Issue date | Hedge | Maturity | 12/31/2008 | 12/31/2007 |
|---|---|---|---|---|---|---|
| Bond issue (1) | 5.00% fixed | 07/23/2003 | Euribor 3 month floating rate swap for €500 million | 01/23/2009 | 750.0 | 750.0 |
| Bond issue (2) | 5.25% fixed | 03/29/2004 | Euribor 3 month floating rate swap for €650 million | 03/29/2011 | 800.0 | 800.0 |
| Bond issue (3) | 4.00% fixed | 06/29/2005 & 06/19/2006 | - | 01/29/2013 | 600.0 | 600.0 |
| Bond issue (4) | 6.405% fixed | 05/16/2008 | - | 11/16/2012 | 200.0 | 0.0 |
| Bond issue (5) | 6.536% fixed | 05/16/2008 | - | 05/16/2013 | 200.0 | 0.0 |

*(1) Issue price: bond issue on July 23, 2003, comprised of 750,000 bonds with a par value of €1,000 each, under the EMTN programme.*
*Redemption: in full on January 23, 2009.*

*(2) Issue price: bond issue, comprised of 800,000 bonds with a par value of €1,000 each, under the EMTN programme, with 650,000 bonds issued on March 29, 2004 and 150,000 additional bonds issued on July 23, 2004, thereby raising the issue to 800,000 bonds.*
*Redemption: in full on March 29, 2011.*

*(3) Issue price: bond issue, comprised of 600,000 bonds with a par value of €1,000 each, under the EMTN programme, with 300,000 bonds issued on June 29, 2005 and 300,000 additional bonds issued on June 19, 2006, thereby raising the issue to 600,000 bonds.*
*Redemption: in full on January 29, 2013.*

*(4) Issue price: bond issue indexed to the PPR stock, issued on May 16, 2008 under the EMTN programme, comprised of 2,362,907 bonds with a par value of €84.641503 each.*
*Redemption: the redemption price is indexed on the performance of the PPR stock. It is for a maximum amount of €236.9 million and a minimum amount of €136.9 million, maturing on November 16, 2012.*
*At December 31, 2008 a contingency provision was recorded in respect of a possible redemption expense and is determined on the basis of the difference between the redemption amount estimated at year-end and the par value of the issue.*

*(5) Issue price: bond issue indexed on the PPR stock, issued on May 16, 2008 under the EMTN programme, comprised of 2,362,907 bonds with a par value of €84.641503 each.*
*Redemption: the redemption price is indexed on the performance of the PPR stock. It is for a maximum of €238.2 million and a minimum of €138.2 million, maturing on May 16, 2013.*
*At December 31, 2008 a contingency provision was recorded in respect of a possible redemption expense and is determined on the basis of the difference between the redemption amount estimated at year-end and the par value of the issue.*

## 9.1. Breakdown by type of liability

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| **Bond issues** | **2,550.0** | **2,150.0** |
| Interest on bond issues | 105.7 | 89.3 |
| Confirmed credit lines | 1,500.0 | - |
| Interest on confirmed credit lines | 6.8 | - |
| Current bank loans | 0.1 | 2.4 |
| Cash current accounts | 1,339.9 | 2,809.6 |
| Interest on cash current accounts | 3.1 | 6.8 |
| **Other liabilities** | **2,955.6** | **2,908.1** |
| **TOTAL** | **5,505.6** | **5,058.1** |
| o/w concerning associates: | 1,343.0 | 2,816.4 |

As of December 31, 2008 and 2007 no liabilities were secured by collateral.

## 9.2. Breakdown by maturity

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Maturing within one year | 2,205.6 | 2,908.1 |
| Maturing in one to five years | 3,300.0 | 1,550.0 |
| Over five years | - | 600.0 |
| **TOTAL** | **5,505.6** | **5,058.1** |

## 9.3. Net financial indebtedness

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Liabilities | 5,505.6 | 5,058.1 |
| Marketable securities | (61.0) | (38.3) |
| Cash | (0.6) | (0.5) |
| **NET FINANCIAL INDEBTEDNESS** | **5,444.0** | **5,019.3** |

## 9.4. Information on interest rates

| | 12/31/2008 | 12/31/2007 |
|---|---|---|
| **Average interest rate over the year** | **5.00%** | **4.82%** |
| % average debt at fixed rates | 24% | 29% |
| % average debt at floating rates | 76% | 71% |

The rise in average interest rates in 2008 compared to 2007 was mainly due to the rise during 2008 of the floating-rate debt benchmarks.

## 10. Other liabilities

These line items break down as follows:

| *(in millions of euros)* | 12/31/2008 | 12/31/2007 |
|---|---|---|
| Tax consolidation current accounts | 30.7 | 34.0 |
| Tax losses owed to subsidiaries (tax consolidation) | 128.9 | 45.9 |
| Tax and employee-related liabilities | 10.0 | 8.8 |
| Other | 28.1 | 23.4 |
| **TOTAL** | **197.7** | **112.1** |
| o/w concerning associates: | 45.6 | 42.9 |

## 11. Off-balance sheet commitments

### 11.1. Exposure to equity risk

PPR uses options to manage its exposure to equity risk. Option commitments are as follows:

| | 12/31/2008 | Y + 1 | Y + 2 | Y + 3 | Y + 4 | Y + 5 | > Y + 5 | 12/31/2007 |
|---|---|---|---|---|---|---|---|---|
| **Purchase of PPR call options** | | | | | | | | |
| Number of shares | 1,308,193 | 268,138 | 391,950 | 648,105 | | | | 3,142,805 |
| PPR maximum commitment (in *millions of euros)* | 206.0 | 49.9 | 44.4 | 111.7 | | | | 398.7 |

As of December 31, 2008, these call option commitments broke down into 1,308,193 call options, including 608,193 options set up in September 2004, 350,000 options set up in June 2006 and 350,000 options purchased in June 2007 to enable PPR to present shares upon exercise of share purchase option plans granted to employees.

At the year-end, share options had, given the performance of the PPR stock, immaterial market value.

### 11.2. Interest rate hedging instruments

| *(in millions of euros)* | 12/31/2008 | Y + 1 | Y + 2 | Y + 3 | Y + 4 | Y + 5 | > Y + 5 | 12/31/2007 |
|---|---|---|---|---|---|---|---|---|
| Fixed rate lender swaps | 1,150.0 | 500.0 | | 650.0 | | | | 1,150.0 |

As part of the Group's policy on the hedging interest rate risk, PPR set up interest rate swaps back to back with various fixed-rate bond issues:

- bond issue maturing in January 2009, €500 million of which was partly swapped for 3-month Euribor;
- bond issue maturing in March 2011, €650 million of which was partly swapped for 3-month Euribor.

All other transactions designed to hedge the interest rate risk were set up by PPR Finance.

## 11.3. Share subscription and purchase option plans and bonus share plans.

The nature and main characteristics of the plans are indicated in the following tables:

| Stock option and bonus share plans | 1998 Plan Purchase options | 1999/1 Plan Purchase options | 1999/2 Plan Purchase options | 1999/3 Plan Purchase options | 2000/1 Plan Purchase options | 2000/2 Plan Purchase options |
|---|---|---|---|---|---|---|
| Grant date | 06/05/1998 | 01/20/1999 | 05/21/1999 | 12/08/1999 | 01/26/2000 | 05/23/2000 |
| Expiry date | 07/31/2008 | 03/31/2009 | 06/30/2009 | 12/26/2009 | 02/28/2010 | 06/30/2010 |
| Vesting of rights | (a) | (a) | (a) | (a) | (a) | (a) |
| Number of beneficiaries | 257 | 36 | 44 | 560 | 26 | 125 |
| Number initially granted | 347,050 | 27,495 | 25,455 | 412,350 | 12,100 | 93,100 |
| Number outstanding as of 01/01/08 | 135,850 | 6,600 | 6,100 | 168,725 | 3,000 | 29,900 |
| Number forfeited in 2008 | | 1,250 | 480 | 11,775 | 700 | 6,400 |
| Number exercised in 2008 | | | | | | |
| Number of shares delivered | | | | | | |
| Number expired in 2008 | 135,850 | | | | | |
| Number outstanding as of 12/31/08 | | 5,350 | 5,620 | 156,950 | 2,300 | 23,500 |
| Number exercisable as of 12/31/08 | | 5,350 | 5,620 | 156,950 | 2,300 | 23,500 |
| Exercise price (€) | 135.98 | 154.58 | 144.83 | 189.19 | 227.15 | 202.91 |

| Stock option and bonus share plans | 2001/1 Plan Purchase options | 2001/2 Plan Purchase options | 2002/1 Plan Subscription options | 2002/2 Plan Subscription options | 2003/1 Plan Subscription options |
|---|---|---|---|---|---|
| Grant date | 01/17/2001 | 05/18/2001 | 05/03/2002 | 05/03/2002 | 07/09/2003 |
| Expiry date | 01/31/2011 | 05/31/2011 | 05/02/2012 | 05/02/2012 | 07/08/2013 |
| Vesting of rights | (a) | (b) | (b) | (b) | (b) |
| Number of beneficiaries | 722 | 206 | 1,074 | 1,053 | 721 |
| Number initially granted | 340,240 | 87,260 | 438,296 | 410,271 | 528,690 |
| Number outstanding as of 01/01/08 | 162,790 | 43,200 | 226,221 | 221,391 | 241,579 |
| Number forfeited in 2008 | 15,330 | 5,660 | 26,520 | 23,985 | 20,892 |
| Number exercised in 2008 | | | | | 25,848 |
| Number of shares delivered | | | | | |
| Number expired in 2008 | | | | | |
| Number outstanding as of 12/31/08 | 147,460 | 37,540 | 199,701 | 197,406 | 194,839 |
| Number exercisable as of 12/31/08 | 147,460 | 37,540 | 199,701 | 197,406 | 194,839 |
| Exercise price (€) | 225.01 | 225.01 | 128.10 | 140.50 | 66.00 |

*(a) The lock-in period is five years from the grant date. 20% of options vested per full year of service within the Group. If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*

*Under all the other plans, the lock-in period is four years from the grant date.*

*(b) 25% of options vested per full year of service within the Group, except in the event of retirement (fully vested). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*

*(c) 25% of options vested per full year of service within the Group, except in the event of a retirement (vest in full) and resignation (all rights lost). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*

*(d) Shares vested two years after being granted, except in the event of a resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. The vesting period is followed by a two-year period of non-transferability.*

*(e) Shares vested four years after being granted, except in the event of a resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. There is no period of non-transferability.*

| Stock option and bonus share plans | 2003/2 Plan Subscription options | 2004/1 Plan Subscription options | 2004/2 Plan Subscription options | 2005/1 Plan Subscription options | 2005/2 Plan Subscription options |
|---|---|---|---|---|---|
| Grant date | 07/09/2003 | 05/25/2004 | 07/07/2004 | 01/03/2005 | 05/19/2005 |
| Expiry date | 07/08/2013 | 05/24/2014 | 07/06/2014 | 01/02/2015 | 05/18/2015 |
| Vesting of rights | (b) | (b) | (b) | (b) | (c) |
| Number of beneficiaries | 18 | 846 | 1 | 13 | 458 |
| Number initially granted | 5,430 | 540,970 | 25,000 | 25,530 | 333,750 |
| Number outstanding at 01/01/08 | 2,164 | 437,498 | 25,000 | 25,530 | 300,360 |
| Number forfeited in 2008 | 714 | 43,802 | | 62 | 20,455 |
| Number exercised in 2008 | 200 | 200 | | | |
| Number of shares delivered | | | | | |
| Number expired in 2008 | | | | | |
| Number outstanding at 12/31/08 | 1,250 | 393,496 | 25,000 | 25,468 | 279,905 |
| Number exercisable at 12/31/08 | 1,250 | 393,496 | 25,000 | | |
| Exercise price (€) | 67.50 | 85.57 | 84.17 | 75.29 | 78.01 |

| Stock option and bonus share plans | 2005/3 Plan Subscription options | 2005/4 Plan Subscription options | 2006/1 Plan Purchase options | 2006 Plan Bonus shares | 2007/1 Plan Purchase options |
|---|---|---|---|---|---|
| Grant date | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/23/2006 | 05/14/2007 |
| Expiry date | 05/18/2015 | 07/05/2015 | 05/22/2014 | N/A | 05/13/2015 |
| Vesting of rights | (c) | (c) | (c) | (d) | (c) |
| Number of beneficiaries | 22 | 15 | 450 | 281 | 248 |
| Number initially granted | 39,960 | 20,520 | 403,417 | 23,565 | 355,500 |
| Number outstanding at 01/01/08 | 35,840 | 15,030 | 372,623 | 22,339 | 343,600 |
| Number forfeited in 2008 | 360 | 1,220 | 25,198 | 3,649 | 16,250 |
| Number exercised in 2008 | | | | | |
| Number of shares delivered | | | | 18,690 | |
| Number expired in 2008 | | | | | |
| Number outstanding at 12/31/08 | 35,480 | 13,810 | 347,425 | | 327,350 |
| Number exercisable as of 12/31/08 | | | | | |
| Exercise price (€) | 78.97 | 85.05 | 101.83 | N/A | 127.58 |

| Stock option and bonus share plans | 2007/2 Plan Purchase options | 2007 Plan Bonus shares | 2008/1 Plan Bonus shares | 2008/2 Plan Bonus shares | 2008/3 Plan Bonus shares |
|---|---|---|---|---|---|
| Grant date | 09/17/2007 | 05/14/2007 | 06/09/2008 | 10/22/2008 | 10/22/2008 |
| Expiry date | 09/16/2015 | N/A | N/A | N/A | N/A |
| Vesting of rights | (c) | (d) | (d) | (d) | (e) |
| Number of beneficiaries | 14 | 304 | 269 | 46 | 194 |
| Number initially granted | 51,300 | 78,234 | 86,530 | 49,210 | 53,755 |
| Number outstanding as of 01/01/08 | 51,300 | 76,934 | | | |
| Number forfeited in 2008 | 3,700 | 2,430 | 660 | 2,000 | |
| Number exercised in 2008 | | | | | |
| Number of shares delivered | | | | | |
| Number expired in 2008 | | | | | |
| Number outstanding as of 31/12/08 | 47,600 | 74,504 | 85,870 | 47,210 | 53,755 |
| Number exercisable at 12/31/08 | | | | | |
| Exercise price (€) | 127.58 | N/A | N/A | N/A | N/A |

*(a) The lock-in period is five years from the grant date. 20% of options are vested per full year of service within the Group. If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*
*Under all the other plans, the lock-in period is four years from the grant date.*
*(b) 25% of options are vested per full year of service within the Group, except in the case of retirement (fully vested)). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*
*(c) 25% of options are vested per full year of service within the Group, except in the case of retirement (fully vested) and resignation (all rights lost). If a beneficiary is dismissed for gross negligence or misconduct all rights are lost, including after the lock-in period.*
*(d) Shares are vested two years after being granted, except in the event of a resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. The vesting period is followed by a two-year period of non-transferability.*
*(e) Shares are vested four years after being granted, except on resignation or dismissal for gross negligence or misconduct (all rights lost). The number of shares definitively granted is subject to a stock market performance condition. There is no period of non-transferability.*

## 11.4. Other off-balance sheet commitments

| *(in millions of euros)* | | 12/31/2008 | 12/31/2007 |
|---|---|---|---|
| Endorsements and guarantees in favour of: | | | |
| associates | | - | - |
| non-Group third parties | | 1.0 | 1.0 |
| **Endorsements and guarantees** | | **1.0** | **1.0** |
| **Collateral:** | **in favour of subsidiaries** | **-** | **-** |
| | **in favour of third parties** | **-** | **-** |

## 12. Net operating income/loss

Net operating income/(loss) breaks down as follows:

| *(in millions of euros)* | 2008 | 2007 |
|---|---|---|
| Group management fees | 42.4 | 42.3 |
| Property rental income | 7.3 | 7.3 |
| Payroll expenses | (22.5) | (15.7) |
| External purchases & expenses, taxes | (46.4) | (43.9) |
| Depreciation, amortisation and provisions | (0.9) | (4.5) |
| Other income and expenses | 2.8 | 1.9 |
| **TOTAL** | **(17.3)** | **(12.6)** |

## 13. Net financial income

The net financial income of the parent company breaks down as follows:

| *(in millions of euros)* | 2008 | 2007 |
|---|---|---|
| **Net interest expense** | **(299.2)** | **(185.3)** |
| Expenses and interest on non-Group debt | (228.4) | (142.1) |
| Interest on inter-company current accounts | (70.8) | (43.2) |
| **Income and expenses on long-term investments** | **377.3** | **499.2** |
| Dividends received | 377.3 | 499.2 |
| **TOTAL** | **78.1** | **313.9** |
| o/w concerning associates: | | |
| Interest on inter-company current accounts | (70.8) | (43.2) |
| Dividends received | 377.3 | 499.2 |

## 14. Non-recurring income

Non-recurring income breaks down as follows:

| *(in millions of euros)* | 2008 | 2007 |
|---|---|---|
| Net proceeds from the sale of operating intangible assets and PP&E | - | 4.1 |
| Net proceeds from the sale of securities, impairment losses and related transactions | (44.5) | 378.0 |
| Cost of disputes, litigation and restructuring | (34.1) | (3.6) |
| Other non-recurring income/(expenses) | (6.5) | (2.5) |
| **TOTAL** | **(85.1)** | **376.0** |

Net proceeds on the sale of securities primarily related, in 2008, to the sale of PPR shares – liquidity contract and in 2007, the disposals of France Printemps and Kadéos.

## 15. Income tax

This line item breaks down as follows:

| *(in millions of euros)* | 2008 | 2007 |
|---|---|---|
| Tax consolidation benefit | 184.3 | 87.7 |
| Tax losses owed to subsidiaries | (83.0) | (25.0) |
| Other | 1.3 | 4.9 |
| **TOTAL** | **102.6** | **67.6** |

Under a tax consolidation agreement that came into effect on January 1, 1988, PPR pays the tax due by members of the consolidated Group and fulfils all relevant tax obligations.

The tax consolidation scope was comprised of 99 companies in 2008 compared to 85 in 2007.

In the absence of tax consolidation, the Company would not have paid any income tax.

## 16. Other information

### 16.1. Average number of employees

There was an average of 111 employees in 2008 compared to 112 in 2007.

As part of to the Individual Training Right, the number of training hours vested by employees and unused at December 31, 2008 was 7,253.

### 16.2. Statutory Auditors' fees

The Statutory Auditors' fees recorded in the income statement amount to:

| | KPMG Audit | | Deloitte & Associés | |
|---|---|---|---|---|
| *(in thousands of euros)* | 2008 | 2007 | 2008 | 2007 |
| Statutory audit, certification, review of parent company and consolidated financial statements | 283.3 | 304.7 | 313.8 | 334.9 |
| Other work and services directly related to the work of the statutory audit | 18.5 | 67.0 | 127.0 | 235.2 |
| Other services provided | - | 64.7 | - | 110.0 |
| **TOTAL** | **301.8** | **436.4** | **440.8** | **680.1** |

### 16.3. Consolidating company

PPR is controlled by Artémis, which holds 40.8% of its share capital. Artémis is in turn wholly owned by Financière Pinault.

## 17. Subsequent events

There was no subsequent event of note except for the €750 million redemption on January 23, 2009 of the bonds issued on July 23, 2003.

## SUBSIDIARIES AND INVESTMENTS

| *(in thousands of euros)* | | Share capital | Shareholders' equity excl. capital and net income | Share of capital held |
|---|---|---|---|---|
| **I - DETAILED INFORMATION** | | | | |
| **A – Subsidiaries (over 50% interest) and representing over 1% of capital** | | | | |
| Caumartin Participations | France | 6,132 | 76,367 | 99.98 |
| Conforama Holding | France | 73,805 | 467,025 | 92.89 |
| Club de Développement PPR | France | 4,460 | (2,407) | 60.00 |
| Discodis | France | 153,567 | 24,274 | 100.00 |
| Financière Marothi | France | 2,351,188 | 1,949,048 | 99.99 |
| Redcats | France | 61,300 | 393,469 | 99.99 |
| Saprodis | France | 619,798 | 171,386 | 82.09 |
| Sapardis | France | 1,799,936 | (93,775) | 100.00 |
| Printemps Réassurances | Luxembourg | 9,945 | 0 | 100.00 |
| Zinnia | France | 6,000 | (3) | 99.00 |
| PPR Luxembourg | Luxembourg | 15,500 | (5,351) | 100.00 |
| **B - Associates (less than 50% interest) and representing over 1% of capital** | | | | |
| Gucci Group NV | The Netherlands | 108,246 | 3,038,334 | 33.31 |
| **II - SUMMARY INFORMATION** | | | | |
| **A - Subsidiaries not listed in I** | | | | |
| French subsidiaries | | | | |
| Foreign subsidiaries | | | | |
| **B - Associates not listed in I** | | | | |
| French associates | | | | |
| Foreign associates | | | | |

| Financial information | | | | | | | |
|---|---|---|---|---|---|---|---|
| Carrying amount of shares | | | | | | | |
| Gross | Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue (ex VAT) | Last published net income/ (loss) | Dividends received by the Company during the year | Observations |
| 82,354 | 82,354 | | | | 288,217 | 40,289 | |
| 252,360 | 252,360 | | | 11,914 | (8,825) | | |
| 9,147 | 595 | | | | (1,063) | | |
| 299,735 | 299,735 | | | | 195,839 | 63,986 | |
| 4,648,062 | 4,648,062 | | | | 2,498 | | |
| 1,232,521 | 1,232,521 | | | 41,993 | 69,538 | 48,000 | |
| 568,830 | 568,830 | | | | 23,025 | 53,255 | |
| 1,804,000 | 1,804,000 | | | | (58,820) | | |
| 10,188 | 10,188 | | | | | | |
| 5,940 | 5,939 | | | | (1) | | |
| 14,416 | 10,484 | | | | 335 | | Financial statements at 12/31/2007 |
| 2,548,230 | 2,548,230 | | | 43,009 | 1,167,931 | 167,069 | |
| 6,757 | 5,220 | | | | | 2,947 | |
| 1,968 | 0 | | | | | | |
| 754 | 754 | | | | | 1,687 | |
| **11,485,262** | **11,469,272** | | | | | | |

## SECURITIES PORTFOLIO AT DECEMBER 31, 2008

This table supplements the information set out in the table of subsidiaries and investments.

| Company name (in thousands *of euros*) | Country | Interest held % | Gross carrying amount | Impairment losses | Net carrying amount |
|---|---|---|---|---|---|
| 1- Subsidiaries and investments in companies where the gross carrying amount of the shares is lower than or equal to €5,062,215 (representing 1% of the capital) | | | | | |
| Balzan | France | 99.87 | 48.7 | 9.7 | **39.0** |
| Conseil & Assistance | France | 90.00 | 669.3 | 669.3 | |
| Discodis International | Switzerland | 40.00 | 295.3 | | **295.3** |
| Luminosa | France | 99.80 | 44.9 | | **44.9** |
| Melitte | France | 99.83 | 45.6 | 6.7 | **38.9** |
| PPR Asia | Singapore | 92.86 | 1,967.7 | 1,967.7 | |
| PPR Finance | France | 99.90 | 152.3 | | **152.3** |
| PPR International | Luxembourg | 40.00 | 317.3 | | **317.3** |
| PPR Marketing Services | Switzerland | 39.69 | 142.4 | | **142.4** |
| PPR Purchasing | France | 75.00 | 3,527.5 | | **3,527.5** |
| Prodistri | France | 99.96 | 228.6 | | **228.6** |
| Savoisienne | France | 99.00 | 1,977.1 | 828.1 | **1,149.0** |
| Tremi | France | 99.80 | 48.7 | 9.2 | **39.5** |
| Other (gross carrying amount under €15,000) | | | 13.6 | 13.6 | |
| 2- Other shares (interest under 10%) | | | 139.5 | 2.5 | **137.0** |
| 3- Marketable securities | | | | | |
| Sicav AGF | France | | 52,497.6 | | **52,497.6** |
| Poltrona Frau | Italy | | 5,775.0 | 3,685.0 | **2,090.0** |
| PPR treasury shares | France | | 6,412.0 | | **6,412.0** |
| Other (gross carrying amount under €15,000) | | | 2.8 | | **2.8** |
| **TOTAL** | | | **74,305.9** | **7,191.8** | **67,114.1** |

# Parent company management report

The Company's resources primarily consist of dividends received from its subsidiaries, rental income on its real estate holdings, financial income and advisory and support fees received from its subsidiaries, calculated as a percentage of their sales in line with standard practice.

The Board determines the Company's business strategy and monitors its implementation. It receives regular updates on the business and sales performance of the Company and of its Group in line with the provisions of the Articles of Association and the law. As part of its duties, it carries out whatever checks and controls it feels are necessary. The Board met on February 18, 2009 to discuss the financial statements for the year, the appropriation of net income as well as the agenda for the Combined General Shareholders' Meeting of your Company to be held on May 7, 2009.

## Financial activity

On May 16, 2008, the Company issued €400 million in bonds indexed on the performance of the PPR stock, on the following terms:

- an initial €200 million tranche at a fixed rate of 6.405%, maturing on November 16, 2012;
- a second €200 million tranche at a fixed rate of 6.536%, maturing on May 16, 2013.

## Highlights of the year

The highlights of the year are set out on pages 129-130 and 182.

## Risk management

Information on risk management is set out on pages 159-164 *et seq*.

## Change in accounting method during the year

The Company applies CNC (*Comité de la réglementation comptable* - French Accounting Regulations Committee) Regulation no. 2008-15 of December 4, 2008 on the accounting treatment of share subscription and purchase option plans and employee bonus share plans. This treatment did not have a material impact on the Company's financial statements.

## Net income

The parent company posted an operating loss of €17.3 million in 2008 compared to a loss of €12.6 million in 2007.

Net financial income amounted to €78.1 million compared to €313.9 million in 2007. This includes dividends received from subsidiaries and debt service charges.

Non-recurring items represented €85.1 million compared to net income of €376 million in 2007.

The Company, which is the tax parent of some of the Group's French subsidiaries, recorded a tax consolidation benefit of €102.6 million compared to €67.6 million in 2007.

Overall, the Company reported net income for the year of €76.5 million compared to €742.9 million in 2007.

## Income appropriation

At its meeting of February 18, 2009, the Board of Directors recorded and resolved to propose the following income appropriation to the Ordinary General Shareholders' Meeting:

| *(in euros)* | |
|---|---|
| **Source** | |
| Retained earnings | 1,624,687,687.06 |
| Net income for the year | 76,521,207.80 |
| Total for appropriation | 1,701,208,894.86 |
| **Appropriation** | |
| Legal reserve (1) | - |
| Dividend (2) | 417,632,744.10 |
| Retained earnings | 1,283,576,150.76 |
| Total appropriation | 1,701,208,894.86 |

*(1) No new charge to the legal reserve is being proposed since it stood at €51,534,910 at December 31, 2008, i.e. above the legal minimum (10% of capital).*
*(2) A dividend of €3.30 per share qualifying for the 40% tax credit, to be paid out on May 14, 2009.*

Dividends paid out over the past three fiscal years:

| Year of payment | Net dividend | Qualifying for a tax credit of |
|---|---|---|
| 2008 | €3.45 | 40% |
| 2007 | €3.00 | 40% |
| 2006 | €2.72 | 40% |

# SHARE CAPITAL TRANSACTIONS

The Company's share capital as of December 31, 2008 was €506,221,508, divided into 126,555,377 fully paid-up €4 shares.

At that date, Company and Group employees held 177,505 shares, representing 0.14% of the share capital, pursuant to the provisions of Article L. 225-102 of the French Commercial Code. Employees also held 261,339 bonus shares that are still locked-in and represent 0.21% of capital. In addition, Company employees held 32,991 shares via a Retirement Savings Plan, representing some 0.03% of the capital.

## Current authorisations granted by the General Shareholders' Meeting to the Board of Directors

Pursuant to the decisions of the Extraordinary General Shareholders' Meeting, the Board of Directors has the following authorisations:

| | Maximum par value of debt securities that are likely to be issued | Maximum par value of the share capital increase | Term of the authorisation |
|---|---|---|---|
| **Authorisations granted by the General Shareholders' Meeting of May 14, 2007** | | | |
| Share capital increase via the issue (s), with pre-emptive subscription rights, of shares, warrants and/or marketable securities convertible either immediately or in the future into Company shares or debt securities [1] | €6 billion [*] | €200 million [*] | 26 months |
| Share capital increase via the issue (s), with waiver of pre-emptive subscription rights, of shares, warrants and/or marketable securities convertible either immediately or in the future into Company shares, including for the purpose of compensating shares (or debt securities) tendered in a public exchange offer [1] | €6 billion [*] | €200 million [*] | 26 months |
| Share capital increase via the capitalisation of reserves, earnings or additional paid-in capital [1] | | €200 million [*] | 26 months |
| Share capital increase for the purposes of compensating in-kind contributions up to a maximum of 10% of the share capital [1] | | €51.2 million | 26 months |
| Share subscription or purchase option plans for a total of 2,500,000 shares [2] | | €10 million | 38 months |
| Granting of bonus shares reserved for employees and corporate officers [3] | | €2.57 million | 38 months |
| Share issues reserved for Group employees [1] | | €4.8 million | 26 months |
| **Authorisation granted by the General Shareholders' Meeting of June 9, 2008** | | | |
| Share capital increase via the issue (s), with waiver of pre-emptive subscription rights, of shares, warrants and/or marketable securities convertible either immediately or in the future into Company shares, reserved for a category of beneficiaries [1] | €1.250 billion | €50 million | 18 months |

*(*) Overall ceilings.*

*(1) Authorisation not used.*

*(2) Authorisation used in 2007 in respect of 406,800 purchase options, with no impact on the number of shares in the share capital. These options represent 16.27% of the authorised maximum.*

*(3) Authorisation used in 2007 in respect of 78,234 shares, i.e. 12.2% of the authorised maximum and in 2008 in respect of 189,495 shares, i.e. 29.9% of the authorised maximum.*

As indicated in the above table, the Extraordinary General Shareholders' Meeting of May 14, 2007 authorised the Board of Directors to carry out various marketable securities issues potentially resulting immediately or in the future in Company share capital increases as well as to increase the share capital via the capitalisation of reserves, earnings or additional paid-in capital and the Extraordinary General Shareholders' Meeting of June 9, 2008 authorised a capital increase via the issue, with waiver of pre-emptive subscription rights, reserved for a category of beneficiaries.

With respect to the first four authorisations, the General Shareholders' Meeting of May 14, 2007 set the maximum par value of the debt securities that could be issued at €6 billion and the maximum par value of capital increases at €200 million. The €1.250 billion and €50 million ceilings set by the General Shareholders' Meeting of June 9, 2008 in respect of the authorisation to carry out a capital increase via the issue, with waiver of preferential subscription rights, reserved for a category of beneficiaries were charged against the overall ceilings previously set by the General Shareholders' Meeting of May 14, 2007.

These authorisations were not used during the year and expire in 2009, with the exception of authorisations to grant share subscription and purchase options and bonus Company shares to employees and corporate officers. We would thus ask shareholders to grant the Board of Directors new authorisations to carry out various marketable securities issues resulting immediately or in the future in increases in the Company's capital as well as to carry out capital increases via the capitalisation of reserves, earnings or additional paid-in capital.

Furthermore, the Extraordinary General Shareholders' Meeting of May 14, 2007 authorised the Board of Directors to, for a period of 26 months, reduce the share capital in the legally required manner via the cancellation of shares bought back under share buyback programmes (see below). Since this latter authorisation expires in 2009, we would ask shareholders to grant a new authorisation to the Board of Directors.

A breakdown of the share capital as of December 31, 2008 and movements over the past three years is set out on page 292.

## Share capital movements

| Year | Transaction description | Additional paid-in capital | Par value of capital changes | Successive amounts of Company capital (as of December 31) | Aggregate number of ordinary €4 shares |
|---|---|---|---|---|---|
| **2008** | Exercise of options | €1,631,590 | €104,992 | | 26,248 |
| | Cancellation of shares | €(137,717,453) | €(6,211,240) | | (1,552,810) |
| | | **€(136,085,863)** | **€(6,106,248)** | **€506,221,508** | **126,555,377** |
| 2007 | Exercise of options | €12,546,619 | €800,968 | | 200,242 |
| | Cancellation of shares | €(59,242,171) | €(2,022,308) | | (505,577) |
| | | **€(46,695,552)** | **€(1,221,340)** | **€512,327,756** | **128,081,939** |
| 2006 | Conversion of Océane bonds | €686,314,610 | €33,332,424 | | 8,333,106 |
| | Cancellation of shares | €(36,386,197) | €(1,576,248) | | (394,062) |
| | | **€649,928,413** | **€31,756,176** | **€513,549,096** | **128,387,274** |
| 2005 | Exercise of options | €512,491 | €55,000 | | 13,750 |
| | Cancellation of shares | €(154,460,000) | €(8,000,000) | | (2,000,000) |
| | | **€(153,947,509)** | **€(7,945,000)** | **€481,792,920** | **120,448,230** |
| 2004 | Exercise of options | €1,301,830 | €110,000 | | 27,500 |
| | | **€1,301,830** | **€110,000** | **€489,737,920** | **122,434,480** |
| 2003 | Exercise of options | €379,266 | €50,000 | | 12,500 |
| | | **€379,266** | **€50,000** | **€489,627,920** | **122,394,480** |
| 2002 | - | - | - | **€489,577,920** | **122,394,480** |

On January 23, 2008, the Board of Directors recorded the capital increase as of December 31, 2007 resulting from the share subscription options exercised in 2007 (subsequent to January 2, 2007), thereby raising the capital to €512,327,756 divided into 128,081,939 shares of €4 par value per share. The capital reduction authorisation granted by the General Shareholders' Meeting of May 14, 2007 was used by the Board of Directors on June 9, 2008 to cancel 1,552,810 treasury shares, thereby reducing the share capital to €506,116,516, divided into 126,529,129 shares of €4 par value per share. On January 6, 2009, the CEO, using the authorisation granted him by the Board of Directors at its meeting of October 22, 2008, pursuant to the new provisions of Article L. 225-178 of the French Commercial Code, recorded the capital increase as of December 31, 2008 resulting from the share subscription options exercised in 2008, thereby raising the capital to €506,221,508 divided into 126,555,377 shares of €4 par value per share.

As of December 31, 2008, the share capital is likely to be increased by 1,366,355 shares (1.08% of the capital) via the exercise of share subscription options under current option plans.

## Share pledges

As of December 31, 2008, 10,285,005 registered shares (*nominatif pur*) were pledged by the Artémis Group.

| Name of registered shareholder | Beneficiary | Pledge start date | Pledge expiry date | Terms of cancellation of the pledge | Number of the issuer's shares pledged | % of the issuer's capital pledged [2] |
|---|---|---|---|---|---|---|
| Artémis | Calyon | 07/25/2006 | Unspecified | [1] | 5 | - |
| Artémis | Calyon | 02/28/2007 | Unspecified | [1] | 2,865,000 | 2.26% |
| Artémis | Calyon | 04/08/2008 | Unspecified | [1] | 7,420,000 | 5.86% |

*(1) Full reimbursement or payment of the receivable.*
*(2) Based on the share capital as of 12/31/2008 comprising 126,555,377 shares of €4 per value per share.*

## Share buyback programme

On May 26, 2004, PPR granted a mandate to a financial intermediary for the purposes of supporting trading liquidity and the stability of PPR stock price. This contract, which complies with the provisions of the Professional Code of Conduct drawn up by the AFEI (*Association Française des Entreprises d'Investissement* - French Association of Investment Companies), was allocated €40 million, divided equally between cash and shares. An additional €20 million in cash was allocated in September 2004 followed by a further €30 million on December 18, 2007.

Furthermore, the General Shareholders' Meeting of May 14, 2007 had authorised the Board of Directors to trade in Company shares for a period of 18 months in accordance with the goals and terms of the share buyback programme filed with the AMF, with a maximum purchase price of €175 per share, without the number of shares to be purchased possibly exceeding 10% of the share capital.

The General Shareholders' Meeting of June 9, 2008 authorised the Board of Directors to trade in Company shares for a period of 18 months, on the same terms and conditions, and kept the maximum purchase price at €175 per share.

On May 7, 2009, the General Shareholders' Meeting will be asked to approve an authorisation to trade in Company shares with the establishment of a new buyback programme.

## Buybacks and sales of shares during 2008 – Trading costs – Number of treasury shares held at 12/31/2008

### *Buybacks*

- 1,914,500 shares were bought back by the Company as part of the authorisation granted by the General Shareholders' Meeting of May 14, 2007, at an average price of €92.78 ;
- 738,253 shares were bought back as part of the authorisation granted by the General Shareholders' Meeting of June 9, 2008, at an average price of €56.68.

Thus, in 2008, PPR bought back a total of 2,652,753 shares at an average price of €82.73, for the following purposes:

- 18,690 shares to be granted as bonus shares to employees under the 2006 bonus share plan expiring in May 2008;
- 80,000 shares to be granted as bonus shares to employees under the 2008 bonus share plan expiring in June 2010;
- 1,552,810 for the purpose of cancelling them;
- 1,001,253 under the liquidity contract.

### *Sales*

In 2008, PPR sold 1,587,753 shares at an average price of €55.18, under the aforementioned liquidity contract.

### *Trading costs*

Total share trading costs amounted to €0.8 million in 2008.

## Share cancellations in 2008

Using the authorisation granted by the General Shareholders' Meeting of May 14, 2007 to reduce the share capital by cancelling treasury shares up to a maximum of 10% of the capital per 24-month period, the Board of Directors, at its meeting of June 9, 2008, resolved to cancel 1,552,810 shares, effective that day.

Considering the cancellations carried out over the 24 months prior to the coming into effect of this decision, the number of PPR shares cancelled during this period amounted to 2,058,387 shares, representing 1.6% of the number of shares in the capital as of June 9, 2008.

At year-end, the Company held no treasury shares under the liquidity contract, and directly 80,000 shares with a par value of €4 per share and a carrying amount of €6,412,000, representing 0.06% of the share capital.

## Buybacks and sales of PPR shares effected between January 1 and March 20, 2009

Since January 1, 2009, as part of the liquidity contract, your Company has acquired 135,500 shares at an average price of €44.42 and has sold 135,500 shares at an average price of €45.01.

As of March 20, 2009, your Company held no shares under this contract, as on December 31, 2008.

Outside the liquidity contract, your Company has acquired no treasury shares during this period.

Therefore, the total number of treasury shares held by PPR amount to 80,000 shares with a par value of €4 per share and with a carrying amount of €6,412,000 as of March 20, 2009.

## Use of derivatives in 2008

PPR did not buy any PPR call options in 2008.

Call options expiring in 2008 were not exercised.

As of December 31 2008, PPR held 1,308,193 call options mainly intended to hedge share subscription and purchase option plans.

## Special report on share subscription and purchase options and bonus share grants

The policy governing the granting of share subscription and purchase options and bonus shares forms part of the Group human resources policy and is determined each year by the Board of Directors based on preparatory work and proposals from the Remuneration Committee.

Overall, this programme aims to recognise the contribution of employees to PPR's past and future results, to encourage long-term commitment to the Group and enable PPR Group employees to benefit from increases in PPR's stock market value. Stock options are designed to enhance employee loyalty, while bonus share grants seek to recognise an employee's contribution to PPR's results.

Eligible employees include managers holding key positions and with major responsibilities within the Group who, selected at the suggestion of each Branch, play a key part in the development and implementation of the Group's strategy.

Grants are made on the basis of general and specific criteria and are not cumulative with other salary-related bonuses. In 2007, 262 employees had stock options and in 2008, 506 employees received bonus share grants, referred to performance shares (see page 282.)

François-Henri Pinault and Jean-François Palus were each recipients of performance shares. The breakdown of their performance share grants is set out in the «Corporate Governance» section on page 310.

## Share subscription and purchase option plans

Grants are in principle made annually. However, in 2008, no share subscription or purchase option plan was introduced.

**PPR STOCK OPTION PLANS AS OF 12/31/2008**

| | 1999/1 Plan | 1999/2 Plan | 1999/3 Plan | 2000/1 Plan |
|---|---|---|---|---|
| | Purchase options | Purchase options | Purchase options | Purchase options |
| Date of General Shareholders' Meeting | 06/05/1997 | 06/05/1997 | 06/05/1997 | 06/05/1997 |
| Date of Management Board/Board of Directors' meeting | 01/20/1999 | 05/21/1999 | 12/08/1999 | 01/26/2000 |
| Number of beneficiaries | 36 | 44 | 560 | 26 |
| Number of options initially granted | 27,495 | 25,455 | 412,350 | 12,100 |
| o/w: to members of the Management Board (1)/ corporate officers | - | - | 52,400 | - |
| *to François-Henri Pinault* | | | *20,000* | |
| *to Jean-François Palus* | *1,500* | | | |
| o/w to the top ten salaried employees | | | | |
| Number of options exercised as of 12/31/2008 | 0 | 0 | 0 | 0 |
| Cancelled options (as of 12/31/2008) | 22,145 | 19,835 | 255,400 | 9,800 |
| Number of outstanding options as of 12/31/2008 | 5,350 | 5,620 | 156,950 | 2,300 |
| Plan start date | 04/01/1999 | 07/01/1999 | 12/27/1999 | 03/01/2000 |
| Plan expiry date | 03/31/2009 | 06/30/2009 | 12/26/2009 | 02/28/2010 |
| Exercise price | €154.58 | €144.83 | €189.19 | €227.15 |

| | 2003/2 Plan | 2004/1 Plan | 2004/2 Plan | 2005/1 Plan |
|---|---|---|---|---|
| | Subscription options | Subscription options | Subscription options | Subscription options |
| Date of General Shareholders' Meeting | 05/21/2002 | 05/21/2002 | 05/21/2002 | 05/21/2002 |
| Date of Management Board/Board of Directors' meeting | 07/09/2003 | 05/25/2004 | 07/07/2004 | 01/03/2005 |
| Number of beneficiaries | 18 | 846 | 1 | 13 |
| Number of options initially granted | 5,430 | 540,970 | 25,000 | 25,530 |
| o/w: to members of the Management Board (1)/ corporate officers | - | 90,000 | 25,000 | - |
| *to François-Henri Pinault* | | | | |
| *to Jean-François Palus* | | | | |
| o/w to the top ten salaried employees | | 36,305 | | - |
| Number of options exercised as of 12/31/2008 | 1,285 | 200 | 0 | 0 |
| Cancelled options (as of 12/31/2008) | 2,895 | 147,274 | 0 | 62 |
| Number of outstanding options as of 12/31/2008 | 1,250 | 393,496 | 25,000 | 25,468 |
| Plan start date | 07/09/2003 | 05/25/2004 | 07/07/2004 | 01/03/2005 |
| Plan expiry date | 07/08/2013 | 05/24/2014 | 07/06/2014 | 01/02/2015 |
| Exercise price | €67.50 | €85.57 | €84.17 | €75.29 |

*NB: each option confers entitlement to one share.*
*(1) Membership as of May 19, 2005.*

The plans offered in 2006 and 2007 have terms of eight years (compared to terms of ten years for previous plans) and the options granted are purchase options. With no impact on the number of shares in the share capital, they are not dilutive.

Since 2001, plans are granted without a price discount and are subject to a lock-in period of four years; up to 2000, a discount of 5% was applied.

Employees and corporate officers who leave the Group before exercising their options lose part of their entitlement, determined on the basis of their length of service with the Group since the grant date and the nature of their departure.

25% of options are vested per full year of service. All rights vest upon retirement. If a beneficiary resigns, he or she loses all rights vested since 2005, subject to derogations granted by the Company. If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

As of December 31, 2008, the number of options outstanding was 2,467,450, including 1,366,355 subscription options and 1,101,095 purchase options.

| 2000/2 Plan | 2001/1 Plan | 2001/2 Plan | 2002/1 Plan | 2002/2 Plan | 2003/1 Plan |
|---|---|---|---|---|---|
| Purchase options | Purchase options | Purchase options | Subscription options | Subscription options | Subscription options |
| 06/05/1997 | 06/05/1997 | 05/18/2001 | 05/18/2001 | 05/18/2001 | 05/21/2002 |
| 05/23/2000 | 01/17/2001 | 05/18/2001 | 05/03/2002 | 05/03/2002 | 07/09/2003 |
| 125 | 722 | 206 | 1,074 | 1,053 | 721 |
| 93,100 | 340,240 | 87,260 | 438,296 | 410,271 | 528,690 |
| - | 52,000 | - | 45,000 | 45,000 | 109,000 |
| *1,500* | | | | | |
| | 22,970 | 14,000 | 24,320 | 24,320 | 37,855 |
| 0 | 0 | 0 | 3,675 | 0 | 193,080 |
| 69,600 | 192,780 | 49,720 | 234,920 | 212,865 | 140,771 |
| 23,500 | 147,460 | 37,540 | 199,701 | 197,406 | 194,839 |
| 07/01/2000 | 02/01/2001 | 06/01/2001 | 05/03/2002 | 05/03/2002 | 07/09/2003 |
| 06/30/2010 | 01/31/2011 | 05/31/2011 | 05/02/2012 | 05/02/2012 | 07/08/2013 |
| €202.91 | €225.01 | €225.01 | €128.10 | €140.50 | €66.00 |

| 2005/2 Plan | 2005/3 Plan | 2005/4 Plan | 2006/1 Plan | 2007/1 Plan | 2007/2 Plan |
|---|---|---|---|---|---|
| Subscription options | Subscription options | Subscription options | Purchase options | Purchase options | Purchase options |
| 05/19/2005 | 05/19/2005 | 05/19/2005 | 05/19/2005 | 05/14/2007 | 05/14/2007 |
| 05/19/2005 | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/14/2007 | 09/17/2007 |
| 458 | 22 | 15 | 450 | 248 | 14 |
| 333,750 | 39,960 | 20,520 | 403,417 | 355,500 | 51,300 |
| 50,000 | - | - | 55,000 | 60,000 | - |
| *50,000* | | | *55,000* | *60,000* | |
| *2,100* | | | *7,700* | *7,700* | |
| 23,828 | - | - | 18,940 | 20,780 | - |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 53,845 | 4,480 | 6,710 | 55,992 | 28,150 | 3,700 |
| 279,905 | 35,480 | 13,810 | 347,425 | 327,350 | 47,600 |
| 05/19/2005 | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/14/2007 | 09/17/2007 |
| 05/18/2015 | 05/18/2015 | 07/05/2015 | 05/22/2014 | 05/13/2015 | 09/16/2015 |
| €78.01 | €78.97 | €85.05 | €101.83 | €127.58 | €127.58 |

**SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED BY PPR AND ASSOCIATES TO THE TOP TEN EMPLOYEES (EXCLUDING CORPORATE OFFICERS) AND OPTIONS EXERCISED BY THEM**

| Share subscription and purchase options granted to the top ten employees (excluding corporate officers) and options exercised by them | Total number of options granted, subscribed or purchased | Weighted average price |
|---|---|---|
| Options granted during the year by the issuer or any other company within the scope of the option grant, to the ten employees of the issuer and of any other company within this scope receiving the most options. | 0 | - |
| Options in respect of the issuer or any of the aforementioned companies exercised during the year by the ten employees of the issuer and of these companies subscribing for or purchasing the most options. | 488 | €72.62 |

## Performance share plans

Three bonus share plans involving 189,495 existing shares were granted on June 9, 2008 and October 22, 2008.

There were 506 performance share beneficiaries in 2008.

27,750 performance shares were granted to executive corporate officers.

107,990 performance shares were granted to Group management.

53,755 performance shares were granted to Group management residing abroad.

A bonus share policy was introduced in 2005 to replace the previous option grants for employees based in France.

Performance shares are definitively vested at the end of a two-year vesting period, which is followed by a two-year lock-in period during which the performance shares thus granted may not be sold. Moreover, the grant is subject to a performance condition, whereby should the PPR stock price underperform the CAC 40 during the two-year vesting period (four years for foreign residents), the number of shares definitively granted is adjusted downwards on a pro rata basis to this underperformance.

Finally, unless an exception is granted by the Company, beneficiaries who are no longer employees or corporate officers in the Group by the end of the vesting period lose part of their entitlement, determined on the basis of the nature of their departure from the Group in line with the same rules as for options.

| PPR performance share grants as of 12/31/2008 | 2007 Plan | 2008-I Plan | 2008-II and III plans |
|---|---|---|---|
| Date of General Shareholders' Meeting | 05/14/2007 | 05/14/2007 | 05/14/2007 |
| Date of Board Meeting | 05/14/2007 | 06/09/2008 | 10/22/2008 |
| Number of shares initially granted | 78,234 | 86,530 | 102,965 |
| to the top ten beneficiary employees of the Company | 3,245 | 3,700 | 8,030 |
| Shares cancelled (at 12/31/2008) | 3,730 | 660 | 2,000 |
| Number of remaining shares at 12/31/2008 | 74,504 | 85,870 | 100,965 |
| Number of beneficiaries | 304 | 269 | 240 |
| Definitive grant date | 05/14/2009 | 06/09/2010 | 10/22/2010 (*) |
| Date on which shares may be sold | 05/14/2011 | 06/09/2012 | 10/22/2012 |

*(*) 10/22/2012 without any additional holding obligation for foreign residents.*

| Performance shares granted to the top ten employees (excluding corporate officers) of the Company | Total number of performance shares granted |
|---|---|
| Performance shares granted during the year by the issuer or any other company within the scope of the share grant, to the ten employees (excluding corporate officers) of the issuer receiving the most shares. | 8,870 |

## Employee incentives (employee incentive and profit-sharing agreements)

The employee profit-sharing agreement, signed on December 29, 1988, is automatically renewed.

The amount of the employee profit-sharing reserve for the year, which is equal to 0.8% of the dividend paid out by the Company after the end of this year and is capped based on dividend growth, is shared out between employees with at least three months' service with the Group pro rata to their respective salaries for the reference year.

The amounts distributed under this agreement over the past number of years were as follows: €1,081,057 in 2002, €1,067,966 in 2003, €1,119,536 in 2004, €1,158,439 in 2005, €1,252,255 in 2006 and €1,408,271 in 2007 and €1,634,543 in 2008.

There are no employee incentive agreements.

## Subsidiaries and investments

As a holding company, the Company carried out various transactions with its subsidiaries: reclassification of associates and acquisition or disposal of securities.

Information on the activities and results of subsidiaries and investments, equity interests acquired and changes in percentage interests in Group companies is set out in the Activity Report in this chapter and in the notes to the consolidated financial statements (see the list of consolidated companies on pages 245-253).

## Subsequent events

These events are set out on pages 154 and 243 of the Reference Document.

## Combined General Shareholders' Meeting of May 7, 2009

We called a Combined General Shareholders' Meeting to seek shareholder approval for 26 resolutions, the purposes of which are set out below.

### I - Resolutions within the ambit of the Ordinary General Shareholders' Meeting

#### *1- Approval of the financial statements for the fiscal year ended December 31, 2008*

In light of the upcoming General Shareholders' Meeting, the Board of Directors approved the 2008 financial statements and prepared its report on the activities of the Company and of its Group during the year as well as on share subscription and purchase option plans and bonus share grants.

As outlined above, shareholders are asked to approve the 2008 parent company and consolidated financial statements, and to approve the proposed appropriation of net income, particularly a dividend of €3.30 per share, down 4.3% on the previous dividend. It is specified that this dividend will be paid out on May 14, 2009, will be detached from the share on May 11 and payable in cash on the positions recorded on the evening of May 13, 2009. For individuals who are tax residents in France, the dividend is taxable at the progressive rate of income tax and qualifies for the tax credit provided for under Article 158-3-2 of the French General Tax Code, save election upon receipt of dividends or election in respect of income received during the same year for the final flat rate withholding tax provided for under Article 117 *quater* of the French General Tax Code.

#### *2- Total amount of directors' fees*

In order to maintain the annual average of directors' fees, we propose to raise the total amount of directors' fees granted to the Board of Directors for this and subsequent years from €610,000 to €660,000 until further decision of the General Shareholders' Meeting.

#### *3- Authorisation to trade in Company shares*

The Combined General Shareholders' Meeting of June 9, 2008 authorised the Board of Directors to establish a Company share buyback programme, setting the maximum number of shares that could be bought back at 10% of the share capital and the maximum unit purchase price at €175 per share.

This Meeting is asked to renew this authorisation with a maximum unit purchase price of €125 per share for a period of 18 months, the terms of this new programme being set out in the description of the buyback programme filed with the AMF.

### II - Resolutions within the ambit of the Extraordinary General Shareholders' Meeting

#### *1- Authorisation to reduce the share capital*

Pursuant to the provisions of Article L. 225-209 of the French Commercial Code, the Combined General Shareholders' Meeting of May 14, 2007 authorised the Board of Directors to reduce the capital by cancelling shares bought back under share buyback programmes, up to a maximum of 10% of the share capital per 24 month period.

Shareholders are asked to renew this authorisation for a period of 26 months.

#### *2- Authorisations to increase the share capital*

The Combined General Shareholders' Meeting of May 14, 2007 granted a number of authorisations to the Board of Directors to increase the share capital. These authorisations have 26 month terms.

We would thus ask shareholders to renew these various authorisations giving recourse at any time to the capital in order to make the investments deemed necessary, while selecting at the appropriate junction the financial solutions that best suit market conditions or allowing capital increases via the capitalisation of reserves.

**a)** Shareholders are first asked to authorise the Board to issue, with pre-emptive subscription rights, shares with or without warrants, stand-alone warrants and/or marketable securities convertible immediately or in the future into shares in the Company and/or pursuant to Article L. 228-93 of the French Commercial Code, into shares in any company of which it directly holds over half the capital, and/or, pursuant to Article L. 228-91 of the French Commercial Code, securities giving entitlement to the granting of debt securities, excluding the issue of preference shares.

The total amount of issues of warrants and/or marketable securities that are likely to be carried out may not exceed €6 billion and the total amount of capital increases that are likely to be directly or indirectly carried out may not exceed two hundred million euros, not taking account of any adjustments that may need to be made.

**b)** Shareholders are also asked to empower the Board to issue shares with or without warrants, stand-alone warrants and/or marketable securities convertible immediately or in the future into shares in the Company and/or pursuant to Article L. 228-93 of the French Commercial Code, into shares in any company of which it directly holds over half the capital, and/or, pursuant to Article L. 228-91 of the French Commercial Code, securities giving entitlement to the granting of debt securities, excluding the issue of preference shares.

Shareholders are asked to waive their pre-emptive subscription rights not only to the shares, warrants and marketable securities that may be issued but also to the securities to which they may grant entitlement in order to, in particular, facilitate the placement of these issues in the financial markets or, as the case may be, to perform swaps.

Under this authorisation, the Board of Directors may issue shares in the Company and/or marketable securities convertible immediately or in the future into shares in the Company via public offering or private placement with qualified investors or a limited number of investors as well as to remunerate listed shares contributed to the Company as part of a public exchange offer.

The total amount of issues of warrants and/or marketable securities that are likely to be carried out may not exceed six billion euros and the total par value of capital increases that are likely to be directly or indirectly carried out may not exceed two hundred million euros, not taking account of any adjustments that may need to be made.

The terms and issue price of the marketable securities issued for cash under these authorisations shall be fixed in such a way that the sum accruing or that may subsequently accrue to the Company for each share issued is at least equal to the minimum fixed by applicable regulations at the time of the issue.

In the event of the issue of warrants or marketable securities other than ordinary shares, the share grant terms to which these warrants or securities shall provide entitlement as well as the dates on which the grant rights may be exercised shall be determined by the Board of Directors when making the decision to issue.

When making issue decisions, the Board of Directors shall also determine the marketable securities to be issued and the number of securities issued, the currency or issue unit, the value of each security as well as the amount of issues and subscriptions.

**c)** Shareholders are also asked to authorise the Board of Directors to increase the capital, on one or more occasions, via the capitalisation of reserves, earnings or additional paid-in capital, for a maximum of two hundred million euros.

These three authorisations shall be granted for periods of 26 months from the date of the General Shareholders' Meeting.

**d)** Shareholders are asked to authorise the Board of Directors to, in respect of the issues carried out under the authorisation covered in point b) above, and up to 10% of the share capital per annum, set share issue prices as follows: the sum accruing or that should accrue to the Company for each issue carried out must at least equal 90% of the weighted average price over the three trading sessions immediately prior to the setting of the issue terms, with the goal of facilitating the placement of these issues, in particular the implementation timeframes. In the event of the issue of stand-alone share subscription warrants, the issue price of said warrants shall be taken into account in the calculation of the share issue price.

The maximum par value of the capital increase that is likely to be carried out under these four authorisations is set at two hundred million euros and the maximum par value of debt securities likely to be issued is set at six billion euros, the par value of the capital increase stemming from the authorisation covered in point b) above and the object of the 8th resolution in the event that it is used for a private placement to qualified investors or a limited number of investors being in any event limited to 20% per annum of the amount of the share capital and the authorisation covered in d) above, and the object of the 10th resolution, being in any event limited to 10% per annum of the amount of the share capital.

In the event of over-subscription for a capital increase carried out under authorisations covered in points a), b) and d) above, the number of securities to be issued may be increased by the Board of Directors as per the law.

### *3- Employee shareholding*

Pursuant to Article L. 225-129-6 of the French Commercial Code, shareholders are asked to authorise the Board of Directors to carry out a share capital increase for the benefit of Group employees belonging to a Retirement Savings Plan and to waive for this purpose shareholder pre-emptive subscription rights in favour of this group.

The share issue price will be set pursuant to the provisions of Article L. 3332-19 *et seq* of the French Labour Code.

With a term of 26 months, this authorisation will allow the Board of Directors to increase the share capital, on one or more occasions, within a 1% limit thereof. It supersedes the one granted by the Combined General Shareholders' Meeting of May 14, 2007.

### *4- Amendments to the Articles of Association*

In order to avoid the election of the entire Board as a block at the same annual shareholders' meeting and to ensure the smooth election of directors, shareholders are asked to amend Paragraph 3 of Article 10 of the Articles of Association in order to introduce the staggered election of Board members.

Subject to the approval of 15th resolution on the amendment of the provisions of Paragraph 3 of Article 10 of the Articles of Association, the Ordinary General Shareholders' Meeting may, exceptionally and for the sole purpose of introducing the staggered election mechanism, shorten the terms of office of one or more directors so that there is a more periodic election of Board members.

## III - Resolutions within the ambit of the Ordinary General Shareholders' Meeting

### *1- Membership of the Board of Directors*

Shareholders are thus asked to reelect all current directors (with the exception of Mr. Barbier de la Serre), these reelections being moreover made on a rollover basis so that:

- Messrs Bellon and Chapin hold an extraordinary two-year term of office, expiring at the Ordinary General Shareholders' Meeting to be held in 2011;
- Messrs Di Montezemolo and Lagayette, an extraordinary three-year term, expiring at the Ordinary General Shareholders' Meeting to be held in 2012;
- Messrs Prot and Thierry as well as Mrs. Barbizet and Mr. Pinault, a four-year term of office, expiring at the Ordinary General Shareholders' Meeting to be held in 2013.

These reelections are the subject of the 16th through the 23th resolutions.

The list of all the directorships and positions held at present and over the past five years by each director is set out in the "Corporate Governance" section of the Reference Document.

In addition, the Board of Directors has resolved to ask the General Shareholders' Meeting to elect a new director, namely Mr. Aditya Mittal, for a term of office expiring at the end of the General Shareholders' Meeting to be held to approve the 2012 financial statements.

Mr. Aditya Mittal, son of Lakshmi Mittal, is 33 years old. After having graduated from the Wharton School in Pennsylvania (US), he worked as an investment banker at the CSFB bank before joining the Mittal Steel group in 1997 where he held a number of positions including Head of M&A . In this role, he pushed forward a strategy of acquisitions that enabled Mittal Steel to expand into Central Europe, Africa and the United States, turning the group into one of the world's leading steel makers. In 2004, he became Chief Financial Officer (CFO) of Mittal Steel and successfully concluded the takeover of Arcelor, holding since August 2006 the positions of Chief Financial Officer of the Arcelor Mittal Group and Member of the Group Management Board, Responsible for Finance, M&A, Business Development Strategy and the Americas, Communications and Investor Relations.

This candidate's expertise, experience and independence were assessed in January 2009 by the Appointments Committee of the Board of Directors which approved his nomination and noted that Mr. Mittal meets the independence criteria laid down in the AFEP-MEDEF report. The Board of Directors accordingly approved his candidacy, feeling that he meets the relevant criteria for assessment as an independent director if elected by the General Shareholders' Meeting.

The Board of Directors also resolved to nominate Jean-François Palus, Deputy CEO (*Directeur général délégué*), for election to the Board of Directors by the General Shareholders' Meeting. The PPR Board of Directors would thus be made up of 11 directors, six of whom are independent.

If you approve of these proposals, please vote in favour of the resolutions put to the meeting.

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Information pertaining to the conduct of labour affairs, development, outlook and the social and environmental impact of the Group's activities is set out in the other sections of the Group's management report, with the cross-reference table being found on page 355 and in the various notes.

The Company's results over the past five years are appended to this report.

## RESULTS OVER THE PAST FIVE YEARS

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| **Share capital at year-end** | | | | | |
| Share capital *(in euros)* | 506,221,508 | 512,327,756 | 513,549,096 | 481,792,920 | 489,737,920 |
| Number of ordinary shares outstanding | 126,555,377 | 128,081,939 | 128,387,274 | 120,448,230 | 122,434,480 |
| Maximum number of potential shares to be issued | 1,366,355 | 1,530,613 | 1,982,752 | 15,465,873 | 16,354,464 |
| By conversion of bonds | | | | 13,418,225 | 14,586,449 |
| By exercise of share subscription options | 1,366,355 | 1,530,613 | 1,982,752 | 2,047,648 | 1,768,015 |
| **Operations and results for the year** *(in thousands of euros)* | | | | | |
| Income from operating activities | 42,429 | 42,339 | 42,271 | 39,943 | 32,365 |
| Net income before tax, employee profit-sharing depreciation, amortisation and provisions | 4,550 | 678,235 | 827,471 | 124,309 | 341,368 |
| Income tax expense/(benefit) | 102,620 | 67,544 | 78,893 | 136,640 | 83,202 |
| Employee profit-sharing for the year | 1,804 | 1,966 | 1,417 | 1,255 | 1,261 |
| Net income after tax, employee profit-sharing depreciation, amortisation and provisions | 76,521 | 742,871 | 840,673 | 506,841 | 559,515 |
| Dividend distribution | 417,633 (1) | 441,883 | 385,162 | 327,281 | 308,535 |
| **Data per share** *(in euros)* | | | | | |
| Net income after tax and employee profit-sharing but before depreciation, amortisation and provisions | 0.83 | 5.81 | 7.05 | 2.16 | 3.46 |
| Net income after tax, employee profit-sharing, depreciation, amortisation and provisions | 0.60 | 5.80 | 6.55 | 4.21 | 4.57 |
| Dividend: | | | | | |
| Net dividend per share | 3.30 (1) | 3.45 | 3.00 | 2.72 | 2.52 |
| Gross dividend per share (50% tax credit) | (3) | (3) | (3) | (3) | (2) |
| **Employee data** | | | | | |
| Average number of employees during the year | 111 | 112 | 109 | 119 | 130 |
| Total annual payroll *(in thousands of euros)* | 15,836 | 11,019 | 9,993 | 11,436 | 10,790 |
| Total employee benefits paid during the year (social security, social works etc.) *(in thousands of euros)* | 6,654 | 4,742 | 4,373 | 4,887 | 4,777 |

*(1) Subject to approval by the Ordinary General Shareholders' Meeting of May 7, 2009.*

*(2) Pursuant to Article 243 bis of the French General Tax Code, the dividend paid to individuals, tax residents in France, qualifies in full for the 50% tax credit provided for under Article 158-3 2° of the French General Tax Code.*

*(3) Pursuant to Article 243 bis of the French General Tax Code, the dividend paid to individuals, tax residents in France, qualifies in full for the 40% tax credit provided for under Article 158-3 2° of the French General Tax Code.*

# Report of the Statutory Auditors

## on the financial statements (year ended December 31, 2008)

Dear Shareholders,

In accordance with our appointment as statutory auditors at the General Shareholders' Meetings, we report to you for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of PPR;
- the justification of our assessments;
- the specific verification procedures required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

**I. Opinion on the financial statements**

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of any material misstatement. An audit consists in checking, on a test basis, or using other methods of selection, the evidence supporting amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall presentation of the financial statements. We believe that the evidence we collected is sufficient and provides a reasonable basis for our opinion.

We certify that the annual financial statements are, with respect to French accounting rules and principles, reasonable and accurate and give a true and fair view of the operating results for the past year as well as of the financial position and assets and liabilities of the Company at the end of this year.

Without qualifying the above opinion, we draw your attention to Note 2 "Accounting rules and methods" to the financial statements, which covers the change in accounting method resulting from application of CRC Regulation no. 2008-15.

**II. Justification of assessments**

It is in this context that, pursuant to Article L. 823-9 of the French Commercial Code, we draw your attention to the following:

Note 2.1 to the financial statements sets out the accounting rules and methods used to measure long-term investments. As part of our assessment of the accounting rules and methods adopted by the Company, we verified the appropriateness of the aforementioned accounting methods and have satisfied ourselves as to their proper application.

This assessment is part of our audit of the financial statements as a whole and thus contributed to the expression of the opinion given in the first section of this report.

**III. Specific verifications and disclosures**

We also carried out the specific verifications required by law.

We have no observations to make regarding:

- the fairness or consistency with the annual financial statements of the information set out in the management report of the Board of Directors and in the documents provided to shareholders on the financial position and the annual financial statements;
- the fairness of the information set out in the management report in respect of remuneration and benefits paid to the relevant corporate officers as well as any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in functions.

As required by law, we verified sure that the management report contains the various disclosures on the identity of holders of interests and voting rights.

Paris La Défense and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

| KPMG Audit<br>Division of KPMG S.A. | | Deloitte & Associés |
|---|---|---|
| Patrick-Hubert Petit | Jean-Paul Picard | Antoine de Riedmatten |

# Special report of the Statutory Auditors

## on regulated party transactions (year ended December 31, 2008)

Dear Shareholders,

In our capacity as Company Statutory Auditors, we hereby present our report on related party transactions.

Our task is not to search for any transactions but to inform you, on the basis of the information provided to us, of the essential characteristics and terms of those disclosed to us, without making any judgement as to their usefulness or merit. It is your responsibility, pursuant to the provisions of Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from entering into these transactions with a view to their approval.

### No notice of any transaction

We hereby inform you that we were not notified of any transaction entered into during the year to which Article L. 225-38 of the French Commercial Code would apply.

### Agreements approved in previous years and continued during the fiscal year

In addition, pursuant to the French Commercial Code, we have been advised that the following agreement, approved in previous years, continued in force during the year.

#### *Payment for services provided by Artémis*

Pursuant to the terms of a support agreement between PPR and Artémis signed on September 27, 1993, Artémis carries out research and advisory work for PPR in the following areas:

- the strategy and development of the PPR Group and support in carrying out complex legal, tax, financial and real estate transactions;
- sourcing opportunities for business development in France and abroad or means of cost cutting.

At its meeting of March 10, 1999, the PPR Supervisory Board authorised payment for these services for 0.037% of consolidated net revenue (excluding VAT).

In line with the appropriate adjustment of PPR's corporate governance rules on July 6, 2005, the PPR Board of Directors resolved, without amending the agreement in force since September 27, 1993, that the PPR Audit Committee would perform, in addition to the usual annual review of the substance of the support provided by Artémis to PPR, an annual assessment of the services and their fair value having regard to the benefits provided and the resources saved in the common interest.

The means of calculating the contractually agreed amount were reviewed by the Audit Committee, which, at its meeting of January 20, 2009, noted that PPR had continued to benefit, during 2008, from the advice and assistance of Artémis on recurring issues including communications, public and institutional relations, as well as with regard to the development strategy and its implementation. This latter point notably dealt with the disposal of Yves Saint Laurent Beauté, undertaken in the autumn of 2007 and concluded in April 2008.

At its January 23, 2009 meeting, the Board of Directors recorded remuneration of €6,540,490 under this agreement (excluding VAT) in respect of 2008, it being specified that no costs were reimbursed in 2008 and that the revenue of the Puma group is excluded from the calculation of this fee, as was the case in 2007.

We carried out the verifications we deemend necessary in line with the professional standards of the Compagnie Nationale des Commissaires aux Comptes (French National Institute of Registered Auditors) applicable to this work. This consisted of inverifying the consistency of the information provided to us with the underlying documentation.

Paris La Défense and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Patrick-Hubert Petit

Deloitte & Associés
Jean-Paul Picard
Antoine de Riedmatten4

# 5 Legal information


**GENERAL INFORMATION** **290**

General information about the company 290
Shareholding/stock market 292

# General information

## GENERAL INFORMATION ABOUT THE COMPANY

### Company name and registered office

Company name: PPR

Registered office: 10, avenue Hoche, 75008 Paris - France

### Legal form

A French corporation (Société anonyme)

### Applicable law

French law

### 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 except in the case of an early dissolution or of an extension, approved by the Extraordinary General Shareholders' Meeting.

### Corporate purpose

- the purchase, retail sale or wholesale, either directly or indirectly, by all means and using all existing or future techniques, of all goods, products, commodities or services;
- the creation, acquisition, leasing, operating or sale, either directly or indirectly, of all retail or wholesale establishments, stores or warehouses, by all means and using all existing or future techniques, of all goods, products, commodities or services;
- the direct or indirect manufacture of all goods, products or commodities that are useful for corporate operations;
- the direct or indirect supply of all services;
- the purchase, operation and sale of all buildings that are useful for corporate operations;
- the creation of all commercial, non-trading, industrial and financial concerns, whether in moveable or real property, service businesses or otherwise, the acquisition of participating interests by all means, the subscription, acquisition, contribution, merger or otherwise of such concerns and the management of its participating interests;
- and, in general, all commercial, non-trading, industrial and financial operations, whether in moveable or real property, service businesses or otherwise that can be directly or indirectly connected to the purposes specified above or to all similar, complementary or related purposes or purposes that are liable to favor the creation or development thereof.

*(Article 5 of the Articles of Association)*

### Commercial register

552 075 020 RCS Paris

APE code: 741J

### Consultation of official legal documents

The Articles of Association, the minutes of General Shareholders' Meetings and other corporate documents may be consulted at the Company's registered office in accordance with the legal conditions.

### Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 of the same year.

### Appropriation of earnings

From the profit for the fiscal year, less deferred losses where applicable, a minimum withdrawal of one-twentieth shall be made and paid into a reserve fund known as the "legal reserve." Said withdrawal shall no longer be mandatory once said reserve reaches one-tenth of the share capital.

From the distributable profit, which is made up of the profit for the fiscal year less the deferred losses and the withdrawal referred to above, as well as the amounts to be paid into the reserves in accordance with the law, plus deferred profits, the general meeting, pursuant to a proposal by the Board of Directors, may withdraw all amounts it deems appropriate to determine, either to be deferred to the subsequent fiscal year, or to be entered into one or more extraordinary, general or special

reserve funds, the allocation and use of which shall be governed by the Board.

The balance, if any, shall be allocated among the shareholders.

The general meeting of the shareholders that votes on the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend or interim dividends distributed, an option between the payment of the dividend or the interim dividend in cash or in shares.

*(Article 22 of the Articles of Association)*

Dividends not claimed after five years are paid over to the State.

Dividends paid during the last three years are presented in the management report.

## Administrative and management bodies

Information regarding administrative and management bodies is presented in the "Corporate Governance" Chapter.

## General Shareholders' Meetings – Double voting rights

Shareholders' meetings shall be convened by the Board of Directors and shall deliberate on their agenda under the conditions provided for by the law and the regulations.

Meetings shall be held at the registered office or in any other place specified in the convening notice.

All shareholders may attend meetings, either in person or via a proxy, under the conditions laid down by law, subject to providing proof of their identity and of the title to their securities, by the recognition of said securities in the accounts in their name within the regulatory timeframes, either in the accounts of registered securities held by the company, or in the accounts of bearer securities held by the accredited intermediary. Proof of the capacity of a shareholder can be provided electronically, under the conditions set by the regulations in force. Pursuant to a decision of the Board of Directors, shareholders may participate in meetings via videoconference or via telecommunications means that make it possible to identify them under the conditions laid down by the regulations in force. All shareholders may vote by correspondence using a form filled out and sent to the company under the conditions laid down by the regulations in force, including electronically, pursuant to a decision by the Board of Directors. This form must reach the company under the regulatory conditions in order to be taken into account. The Board of Directors may reduce said timeframe for the benefit of all shareholders. The owners of securities who are not resident on French territory may be represented by an intermediary who is registered under the conditions laid down by the regulations in force.

Meetings shall be chaired by the Chairman of the Board of Directors or in his/her absence, by the member of the Board who is specifically appointed for this purpose by the Board. By default, the meeting shall elect its own chair.

Meeting minutes shall be prepared and copies thereof shall be certified and issued in accordance with the law.

In all general shareholders' meetings, a voting right that is double that conferred on the other shares shall be granted to all shares that are paid up in full and for which proof is provided of being registered for at least two years in the name of the same shareholder.

This double voting right may be withdrawn outright at any time pursuant to a decision of the extraordinary general meeting and after ratification by a special meeting of the beneficiary shareholders.

*(Article 20 of the Articles of Association)*

The double voting right existed in Pinault SA and Printemps SA prior to the 1992 merger of said companies. The Company's Articles of Association do not provide, in the event of the free allocation of registered shares to a shareholder for old shares for which he/she had a double voting right, new shares also entitled to a double voting right.

Pursuant to the relevant legislation, double voting rights are 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 joint property between spouses, or donation between living family members (spouse or relative).

Voting rights are not limited under the Articles of Association.

The legal and regulatory provisions relating to the crossing of threholds by shareholders apply. The Company's Articles of Association does not include any special provision in this regard.

There are no shares that are non-representative of capital.

The measures necessary to amend shareholder rights are provided for pursuant to the law.

## Share capital

The Company is authorized to use the provisions of the law and regulations that are stipulated regarding the identification of the holders of securities that grant immediate or deferred access to voting rights in its own shareholders' meetings.

*(Article 7 of the Articles of Association)*

In addition to the voting right that is granted to each share by the law and by the specific provisions of Article 20 below, each share grants the right to a percentage, which is proportional to the number and par value of the existing shares, of the corporate assets, the profit after deduction of the deductions provided for by law and the bylaws, or of the liquidating dividend.

In order for all the shares to receive the same net amount, without distinction, and to be listed on the same line, unless prohibited by law, the company shall pay the amount of any proportional tax that may be owed by certain shares only, in particular when winding up the company or reducing the capital; however, the company will not make this payment when the tax applies under the same conditions to all the shares in the same class, if there are several classes of shares to which different rights are attached.

Each time it is necessary to possess more than one share in order to exercise a right, it is the responsibility of the owners who do not possess such number to make arrangements to regroup the required number of shares.

*(Article 8 of the Articles of Association)*

In the event of liquidation of the Company, the remaining shareholders' equity after repayment of the par value of the shares will be allocated among the shareholders in the same proportions as their stake in the capital.

*(Article 24 of the Articles of Association)*

Any changes in the Company's share capital and the rights attached to shares are governed by the legal requirements and the specific provisions of the Articles of Association summarised below.

Under Article 15 of the Articles of Association, in the Company's Internal Rules, decisions by the CEO relating to the of securities, regardless of their nature, require the prior approval by the Board of Directors when such decisions are likely to change the share capital.

At December 31, 2008, the share capital of €506,221,508 was divided into 126,555,377 shares with a par value of €4 each (all of the same class), which have been fully paid up. The number of voting rights at the same date totalled 172,838,710.

As of the same date, to the best of the Company's knowledge:

- the directors held directly 0.008% of the share capital representing 0.01% of the voting rights;
- the Company held none of its own shares under the liquidity contract and directly held 80,000 shares; none of the Company's shares were held by controlled companies.

On the issue date of this document, the share capital stood at €506,221,508; it was divided into 126,555,377 shares with a par value of €4 each, which have been fully paid up.

### Pacts and agreements

To the Company's knowledge, there are no contractual provisions involving shares or voting rights that should have been disclosed to the French Financial Markets Authority (*Autorité des marchés financiers* - AMF) in accordance with Article L. 233-11 of the French Commercial Code.

## SHAREHOLDING/STOCK MARKET

### Change in shareholding and voting rights as of 12/31/08

| | 2008 | | | 2007 | | 2006 | |
|---|---|---|---|---|---|---|---|
| | Number of shares | % of share capital | % voting rights (1) | % of share capital | % voting rights (1) | % of share capital | % voting rights (1) |
| Artémis Group | 51,616,666 | 40.8 | 55.3 | 40.3 | 55.7 | 40.2 | 55.4 |
| PPR | 80,000 | 0.1 | 0.0 | 0.5 | 0.0 | 0.0 | 0.0 |
| Employees | 177,505 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 1.1 |
| Public | 74,681,206 | 59.0 | 44.6 | 59.1 | 44.2 | 59.6 | 43.5 |
| **TOTAL** | **126,555,377** | **100** | **100** | **100** | **100** | **100** | **100** |

*(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 p. 291).*

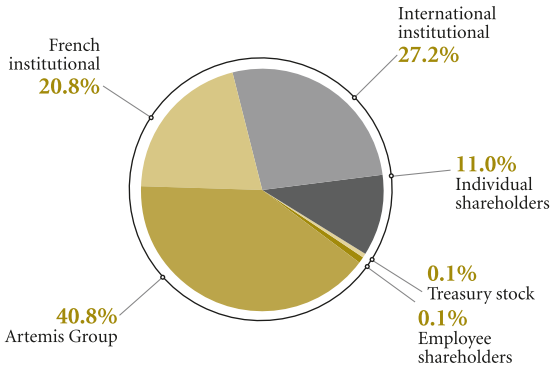
*(2) Including 1.9% registered shares and 57.1% bearer shares.*

*(3) Including 2.9% registered shares and 41.7% bearer shares.*

Artémis is wholly owned by Société Financière Pinault, itself controlled by the Pinault family.

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.

**BREAKDOWN OF SHARE CAPITAL DECEMBER 31, 2008**




Regarding the majority shareholder's control of the Company, the organisation and operating rules of the Board and committees, the number of independent directors (forming the majority of the Board that oversees the prevention of conflicts of interests and regularly assesses such prevention and the two thirds of the Audit Committee that controls the actual implementation of the internal control), general compliance with current rules, Internal Rules and good governance practices contribute to maintaining a balanced control.

At December 31, 2008, individual shareholders held 11.0% of the Group's share capital (compared to 10.8% at the end of 2007).

Institutional investors owned 48.0% of share capital, of which 20.8% held by French companies and 27.2% by non-French institutional investors. Among the international institutional investors, the United States represented 9.7% of the share capital. Continental European investors held 7.8% of the share capital, including notably Germany (1.7%), Switzerland (1.3%), Ireland (1.2%) and Norway (1.1%). UK shareholders held 6.3% of the share capital.

The main changes in shareholdings compared with 2007 are a 1.3 point increase in the percentage held by French institutional investors (up 5% in the number of shares), and a 1.6 point fall in international institutional investors (down 7% in the number of shares). Most of this fall was attributable to German shareholders (down 51% in the number of shares) and Americans (down 13% in the number of shares).

*Source: Identifiable Bearer Security (TPI [(1)]) at December 31, 2008.*

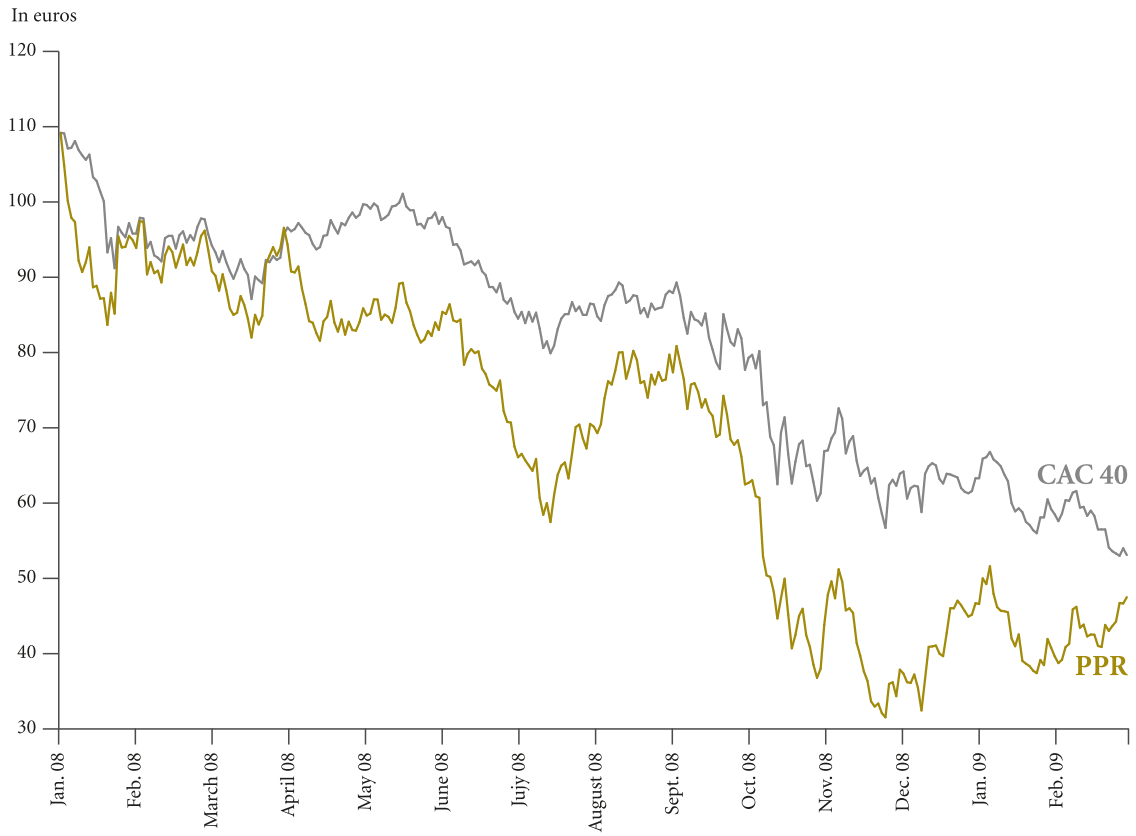
## Stock market information

### The PPR share

| | |
|---|---|
| Place of listing | NYSE Euronext Paris |
| Market | Eurolist A |
| Benchmark index | CAC 40 |
| Initial public offering | October 25, 1988 on the Second market<br>February 9, 1995 in the CAC 40 |
| Number of shares | 126,555,377 at 12.31.08 |
| Codes | ISIN: FR 0000121485<br>Reuters: PRTP.PA<br>Bloomberg: PPFP |

*(1) Titre au Porteur Identifiable.*

## Change in the price of the PPR share compared to the CAC 40 index since January 1, 2008




Throughout 2008, even while the Group was posting robust revenue growth quarter after quarter as well as satisfactory operational and financial performances, the PPR share was trading in a highly turbulent financial and stock market environment.

The specialised distribution sector, which was marked down all year on the deteriorating outlook for household consumption, received a boost at year end as several sector companies reported unexpectedly strong performances. Furthermore, the fall in commodity prices, inflation and borrowing costs eased some of the pressure on prospects for consumer spending. Finally, the many restructuring plans announced late in the year raised the prospect of wider margins for companies in the sector.

The Luxury Goods sector was viewed as immune to the crisis for much of the year, but was hit by news of a slowdown in October and November, by a dip in 2008 fourth-quarter sales and by the lack of visibility on 2009.

In these difficult circumstances, the PPR share price fell 57% in 2008. In comparison, the CAC 40 index dropped 42% in value when the Distribution and Luxury sectors respectively lost close to 38% and 50% over the same period.

Since February 19, 2009, after satisfactory 2008 annual results, better than those expected, were published, the PPR security rebounded by 16% and outperformed the CAC 40 index by 22 points. The security is also favoured by more assurance in relation to the liquidity of the Group, the efficacy of plans of action to support margins and and to generate cash flows and a valuation deemed to be attractive, considering the estimated value of the Group's assets.

## Market price and trading volume of the PPR share

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Price + high *(in euros)* | 112.8 | 141.5 | 122.0 | 95.6 | 90.7 |
| Price + low *(in euros)* | 31.1 | 107.1 | 87.9 | 73.1 | 67.5 |
| Price at December 31 *(in euros)* | 46.6 | 110.0 | 113.2 | 95.2 | 73.7 |
| Stock exchange capitalisation at December 31 *(in millions of euros)* | 5,897 | 14,089 | 14,533 | 11,461 | 9,017 |
| Daily average volume | 1,116,420 | 692,022 | 578,586 | 557,451 | 552,669 |
| **NUMBER OF SHARES AS OF DECEMBER 31** | **126,555,377** | **128,081,939** | **128,387,274** | **120,448,230** | **122,434,480** |

*Source: Euronext Paris SA.*

## Listed securities of the Group as of December 31, 2008

| Securities listed on the Paris Stock Exchange (SRD) | ISIN code |
|---|---|
| **Share** | |
| PPR | FR 00 00 121 485 |

| Securities listed on the Luxembourg Stock Exchange | ISIN code |
|---|---|
| **Bonds** | |
| PPR 4% January 2013 | FR 00 10 208 660 |
| PPR 5.25% March 2011 | FR 00 10 068 486 |
| PPR 5% January 2009 | FR 00 10 002 121 |
| PPR 6.405% November 2012 | FR 00 10 616 375 |
| PPR 6.536% May 2013 | FR 00 10 616 383 |

## Stock market statistics

### *The PPR share*

| | Price *(in euro)* | | | | Volume | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Shares traded | |
| 2007 | Average | High | Low | Monthly change | Average daily | (€M) | (number of shares) |
| January | 112.9 | 116.4 | 108.9 | 0.0% | 641,394 | 1,589 | 14,110,658 |
| February | 115.2 | 120.0 | 110.5 | 0.4% | 696,020 | 1,603 | 13,920,393 |
| March | 117.1 | 121.5 | 107.8 | 5.3% | 733,422 | 1,866 | 16,135,278 |
| April | 127.7 | 133.5 | 119.2 | 6.9% | 955,046 | 2,321 | 18,145,873 |
| May | 130.0 | 136.4 | 125.0 | 6.0% | 662,287 | 1,898 | 14,570,321 |
| June | 128.9 | 134.5 | 125.4 | -4.5% | 597,354 | 1,625 | 12,544,437 |
| July | 130.5 | 133.9 | 125.5 | -0,8% | 542,698 | 1,559 | 11,939,356 |
| August | 120.8 | 129.0 | 110.9 | -1.3% | 687,180 | 1,904 | 15,805,148 |
| September | 129.5 | 132.8 | 125.1 | 4.0% | 647,077 | 1,661 | 12,941,540 |
| October | 135.2 | 141.5 | 130.1 | 3.7% | 508,489 | 1,580 | 11,695,242 |
| November | 120.8 | 137.6 | 109.2 | -15.9% | 912,888 | 2,410 | 20,083,530 |
| December | 112.1 | 118.8 | 107.1 | -4.4% | 767,038 | 1,640 | 14,573,720 |
| **2007 AVERAGE** | **123.4** | **129.6** | **117.1** | **0.0%** | **692,022** | **1,805** | **14,705,458** |

| 2008 | Price *(in euro)* Average | High | Low | Monthly change | Volume Average daily | Shares traded (€M) | (number of shares) |
|---|---|---|---|---|---|---|---|
| January | 93.4 | 112.8 | 79.9 | -14.7% | 1,581,807 | 3,237 | 34,799,759 |
| February | 92.9 | 98.6 | 88.8 | -3.3% | 871,397 | 1,705 | 18,299,335 |
| March | 88.0 | 94.4 | 81.8 | 3.4% | 845,645 | 1,427 | 16,067,246 |
| April | 86.1 | 97.0 | 80.9 | -10.4% | 947,728 | 1,789 | 20,850,022 |
| May | 84.9 | 90.1 | 80.4 | -3.6% | 760,487 | 1,358 | 15,970,235 |
| June | 79.2 | 87.5 | 69.3 | -12.7% | 1,146,297 | 1,961 | 24,072,246 |
| July | 65.2 | 73.8 | 56.0 | -0.7% | 1,190,728 | 1,789 | 27,386,733 |
| August | 76.5 | 81.4 | 68.9 | 13.6% | 933,091 | 1,499 | 19,594,907 |
| September | 71.9 | 81.3 | 60.0 | -21.4% | 1,167,234 | 1,876 | 25,679,137 |
| October | 47.2 | 64.4 | 36.0 | -20.9% | 1,566,571 | 1,698 | 36,031,127 |
| November | 39.3 | 51.2 | 31.1 | -24.7% | 1,324,229 | 1,049 | 26,484,584 |
| December | 41.6 | 48.0 | 32.2 | 24.8% | 979,444 | 843 | 20,568,315 |
| **2008 AVERAGE** | **72.2** | **81.7** | **63.8** | **-5.9%** | **1,116,420** | **1,686** | **23,816,971** |

| 2009 | Price *(in euro)* Average | High | Low | Monthly change | Volume Average daily | Shares traded (€M) | (number of shares) |
|---|---|---|---|---|---|---|---|
| January | 42.8 | 52.8 | 36.3 | -15.0% | 981,033 | 887 | 20,601,703 |
| February | 43.2 | 48.5 | 38.0 | 19.9% | 938,566 | 822 | 18,771,326 |
| **2009 AVERAGE** | **43.0** | **50.6** | **37.1** | **2.5%** | **960,318** | **855** | **19,686,515** |

## Financial communications policy

The Group's financial communications policy consists in disseminating accurate, reliable information. Its actions are targeted and customised to offer different audiences, individual shareholders and the financial community, messages suited to their respective needs while complying with the principle of equal access to information.

### Towards individual shareholders

Individual shareholders have several ways and means to keep themselves informed on the Group and on the life of the security. The Letter to shareholders, published twice a year, a dedicated space on the PPR website (www.ppr.com), the shareholders' hotline (0810 009 108), the letter box (actionnaire@ppr.com), the financial opinions in the press and on the Internet, the annual report are available to them and site visits are proposed to them.

### Towards the financial community

The Group maintains close relations with the French and international financial community. A number of communication initiatives are designed to keep the financial community informed about its businesses, its strategy and its outlook. PPR has expanded its communication by organising conference calls at the release of quarterly sales figures, and meetings to present its annual and half-yearly results. PPR also participates in industry conferences held by major banks. All of these presentations are available on the Group's website. PPR also meets with investors during road shows held in the major financial capitals around the world. In addition, the Group meets with individual investors and analysts upon request and maintains proactive relations in terms of reporting to the French Financial Markets Authority, the AMF.

### Procedures for communicating regulated information

Pursuant to obligations to disclose regulatory information resulting from the transposition of the Transparency Directive in the general rules of the AMF (*Autorité des marchés financiers*) since January 20, 2007, the PPR Financial Communications Department oversees the actual and full disclosure of regulated information. This information is filed with the AMF at the time of its disclosure and stored on the PPR website.

Full and effective communication is carried out electronically in compliance with the criteria defined by the general regulations which require communication to a large public within the European Union and according to terms and conditions guaranteeing the security of the communication and the information. Accordingly, the management of PPR financial communication has chosen to call on a professional communications agency to satisfy the communication criteria set by the general regulations and featured on the list published by the AMF, thus benefiting from a presumption of full and effective communication.

## List of information published or made public by PPR in 2008 and 2009 under the provisions of Article 222-7 of the general rules of the AMF

Press releases available on the Company's website: www.ppr.com, section Finance/Publications/Regulated Information and/or on the website of the Official Journals' Department: www.info-financiere.fr

| Date | Press release |
|---|---|
| 01/03/2008 | Half-year assessment of the liquidity contract as of December 31, 2007 |
| 01/23/2008 | Strategic draft agreement between PPR and l'Oréal for YSL Beauté |
| 01/24/2008 | 4th quarter 2007 Sales |
| 02/26/2008 | Appointment of Jean-François Palus as Deputy Chief Executive Officer – Finances of PPR |
| 02/27/2008 | 2007 Annual Results |
| 03/25/2008 | Appointment of Christophe Cuvillier who takes over from Denis Olivennes at the Chairmanship of FNAC |
| 04/23/2008 | Availability of the 2007 Reference Document |
| 04/24/2008 | 1st quarter 2008 Sales |
| 04/25/2003 | Availability and consultation of documents preparing the General Shareholders' Meeting of June 9, 2008 |
| 04/25/2008 | Notice of meeting constituting notice to attend the General Shareholders' Meeting of June 9, 2008 |
| 04/30/2008 | PPR and L'Oréal state that they formalised the licence and sale contracts of YSL Beauté |
| 05/16/2008 | Issue of a bond indexed on shares |
| 06/04/2008 | Thierry Guibert is appointed Chairman and Chief Executive Officer of Conforama |
| 06/09/2008 | PPR and Girard-Perregaux enter into a long term strategic agreement |
| 06/10/2008 | Desription of the share redemption programme authorised by the General Shareholders' Meeting of June 9, 2008 |
| 06/17/2008 | The European Commission's approval of the purchase of YSL Beauté by L'Oréal |
| 07/01/2008 | Transfer of YSL Beauté employees to L'Oréal |
| 07/07/2008 | Half-year assessment of the liquidity contract as of June 30, 2008 |
| 07/23/2008 | 2nd quarter 2008 Sales |
| 08/29/2008 | 1st Half-year 2008 Results |
| 08/29/2008 | Availability of the 2008 half yealy report |
| 09/16/2008 | Marc Lee will leave his position as CEO of Gucci Group: Patrizio di Marco shall be appointed to this position as of January 2009 |
| 10/06/2008 | Thierry Falque-Pierrotin will leave his position at Redcats Group at the end of 2008 |
| 10/21/2008 | La Redoute launches a recovery plan to restore its competitiveness in order to guarantee its sustainability and development |
| 10/23/2008 | 3rd quarter 2008 Sales |
| 10/24/2008 | Free allocation of shares by the Board of Directors |
| 12/10/2008 | Declaration of acceptance of AFEP-MEFEF recommendations on the remuneration of corporate officers of listed companies |
| 12/16/2008 | Conforama continues to adapt its international strategy |
| 01/05/2009 | Half-year assessment of the liquidity contract as of December 31, 2008 |
| 02/11/2009 | Jean-Michel Noir is appointed Chairman and Chief Executive Officer of Redcats Group |
| 02/18/2009 | Conforama announces a €50 million savings plan to restore its competitiveness |
| 02/18/2009 | FNAC announces a savings and commercial winover plan |
| 02/19/2009 | 2008 annual results and 4th quarter 2008 Sales |
| 02/19/2009 | Availability of the 2008 annual financial document |
| 03/26/2009 | Issue of a €600 million mandatory borrowing |

Other permanent or occasional information available on the Company's website www.ppr.com at the section Finance/Publications/Regulated Information and/or on the AMF website: www.amf-france.org and/or on the Official Journals' Department website: www.info-financiere.fr

| Date | |
|---|---|
| 01/24/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of January 15, 2008 |
| 02/01/2008 | Statement of transactions conducted on treasury shares from January 24 to 31, 20008 |
| 02/11/2008 | Reporting of transactions on own shares made from February 1 to 8, 2008 |
| 02/19/2008 | Statement of transactions conducted on treasury shares from February 11 to 19, 20008 |
| 02/21/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of February 15, 2008 |
| 03/25/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of March 15, 2008 |
| 04/18/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of April 15, 2008 |
| 05/22/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of May 15, 2008 |
| 05/28/2008 | Reporting of transactions on own shares made on May 20, 2008 |
| 06/17/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of June 15, 2008 |
| 06/17/2008 | Reporting of transactions on own shares made on June 13, 2008 |
| 07/17/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of July 15, 2008 |
| 08/20/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of August 15, 2008 |
| 09/18/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of September 15, 2008 |
| 10/20/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of October 15, 2008 |
| 11/19/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of November 15, 2008 |
| 12/18/2008 | Reporting of the total number of voting rights and the number of shares making up share capital as of December 15, 2008 |
| 01/20/2009 | Reporting of the total number of voting rights and the number of shares making up share capital as of January 15, 2009 |
| 02/19/2009 | Reporting of the total number of voting rights and the number of shares making up share capital as of February 15, 2009 |
| 03/19/2009 | Reporting of the total number of voting rights and the number of shares making up share capital as of March 15, 2009 |

Information published in the *Bulletin des Annonces Légales Obligatoires* (BALO) available on the website: www.journal-officiel.gouv.fr

| Date | Type of information | Support |
|---|---|---|
| 02/01/2008 | Consolidated Sales 4th quarter 2007 | (n° 14) |
| 04/21/2008 | Financial statements at December 31, 2007 | (n° 48) |
| 04/25/2008 | Notice of meeting constituting notice to attend the General Shareholders' Meeting of June 9, 2008 | (n° 50) |
| 05/02/2008 | Consolidated Sales 1st quarter 2008 | (n° 53) |
| 08/01/2008 | Consolidated Sales 2nd quarter 2008 | (n° 93) |
| 09/05/2008 | Approval by the General Shareholders' Meeting of the financial statements at December 31, 2007 | (n° 108) |

Publications made in law gazettes

| Date | Type of information | Support |
|---|---|---|
| 01/23/2008 | Capital increase | Petites Affiches (n° 25) |
| 04/10/2008 | Appointment of the Deputy Chief Executive Officer | Petites Affiches (n° 73) |
| 04/25/2008 | Annoucement constituting notice to attend the General Shareholders' Meeting of June 9, 2008 | Petites Affiches (n° 84) |
| 07/02/2008 | Appointment of director and capital reduction | Petites Affiches (n° 132) |
| 01/06/2009 | Capital increase | Petites Affiches (n° 12) |

Information filed at the Paris Commercial Court registry (www.infogreffe.fr)

| Date | Type of information | Date of registration |
|---|---|---|
| 01/23/2008 | Updated Articles of Association | 02/13/2008 |
| 01/23/2008 | Capital increase | 02/13/2008 |
| 02/26/2008 | Appointment of a Deputy Chief Executive Officer | 04/11/2008 |
| 06/09/2008 | Updated Articles of Association | 07/07/2008 |
| 06/09/2008 | Appointment of a director | 07/07/2008 |
| 06/09/2008 | Capital reduction | 07/07/2008 |
| 10/22/2008 | Delegation of power | 01/27/2009 |
| 01/06/2009 | Updated Articles of Association | 01/21/2009 |
| 01/06/2009 | Capital increase | 01/27/2009 |

## 2009 financial calendar

- **April 21, 2009** 1st quarter 2009 Sales
- **May 7, 2009** General Shareholders' Meeting
- **July 31, 2009** 2009 half-year results
- **October 20, 2009** 3rd quarter 2009 Sales

# 6 Corporate governance


**CORPORATE GOVERNANCE** **302**

Information on executive corporate officers and members of the Board of Directors 302

Remuneration of executive corporate officers (CEO and deputy CEO) 309

Remuneration of members of the Board of Directors other than the Chairman and Chief Executive Officer - Directors' fees 312

Regulatory information on the executive corporate officers and the members of Board of Directors 313

Other information on the Company's Board of Directors 313

Management of the group 314

Report by the chairman of the Board of Directors on the conditions of preparation and organisation of proceedings of the Board and internal control and risk management procedures implemented by the Company 315

Fees paid by the Group to the Statutory Auditors and members of their organisations in 2008 326

**STATUTORY AUDITORS' REPORT** **327**

# Corporate governance

At the Combined General Shareholders' Meeting of May 19, 2008, the shareholders adopted the new Articles of Association of PRR establishing a system of management with a Board of Directors instead of a Supervisory Board and an Executive Board; the same Shareholders' Meeting appointed nine directors for a four year term of office. Mr François-Henri Pinault is Chairman of the Board of Directors and CEO (*Président-Directeur général*) of the Company.

The Board opted to combine the office of Chairman of the Board and Chief Executive Officer as Mr François-Henri Pinault is, on the one hand, tied to the controlling shareholder and, on the other hand, is very involved in conducting the business of the Group of which he has strong in-depth knowledge and experience.

The Combined General Shareholders' Meeting of June 9, 2008 appointed a tenth director for a four year term of office.

The Company refers to the "Corporate Governance Code of Listed Corporations" resulting from the consolidation of the AFEP and MEDEF report of October 2003 and their recommendations of January 2007 and October 2008 on the remuneration of executive officers ("the Consolidated AFEP-MEDEF Code"). Six of the ten directors are independent within the meaning of the criteria of said Code. The international Board of Directors is comprised of French, Italian and American directors. Mr François Pinault is Honorary Chairman but is not a director.

The operating rules and procedures of the Board of Directors are defined by law, the Company's Articles of Association, the Internal Rules of the Board and specialised Committees provided for under said regulations (see Chairman's Report hereinafter).

Regarding directors, the Company's Articles of Association show do not in general deviate from the basic legal standards; there are special provisions for the term of office of directors (four years, renewable), the age limit (one third of directors may not exceed the age of 70), the number of shares that each shareholder must own (500).

In order to avoid the election of the entire Board as a block at the same annual Shareholders' meeting and to favour a smooth election of the directors, it is proposed that the Combined General Shareholders Meeting of May 7, 2009 amend the Company's Articles of Association in order to implement a staggered election of the Board of Directors.

The directors' duties and individual remuneration are described below.

## INFORMATION ON EXECUTIVE CORPORATE OFFICERS AND MEMBERS OF THE BOARD OF DIRECTORS

At December 31, 2008, the Board of Directors was comprised of ten directors, six of which were independent directors.

No director has been elected by employees.

### List of members ot the Board of Directors with information on their positions in other companies

The following information is presented separately for each director:

- professional experience and expertise in the area of business management;
- directorships and positions held during fiscal year 2008;
- other offices held over the last five years.

Among PPR's corporate officers, only François-Henri Pinault and Jean-François Palus and Patricia Barbizet hold corporate offices in the main subsidiaries of the Group.

## François-Henri Pinault

Born on May 28, 1962

PPR: 10, avenue Hoche, 75008 Paris

### *Chairman and Chief Executive Officer*

A graduate from HEC, François-Henri Pinault joined the Pinault Group in 1987 where he had various responsibilities in the main subsidiaries of the Group. After starting off as a salesman in the Évreux branch of Pinault Distribution, a subsidiary specialised in wood importation and distribution, he set up said company's purchasing group in 1988 and he was responsible for it up to September 1989.

Appointed CEO of France Bois Industries, the company comprising the industrial activities of the Pinault Group, he managed the 14 plants of this Subsidiary until December 1990, the date on which he returned to Pinault Distribution to become Chairman. In 1993, his responsibilities were widened upon his appointment as Chairman of Cfao and of member of the Executive Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and Chief Executive Officer of the Fnac, a position he held until February 2000; then he was appointed Deputy Chief Executive Officer of Pinault Printemps Redoute with responsibility for the Group's Internet activities. Moreover, he has been on the Board of Directors of Bouygues SA since December 1998. In 2000, he became the co-manager of Financière Pinault. In 2003, he was appointed Chairman of the Artémis Group. In 2005, he was first appointed Chairman of the Management Board and then Chairman and CEO of PPR.

After having been the Chairman of the Executive Board of PPR (from March 21, 2005 to May 19, 2005), Vice Chairman of the Supervisory Board (from May 22, 2003 to March 21, 2005), member of the Supervisory Board (from January 17, 2001), François-Henri Pinault is the Chairman and Chief Executive Officer of PPR since May 19, 2005. His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for a four year term.

### *Other directorships and duties carried out:*

- *at the level of the Artémis Group and its affiliates:*

Manager of Financière Pinault (since October 2000).

Chairman of the Board of Directors of Artémis (since May 2003).

Director of Tennessee (since 2001, term of office expires in 2013).

Member of the Management Board of Château Latour (since June 1998).

Board Member of Christies International Plc (United Kingdom – since May 2003).

- *in the PPR group*:

Chairman of the Supervisory Board of Puma AG (since June 19, 2007).

Chairman and Chief Executive Officer of Redcats (since December 2008, term of office expires in April 2009).

Chairman of the Supervisory Board of Gucci Group NV (since October 2005, term of office expires in 2009).

Vice Chairman of the Supervisory Board of Boucheron Holding (since May 2005, term of office expires in 2009).

Director Fnac SA (since October 1994, term of office expires in 2011).

Member of the Supervisory Board of Yves Saint Laurent SAS (since April 2005, term of office expires in 2008 and renewal in 2009).

Director of Sapardis (since May 2008, term of office expires in 2014).

- *outside the PPR group*:

Director of Bouygues (since December 2005) and of Soft Computing (since June 2001).

Vice Chairman of the Board of Directors of Sowind Group (Switzerland) (since June 2008).

### *Other directorships held over the last 5 years:*

Director of TV Breizh (from April 2000 to January 2004).

Permanent representative of Financière Pinault to the Board of Directors of Bouygues (from December 1998 to December 2005).

Director of Simetra Obligations (from May 2003 to December 2006).

Director of Palazzo Grassi Spa (from July to December 2005).

Number of shares held: 500.

## Patricia Barbizet

Born on April 17, 1955

Artémis: 12, rue François 1er, 75008 Paris

### *Vice Chairperson of the Board of Directors*

A graduate from the *École supérieure de commerce of Paris*, Patricia Barbizet began her career within the Renault group as treasurer of *Renault Véhicules Industriels* then as Financial Director of *Renault Crédit International*. She joined the Pinault group in 1989 as Financial Director. She is the CEO of Financière Pinault and Director and CEO of Artémis. She is Vice Chairperson of the Board of Directors of PPR, Chairperson of Christie's and member of the Boards of various companies.

After having been Chairperson of the Supervisory Board of PPR (from December 2001 to May 2005) and member of the Supervisory Board of PPR (as of December 1992), Patricia Barbizet is Vice Chairperson of the Board of Directors of PPR since May 19, 2005. Her term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect her as a director for a four year term.

### *Other directorships and duties carried out:*

- *at the Artémis Group and its affiliates, mainly*:

Chief Executive Officer and director of Artémis (since 1992; term of office expires in June 2010).

Chief Executive Officer, without corporate office, of Financière Pinault (since January 2001).

Managing director of Palazzo Grassi (Italie) (since September 2005).

Chairperson of the Board of Christies International Plc (United Kingdom) (since mars 2003).

Member of the Supervisory Board of Financière Pinault (since June 2004; term of office expires in 2009).

Director of the *Société nouvelle du Théâtre Marigny* (since February 2000; term of office expires in 2012).

Director of Piasa (since April 2007, term of office expires in January 2009).

Permanent representative of Artémis to the Boards of Directors of Agefi (since July 2000; term of office expires in 2012) and of Sebdo Le Point (since July 1997; term of office expires in 2009).

Member of the Management Board of Château Latour (since July 1993).

Non executive Director of Tawa Plc (United Kingdom) (since April 2001).

- *in the PPR group*:

Director of Fnac SA (since October 1994, term of office expires in 2011).

Member of the Supervisory Board of Gucci Group NV (the Netherlands) (since July 1999, annual term of office).

Member of the Supervisory Board of Yves Saint Laurent (since June 2003, term of office expires in 2009).

- *outside the Group*

Chairperson of the Board of Directors of the *Fonds Stratégique d'Investissement* (since December 2008, term of office expires in December 2011).

Director of Total (since May 2008, term of office expires in 2011).

Director of Air France-KLM (since January 2003; term of office expires in 2010).

Director of Bouygues (since December 2005, term of office expires in 2011).

Director of TF1 (since July 2000, term of office expires in 2009).

### *Other directorships held over the last 5 years:*

Member of the Supervisory Board of Yves Saint Laurent Parfums (from December 1999 to February 2004).

Director of Afipa (Swtizerland from June 2005 to October 2006).

Chairperson of the Board of Directors of the *Société nouvelle du Théâtre Marigny* (from February 2000 to June 2005).

Permanent representative of Artémis to the Board of Bouygues (from December 1998 to December 2005).

Chairperson and Chief Executive Officer of Piasa (from December 2001 to April 2007) then Chairperson (from April 2007 to May 2008).

Number of shares held: 1,040.

## René Barbier de La Serre

Born on July 3, 1940

Cie Financière Edmond de Rothschild

47, rue du Faubourg-Saint-Honoré, 75008 Paris

### *Independent Director*

Former alumnus of l'*École polytechnique*, engineer of State Manufactures, graduate from the Paris *IEP* (1), René Barbier de La Serre began his careeer in 1963 as a consulting engineer then as Assistant Director of the *Banque de l'Union Européenne*. He joined the Crédit Commercial de France in 1973, where he was appointed Vice Chairman – Chief Executive Officer responsible for the Group's financial activities (1993-1999) and Advisor to the Chairman (1999-2000). At the same time, he was Chairman of the Conseil des Bourses de Valeurs (1994-1996) and Chairman of the *Conseil des marchés financiers* (1996-1998). He was made *Officier de la Légion d'honneur.*

René de La Serre is director of PPR (since May 19, 2005), after having been Vice Chairman of the Supervisory Board (from March 21 to May 19, 2005) and member of the Supervisory Board (from May 10, 1999 to May 19, 2005). His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended at December 31, 2008.

### *Other directorships and duties carried out:*

Vice Chairman of the Supervisory Board of Edmond de Rothschild Corporate Finance SAS since September 2007 and of La Compagnie Financière Edmond de Rothschild since July 2008.

Member of the Supervisory Board of Compagnie Financière Saint-Honoré.

Member of the Supervisory Boards of Financière Vivaldi (since December 2007), of Euronext NV (the Netherlands) (from September 2000 to May 2006 and from December 2006 to July 2007).

Director of Nord Est SA (since January 2006, after having been an adviser to the Board (*censeur*) since October 2002).

Observer on the Fimalac Board since June 2002.

Managing director of *Harwanne Compagnie de participations industrielles et financières SA* (Switzerland) (since June 2002).

### *Other directorships held during the last 5 years:*

Member of the Supervisory Board of Schneider Electric (from May 2006 to April 2008) (after having been a director from February 2002 to May 2006).

*(1) Institut d'Etudes Politiques (Political Science Institute).*

Director of Sanofi-Synthélabo which has become Sanofi-Aventis (from May 1999 to May 2008).

Chairman and Chief Executive Officer of Tawa UK Ltd (United Kingdom) (from February 2002 to December 2004).

Chairman of the Supervisory Board of Edmond de Rothschild Private Equity Partners SAS (from March 2005 to November 2006).

Director of Crédit Lyonnais (from July 1999 to January 2004) then of Calyon (up to May 2005).

Director of Apem (from February to December 2006).

Member of the Supervisory Board of Aventis (from August to December 2004).

Number of shares held: 1,500.

## Pierre Bellon

Born on January 24, 1930

Sodexo: 255, quai de la Bataille de Stalingrad, 92130 Issy les Moulineaux

### *Independent Director*

Pierre Bellon is the Chairman and founder of Sodexho Alliance, worldwide leader in the food service industry. Sodexo, set up in Marseille in 1966, has under his leadership over forty-two years become an independent group of 355,000 people, established in 80 countries. As was expected, Pierre Bellon stepped down as CEO on September 1, 2005, but kept his position as Chairman of the Board of Directors. Sodexho Alliance, which became Sodexo, is listed on the Paris Stock Exchange since 1983. The security was floated on the New York Stock Exchange in April 2002. Pierre Bellon is *Commandeur de la Légion d'honneur*, *Commandeur de l'Ordre national du Mérite Agricole* and of the Brazilian Order of Rio Branco and *Chevalier du Mérite Agricole*. He was a member of the French Economic and Social Council from 1969 to 1979. Former national Chairman of the centre for your company directors, Pierre Bellon founded the Progress of Management Association in 1986. He was also Vice Chairman of the MEDEF from 1981 to 2005.

Pierre Bellon has been a director of PPR since May 19, 2005, after having been a member of the Supervisory Board from December 19, 2001 to May 19, 2005. His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for an exceptional two year term.

### *Other directorships and duties carried out:*

Chairman of the Board of Directors of Sodexo.

Chairman of the Supervisory Board of Bellon SA and of Sobelmat SCA.

Director of several subsidiaries of Sodexo.

Member of the Supervisory Board of CMA CGM.

Director of *l'Association nationale des sociétés par actions* (1) – ANSA.

### *Other directorships held during the last 5 years:*

Chief Executive Officer of Sodexo (up to 2005).

Director of several subsidiaries of Sodexho in France and abroad.

Vice Chairman of the MEDEF (up to 2005).

Member of the Supervisory Board of Air Liquide.

Number of shares held: 2,000

## Allan Chapin

Born on August 28, 1941

Compass Advisers LLC: 825 3rd Avenue, New York, NY 10022, USA

### *Independent Director*

A graduate from Yale Law School, Allan Chapin began his career with Sullivan & Cromwell in 1968 where he was appointed a partner in 1976 then Director of European Operations. During his 31 years with the firm, he has represented various countries, commercial companies, banks and insurance companies. Before joining Compass Advisers as a New York-based partner in 2002, Mr. Chapin was the Managing Director of Lazard Frères & Co. LLC.

Allan Chapin has been a director since May 19, 2005, after having been a member of the Supervisory Board (from May 21, 2002 to May 19, 2005). His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for an exceptional two year term.

### *Other directorships and duties carried out:*

Shareholder of Compass Advisers LLC.

Director of Scor, CIFG and Inbev.

Director of French American Foundation, General Security National Insurance Company, Scor US and Taransay Investment Limited.

Chairman of The American Friends of the Claude Pompidou Foundation.

### *Other directorships held during the last 5 years:*

Director of Calfp, Caliburn, General Security Insurance Company of New York, General Security Indemnity Co., General Security Property and Casualty Company and SCOR US Corporation.

Member of the Advisory Board of Lazard Canada and of Toronto Blue Jays.

Number of shares held: 500.

*(1) National association of limited liability companies.*

## Jean-Pierre Denis

Born on July 7, 1960

Groupe ARKEA: 29808 Brest Cedex 09

### *Independent Director*

Jean-Pierre Denis, is a *inspecteur des finances*, a former alumnus of HEC and of ENA. In particular, he held the office of Chairman and Chief Executive Office of the Oséo group from 2005 to 2007, Member of the Executive Board of Vivendi Environnement which became Véolia Environnement (2000 to 2003), Chairman of Dalkia (Vivendi group then Veolia Environnement) (1999-2003), Advisor to the Chairmanship of CGE which became Vivendi (1997 to 1999) and assistant General Secretary to the Presidency of the Republic (1995 to 1997). He is currently Chairman of the *Crédit Mutuel de Bretagne* and of *Crédit Mutuel* Arkéa.

Jean-Pierre Denis has been a director since June 9, 2008. His term of office expires at the General Shareholders' Meeting to be called to approve the financial statements closed at December 31, 2011.

### *Other directorships and duties carried out:*

Chairman of Crédit Mutuel de Bretagne and of Crédit Mutuel Arkéa (meeting of the federations of the *Crédit Mutuel* branches in Britanny, the South Ouest of France and the Massif Central around the *Caisse interfédérale*).

Director of groupe Altrad.

Director and general treasurer of Professional Football League.

Member of the Supervisory Board of OSEO Bretagne.

### *Other directorships held during the last 5 years:*

Chairman and Chief Executive officer of the Oséo group (merger of Anvar and of BDPME) from 2005 to 2007, Chairman of Sofaris (2003-2005).

Chairman and Chief Executive Officer of Anvar (2004 to 2005).

Chairman of the Executive Board of BDPME (2003 to 2005).

Member of the Executive Board of Vivendi Environnement which became Véolia Environnement (2000 to 2003).

Number of shares held: 500

## Luca Cordero di Montezemolo

Born on August 31, 1947

Ferrari: Via Abetone Inferiore 4, 41053 Maranello - Modena, Italy

### *Independent Director*

A graduate from the law faculty of the University of Rome and of Columbia University in New York, Luca Cordero di Montezemolo began his career in 1973 as an assistant to the Chairman of Ferrari and manager of the formula 1 team that won world championship in 1975 and 1977. He was then appointed Director of Public Relations of Fiat in 1977, then in 1981 Chairman and Chief Executive Officer of ITEDI, the holding that manages the press activities of the Fiat group, including the daily newspaper, La Stampa. In 1984, he was appointed Chairman and Chief Executive Officer of Cinzano SpA in charge of the Azzurra Organisation, Italy's first involvement in the America's Cup. From 1985 to 1990, he was the manager of the Italia 90 Football World Cup organisation committee. Since 1991, he is Chairman of Ferrari Spa, of which he was also the Chief Executive Officer up to 2006. He is *Commandeur de la Légion d'honneur*.

Luca Cordero di Montezemolo is director of PPR since May 19, 2005, after having been a member of the Supervisory Board (from December 19, 2001 to May 19, 2005). His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for an exceptional three year term.

### *Other directorships and duties carried out:*

Chairman of Ferrari since 1991, Fiat since 2004, Montezemolo & Partners since 2007, Charme Management Srl since May 2007, of NTV (Nuovo Trasporto Viaggiatori) since 2008.

Director of Telethon (Italy) since January 2009, of Citigroup since October 2004, Le Monde since November 2005, Poltrona Frau since December 2003 and Tod's since April 2001.

### *Other directorships held during the last 5 years:*

Chairman of Confidustria (from 2004 to 2008), of Bologna Congressi (from 2000 to 2008) and of Bologna Fiere (from 1998 to 2008).

CEO of Ferrari Spa until October 2006, Chairman of Ferrari Deutschland, Ferrari Idea SA (from 1999 to 2002), Ferrari International (from 1999 to 2002), Ferrari North America, Fieg (from 2001 to 2004), Imprenditori Associati (from 2002 to 2004), Maserati (from 1997 to 2005) and Unione Industriali Modena (from 1996 to 2002).

Vice-Chairman of ITEDI (from 2001 to 2004).

Director of Acqua di Parma (from 2001 to 2004), IFI Iniziative Fieristiche Internazionali (from 2001 to 2003), Unicredit Banca d'Impresa (from 2002 to 2004), Victoria 2000 (from 1994 to 2004), Aelia (from 2001 to 2004), Bologna Football Club 1909 (until November 2005), Itama Cantieri Navali (until December 2004), Editrice La Stampa, Indesit Company (from 2002 to May 2007), Linea Pelle (from 2001 to 2004), Parco di Roma (until June 2004), Davide Campari Milano (from 2004 to June 2005).

Number of shares held: 500.

## Philippe Lagayette

Born on June 16, 1943

JP Morgan, & Cie: 14, place Vendôme, 75001 Paris

### *Director*

A graduate from *École polytechnique* and from ENA, Philippe Lagayette managed the activities of JP Morgan in France from July 1998 to August 2008. He began his career within the General Inspection of Finances (1970). In 1974, he joined Treasury Department at the Ministry of Economy and Finance, and was appointed Sub-Director thereof in 1980. He became a director of the cabinet of the Minister of Economy and Finance in 1981, then joined the Bank of France in 1984 as Sub-Governor. Appointed Chief Executive Officer of

*Caisse des dépôts et consignations* in 1992, he held this position up to December 1997. Philippe Lagayette is also Chairman of the *Institut des hautes études scientifiques*, specialised in mathematical and theoretical physics research, Chairman of the French American Foundation, French Committee and Chairman of the *Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer*. Philippe Lagayette is an *Officier de la Légion d'honneur* and a *Commandeur de l'Ordre national du Mérite.*

Philippe Lagayette has been a director of PPR since May 19, 2005, after having been a member of the Supervisory Board from January 20, 1999 to May 19, 2005. His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for an exceptional three year term.

### *Other directorships and duties carried out:*

Managing Director and Chairman of the Paris Management Committee of JP Morgan Chase Bank since 1998.

Director of Fimalac since May 2003.

Director of Renault since May 2007.

### *Other directorships held during the last 5 years:*

Chairman and Chief Executive Officer of JP Morgan et Cie SA (from July 1998 to August 2008).

Director of Eurotunnel (from 1993 to April 2004) and of the La Poste (from December 2000 to December 2005).

Number of shares held: 500.

## Baudouin Prot

Born on May 24, 1951

BNP Paribas: 3, rue d'Antin, 75002 Paris

### *Director*

Graduate from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the *Inspection générale des finances* where he spent four years before being appointed assistant to the General Director of Energy and Raw Materials at the Ministry of Industry for 3 years. He joined the BNP in 1983 as Assistant Director to the *Banque Nationale de Paris Intercontinentale*, before taking over the Europe Department in 1985. He joined the Central Networks Department in 1987 and was promoted Central Director in 1990 then deputy Chief Executive Officer of BNP in charge of networks in 1992. He became the Chief Executive Officer of BNP in 1996 and deputy Chief Executive Officer of BNP Paribas in 1999. In May 2000, he was appointed deputy Chief Executive Officer of BNP Paribas then director and Chief Executive Officer of BNP Paribas in May 2003. He is *Officier de l'Ordre national du Mérite* and *Chevalier de la Légion d'honneur.*

Baudouin Prot is director of PPR since May 19, 2005, after having been a member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for a four year term.

### *Other directorships and duties carried out:*

Director and Chief Executive Officer of BNP Paribas (since June 2003; his term of office expires in 2011).

Director of Veolia Environnement (since April 2003; his term of office expires in 2009).

Director of Erbe (Belgium) (since June 2004; his term of office expires in 2010).

Director of Pargesa Holding SA (Switzerland) (since May 2004; his term of office expires in 2010).

### *Other directorships held during the last 5 years:*

Director of Accor (from January 2006 to February 2009).

Director of BNL S.p.A. (Italy) (from February 2007 to September 2008).

Permanent representative of BNP Paribas to the Supervisory Board of Accor (from 1992 to January 2006).

Number of shares held: 750.

## Jean-Philippe Thierry

Born on October 16, 1948

AGF: 87, rue de Richelieu, 75002 Paris

### *Independent Director*

Graduate from *l'Institut d'études politiques* of Paris and holding the diploma of higher studies in economic science (*études supérieures en sciences économiques*), Jean-Philippe Thierry joined GPA Assurances in 1978, which he chaired from 1989 to 2000, then in 1989 Worms et Cie as managing partner (*associé gérant commandité*) then as Chairman of the Executive Board in 1997. At the same time, he was Chairman of Athéna Assurances. In 1998, he joined Generali France group, which he chaired in 1999. In 1996, he chaired the FFSAA and vice chaired the FFSA. Since June 2001, he is Chairman and Chief Executive Office of AGF; since January 1, 2006, he is also a member of the Executive Board of Allianz SE. Jean-Philippe Thierry is Commander of the National Order of Merit, Chevalier of the Legion of Honor, Chevalier of Agricultural Merit, honorary member of the Institute of French Actuaries. He is a Foreign Trade Advisor of France.

Jean-Philippe Thierry joined the Board of Directors of PPR on September 6, 2006; he was coopted to replace Mr Anthony Hamilton. The General Shareholders' Meeting approved this cooptation on May 14, 2007; his candidacy was examined in light not only of the expertise and experience needed to sit on the Audit Committee, but also of the independence criteria of the AFEP-MEDEF report adopted by the Company. His term of office expires at the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008. It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 reelect him as a director for a four year term.

### *Other directorships and duties carried out:*

Chairman of the Board of Directors of AGF SA (since 2008).

Chairman of the Board of Directors of Tocqueville Finance (since September 2007, his term of office expires in 2012).

Chairman of Allianz Holding France SAS (his term of office expires in 2009) and of Tocqueville Finance Holding SAS.

Chairman of the Supervisory Board of Euler Hermès (since February 2001), of Mondial Assistance AG (Switzerland) (since December 2005) and of Athos Origin (since 2008).

Member of the Executive Board of Allianz SE (Germany) (since January 2006, his term of office expires in 2009).

Director of AGF International (from May 2001, current term expires in 2010), Société Financière Foncière et de Participations-FFP (from September 2005, current term expires in 2011).

### *Other directorships held during the last 5 years:*

Chief Executive Officer of AGF SA (from June 2001 to 2008).

Chairman of the Board of Directors of Château Larose-Trintaudon (from June 2003 to May 2007) and of AGF Belgium Insurance (up to 2003).

Chairman and Chief Executive Officer of AGF Holding (from May 2002 to November 2007).

Chairman of the Boards of Directors of AGF IART and AGF Vie (up to 2008), director of AGF RAS Holding (the Netherlands) (up to 2006).

Chairman of the Supervisory Board of GIE AGF Informatique (up to 2006).

Member of the Supervisory Board of Allianz Nederland Groep (the Netherlands) (from January 2006 to May 2007), of Allianz Global Corporate & Specialty AG (Germany) (from March 2006 to May 2007).

Member of the Supervisory Board of Compagnie Financière Saint Honoré (from 1997 to 2007).

Member of the Supervisory Board of the Taittinger group (up to 2005), Chairman of SC Holding SAS (up to 2004).

Director of Allianz Seguros y Reaseguros (Spain) (from May 2001 to July 2007).

Number of shares held: 3,050, of which 2,550 are in "*nue propriété*".

**François-Henri Pinault has been assisted by a deputy Chief Executive Officer (*Directeur général délégué*) since February 26, 2008:**

## Jean-François Palus

### *Deputy Chief Executive Officer*
### *Nominated for election to the Board of Directors*

Born on October 28, 1961

PPR: 10, avenue Hoche, 75008 Paris

Former alumnus of HEC (class 1984), Jean-François Palus began his career in 1985 with Arthur Andersen where he carried out audit and financial advisory duties.

Before joining Artémis in 2001 as executive director and director, he spent ten years within the PPR group, holding successively the position of assistant Chief Financial Officer of the wood industry branch of Pinault SA (from 1991 to 1993), Group Financial Control Director (from 1993 to 1997) then Store Manager at Fnac (1997-1998) and lastly Corporate Secretary and member of the Executive Board of Conforama (from 1998 to 2001).

Jean-François Palus has been in charge of PPR mergers and acquisitions for François-Henri Pinault, Chairman and Chief Executive Officer of the Group since March 2005.

He has been Chief Financial Officer of the PPR Group since December 13, 2005.

It is proposed that the Combined General Shareholders' Meeting of May 7, 2009 elect him as a director for a four year term.

### *Other directorships in the Group:*

Chairman and Chief Executive Officer of the PPR Club de Développement (since June 2006, his term of office expires in 2011).

Director of Conforama Holding (since April 2006, his term of office expires in 2013).

Director or Cfao (since April 2006, his term of office expires in December 2008).

Director of Fnac (since November 2007, his term of office expires in 2013).

Director of Caumartin Participations (since June 2008, his term of office expires in 2010).

Director of PPR Luxembourg (Luxembourg) (since April 2006, his term of office expires in 2010).

Member of the Supervisory Board of Gucci Group NV (the Netherlands) (since May 2006, his term of office expires in 2009).

Member of the Supervisory Board of Puma AG (Germany) (since June 2007).

PPR's representative to the Board of Directors of Redcats (since April 2006).

Saprodis's representative to the management of *Société civile Zinnia* (since February 2008).

### *Other directorships held during the last 5 years:*

Chairman and Chief Executive Officer of Sapardis (between March 2007 and January 2008).

Chief Executive Officer of Sapardis (between January and February 2008).

Sapardis's representative to the management of *Conseil et Assistance* (between December 2007 and December 2008).

Number of shares held: 4,059

Mr Jean-François Palus does not receive any remuneration for his corporate office as deputy Chief Executive Officer.

## REMUNERATION OF EXECUTIVE CORPORATE OFFICERS (CEO AND DEPUTY CEO)

The remuneration of executive corporate officers includes a fixed portion and a variable portion; the Board of Directors shall establish the rules for determining such remuneration each year based on the recommendations issued by the Remuneration Committee.

The amounts owed which are shown in the two following tables correspond to remunerations paid to the executive corporate officer during each of the fiscal years shown, regardless of the actual payment date.

The amounts shown as paid correspond to all the remunerations received by the executive corporate officer during each of the fiscal years shown.

| *Gross amounts in euros* | FY 2008 | | FY 2007 | |
|---|---|---|---|---|
| **François-Henri Pinault Chairman and Chief Executive Officer** | **Amounts owed for the year** | **Amounts paid during the year** | **Amounts owed for the year** | **Amounts paid during the year** |
| Fixed remuneration | 999,996 | 999,996 | 999,996 | 999,996 |
| Variable remuneration | 0 | 1,380,000 | 1,380,000 | 921,000 (*) |
| Exceptional remuneration | 0 | 0 | 195,000 | 195,000 |
| Directors' fees (PPR + subsidiaries) | 163,527 | 120,000 | 152,571 | 152,571 |
| Benefits in kind | 6,218 | 6,218 | 5,400 | 5,400 |
| **TOTAL** | **1,169,741** | **2,506,214** | **2,732,967** | **2,273,967** |

*(*) For 2006.*

| *Gross amounts in euros* | FY 2008 | | FY 2007 | |
|---|---|---|---|---|
| **Jean-François Palus Deputy Chief Executive Officer** | **Amounts owed for the year** | **Amounts paid during the year** | **Amounts owed for the year** | **Amounts paid during the year** |
| Fixed remuneration | 600,000 | 600,000 | 500,000 | 500,000 |
| Variable remuneration | 105,000 | 317,430 | 327,500 | 212,670 (*) |
| Exceptional remuneration | 0 | 0 | 0 | 0 |
| Exceptional remuneration (subsidiaries) | 90,000 | 90,000 | 77,228 | 77,228 |
| Benefits in kind | 4,785 | 4,785 | 4,452 | 4,452 |
| **TOTAL** | **799,785** | **1,012,215** | **909,180** | **794,350** |

*(*) Mainly for 2006.*

Variable remuneration owed for 2006 was paid during the 1st quarter of 2007 and that owed for 2007 was paid during the 1st quarter of 2008.

For 2008, the Board of Directors established the remuneration of the Chairman and Chief Executive Officer and the deputy Chief Executive Officer, based on the recommendations of the Remuneration Committee: the structure of remuneration – amount of the fixed portion and the rate of the variable portion – is drawn up based on the analysis of market practices observed for the corporate officers of CAC 40 companies.

The variable remuneration owed for 2007 and for 2008 for the Chairman and Chief Executive Officer is based on the achievement of precisely defined goals. It represents, when goals have been achieved, 100% in 2007 and 120% in 2008 of the fixed portion and may reach, when goals have been exceeded, 180% of the fixed portion (150% in 2007). Said goals, of which there are two, each count for half in determining the variable portion: firstly, the operating income and the return of capital employed, secondly, the free cash flow from operations after financial costs; exceptional performances may also be included in the calculation. Pursuant to said criteria, no variable remuneration was paid to the Chairman and Chief Executive Officer for 2008.

For Jean-François Palus, deputy Chief Executive Officer, the variable portion for 2008 represents, when goals have been achieved, 50% of the fixed remuneration as in 2007. It depends, firstly (for 60%), on the achievement of quantitative goals (operating income, return on capital employed and free cash flow from operations after financial costs of the Group) and, secondly, (for 40%), on the achievement of qualitative goals set by the Chairman and Chief Executive Officer.

The benefits in kind of the Chairman and Chief Executive Officer and of the deputy Chief Executive Officer correspond to the provision of company cars.

The exceptional remuneration of the Chairman and Chief Executive Officer paid in 2007 corresponded to the cash compensation received under the early redemption programme of *Share Appreciation Rights* (SARs), instruments granted by Gucci Group which are settled in cash without materialisation, and without capital increase (see Note 8.3 of the notes to the consolidated financial statements page 195).

No indemnity in the event of termination of their duties is provided for the Chairman and Chief Executive Officer and the deputy Chief Executive Officer either in the scope of their terms of office or under the employment contract of the deputy Chief Executive Officer.

There are no special pension schemes for executive corporate officers.

| | Employment Contract | | Supplementary pension scheme | | Indemnities or benefits owed or that may be owed on the termination of or change of duties | | Indemnities relating to a non competition clause | |
|---|---|---|---|---|---|---|---|---|
| **Executive corporate officers** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** | **Yes** | **No** |
| François-Henri Pinault<br>Chairman and Chief Executive Officer<br>Term of office begins on: May 19, 2005<br>Term of office ends on: May 7, 2009 | | X | | X | | X | | X |
| Jean-François Palus<br>deputy Chief Executive Office<br>Term of office begins on: February 26, 2008<br>Term of office ends: open-term | X | | | X (1) | | X | | X |

*(1) Mr Jean-François Palus retains the benefit of the group supplementary pension scheme with defined benefits that was applicable to him as employee and member of the Executive Committee prior to his appointment as corporate officer. Said scheme guarantees employees, of at least 60 years and present in the Group when they are entitled to obtain the full rate liquidation of their French Social Security base pension (sections A and B) and/or any equivalent foreign base scheme based on their career, the following rights:*

*• Rights calculation method:*

*The scheme provides for the service of a life annuity in the following conditions:*

*- guaranteed pension: 1% of the reference remuneration per year of service + 1.5% of the reference remuneration per year of presence on the Executive Committee of the PPR group,*

*- reference remuneration: average of the 3 best years of gross remuneration paid over the period of service,*

*- maximum amount: 30% of the reference remuneration;*

*• Reversion at 60%.*

## Other information and commitments

No share subscription or purchase option was granted to executive corporate officers during 2008.
No share subscription or purchase option was exercised by an executive corporate officer during 2008.
The record of share purchase option allocations to François-Henri Pinault and Jean-François Palus appears in pages 280-281.

### PERFORMANCE SHARES ALLOCATED TO EACH EXECUTIVE CORPORATE OFFICER DURING 2008

| | Number and date of the plan | Number of shares allocated | Valuation of shares based on the method used for the consolidated financial statements (IFRS2) | Purchase date | Availability date | Terms of performance |
|---|---|---|---|---|---|---|
| François-Henri Pinault | Plan 2008-I 09.06.08 | 15,000 | €915,300 | June 09, 2010 | June 09, 2012 | Condition of a performance at least equivalent to the price of the PPR share compared to the CAC 40 index, between the allocation and final purchase of said shares (2 years), the number of shares finally bought being reduced to the due proportion of any under-performance of the PPR share. |
| **TOTAL** | | **15,000** | **€915,300** | | | |
| Jean-François Palus | Plan 2008-I June 09, 2008 | 10,000 | €610,200 | June 09, 2010 | June 09, 2012 | Condition of a performance at least equivalent to the price of the PPR share compared to the CAC 40 index, between the allocation and final purchase of said shares (2 years), the number of shares finally bought being reduced to the due proportion of any under-performance of the PPR share. |
| | Plan 2008-II 22 oct. 2008 (1) | 2,750 | €72,738 | October 22, 2010 | October 22, 2010 | Same |
| **TOTAL** | | **12,750** | **€682,938** | | | |

*(1) Allocated in his capacity as employee Chief Financial Officer. As Mr Palus does not receive any remuneration for his corporate office, the Board does not deem it necessary to require that he buy shares.*

The Board of Directors' meeting of June 9, 2008 decided to allocate performance shares to François-Henri Pinault on the recommendation of the Remuneration Committee, having taken into account the Group's creation of value during 2007 resulting, in particular, from the strategic decisions and achievements. It proposed that the Chairman and Chief Executive Officer be allocated 15,000 performance shares for 2008, by withholding said number on the basis of the stock options granted in 2007 and a ratio of one performance share for four stock options.

The Remuneration Committee also recommended that the Board of Directors make an exceptional allocation of 10,000 performance shares, in acknowledgement of the efforts of Jean-François Palus.

The Board of Directors decided that at least 30% of the amount after tax and social security deductions (at the ordinary rate as if the share had been assigned immediately) of the gain on the acquisition resulting from the sale of performance shares should be kept by François-Henri Pinault and Jean-François Palus, in the form of an equivalent number of shares thus allocated (valued at the assignment date) up to the termination of their duties as corporate officers of PPR, unless the Board of Directors decides otherwise, thus releasing them from this restriction within the limit that it would then set.

Such decision was taken in compliance with share holding conditions to which François-Henri Pinault is subjected within the scope of the granting of share purchase options in May 2007 (2007/1 Plan).

**PERFORMANCE SHARES THAT BECAME AVAILABLE DURING 2008 FOR EACH EXECUTIVE CORPORATE OFFICER**

| | Number and date of the plan | Number of shares that became available during the year | Terms of purchase |
|---|---|---|---|
| Jean-François Palus | 2006 Plan May 23; 2006 | 714 | No share to be bought during the vailability period |
| **TOTAL** | | **714** | |

## Summary of remuneration, options and performance shares allocated to each executive corporate officer

| *Gross amounts in €*<br>**François-Henri Pinault**<br>**Chairman and Chief Executive Officer** | Amounts for 2008 | Amounts for 2007 |
|---|---|---|
| Remuneration owed | 1,169,741 | 2,732,967 |
| Valuation of the options granted (1) | | 1,259,400 |
| Valuation of the performance shares granted (1) | 915,300 | |
| **TOTAL** | **2,085,041** | **3,992,367** |

*(1) This value corresponds to the value of options and financial instruments upon their allocation as applied under IFRS 2 after taking into account, in particular, a possible discount related to criteria of performance and probability of presence in the Company at the end of the purchase period, but prior to the spreading of the expense over the purchase period under IFRS 2.*

| *Gross amounts in €*<br>**Jean-François Palus**<br>**deputy Chief Executive Officer** | Amounts for 2008 | Amounts for 2007 |
|---|---|---|
| Remuneration owed | 799,785 | 909,180 |
| Valuation of the options granted (1) | | 161,623 |
| Valuation of the performance shares granted (1) | 682,938 | 844,376 |
| **TOTAL** | **1,482,723** | **1,915,179** |

*(1) This value corresponds to the value of options and financial instruments upon their allocation as applied under IFRS 2 after taking into account, in particular, a possible discount related to criteria of performance and probability of presence in the Company at the end of the purchase period, but prior to the spreading of the expense over the purchase period under IFRS 2.*

## REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS OTHER THAN THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER - DIRECTORS' FEES

The General Shareholders' Meeting of June 9, 2008 increased the total amount of directors' fees to be allocated to the members of the Board of Directors for 2008 from €570,000 to €610,000, due to the appointment of another director, Jean-Pierre Denis.

Based on the recommendations of the Remuneration Committee, the Board of Directors of January 23, 2009 decided to allocate directors' fees based on the actual presence of members at meetings of the Board and of specialised committees held during 2008.

Out of the total amount set by the General Shareholders' Meeting, the rule followed by the Board is to allocate €114,000 as a special portion to the Vice-Chairperson (€45,000) and to the Chairmen of the Audit and Remuneration Committees respectively (€23,000 each); the balance being divided in two potentially equal portions:

**a)** a fixed portion, allocated with coefficient 1 by Board membership, increased by 0.5 per Committee;

**b)** a variable portion, allocated with coefficient 1 per presence at each meeting of the Board and 0.5 for each attendance at a Committee meeting.

For 2008, the amount of €589,457 was paid in January 2009 with the following allocation:

- €114,000 for the special portion;
- €236,057 for the fixed portion;
- €239,400 for the variable portion.

| Members of the Board of Directors other than the Chairman and Chief Executive Officer | Directors' fees paid during the year *(in euros)* | |
|---|---|---|
| | 2008 | 2007 |
| Patricia Barbizet | 204,815 (1) | 206,973 (1) |
| *Other remuneration paid* | | *195,000* (2) |
| René Barbier de la Serre | 82,183 | 82,602 |
| Pierre Bellon | 49,334 | 53,642 |
| Allan Chapin | 54,962 | 56,622 |
| Luca Cordera di Montezemolo | 24,667 | 25,331 |
| Philippe Lagayette | 76,555 | 76,642 |
| Baudoin Prot | 38,406 | 35,017 |
| Jean-Philippe Thierry | 42,629 | 9,796 |
| **TOTAL** | **573,551** | **741,625** |

*(1) Directors' fees paid by PPR and Gucci Group.*
*(2) Corresponding to the indemnity received under the early redemption programme of Share Appreciation Rights (SARs) granted by Gucci Group.*

Neither the Company, nor any of its Subsidiaries, has any commitment vis-à-vis its directors arising from the commencement, termination or change in their duties or subsequently thereto.

No corporate officer benefits from any particular benefit or specific plan in terms of retirement. There is no conditional or deferred remuneration.

## REGULATORY INFORMATION ON THE EXECUTIVE CORPORATE OFFICERS AND THE MEMBERS OF THE BOARD OF DIRECTORS

To the Company's knowledge:

- no court order on the ground of fraud has been entered against one of the executive corporate officers and directors over the last five years;
- none of the executive corporate officers and directors has been associated with a bankruptcy, receivership or liquidation as a member of an administration, a management or a supervisory body or as Chief Executive Officer;
- no court order has been entered over the last five years against one of the executive corporate officers and directors that prohibits them from acting as a member of an administration, a management or a supervisory body of an issuer or from intervening in the management or running of an issuer's business;
- no incrimination and/or official public penalty has been entered against one of the executive corporate officers and directors of the Company by statutory or regulatory authorities (including named professional bodies);
- no executive corporate officer and no director has been given a commitment by the Company or one of its subsidiaries corresponding to items of remuneration, indemnities or any benefits owed or that might be owed on account of the taking up, termination or change of said duties or after same;
- no executive corporate officer and no director has received remuneration from Artémis that directly controls PPR during the year;
- no executive corporate officer and no director has pointed out the existence of an agreement with a main shareholder, customer or supplier of the Company under which he was selected as executive corporate officer or director.

Moreover, no service contract granting benefits binds the directors of the PPR group.

No assets belonging directly or indirectly to the senior managers of the Company are used in Group operations.

In general, to the Company's knowledge, no executive corporate officer and no director is in a position of potential conflicts of interest between its duties to the Company and its interests or other duties and has no existing family tie with another corporate officer or director of the Company.

## OTHER INFORMATION ON THE COMPANY'S BOARD OF DIRECTORS

### Honorary Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, the Board of Directors decided on May 19, 2005 to appoint François Pinault, founder of the PPR group, as Honorary Chairman of the Board of Directors. In this capacity, François Pinault is invited to the meetings of the Board of Directors and of the Strategy and Development Committee on a consultative basis.

### Vice-Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, the Board of Directors decided on May 19, 2005 to appoint Patricia Barbizet as Vice Chairperson of the Board of Directors. In this capacity, she prepares the work of the Board of Directors and may chair Board meetings when the Chairman is absent.

### Advisers to the Board

The Board of Directors appointed the following senior managers of the Group as Advisers to the Board:

- as of May 19, 2005, Mr Robert Polet, Chairman of the Management Board and Chief Executive Officer of Gucci Group NV;
- as of January 11, 2006, Mr Jean-François Palus, Group Chief Financial Officer, and Deputy CEO since February 26, 2008;
- as of May 14, 2007, Mr Christophe Cuvillier, Chairman and Chief Executive Officer of Conforama Holding then Chairman and Chief Executive Officer of Fnac and Mr Alain Viry, Chairman and Chief Executive Officer of Cfao;
- as of August 30, 2007, Jochen Zeitz, Chairman of the Management Board of Puma AG;
- as of June 9, 2008, Thierry Guibert, Chairman and Chief Executive Officer of Conforama Holding;
- as of April 9, 2009, Jean-Michel Noir, Chairman and Chief Executive Officer of Redcats SA.

The main role of the advisers to the Board is to attend meetings of the Strategic and Development Committee and, as required, meetings of the Board of Directors, to provide necessary information, their expertise and knowledge of the Group's various businesses. They serve on a consultative basis. In May 2007, the General Shareholders' Meeting considered it appropriate to let the Board decide on the number of advisers it wishes to have and amended Article 18 of the PPR Articles of Association accordingly.

## MANAGEMENT OF THE GROUP

The Management of the Group is comprised of the Executive Committee of the Group around François-Henri Pinault, Chairman and Chief Executive Officer and of Jean-François Palus, deputy Chief Executive Officer.

### The Executive Committee

The Executive Committee comprised of the Chairmen of the Group's various branches and the main operating directors of PPR meets each month. 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.

### Members of the Executive Committee

- François-Henri Pinault (since March 2005), Chairman of the Executive Board then Chairman and Chief Executive Officer;
- Jean-François Palus (since December 2005), deputy Chief Executive Officer and Group Chief Financial Officer;
- Claude Chirac (since December 2007), Group Communications Director;
- Laurent Claquin (since September 2007), Group Corporate Social Responsibility Director;
- Christophe Cuvillier (since February 2005), Chairman and Chief Executive Officer Conforama then Chairman and Chief Executive Officer of Fnac (since March 2008);
- Philippe Decressac (since November 2008), Director of Group Human Resources;
- Thierry Guibert (since June 2008), Chairman and Chief Executive Officer of Conforama;
- Gérard Mothe (since April 2006), PPR Corporate Secretary;
- Jean-Michel Noir (since April 2009), Chairman and Chief Executive Officer of Redcats;
- Robert Polet (since July 2004), Chairman et Chief Executive Officer of Gucci Group NV;
- Alain Viry (since January 1997), Chairman and Chief Executive Officer Cfao;
- Jochen Zeitz (since September 2007), Chairman of the Management Board of Puma AG.

### Monthly activity and budget review meetings

PPR's Executive Management holds monthly meetings with the Subsidiaries' CEOs and corporate secretaries to assess the trends of the various businesses. This assessment is based on operational and financial factors.

### Group organisation and planning

Each Subsidiary draws up a medium-term plan, covering strategy, operational and financial objectives that include among others the issues identified by the Strategy and Development Committee in its annual guidelines intended for each Subsidiary. 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 is translated into distinct priority action plans. The financial plan reflects the impact of these action plans on the Subsidiary's operating performance and on the financial statements and financial position. 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 and the Strategy and Development Committee to discuss major strategy issues and Group projects. An annual Board of Directors meeting is devoted to presenting medium-term plans for each Subsidiary as well as their financial summary.

### Trading Practices Committee

Comprised of the Chief Financial Officer, the Corporate Secretary and the Legal Counsel of the Group, the Trading Practices Committee draws up the timetable of negative window periods relating to the trading of PPR securities, lists of insiders, letters of information and follow up relating to rules on insider dealing sent to the relevant executives and managers of the Group as well as to occasional and permanent insiders in accordance with the general rules of the French Financial Markets Authority (AMF). The members of the Group's Executive Committee are required to consult the Trading Practices Committee before trading in Company shares or similar financial instruments.

Pursuant to the provisions of Article 223-26 of the general regulations of the AMF, to the Company's knowledge, the individuals referred to in article L. 621-18-2 of the French Monetary and Financial Code have not carried out transactions on PPR's financial instruments during 2008.

### Ethics Committee for Corporate Social Responsibility

Representative of the Executive Committee, the Ethics and Social and Environmental Responsibility Committee (CERSE [1]) is comprised of the executives of the Company and of Subsidiaires that contribute their experience in varied fields: purchases, human resources, risk prevention, communication, legal issues and company management.

The Committee is also comprised of a member from outside the Group who is an expert on social responsibility and company risks. For all these issues, the main role of the Ethics Committee for Corporate Social Responsibility is to gather relevant information, review the strategy for the Group's existing or anticipated policies in this area, and consider the means needed to generate and implement them. Any employee of the Group may submit any question within the scope of the Code of Business Conduct to the Committee.

## REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE CONDITIONS OF PREPARATION AND ORGANISATION OF PROCEEDINGS OF THE BOARD AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

Pursuant to Article L. 225-37 par. 6 of the French Commercial Code, amended by Act No. 2008-649 of July 3, 2008, the conditions of preparation and organisation of the proceedings of the Board of Directors and of internal control and risk management procedures set up by the Company are reported to you hereinafter. Said report specifies, in particular, the procedures relating to the elaboration and processing of accounting and financial information for the consolidated financial statements and the corporate financial statements; the Company's Audit Committee deliberated on said second part on January 20, 2009.

The Board of Directors approved the entire report at its meeting of February 18, 2009 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

### I. Conditions for the preparation and organisation of the work of the Board of Directors

#### 1 – Internal Rules of the Board

The conditions for the preparation and organisation of the work of the Board of Directors are defined by law, by the Company's Articles of Association, by the Internal Rules of the Board and by the work of its specialised committees. The Board establishes Internal Rules for each Committee.

The Board is comprised of ten directors with wide and diversified experience, in particular, in relation to company strategy, finance, insurance, distribution, accounting, management and control of commercial or financial corporations. The Articles of Association provide for a four year term of office for directors, which is renewable.

Pursuant to its Internal Rules and the law, the Board of Directors meets at least four times a year. So that directors may prepare as best possible the subjects to be examined during the meeting, a complete file shall first be sent to them in due time; it shall include, per theme addressed, the necessary information on all subjects on the agenda.

Reflecting the regulatory obligations on the subject, the Internal Rules, which were amended to take account of new obligations relating to financial information and the consolidation of Puma AG, a subsidiary listed in Germany, in the PPR group, also set the rules binding on directors in relation to trading restrictions on the securities of the Company or more generally the Group, by providing for the establishment of "negative window periods":

- the directors must refrain from trading directly or indirectly on the listed securities and financial instruments of the Company and the Group over a ten day trading period preceding each of the periodic publications relating to the financial statements and the consolidated revenues and ending after the publication of the relevant official press release. In no way does this closed period replace the legal regulations regarding insider trading with which each member of the Board must comply at the time it decides to trade, no matter when this might occur outside the defined closed periods;
- the same obligations apply to each director insofar as it had knowledge of insider information relating to any financial instrument listed on a regulated market, the issuer of which has an insider relationship with the Group. Consequently, the Internal Rules require the reporting of all dealings in these shares.

The Internal Rules set the frequency and conditions of Board meetings and provide for meeting participation by visioconference and/or conference calls means.

They also establish the principle that its operating shall be regularly assessed and sets the terms and conditions in which directors' fees shall be allocated.

*(1) Le Comité pour l'éthique et la responsabilité sociale et environnementale.*

In order to reinforce the terms and conditions of its operating and in the interest of good governance, the Internal Rules of the Board of Directors set forth and formalise the rules governing the organisation and method of operating of the Board as well as the assignments of its four committees: the Audit Committee, the Remuneration Committee, the Appointments Committee and the Strategy and Development Committee.

The Chief Executive Officer may in all circumstances be heard within said committees.

## 2 - Limitations by the Board of Directors to the powers of the Chief Executive Officer and deputy Chief Executive Officer

With respect to the Board of Directors' statutory role to determine the strategy of the Company and ensure its implementation, and without prejudice to the legal provisions governing the authorisations that the Board is required to grant (regulated agreements, endorsements, pledges and guarantees, divestments or sale of real property, etc.), the Company's Articles of Association provide that certain decisions of the CEO and Deputy CEO by virtue of their nature or significance must obtain the prior approval of the Board of Directors:

a) matters and transactions that have a substantive effect on the strategy of the Group, its financial structure or its scope of business activity;

b) except in the event of a decision by the general meeting of shareholders, issues of securities, regardless of the nature thereof, which are liable to cause a change in the share capital;

c) the following operations by the Company or any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors:

- all investments or divestments, including the acquisition or sale or exchange of shareholdings in all existing or future businesses,
- all purchases or sales of Company buildings.

Said transactions are regularly submitted to the Board of Directors which examines them with care.

## 3 – Compliance with a Code of Corporate Governance

On October 22, 2008, the Board of Directors announced that it had examined and adopted the AFEP-MEDEF recommendations on the remuneration of executive corporate officers of listed companies of October 6, 2008 as a reference framework for its corporate governance and considered that the corporate governance policy already implemented by the Company complied with all the aforementionned recommendations, which would be specified in the 2008 reference document.

Therefore, the Company now refers to the "Code of corporate governance of listed companies" resulting from the consolidation of the AFEP and MEDEF report of October 2003 and their aforementioned recommendations of January 2007 and October 2008 ("the Consolidated AFEP-MEDEF Code"), in particular, for the elaboration of this report.

## 4 – Independence of directors

To examine the independence classification of a director and to avoid possible risks of conflicts of interests, the Board applied the criteria defined in the Consolidated AFEP-MEDEF Code, in particular:

- not be an employee or corporate officer of the Company, employee or director of its parent company or a consolidated Company and not have been an employee or corporate officer thereof over the previous five years;
- a director cannot be a corporate officer in a company in which the Company holds, directly or indirectly, a directorship or in which an employee so designated or a corporate officer of the Company (current Board member or Board member for less than five years) holds a directorship;
- a director cannot be a significant client, supplier, investment banker, or finance banker of the Company or its Group, or a company for which the Company or its Group represents a significant portion of the activity;
- a director cannot have any close family tie with a corporate officer;
- a director cannot have been the auditor of the company during the five preceding years;
- a director cannot have been a director of the company for over twelve years.

In light of said criteria and following review by the Appointments Committee in March 2007 and on January 20, 2009, the Board of Directors, given the situation of each director, assessed as independent directors: Messrs René Barbier de La Serre, Pierre Bellon, Allan Chapin, Luca Cordero di Montezemolo, Jean-Pierre Denis and Jean-Philippe Thierry (the latter's situation was reviewed in light of the share of premiums that the PPR group paid to AGF which allows considering that the independence criteria have been fully satisfied), without prejudging the independence of the other directors.

Regarding Messrs Baudouin Prot and Philippe Lagayette, the Board noted that if the PPR group maintains relations, in ordinary and normal conditions, with the BNP group, on the one hand, and the JP Morgan group, on the other hand, they declared that their activites for the PPR group did not place them respectively in a situation of influencing the independence of said two directors with regard to PPR.

During its meeting of January 20, 2009, the Appointments Committee again reviewed the situation of each of the directors in light of the independence criteria of the Consolidated AFEP-MEDEF Code. On its proposal, as no new information is liable to change its past assessment of the situation, the Board, following review, considered that its earlier assessments were still applicable.

Thus, six directors out of the ten directors on the Board are assessed as independent directors. It is specified that the Consolidated AFEP-MEDEF Code recommends that companies with a controlling shareholder, which is PPR's case, comply with the rule "of at least one third".

## 5 – Activity of the Board and its specialised committees

### *Activity of the Board of Directors in 2008 and until February 18, 2009*

#### Activity of the Board of Directors in 2008

During 2008, the Board met five times with an average participation rate of 87.4%.

| Dates | Directors present (rate of participation) |
|---|---|
| January 23 | 8/9 (89%) |
| February 26 | 7/9 (78%) |
| June 9 | 10/10 (100%) |
| August 28 | 8/10 (80%) |
| October 22 | 9/10 (90%) |

The work of the Board of Directors mainly involved reviewing the yearly and half-yearly financial statements, the Group's activity and strategic issues.

During its meeting of January 23, 2008, which all directors attended, the Board deliberated on the draft strategic agreement with l'Oréal for Yves Saint Laurent Beauté, on the Group's activity in 2007, was involved in finalising the information given to the public at the close of the meeting, reviewed the proceedings of the Audit Committee that had preceded the meeting, in particular, on the expiry of the duties of one of the statutory auditors, recorded a capital increase resulting from options exercised in 2007 and allocated the 2007 directors' fees in accordance with the terms and conditions of its Internal Rules and the recommendations of the Remuneration Committee.

On February 26, 2008, following review by the Audit Committee which had meet the day before, the Board of Directors drew up the 2007 financial statements and reports in view of the General Shareholders' Meeting, of which it drew up the agenda and draft resolutions. On a motion by the Chairman and the recommendations of the Appointments Committee, it appointed Jean-François Palus, Group Chief Financial Officer, as deputy Chief Executive Officer, proposed the appointment of Mr Jean-Pierre Denis as director and assessed his independence for a future appointment by the General Shareholders' Meeting, reviewed the situation of each director in light of the independence criteria of the AFEP-MEDEF report and concluded that five directors out of nine were independent, considering the Board's current formation; it listened to a three year assessment of the Board, entrusted in 2007 to an independent member, and discussed same. On the recommendation of the Remuneration Committee, the Board set the items of remuneration of the Chairman and Chief Executive Officer, then it assessed the recommendations of the CEO and the Remuneration Committee on items of remuneration of members of the Executive Committee.

On June 9, 2008, the Board was informed of Denis Olivennes's departure from the Group and his replacement at the position of Chairman and Chief Executive Officer of the Fnac by Christophe Cuvillier himself replaced at the position of Chairman and Chief Executive Officer of Conforama by Thierry Guibert and an issue of an indexed bond. The proceedings of the Remuneration Committee on the draft 2008 policy on the long term remuneration of the Group's corporate officers were presented to the Board; the Board decided on the principle of a free allocation of shares to the Chairman and deputy Chief Executive Officer (on recommendation of the Remuneration Committee) and approved the rules and regulations pertaining to a free allocation of shares plan as well as the implementation of the share redemption plan authorised by the General Shareholders' Meeting of the same day, reduced the capital by cancellation of treasury stock and appointed the advisers to the Board.

On August 28, 2008, it reviewed the proceedings of the Audit Committee which had met in July and August, listened to the statutory auditors, draw up the financial statements and half yearly reports and was presented a report on the activity of July 2008.

The meeting of October 22, 2008 was dedicated to the proceedings of the Remuneration Committee which had met at the beginning of October and reviewed the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of executive corporate officers and to AFEP and MEDEF recommendations as the framework reference for the corporate governance policy of the PPR group. The Board, on a recommendation by the Remuneration Committee, decided on the free allocation of shares to the deputy Chief Executive Officer as a salaried employee in the Group. It approved compliance with the new AFEP-MEDEF recommendations, authorised the delegation of powers to the Chief Executive Officer or to the deputy Chief Executive Officer to record capital increases following the exercise of subscription options in accordance with the new legislative framework and was presented a report on the Group's activity and its prospects.

#### Activity of the Board of Directors in 2009 until February 18

Between January 1, 2009 and February 18, 2009, the Board of Directors met twice.

During its meeting of January 23, 2009 where 9 directors out of 10 were present and in the presence of six advisers, the Board reviewed the proceedings of the Audit Committee and the Group's Revenues of the 4th quarter of 2008 and the 2009 budget were presented to it. It granted and allocated 2008 directors' fees in accordance with the terms and conditions of its Internal Rules and the recommendations of the Remuneration Committee.

Today, February 18, 2009, the Board of Directors meets to draw up the 2008 financial statements and reports in view of the General Shareholders' Meeting, of which it must draw up the agenda and draft resolutions, and to approve this report.

### *Assessment of the Board of Directors*

In accordance with its Internal Rules since 2004, the Board of Directors carries out an annual self-assessment. Every three years at least, an independent director or third party expert appointed by the Board reports on the members and activity.

In 2007, based on the recommendations of the Appointments Committee, an independent member was appointed to conduct the triennial assessment provided for in the Internal Rules.

The result of said assessment, carried out, in particular, through direct interviews with each of the directors, was reviewed at the Board meeting of Febraury 2008. Said thorough assessment showed that issues considered to be of importance were actually studied, handled and discussed in satisfactory conditions during meetings and the actual contribution of everyone to the proceedings of committees and the Board was assessed.

The Appointments Committee, at its meeting of January 20, 2009, confirmed that the same conclusions applied for 2008.

### *Audit Committee*

Set up in December 2002, the main assignment of the Audit Committee, within the limit of the duties of the Board of Directors, is to review the annual and half yearly financial statements, to check the relevance, continuity and reliability of accounting methods applied within the company and the main subsidiaries and to check the implementation of internal control and risk management procedures in the Group, to be familiar with the policies implemented within the Group in relation to sustainable development and respect for the environment, to hear and question the statutory auditors, The main problems identified by the Internal Audit Department of the PPR group are notified to the Committee.

It reports on a regular basis and expresses opinions or recommendations within its scope of duties to the Board. Meetings of the Audit Committee give rise to a written and approved report.

The Committee may call on external experts and hear anyone.

Each year it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Audit Committee also examines applications of statutory auditors. Close to the expiry of the term of office of a principal statutory auditor and the deputy statutory auditor, the Audit Committee examined these matters in depth and made its recommendations to the Board of Directors in view of the draft resolution to be put to the shareholders in June 2008.

The PPR Audit Committee is made up of three directors, chosen for their expertise and experience, in particular, in the financial and accounting field: René de La Serre, Chairman of the Committee, independent director, Patricia Barbizet, Vice Chairperson of the Committee and Jean-Philippe Thierry, independent director. In accordance with the consolidated AFEP-MEDEF code, two thirds of the members of the Committee are independent directors.

#### Activity of the Audit Committee in 2008 and in 2009 up to February 18

In 2008, the Committee met four times, with an attendance rate of 100%.

In January, it was presented a report on the audit and internal control activities in the Group in 2007, examined the audit plan for 2008 and close to the expiry of the term of office of the principal statutory auditor and the deputy statutory auditor, the Committee examined in depth the various aspects of the service provided by the auditors as well as the financial terms of assigments carried out and recommended that the Board of Directors renew the latter's terms of office.

Thereafter, it reviewed the 2007 financial statements presented by the members of the senior management. The review related, in particular, to value tests on the main cash generating units of the Group. For this purpose, the Committee listened to the financial and accounting services and the Internal Audit Director of the Company. The CFO then informed the Committee on the proper coverage of risks and legal proceedings. It also reviewed the half yearly financial statements and in particular the change in interest expenses. Whenever the financial statements were reviewed, it listened to the statutory auditors' reports on the financial statements and to other information on the annual report and the half yearly report.

The Committee was also informed of the services of the Artémis Company provided to PPR during 2007 under an advisory and assistance agreement continued between the two companies, then approved the amount of the contractual fee for 2007. In the interest of good governance, Mrs Barbizet was not involved in Committee's assessment of this matter.

It reviewed the terms of financing, the statement of outstanding amounts and, in particular, the credit lines for the purchase of Puma, the Group's cash position and assessed the absence of liquidity risk.

Since the beginning of 2009, the Audit Committee has met twice with all of its members. On January 20, the Internal Auditor Director presented it with a report on the audit and internal control activities in the Group in 2008; it reviewed the annual audit plan for 2009, the services provided by Artémis in 2008 then it reported and made its recommendations to the Board of Directors. Moreover, it discussed the goals, organisation and the adequate means to satisfy the provisions of Ordinance No. 2008-1278 of December 8, 2008, in particular, in relation to the monitoring of processes and the efficiency of systems and proposed to continue the reflection. On February 17, 2009, it met before the meeting of the Board to draw up the financial statements, a theme to which it devoted most of its proceedings and listened to the statutory auditors' reports on the financial statements and the financier's presentation of off balance sheet risks and commitments.

The Committee informed the Board of its proceedings and recommendations on February 18.

### *Remuneration Committee*

The Remuneration Committee reviews and makes proposals to the Board of Directors on all items and terms of remuneration of the Chairman and Chief Executive Officer (explained above in the chapter "Board of Directors"), the method of allocating directors' fees granted to the Board by the General Shareholders' Meeting. It reviews and assesses the remuneration policy of senior executives as well as the remuneration and benefits received or deferred, share purchase or

subscription options, free allocations of shares and/or like benefits in favour of the members of the Executive Committee of the PPR Group.

At December 31, 2008, the Remuneration Committee is comprised of five directors: Philippe Lagayette, Chairman of the Committee, Patricia Barbizet, Vice Chairperson of the Board of Directors, René Barbier de la Serre, Pierre Bellon and Allan Chapin, all three are independent directors. Thus, in the light of the criteria of the consolidated AFEP-MEDEF code, the independent directors hold the majority on the Remuneration Committee.

**Activity of the Remuneration Committee in 2008 and in 2009 up to February 18.**

In 2008, the Committee met four times, with an average attendance rate of 95%.

In particular, it met on the subject of the remuneration of the Chairman and Chief Executive Officer and members of the Executive Committee and on the proposal to update directors' fees in the event of the General Shareholders' Meeting appointed a new director in June 2008.

As in previous years, it made its recommendations to the Board on the free allocation of shares in the Group, gave its opinion on the allocation policy proposed in 2009.

The meeting of October 24, 2008 was dedicated to the review of PRR remuneration practices in light of the new AFEP-MEDEF recommendations of October 6, 2008 following which, the Committee recorded the compliance of the Company's practices with the new rules and consented to the terms of the presss release relating to PPR's acceptance of said recommendations before submitting it to Board members. It also recommended that a remuneration committee be set up in each of the operating branches of the Group that the representatives of PPR's General Management would attend and whose proceedings would enrich the knowledge and appreciation of the Remuneration Committee.

The Remuneration Committee reported on its proceedings and proposals to the Board of Directors.

In 2009, the Committee met on February 12, in particular, to review the remuneration of the Executive Committee, the Chairman and Chief Executive Officer and the deputy Chief Executive Officer and set the amount that the Board shall propose to the General Shareholders' Meeting in directors' fees for the year beginning on January 1, 2009.

### *Appointments Committee*

Set up in March 2003, the Appointments Committee reviews the proposed appointments of directors as well as their situation in light of the independence criteria defined by the Board. Said review must be carried out prior to each appointment and it may be carried out at any time that the Committee deems to be useful. It expresses opinions or recommendations within its jurisdiction to the Board.

The Committee is comprised of three directors: Patricia Barbizet, Chairperson, Allan Chapin, independent director and Baudouin Prot.

On January 20, 2009, the Committee met and reviewed the possible succession plan applying to the members of the Group's senior management, the assessment of directors' independence, the assessment of the quality of its proceedings by the Board of Directors, the principle – that it applied – of a renewal, in turn, of the term of office of directors expiring at the close of the General Shareholders' Meeting that is to approve the financial statements of the year ended December 31, 2008 (i.e. all directors, apart from Jean-Pierre Denis) and the proposal of two new directors, of which an independent director to replace an independent director who wishes for personal reason not to seek renewal of his term of office.

**Activity of the Appointments Committee in 2008 and in 2009 up to February 18**

In 2008, the Appointments Committee met once with all of its members. The Committee reviewed the situation of directors in light of independence criteria. It discussed the three year assessment of the Board that it had entrusted to an independent member whose report was submitted to the Board on February 28, 2008. It alse reviewed and gave a favourable opinion on the proposed appointments of Jean-François Palus as managing Chief Executive Officer and of Mr Jean-Pierre Denis as director the independence criteria of whom it also assessed in light of the criteria of the AFEP-MEDEF report.

In January 2009, the Committee met with all of its members to deliberate as stated above.

The Appointments Committee reported on its proceedings and made its recommendations to the Board of Directors.

### *Strategy and Development Committee*

Within the limits of the duties of the Board of Directors, the Strategy and Development Committee identifies, analyses and follows the development strategy initiatives of the PPR group,.

The Committee is comprised of four directors: Patricia Barbizet, Chairperson of the Committee, François-Henri Pinault, Pierre Bellon, independent director and Philippe Lagayette.

**Activity of the Strategy and Development Committee in 2008 and in 2009 up to February 18**

The Committee met twice in 2008, in the presence of all of its members in view of presenting the strategy axes of the Group and of presenting the medium term plans of the Operating Branches of the Group.

## 6 – Shareholders attendance

All shareholders are entitled to attend General Shareholders' Meeting in accordance with the conditions provided for by law. The terms and conditions of said attendance are specified in the provisions of Article 20 of the Articles of Association and are set out again on page 291 of the Reference Document.

### 7 – Information likely to have an impact in the event of a public offer

No information other than that related to the current shareholding structure (Artémis being the majority shareholder with 40.8% of the capital and 55.3% of the voting rights of PPR), the double voting right provided for under the Articles of Association, the own shares redemption programme and authorisations by the General Shareholders' Meeting to increase the capital, as expressly described in the reference document is liable to have an impact in the event of a public offer or cannot have the effect of delaying, deferring or preventing a change of control.

To the best of the Company's knowledge, there are no agreements between shareholders that could restrict the transfer of shares or the exercise of voting rights.

## II. Internal control procedures set up by the Company

PPR is the leading company of the PPR group, a world player in the luxury and distribution sectors. The main companies consolidated are Conforama, Cfao, Fnac, Gucci Group, Puma and Redcats Group (collectively "the Branches'" and individually "the Branch"). The following report aims to describe the internal control procedures in the Group, in particular, the procedures relating to the elaboration and processing of accounting and financial information. The scope of the Group covered by the report includes all subsidiaries consolidated using the full consolidation method, i.e. the companies in which the Group directly or indirectly exercises a control.

As a holding, PPR's own activity consists of leading and managing its holdings, stimulating the development of its Branches, coordinating the financing of their activities, providing support and communication services and developing the transveral resources of the PPR group, in particular, in the areas of purchases (purchaes of goods and overheads) and insurance.

The section devoted to internal control procedures shall deal with all of the historic Branches of the Group (Conforama, Cfao, Fnac, Gucci Group and Redcats Group). The subsidiary Puma AG, listed on the German market, is subject to regulatory obligations applicable to internal control and risk reporting, defined in the company's annual report and that may be consulted to supplement this report. The General Management of the Puma group informed PPR that all procedures corresponding to this report had been carried out satisfactorily within the Group.

### 1 – Internal control in the PPR group

#### *Definition of internal control*

The internal control procedures applicable within the PPR group rely on a set of adapted means, policies, conduct, procedures and actions to ensure that the necessary measures are taken to control:

- activities, operational effectiveness and the efficient use of resources;
- risks that could have a significant impact on the Company's financial position or the achievement of its objective, whether such risks involve operations, financial issues or compliance.

The internal control function of the PPR group, formalised at the time of the application of the Financial Security Act in 2003 was reviewed in 2008. From now on, the Group applies the AMF reference framework and has adapted its application guide. This internal control function monitors the general organisation of the Group; it is both:

- decentralised at the level of Subsidiaries and trademarks: the General Management of operational and legal entities are responsible for the leadership and steering of the internal control process;
- unified around a common methodology and a sole reference system. The PPR holding coordinates its deployment throughout the Group.

Internal control is a process coordinated by the members of the senior management, under the supervision of the Board of Directors, and implemented by senior managers and all employees. Regardless of its quality and its degrees of application, it cannot provide an absolute guarantee on the achievement of goals falling within the following categories:

- compliance with laws and regulations in force;
- application of guidelines and directions set by Executive Management;
- smooth operations of internal processes, particularly those contributing to the safeguard of assets;
- reliability of financial information.

The probability of meeting such objectives is subject to the limits inherent in any internal control system, such as:

- human error or malfunctions occurring when decisions are made or applied;
- deliberate collusion amongst several individuals, enabling them to elude the control system;
- or where the setting up, even the maintaining of a control, is more expensive than the risk that it is supposed to remedy.

Furthermore, it is understood that in pursuing the objectives indicated above, the Company is faced with events and uncertainties beyond its control (unexpected changes in the markets, the competitive environment, or the geopolitical situation, or error in the forecast or assessment of the effects of such changes on the organisation, etc.).

#### *Internal control environment*

Adapted to the specific features of the PPR group, the internal control procedure of the Group relies on an organisation that clearly defines responsibilities and includes principles and values governing the conduct and ethics of all its employees. Among other considerations, it relies on human resources management to ensure the competency and involvement of its employees.

In this way, the internal control procedures set up within the PPR group create the base for an efficient control environment.

### PPR Group organisation

The PPR group is organised in a decentralised way, thus favouring the autonomy and responsibility of the managers; this organisation is at the core of its activities. Even if each Branch directly manages the operational aspects related to its activity, in addition the PPR group has an Executive Committee and centralised technical expertise.

The Executive Committee of the PPR group (COMEX), an executive management body, is comprised of the Chairman and Chief Executive Officer, the managing Chief Executive Officer, the Chairmen of each of the Branches of the Group as well the PPR operational directors (Finance, Corporate Secetary, Human Resources and Communication).

The COMEX Executive Committee, which meets on a monthly basis and when required, in accordance with the policies of the Strategy and Development Committee:

- draws up and coordinates the Group's operating strategy;
- defines the priorities with objectives by Subsidiary and the main operational projects;
- develops synergies between the Branches;
- and proposes acquisitions and disposals to the Board of Directors.

The PPR group strategies and goals are discussed each year via medium term plans and the budgets of the operational units of each of the Branches of the Group.

Representatives of the Branches of the Group meet regularly within committees to share operational and strategic information, exchange expertise and spread best practices, for instance, during the e-business Committee under the impetus of the Strategy Department.

This organisation is strengthened by the PPR centralisation of certain technical expertise applicable at the Group level:

- the external Development and Strategy Department coordinates the annual planning process of the Group through involvement in the elaboration of the strategic and operational aspects of medium terms plans of the Branch. It assists the Branches by providing them with a number of support services (market intelligence, research, etc.). This department participates in the technical and financial assessment carried out by Branches when selecting IT solutions, notably when the budgets and medium-term plans are defined. It also manages and coordinates the Group's cross-functional projects. It runs the IT Club which brings together the IT departments of the Branches;
- the Communication Department is involved in the Group's development by enhancing its trade image and reputation within and outside the Group. Hence, it manages both the Group's external relations which include the press (France and international) and public relations and Corporate and internal communications, which is to say events, publishing and image (web, sponsorship). In the scope of obligations related to PPR's status, the Group's financial communication is totally centralised at PPR. Conversely, each Branch (and each Subsidiary) defines and implements its "business product" and internal communication independently and autonomously;
- the Legal Department, apart from its specific function at the level of the Company, assists the Branches with important legal affairs and coordinates analyses or surveys common to the Branches or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Branches with a methodology with a view to permit them to identify those risks and to inform the legal Depatment;
- the Tax Department coordinates the Group's tax policy, advises and assists the Branches on all issues related to tax law as well as in the implementation of tax consolidation in France;
- the Insurance Department is in charge of setting up and effectively monitoring the Group's various policies.

### The Group Chart

The PPR Group adopted a Group Chart more than three years ago that sets the framework of the decentralisation of the organisation and the responsibility of the managers. The Charter defines the guiding principles governing the relations between PPR and the Subsidiaries, and for each operational domain, those elements falling under the delegated responsibility of the Subsidiary, those that must be communicated to PPR within sufficient time and those requiring the prior authorisation of PPR.

### Group principles and values

The ethical principles of the PPR group are set out in the Code of Business Conduct.

The Code contains the Group's commitments and rules of conduct towards:

- customers and consumers;
- employees;
- shareholders and financial markets;
- business partners;
- the environment and society.

In addition to the knowledge that each employee must have concerning the commitments and principles contained in this Code, a specific monitoring organisation was set up to advise employees and determine the ways and means of improving the Code's application.

An Ethics Committee for corporate social responsability (CERSE) reports to the members of the senior management. It comprises at least one representative from each Branch, PPR operational executives and a third-party expert.

This Committee is notably in charge of accompaniing the Branches in setting up said Code and makes all recommendations on the questions

resulting therefrom as well as on those that the employees of the Group might submit to it.

To ensure the application of said Code and to take account of the decentralised structure of the PPR group, each Branch appoints a correspondent of the Ethics Committee. This correspondent is the designated contact of employees for all issues regarding application of the Code of Business Conduct.

Furthermore, the Branches may set up additional organisations, or designate correspondent agents in certain countries or entities in order to bring these correspondents closer to the teams.

### Human resources policy

With respect to human resources management, the Group implements policies to improve professional performance and personal development, applying high standards of employee dialogue and participation in the business, in terms of both union representation and freedom of association as well as profit-sharing. It has also set up measurement tools to assess its human resources environment (biannual opinion polls).

PPR participates in the management of executive positions in each of the Subsidiaries and ensures consistency. It also oversees performance appraisal and remuneration fairness, external competitiveness and competency development. PPR implements transveral training programmes, coordinates social dialogue at the level of the representative institutions of the Group, in close collaboration with the Human Resources Departments of the Branches.

## *Internal control management*

The operating and implementation of the internal control procedures of the PPR group rely on the involvement of several players, at different levels of the organisation.

### Audit Committees

Under the responsibility of the Board of Directors to which it regularly reports, the PPR Audit Committee is in charge of managing Group risk and ensuring that internal control procedures are implemented. Specifically, the PPR Audit Committee carries out the following actions:

- it checks that the Branches and subsidiaries of the Group have internal audit services (apart from Puma which still does not have an actual internal audit service) structured and adapted in order to identify, detect and prevent risks, anomalies or irregularities in the management of the Group's affairs;
- it assesses the relevance and quality of the methods and procedures used;
- it reads the internal audit reports and the recommendations issued;
- it examines the Company's half-yearly and annual parent company and consolidated financial statements and the corresponding financial documents;
- it listens to and questions the Company's statutory auditor;
- it reviews the appointments, fees and independence of the statutory auditors;
- it approves the annual internal audit plan.

There is an Audit Committee within each Branch. It meets at least four times a year prior to the meeting of PPR's Audit Committee; the Puma Audit Committee met twice over the year.

### Executive Managements

The Executive Managements of the Branches define, coordinate and oversee the Group's internal control system. Also they are in charge of initiating the necessary corrective measures. The Executive Managements' involvement is key to the internal control system, given PPR group's organisation.

### Operational managers

The operational managers are in charge of for the smooth running of controls, with respect to the assigned objectives, in order to implement an effective internal control.

### Internal audit

In the PPR group, the internal audit function is organised in a decentralised way. Each Branch, with the exception of Puma, has an autonomous Internal Audit Department covering the scope of its subsidiaries with the competencies and resources necessary to its independence and the objectives of its task.

At the PPR level and reporting to the Corporate Secretary, the Group Internal Audit Department coordinates, harmonises and optimises the work methods and tools used by the Branches' internal auditors. Moreover, it provides its services to the Branches (regulatory watch, expertise, possible resources, etc.) and conducts transversal and operational audit assignments based on themes identified by PPR, the boards or the Branches.

The Group Internal Audit Department continues to centrally administer and to consolidate the analysis of the internal control pursuant to the Financial Security Act and the new AMF reference framework developed in the parapraph entitled "The description of the internal control analysis approach".

The Internal Audit Departments, located within each Group Branch and reporting to the Branch's Executive Management, verify the internal control procedures set up by the other departments and perform operational and financial audits within the companies controlled by the Subsidiary. During 2008, the internal audit services taken together conducted more than 170 audit assigments.

The Internal Audit Departments drew up the audit plans of PPR and of the Subsidiaries by relying, in particular, on the process reference system of the Group and on the mapping of each Subsidiary. Said projects are discussed with the main parties in charge. The Audit Committee reviews and approves the audit plans thus drawn up.

The main problems identified by the Branch and Group Internal Audit Departments in 2008 were brought to the attention of the Audit Committees of the each Branch and PPR. Thus the Audit Committees were informed of the issues identified and the action plans set up by the entities concerned.

Apart from these assignments, all of the internal audit resources in the PPR group are dedicated to promoting internal control on all processes and activities of the company, whether operational or financial, whether they relate to stores, warehouses or registered offices, distribution or manufacturing activities.

At the end 2008, there were 33 employees in internal audit workforce of the PPR group. Their rules of conduct are described in the Audit Charter to which they refer. In general, the Audit Charter stipulates that:

- at the end of each audit, the findings and recommendations are presented to the managers of the area or areas concerned;
- any agreements or disagreements made known by the audited parties concerning the proposed recommendations are included in the final report which specifies any action plan, responsibilities and the deadlines for implementation;
- the staff concerned are responsible for implementing recommendations;
- internal audit is in charge of verifying their implementation.

The internal audit activity is performed in accordance with the Audit Committees and the results of the work performed by the Statutory Auditors.

The Internal Audit Departments drew up internal audit plans based on a risk based approach taking account of the specific demands of the General Managements and other operational Departments.

The Internal Audit Departments update their Audit Committee on the audit plan's progress and the follow-up of their action plans at least twice a year.

## 2 – Description of the internal control and risk management analysis approach

The internal control procedures set up by the corporate officers of the PPR group in the normal scope of their duties is part of a continuous effort to identify, assess and manage company risks.

In this scope, the PPR group continued analysing the internal control procedures of its activities in view, in the long run, of assessing the adequacy and efficacity thereof.

The major challenges of this approach are to further improve the management and efficiency of operations in order to achieve both general and specific Group objectives and to specify the role of managers in the area of internal control.

The methodology applied is based on the following principles:

- a self-assessment, using questionnaires, is conducted each year with the key line personnel in each of the Subsidiaries, following the segmenting into 13 key processes:
  - management and development,
  - corporate governance and risk management,
  - external relations,
  - product offering, marketing strategy and communication,
  - sales front office and sales administration,
  - sourcing,
  - logistics and the flow of goods,
  - production,
  - technologies and information systems,
  - human resources,
  - finance, accounting and management,
  - asset management and safeguarding,
  - legal and regulatory management;
- these questionnaires:
  - serve as an additional indicator for these managers in terms of assessing the quality of the internal control procedures for which they are in charge,
  - make it possible to harmonise the level of internal control applied throughout the Group and for all activities to benefit from best practices,
  - allow plans of action and improvement to be launched, where applicable;
- for several years now it has decided to concentrate work over 4 to 5 processes per year with a roll-over over 3 years. The questionnaire on the Finance, Accounting and Management process was modified to take account of the new AMF reference framework and especially its application guide. This questionnaire is divided into two: fifty or so questions on the mandatory key controls for the Group and 40 or so questions classified as good practices which are meant to become a must in the future. This new questionnaire was given to the Group's most significant subsidiaries. Thus, in 2008, the PPR group covered the following six processes:
  - corporate governance and risk management,
  - external relations,
  - technologies and information systems,
  - production,
  - finance, accounting and management,
  - legal and regulatory management.

This approach was presented and approved by the PPR Audit Committee.

In 2008, the risks identified in said 6 processes via self-assessment questionnaires as well as the risks mappings were notified to the Audit Committees of PPR and of the Branches. The mapping endeavoured to identify potential internal and external risks to assess the relative importance thereof and the probability of occurrence. The Audit

Committees familiarised itself with the action plans set up to prevent risk and limit its occurrence and impact, as set up by the entities concerned.

The main risks that the Group must face are described in chapter 4, financial items in the section on risks management, of this reference document.

The operational risks are managed mainly at the level of Branches that thus implement risk management adapted to specific activities.

The Financing and Cash Departments of PPR manage the financial liquidity risks, rate and foreign exchange via a centralised organisation at the head office.

The cover policy of insurable risks is monitored by the Insurance Department in relation with the Financial Department and the Legal Department of the head office. The main cover programmes in existence are described in chapter 4, financial items in the section on risks management, in this reference document.

## 3 – Description of internal control procedures relating to the elaboration of accounting and financial information

### *Organisation of the accounting and management function*

Accounting and financial information is prepared by the Finance Department. At the level of PPR, it supervises Financial Control Department, the Financing and Cash Department, the Tax Department, the Financial Communication Department as well as the Development hub.

The production and analysis of financial information is based on a set of finance management procedures including:

- medium-term plans, which measure the consequences of strategic decisions on the Group's key financial and management indicators. They are also used for the annual assessment by the Group of use values of assets relating to the various cash generating units;
- budgets, drawn up on the basis of discussions between the operating departments and the members of the Group's senior management, and broken down into two phases: a budget describing the main financial indicators and operating action plans is defined in the fourth quarter of the year and definitively approved in the first quarter of the following year, taking into account significant intervening events, where applicable;
- the reporting, which is carried out every month, monitors right throughout the year the performances of Branches via specific indicators of which the consistency and reliability are reviewed by the Financial Control Department. This Department also oversees the consistency of the accounting processing applied by the Branches with the Group rules and carries out, in collaboration with the financial controllers of the Branches, an analytical review by comparison with the budget and the previous year;
- members of senior management and the CEOs and corporate secretaries of Group Branches hold monthly meetings to assess Branch activities on the basis of the financial results and operations communicated by each Branch concerned;
- the Group regularly monitors changes in the off-balance sheet commitments of its Branches. This check is carried out as part of the statutory consolidation process whereby Branches are required to provide an exhaustive list of their commercial or financial commitments along with a follow-up from year to year.

### *Organisation of the consolidation function*

The statutory consolidation of the financial statements is carried out at the end of June and December using the Group consolidation tool that allows the transfer of financial information from the Subsidiaries in real time, after a complete process of approval of consolidation forms of Subsidiaries by their statutory auditors and by Chief Executive Officers and Financial Directors of Branches who then commit themselves via a signed information letter, thus confirming the quality of the financial information transferred.

There are consolidation levels per Branch which guarantee a first level of control and consistency.

The financial control of PPR coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the service sends instructions to the Branches specifying the list of statements to be sent, the common assumptions to be used as well as the specific points to be taken into account.

### *Financial Communication*

The purpose of financial information is to continuously inform, carry a consistent and clear message as well as to respect the principle of equality between shareholders in relation to information.

Financial communication is meant for a diversified public comprised mainly of institutional investors, individuals and employees. The members of the senior management, the Financial Department as well as the Financial Communications Department are the contacts of analysts and institutional investors. The Human Resources Department with the Financial Communication Department manages the information provided to employees.

Financial information is provided by all means: General Shareholders' Meetings, periodic publications, press releases, etc. and on all media: press, internet, etc.

### *Financing and Cash Management Department*

The Financing and Cash Management Department manages the financial risks of liquidity, counterparty, foreign exchange and rates and moreover coordinates the cash management of the Branches. It manages the Group's banking policy, give instructions in terms of the allocation of activity by bank and coordinates Group bids. It is in charge of the consistency between published financial information and policies governing interest rate, currency and liquidity risk

management. Almost all of the financing is set up by PPR or PPR Finance. Exceptions are analysed on a case by case basis according to specific opportunities or threats and require PPR's agreement.

### *Statutory auditors' role*

The role of the Statutory Auditors is to annually certify the consistency, reasonableness and fair presentation of the parent company financial statements and the Group's consolidated financial statements and issue a limited review report on the Group's half-yearly consolidated financial statements.

The audit assignments are allocated between three statutory auditors: Deloitte, KPMG and Pricewaterhouse Coopers (for the Puma group).

The main issues covered by the auditors are as follows:

- identification of risk areas and performance of tests by sampling in order to validate the consistency, reasonableness and fair presentation of the financial statements with regard to their company or consolidated materiality level;
- validation of the main accounting treatments and options throughout the year, in coordination with the management of the Subsidiaries and PPR;
- application of the accounting standards defined by PPR for all its Subsidiaries;
- preparation of an audit report for each consolidated Subsidiary in order to certify the PPR consolidated financial statements, including any comments on internal control;
- presentation of a general synthesis for the PPR group presented to the management and to Audit Committee of PPR;
- preparation of reports for the PPR shareholders. These reports appear in the Reference Document.

This report on the internal control, resulting from the contribution of the various internal control players mentioned in the first section of this document, was presented in its draft version to the Audit Committee of PPR for its opinion and was approved by the Board of Directors of PPR on February 18, 2009.

Paris, February 18, 2009

Chairman of the Board of Directors

# FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR ORGANISATIONS IN 2008

| | KPMG AUDIT | | | | Deloitte & Associés | | | |
|---|---|---|---|---|---|---|---|---|
| | Amount (excl. taxes) | | % | | Amount (excl. taxes) | | % | |
| *(in thousands of euros)* | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| **Audit** | | | | | | | | |
| CAC, Certification, Review of Individual and Consolidated Financial Statements | 4,427.0 | 4,927.0 | 91% | 90% | 3,876.0 | 3,431.2 | 87% | 75% |
| *Issuer* | *429.0* | *304.7* | *9%* | *6%* | *332.0* | *334.9* | *7%* | *7%* |
| *Fully consolidated subsidiaries* | *3,998.0* | *4,622.3* | *82%* | *85%* | *3,544.0* | *3,096.3* | *80%* | *67%* |
| Other procedures and services directly related to the CAC's assignment | 146.0 | 254.0 | 3% | 5% | 177.0 | 792.1 | 4% | 17% |
| *Issuer* | *19.0* | *67.0* | *0%* | *1%* | *127.0* | *345.2* | *3%* | *8%* |
| *Fully consolidated subsidiaries* | *127.0* | *187.0* | *3%* | *3%* | *50.0* | *446.9* | *1%* | *10%* |
| **Sub-total** | **4,573.0** | **5,181.0** | **94%** | **95%** | **4,053.0** | **4,223.3** | **91%** | **92%** |
| **Other services rendered by the organisations for the fully consolidated subsidiaries** | | | | | | | | |
| Legal, tax, human resources | 249.0 | 215.0 | 5% | 4% | 330.0 | 375.6 | 7% | 8% |
| Other | 30.0 | 68.0 | 1% | 1% | 61.0 | 3.0 | 1% | 0% |
| **Sub-total** | **279.0** | **283.0** | **6%** | **5%** | **391.0** | **378.6** | **9%** | **8%** |
| **TOTAL** | **4,852.0** | **5,464.0** | **100%** | **100%** | **4,444.0** | **4,601.9** | **100%** | **100%** |

# Statutory auditors' report

## drawn up pursuant to Article L. 225-235 of the French Commercial Code on the report of the Chairman of the Board of Directors of PPR (year ended December 31, 2008)

Dear Shareholders,

In our capacity as Statutory Auditor of PPR and pursuant to the provisions of Article L. 225-235 of the French Commercial Code, we hereby submit our report on the report drawn up by the Chairman of your Company under the provisions of Article L. 225-37 of the French Commercial Code for the year ended December 31, 2008.

The Chairman is responsible for drawing up and submitting to the approval of the Board of Directors a report on the internal control and risk management procedures set up within the Company and giving the other information required under Article L. 225-37 of the French Commercial Code relating, in particular, to the corporate governance system.

We are responsible for:

- making the comments that we feel necessary on the information in the Chairman's report on the internal control procedures relating to the elaboration and processing of accounting and financial information; and
- certifiying that the report includes the other information required under Article L 225-37 of the French Commercial Code. It is specified that we are not responsible for verifying the truth of said information.

We conducted our audit procedures in accordance with professional practice standards applicable in France.

**Information on internal control procedures relating to the elaboration and processing of accounting and financial information**

The professional practice standards require the application of procedures to assess the truth of information on internal control procedures relating to the elaboration and processing of accounting and financial information in the Chairman's report. These procedures consisted of:

- examining internal control procedures relating to the elaboration and processing of financial and accounting information underlying the information in the Chairman's report and the existing documentation;
- examining the procedures conducted to elaborate said information and the existing documentation;
- determining if the major deficiencies of the audit control relating to the elaboration and processing of accounting and financial information that we might have noted as part of our assignment are appropriately documented in the Chairman's report.

Based on said procedures, we have no comments to make on the information on the internal control procedures of the Company relating to the elaboration and processing of accounting and financial information in the Chairman's report to the Board of Directors, drawn up pursuant to the provisions of Article L. 225-37 of the French Commercial Code.

**Other information**

We certify that the Chairman's report to the Board of Directors contains the information required under Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 11, 2009

The Statutory Auditors

KPMG Audit
Département de KPMG S.A.
Patrick-Hubert Petit

Deloitte & Associés
Jean-Paul Picard
Antoine de Riedmatten

# 7 Combined General Shareholders' Meeting on May 7, 2009


**DRAFT RESOLUTIONS** 330

**ACTING AS AN ORDINARY SHAREHOLDERS' MEETING** 330

First resolution 330
Second resolution 330
Third resolution 330
Fourth resolution 331
Fifth resolution 331

**ACTING AS AN EXTRAORDINARY SHAREHOLDERS' MEETING** 333

Sixth resolution 333
Seventh resolution 333
Eighth resolution 335
Ninth resolution 336
Tenth resolution 337
Eleventh resolution 337
Twelfth resolution 337
Thirteenth resolution 338
Fourteenth resolution 338
Fifteenth resolution 339

**ACTING AS AN ORDINARY SHAREHOLDERS' MEETING** 340

Sixteenth resolution 340
Seventeenth resolution 340
Eighteenth resolution 340
Nineteenth resolution 340
Twentieth resolution 341
Twenty-first resolution 341
Twenty-second resolution 341
Twenty-third resolution 341
Twenty-fourth resolution 342
Twenty-fifth resolution 342

**ACTING AS AN ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING** 343

Twenty-sixth resolution 343

**SPECIAL REPORT OF THE STATUTORY AUDITORS** 344

# Draft resolutions

# Acting as an Ordinary Shareholders' Meeting

## FIRST RESOLUTION

### Approval of the Financial Statements for the fiscal year 2008

The General Shareholders' Meeting, having reviewed:

- the Management Report from the Board of Directors for the 2008 fiscal year, and the Special report from the Statutory Auditors;
- the Report from the Chairman of the Board of Directors relating to the Board's work, and on internal control and risk management procedures implemented by the Company;
- the Report from the Statutory Auditors on the annual Financial Statements for the fiscal year 2008;
- the Report from the Statutory Auditors on the Report from the Chairman of the Board of Directors;

approves the Financial Statements for the fiscal year 2008 as presented, and the transactions represented in those statements and summarized in those reports.

## SECOND RESOLUTION

### Approval of the consolidated Financial Statements for the fiscal year 2008

The General Shareholders' Meeting, having reviewed:

- the Report from the Board of Directors for the 2008 fiscal year;
- the Report from the Statutory Auditors on the consolidated financial statements for the fiscal year 2008;

approves the consolidated Financial Statements for the fiscal year 2008 as presented, and the transactions represented in those statements and summarized in those reports.

## THIRD RESOLUTION

### Appropriation of net income and distribution of dividend

The General Shareholders' Meeting, having approved the annual Financial Statements presented to it, showing:

net income of ..... €76,521,207.80

increased by retained earnings brought forward from previous years of ..... €1,624,687.687.06

giving a balance of distributable net income of .... €1,701,208,894.86

resolves to make the following appropriation:

- to reserves..... €0.00
- as a dividend ..... €417,632,744.10
- to retained earnings..... €1,283,576,150.76

Total ..... €1,701,208,894.86

The General Shareholders' Meeting resolves to distribute a net amount of €3.30 per share with dividend rights, as on May 14, 2009. The ex-dividend date shall be May 11, 2009 and the dividend shall

be payable in cash on May 14, 2009, based on positions as on the evening of May 13, 2009. The amount of dividends included in this distribution that relate to any shares that the Company may hold at the distribution date, or to shares that have been cancelled, shall be credited to the retained-earnings account.

Dividends paid to natural persons who are domiciled in France for tax purposes are subject to income tax at a progressive rate, and are fully eligible for the reduction provided in Article 158-3-2 of the French General Tax Code (*Code général des impôts*), unless those persons have opted for a flat rate of taxation applied at source (*prélèvement forfaitaire libératoire*) as provided in Article 117 quater of the French General Tax Code. The option is made at the latest when cashing in the dividends, and the reduction is then not available for income received during the same year.

The General Shareholders' Meeting notes that the revenue per share has been as follows for the last three fiscal years:

| Distribution year | Net dividend | Eligible 100% for a reduction in tax of |
|---|---|---|
| 2008 | €3.45 | 40% |
| 2007 | €3.00 | 40% |
| 2006 | €2.72 | 40% |

## FOURTH RESOLUTION

### Fees of the Board of Directors

The General Shareholders' Meeting resolves that the annual allocation for Directors' fees shall be fixed at the overall amount of €660,000. This resolution shall apply for the current fiscal year and for subsequent years, until the General Shareholders' Meeting decides differently.

## FIFTH RESOLUTION

### Authorization to trade in the Company's shares

The General Shareholders' Meeting, having reviewed the Directors' Report and the description of the buy-back programme, authorizes the Board of Directors, with the power to delegate further to others, to purchase or have purchased, on one or more occasions, at times that it shall determine, the Company's shares up to a limit of a number of shares representing 10% of the equity capital at any time, in compliance with Articles L. 225-209 ff. of the French Commercial Code (*Code de Commerce*). This percentage shall apply to the capital adjusted following transactions made after this General Shareholders' Meeting (for information, as at December 31, 2008, representing 12,655,537 shares). It is made express that the maximum percentage of repurchased shares acquired by the Company with the aim of keeping them and subsequently exchanging them or offering them in payment in connection with a merger, demerger or spin-off, shall be limited to 5% of the equity capital, in compliance with the legislation.

Acquisitions, disposals and transfers of shares may be made in any way, including the use of all derivative products or in the form of blocks of shares, on the stock exchange or over the counter, at any time, including during at the time of a public offer of take-over or exchange, in order to:

- ensure liquidity or to maintain an active secondary share market, using an investment-services supplier acting independently under the terms of a liquidity contract complying with the Ethics Charter recognized by the French Financial Markets Authority (*Autorité des marchés financiers*); or
- use all or some of the shares acquired to cover stock-option plans, to grant shares free of consideration, to allot shares under the French statutory profit-sharing scheme, to set up approved company savings schemes for Group employees and corporate officers, and to transfer or assign shares to them as defined in the legislation; or
- enable investment or financing, either by handing over shares in a transaction aimed at external growth (a merger, demerger or spin-off); or by issuing securities that when redeemed, converted, exchanged, presented as a warrant or negotiated in any other way give access to the Company's capital; or
- cancel the shares acquired. This action requires authorization by the General Shareholders' Meeting during an Extraordinary session.

The shares acquired by the Company under this authorization may be kept, disposed of or transferred by any means, including by using derivative products, or as blocks of shares, or may be cancelled.

The maximum purchase price is set at €125 per share (or the exchange value of this amount on the same date in any other currency). If the capital is increased by incorporating reserves and allotting shares free of consideration, or if shares are divided or grouped together, this price shall be adjusted by multiplying by a factor equal to the ratio of the number of shares comprising the capital before the transaction and the number after the transaction.

The maximum monetary amount of the buy-back programme, given the maximum purchase price that applies to the number of shares that may be acquired (based on the capital as of December 31, 2008) is set at €1,581,942,125.

The General Shareholders' Meeting gives the Board of Directors full powers, which it may delegate, to carry out these transactions, to determine their final terms and conditions, to enter into all agreements and to complete all formalities.

This authorization cancels the unused part of the authorization given to the Board of Directors by the General Shareholders' Meeting on June 9, 2008, and is granted for a period of eighteen months from the date of this Meeting.

# Acting as an Extraordinary Shareholders' Meeting

## SIXTH RESOLUTION

### Authorization to reduce the equity capital by cancelling shares

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors and the Special Report from the Statutory Auditors, authorizes the Board of Directors, under the terms and conditions defined in the provisions in the French Commercial Code, on its decision alone, on one or more occasions, and up to the limit of 10% of equity capital per period of twenty-four months, to reduce the equity capital (adjusted if necessary for transactions affecting the equity capital after the date of this General Shareholders' Meeting) by cancelling shares that the Company either holds or may come to hold as a result of purchases made in the context of Article L. 225-209 of the French Commercial Code.

The General Shareholders' Meeting gives the Board of Directors full powers to make these transactions within the limits and at the times that it shall decide, to determine the means and the terms and conditions, to made the necessary entries in all accounts relating to reserves, retained earnings or premiums, to record the completed transactions, to make the corresponding changes to the Articles of Association and generally make all decisions and complete all formalities.

This authorization cancels the unused part of the authorization given to the Board of Directors by the General Shareholders' Meeting on May 14, 2007, and is given for a period of twenty-six months from the date of this Meeting.

## SEVENTH RESOLUTION

### To delegate the authority to issue, with pre-emptive subscription rights, shares and/or all securities giving access, immediately and/or later, to equity stock and/or to securities with the right to an allotment of debt securities

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors and the Special Report from the Statutory Auditors, and in compliance with the French Commercial Code (particularly Articles L. 225-129, L. 225-129-2, L. 228-91 and L. 228-93):

1. delegates to the Board of Directors, with the option to delegate further to any person authorized by the law, for a period of twenty-six months from the date of this Meeting, its authority to decide on and issue, with pre-emptive subscription rights, on one or more occasions, both in France and abroad and/or on international exchanges, the following: shares; and/or any securities (including stand-alone purchase warrants and/or acquisition warrants, with or without consideration, either in euros or in foreign currency, or in any other units of account defined with reference to a basket of currencies, by subscription in cash, in exchange for debt, by conversion, exchange, redemption, presentation of a warrant or in any other way) that give access immediately and/or later, to shares (existing or new), in the Company and/or (in compliance with Article L. 228-93 of the French Commercial Code), to shares in any company in which it holds (directly or indirectly) more than half of the capital; and/or (in compliance with Article L. 228-91 of the French Commercial Code) securities that confer the right to an allotment of debt securities;

   the General Shareholders' Meeting resolves that this delegated authority shall expressly exclude issuing preference shares and any other securities giving access to preference shares;

2. resolves that the overall par value of the increases in equity capital that may be made immediately and/or later under this delegated authority may not exceed €200 million or the exchange value of this amount, to which shall be added, if relevant, the par value of the additional shares issued to preserve the rights of holders of securities with the right to shares;

   the maximum par value of increases in capital determined under this delegated authority shall be limited to the overall cap defined in the twelfth resolution;

3. also resolves that the overall par value of the debt securities that may be issued under the above delegated authority may not exceed €6 billion or the exchange value of that amount;

the maximum par value of debt securities issued under this delegated authority shall be limited to the overall cap defined in the twelfth resolution;

**4.** if the Board of Directors uses this delegated authority:

- resolves that the shareholders may as a matter of right exercise their pre-emptive subscription rights, under the terms and conditions provided in the legislation,
- states that, as provided in the legislation, the Board of Directors may decide to give shareholders an additional right to subscribe for more securities than those that they may subscribe for as of right, in proportion to the subscription rights they hold, and in any event no more than they request,
- notes formally that, in compliance with the provisions in Article L. 225-132 of the French Commercial Code, this delegated authority ipso facto implies that shareholders shall waive their pre-emptive share subscription rights in favour of holders of securities, where those securities give rights to any shares in the Company that might be issued;

**5.** resolves that the Board of Directors shall have full powers, with the authority to delegate them to any person authorized by law, under the terms and conditions defined in the legislation, to exercise this present delegated authority, and in particular:

- to determine the terms and conditions for increasing the capital and/or the issues (s),
- to determine the dates of the issues and how they will be made, and also the nature, form and features of the securities to be created, such as whether or not they take the form of subordinated notes, and whether or not they have a fixed term,
- if debt securities are issued, to decide in particular whether or not they should be subordinated (and if appropriate, their subordination level, as provided in Article L. 228-97 of the French Commercial Code), to set their interest rate, their term, the fixed or variable redemption price (with or without premium), their means of issue (including the guarantees or sureties given with them), their amortization method, based on market conditions and the circumstances under which the securities may give a right to shares in the Company,
- to determine how the shares and/or securities issued or to be issued will be paid up,
- to determine the issues' price and conditions, set the amounts to be issued and the amount of any premium which might be associated with an issue,
- to define as necessary the ways in which the rights of holders of securities giving access later to equity capital shall be preserved, doing so in compliance with the legal and regulatory provisions, and setting (possibly retrospectively) the date of entitlement for the securities to be issued,
- to define if necessary the means by which the Company shall have facilities to buy or exchange on the stock market, at any time or during specific defined periods, the securities issued or to be issued,
- to provide a means of suspending, if necessary, the exercise of rights to allot, subscribe for and/or acquire shares attached to securities or to issued stock options, for a period which may not exceed three months,
- to make all necessary charges to the issue premium account (s) and in particular those for costs incurred during the issue process,
- if subscriptions with pre-emptive rights, (and where relevant, preferential subscriptions for additional shares) do not account for the entire issue of shares or securities as defined above, then to apply one or more of the following processes, in the order that it deems appropriate:
  - restrict the issue to the amount of the subscriptions, subject to the condition that the subscriptions amount to at least three quarters of the issue as initially decided,
  - allocate as it decides all or some of the unsubscribed securities,
  - offer all or some of the unsubscribed securities to the public,
- in general, to enter into all agreements, to take all measures and carry out all formalities necessary for the issue, so that the planned issues are correctly executed; and to record the increase (s) in capital resulting from each issue and to change the Articles of Association accordingly;

**6.** resolves to cancel the unused part of the delegated authority for the same purpose given to the Board of Directors by the General Shareholders' Meeting on May 14, 2007.

## EIGHTH RESOLUTION

### To delegate the authority to issue, with no pre-emptive subscription rights, shares and/or all securities giving access, immediately and/or later, to equity stock and/or to securities with the right to an allotment of debt securities

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors and the Special Report from the Statutory Auditors, and in compliance with the French Commercial Code (particularly Articles L. 225-129, L. 225-129-2, L. 225-136, L. 228-91 and L. 228-93):

1. delegates to the Board of Directors (with the option to delegate further to any person authorized by the law and under the conditions defined in law), for a period of twenty-six months from the date of this Meeting, its authority so that the Company may decide on and issue on one or more occasions, both in France and abroad and/or on international exchanges, by public offering or by an offering as defined in II of Article L. 411-2 of the French Monetary and Financial Code, the following: shares; and/or any securities (including stand-alone purchase warrants and/or acquisition warrants, with or without consideration, either in euros or in foreign currency, or in any other units of account defined with reference to a basket of currencies, by subscription in cash, in exchange for debt, by conversion, exchange, redemption, presentation of a warrant or in any other way) that give access immediately and/or later, to shares in the Company and/or (in compliance with Article L. 228-93 of the French Commercial Code), to shares in any company in which it holds (directly or indirectly) more than half of the capital; and/or (in compliance with Article L. 228-91 of the French Commercial Code) securities that confer the right to an allotment of debt securities;

   states that, in compliance with Article L. 225-148 of the French Commercial Code, the new shares may be issued in consideration for securities received by the Company in the course of a public exchange offer or a mixed public offer in France or abroad, under local rules, for shares in another company, when those shares are admitted to trading on a regulated market in a State that is either party to the Agreement on the European Economic Area, or a member of the Organisation for Economic Co-operation and Development;

   resolves that this delegated authority shall expressly exclude issuing preference shares or any other securities giving access to preference shares;

2. resolves that the overall par value of the increases in equity capital that may be made immediately and/or later under this delegated authority may not exceed €200 million or the exchange value of that amount, to which shall be added, if relevant, the par value of the additional shares issued to preserve the rights of holders of securities with the right to shares. It is explicitly stated that the par value of increases in capital implemented by an offering as defined in II of Article L. 411-2 of the French Monetary and Financial Code may not exceed €100 million and under no circumstances may it exceed 20% of the equity capital per year, in compliance with the third paragraph of Article L. 225-136 of the French Commercial Code;

   states that the maximum par value of these increases in capital determined under this delegated authority shall be limited to the overall cap defined in the twelfth resolution;

3. also resolves that the overall par value of the debt securities that may be issued under the above delegated authority may not exceed €6 billion or the exchange value of that amount;

   states that the maximum par value of debt securities issued under this delegated authority shall be limited to the overall cap defined in the twelfth resolution;

4. resolves, in compliance with Article L. 225-136 of the French Commercial Code, to cancel shareholders' pre-emptive subscription right to the securities to be issued, on the understanding that when the capital is increased via a public offering, the Board of Directors may provide for a complete or partial priority subscription period for the shareholders, without this creating negotiable rights;

5. resolves that if subscriptions from shareholders and the public do not account for the entire issue of shares or securities as defined above, then the Board of Directors may make use of one or more of the following facilities, in the order that it deems appropriate:

   — restrict as appropriate the issue to the amount of the subscriptions, subject to the condition that the subscriptions amount to at least three quarters of the issue as initially decided,

   — allocate as it decides all or some of the unsubscribed securities;

6. notes formally that, in compliance with the provisions in Article L. 225-132 of the French Commercial Code, this delegated authority ipso facto implies that shareholders waive, in favour of holders of securities that give rights to shares in the Company that might be issued, their pre-emptive rights to subscribe for shares to which these securities confer a right. (This includes the case where shares relating to securities giving access to the Company's capital are issued in compliance with Article L. 228-93 of the French Commercial Code, by a company in which the Company holds directly or indirectly over half the capital);

7. resolves that when the securities to be issued immediately or at a later time are to be included in the Company's equity stock, the issue price shall be determined as defined in the provisions in paragraph 1 of Article L. 225-136 1, as well as Article R. 225-119 of the French Commercial Code;

**8.** resolves that the Board of Directors shall have full powers, with the authority to delegate them, under the terms and conditions defined in the legislation, to put this present delegated authority into practice, and in particular:

- to determine the terms and conditions for the issue (s),
- where there is a priority period, to determine the terms and conditions for subscriptions made for excess securities; and possibly for subscriptions made with pre-emptive rights,
- to determine the dates of the issue (s) and how they will be made, and also the nature, form and features of the securities to be created, which in particular may or may not take the form of subordinated notes (and if relevant, their subordination level, in compliance with the provisions in Article L. 228-97 of the French Commercial Code), and may or may not have a fixed term,
- to determine the issues' price and conditions, set the amounts to be issued,
- to determine how the shares and/or securities issued or to be issued will be paid up,
- to set (possibly retrospectively) the entitlement date for the securities to be issued; and if relevant, the terms and conditions for their purchase or exchange on the stock market; to suspend, if necessary, the exercise of rights to allot, subscribe for and/or acquire shares attached to securities issued for a period which may not exceed three months,
- where securities are issued in consideration for securities received in the course of a public exchange offer or a mixed public offer, to set the exchange ratio and, where applicable, the amount of the cash adjustment to be paid; to record the number of securities in the exchange; to determine the issue dates and terms and conditions of issue, particularly the price and the entitlement date for new shares, or, where applicable, those of the securities giving access, immediately or later, to a part of the Company's capital; to set the terms and conditions of issue; and to record the difference between the issue price of the new shares and their par value in a contribution-premium account, to which all shareholders shall have rights, in balance sheet liabilities,
- to make all necessary charges to the issue premium account (s) and in particular those for costs incurred during the issue process,
- generally to make all appropriate arrangements and to enter into all agreements in order to complete the planned issues satisfactorily, to complete all necessary formalities and to record the increase (s) in capital resulting from each issue made under these delegated powers, and to change the Articles of Association accordingly;

states that if debt instruments are issued, the Board of Directors shall have full powers, with the option to delegate further to any person authorized by the law in particular to decide whether or not they are subordinated (and if relevant, their subordination level, in compliance with L. 228-97 of the French Commercial Code), to set their rate of interest, their fixed or variable redemption price (with or without premium) and their amortization method (based on market conditions and the circumstances under which the securities give a right to shares in the Company), and in general to determine all arrangements;

**9.** resolves to cancel the unused part of the delegated authority for the same purpose given to the Board of Directors by the General Shareholders' Meeting on May 14, 2007.

## NINTH RESOLUTION

### To delegate the authority to increase the equity capital by incorporating reserves, earnings or issue premiums

The General Shareholders' Meeting, acting in accordance with the rules as to quorum and majority for Ordinary General Shareholders' Meetings, having considered the Report of the Board of Directors and ruling in compliance with Article L. 225-130 of the French Commercial Code, delegates to the Board of Directors, with the option to delegate further to any person authorized by the law and under the terms and conditions defined in the legislation, for a period of twenty-six months from the date of this Meeting, the authority to increase the equity capital, on one or more occasions, at times and in the manner that it shall determine, by incorporating into capital reserves, profits and issue premiums, following the creation and allotment of shares free of consideration, or the increase in the par value of existing shares, or both these processes together.

The Board of Directors may decide that the rights to fractions of shares shall not be transferable, and that the corresponding securities may be sold. The proceeds from their sale shall be allocated to the holders of the shares at the latest thirty days after the date the number of whole shares allotted to them is credited to their account.

The amount of the increase in capital that may be made in the context of this resolution may not exceed the total amount of the sums that may be incorporated, and more generally, may not exceed the overall cap defined in the twelfth resolution.

The General Shareholders' Meeting gives the Board of Directors, with the option to delegate further to others, under the terms and conditions defined in the legislation, full powers in order to implement

this resolution, and generally to take all measures and complete all formalities required, so that each increase in capital is successfully concluded.

The General Shareholders' Meeting resolves to cancel the unused part of the delegated authority for the same purpose given to the Board of Directors by the General Shareholders' Meeting on May 14, 2007.

## TENTH RESOLUTION

### Authorization to set the issue price of shares and/or securities giving access to capital in certain ways, up to the limit of 10% of the capital per year, in the context of an increase in equity capital by issuing shares with no pre-emptive subscription rights

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors and the Special Report from the Statutory Auditors, in compliance with Article L. 225-129-2 and the second paragraph of Article L. 225-136 1° of the French Commercial Code, delegates its authority to the Board of Directors, with the option to delegate further to others under the terms and conditions provided in law, in order to set the price of issues decided under the eighth resolution and not exceeding 10% of the equity capital per year, using the following rules: the sum receivable, or that will be receivable, by the Company for each of the shares issued under this authorization (after taking into account the issue price of independent warrants to subscribe for shares, if they are issued), must be equal to at least 90% of the weighted average market price for the last three stock-market trading days before the time the rules for the issue are set.

## ELEVENTH RESOLUTION

### Authorization to increase the number of shares or securities issued to increase the capital, with or without pre-emptive subscription rights

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors and the Special Report from the Statutory Auditors, resolves that, when issues are decided under the delegated authorities granted to the Board of Directors under the seventh, eighth and tenth resolutions above, and if there is excess demand, the projected number of shares to be issued on each occasion shall be increased, under the terms and conditions and within the limits provided in Article L. 225-135-1 and Article R. 225-118 of the French Commercial Code, and below the overall cap provided in the twelfth resolution.

## TWELFTH RESOLUTION

### Overall cap on the amount of issues made under the seventh, eighth, ninth, tenth and eleventh resolutions

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors, and as a consequence of adopting the seventh, eighth, ninth, tenth and eleventh resolutions, resolves:

- to set the maximum par value of debt securities that may be issued under the authorizations granted in the above resolutions at €6 billion (or the exchange value of this amount, if the issue is in foreign currency or in units of account defined with reference to a basket of currencies); and
- to set at €200 million (or its exchange value) the maximum par value of increases to equity capital that may, immediately or later, be made under the authorizations granted in the above resolutions, or which may result from them. It is made explicit that this par value may possibly be increased by the par value of additional shares that may be issued to preserve the rights of holders of securities giving rights to shares.

## THIRTEENTH RESOLUTION

### Authorization to increase the equity capital in order to redeem share-equivalent contributions comprising equity stock or securities giving access to capital, to the limit of 10% of the capital

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors, and in compliance with the provisions in Article L. 225-147 of the French Commercial Code, delegates to the Board of Directors the powers necessary to increase the capital on one or more occasions, without granting the shareholders pre-emptive subscription rights, to the limit of 10% of the equity capital at the time of the issue: this limit shall be deducted from the limit in the twelfth resolution of this Meeting. The purpose of such issues is to redeem share-equivalent contributions made to the Company comprising equity stock or securities giving access to capital, when the terms and conditions defined in Article L. 225-148 of the French Commercial Code for contributions made during a public exchange offer do not apply.

The Board of Directors must make a decision based on the Report of the independent Contribution Auditor (s) (*Commissaires aux Apports*), in compliance with the provisions in Article L. 225-147 of this Code.

The General Shareholders' Meeting gives the Board of Directors full powers to approve or possibly reduce the valuation of the share-equivalent contributions, to realize the contributions, to increase the equity capital and to change the Articles of Association in consequence.

The authorization is given for a period of twenty-six months from the date of this Meeting.

## FOURTEENTH RESOLUTION

### Authorization to increase the equity capital by issuing shares with no pre-emptive subscription rights, or other securities giving access to capital, that are reserved for employees and former employees who belong to a savings scheme

The General Shareholders' Meeting, having noted the Report from the Board of Directors and the Special Report from the Statutory Auditors, authorizes the Board of Directors, for a period of twenty-six months, on its decision alone, on one or more occasions, under terms and conditions defined in the legislation, and particularly in Articles L. 225-138-1 and L. 225-129-6 of the French Commercial Code, and Articles L. 3332-1 ff of the French Labour Code (*Code du Travail*), to increase the equity capital by a maximum par value of €5,062,215, by issuing shares or other securities giving access to capital that are reserved for those employees and former employees (either of the Company, or of companies or groups associated with it, as defined in Article L. 233-16 of the French Commercial Code) who are members of a savings scheme set up for that purpose.

The total number of shares that may be applied for under this authorization may therefore not exceed 1,265,553.

The General Shareholders' Meeting resolves that for this authorization, the shareholders' pre-emptive subscription right does not apply to the shares issued, or to other securities issued that give access to capital, or to those other securities to which they give a right, in favour of the employees and ex-employees discussed above, for whom they are reserved.

The subscription price for the shares shall be fixed at a minimum of 80% of the average opening market price of the Company's shares on Euronext Paris during the 20 consecutive trading days preceding the date on which the Board of Directors sets the date that subscriptions will open.

The General Shareholders' Meeting also resolves that the Board of Directors may allot, under Article L. 3332-18 ff of the French Labour Code, free shares or other securities giving access to the Company's capital under the terms and conditions provided in legislation and regulation.

No increase in capital may exceed the amount of the shares subscribed for by employees and former employees, individually or via employees' mutual investment funds (*fonds communs de placement d'entreprise*) or via an investment fund where the fund itself is an investment company (*société d'investissement à capital variable - SICAV*) governed by Article L. 214-40-1 of the French Monetary and Financial Code.

The General Shareholders' Meeting gives all powers to the Board of Directors, with the option to delegate further to others, in particular to:

- set the subscription price (s) and the entitlement date (s) for the shares to be issued;
- determine the companies and the employees and former employees concerned;
- determine the features of securities giving access to capital, and how they shall be issued;
- decide if employees and former employees who belong to a savings scheme may subscribe directly for the shares, or if they should do so via employees' mutual investment funds or a SICAV governed by Article L. 214-40-1 of the French Monetary and Financial Code;

- set the dates, timescales and other terms, conditions and processes for the projected issues;
- record the increase (s) in capital as they occur;
- deduct all costs of the increases in equity capital from the amount of the premiums relating to them;
- make the corresponding changes to the Articles of Association, apply for the issued shares to be listed, and generally to take all decisions, enter into all agreements and complete all formalities.

The General Shareholders' Meeting resolves to cancel the unused part of the delegated authority for the same purpose given to the Board of Directors by the General Shareholders' Meeting on May 14, 2007.

## FIFTEENTH RESOLUTION

### Staggered election of the Directors by rotation, and corresponding change to Article 10 of the Company's Articles of Association

The General Shareholders' Meeting, having reviewed the Report from the Board of Directors, resolves to implement the staggered election of members of the Board of Directors, thus avoiding the election of the entire Board as a block at the same annual shareholders' meeting and favouring a smooth election of Directors; and thus resolves to change the third paragraph of Article 10 of the Company's Articles of Association, which shall now read as follows:

*"ARTICLE 10 – Company Management – Board of Directors*

*3 – The Directors shall be appointed under the statuory conditions by the Ordinary General Meeting of shareholders for a term of four years. Directors may be reelected.*

*The Board of Directors is renewed by rotation over a period of time, so that a proportion of its members are elected on each occasion.*

*Exceptionally, and only for the sale purpose of the progressive implementation of this renewal mechanism, the Ordinary General Shareholders' Meeting may reduce the term of office of one or more Directors, so that the members of the Board of Directors are elected more periodically."*

# Acting as an Ordinary Shareholders' Meeting

## SIXTEENTH RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, subject to the condition precedent that the fifteenth resolution to modify the provisions in Article 10 paragraph 3 of the Articles of Association is approved, and noting that the term of the Director Pierre Bellon expires today, resolves to renew the term of office for a period of two years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2010.

## SEVENTEENTH RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, subject to the condition precedent that the fifteenth resolution to modify the provisions in Article 10 paragraph 3 of the Articles of Association is approved, and noting that the term of the Director Allan Chapin expires today, resolves to renew his appointment for a period of two years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2010.

## EIGHTEENTH RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, subject to the condition precedent that the fifteenth resolution to modify the provisions in Article 10 paragraph 3 of the Articles of Association is approved, and noting that the term of the Director Luca Cordero Di Montezemolo expires today, resolves to renew his appointment for a period of three years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2011.

## NINETEENTH RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, subject to the condition precedent that the fifteenth resolution to modify the provisions in Article 10 paragraph 3 of the Articles of Association is approved, and noting that the term of the Director Philippe Lagayette expires today, resolves to renew his appointment for a period of three years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2011.

## TWENTIETH RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, noting that the term of the Director François-Henri Pinault expires today, resolves to renew his appointment for a period of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

## TWENTY-FIRST RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, noting that the term of the Director Patricia Barbizet expires today, resolves to renew her appointment for a period of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

## TWENTY-SECOND RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, noting that the term of the Director Baudouin Prot expires today, resolves to renew his appointment for a period of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

## TWENTY-THIRD RESOLUTION

### Renewal of a Director's term of office

The General Shareholders' Meeting, noting that the term of the Director Jean-Philippe Thierry expires today, resolves to renew his appointment for a period of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

## TWENTY-FOURTH RESOLUTION

### Nomination of a Director

The General Shareholders' Meeting nominates Aditya Mittal as a Director for a term of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

## TWENTY-FIFTH RESOLUTION

### Nomination of a Director

The General Shareholders' Meeting nominates Jean-François Palus as a Director for a term of four years, which will end after the Ordinary General Shareholders' Meeting that approves the accounts for the fiscal year 2012.

# Acting as an Ordinary and Extraordinary Shareholders' Meeting

## TWENTY-SIXTH RESOLUTION

### Powers for formalities

The General Shareholders' Meeting gives full powers to a holder of a copy of or an extract from the minutes of this Meeting to make all formal disclosures prescribed in law.

# Special Report of the Statutory Auditors

## on the capital transactions provided in Resolutions 6, 7, 8, 10, 11 and 14 of the Combined General Shareholders Meeting on May 7, 2009

Dear Shareholders,

In our capacity as Statutory Auditors of the accounts of PPR SA, and in carrying out our engagements as defined in the French Commercial Code, we present our Report on the transactions on which you are required to form a judgement.

**Reducing the capital by cancelling purchased shares (6th resolution)**

In carrying out the work defined in Article L. 225-209, paragraph 7 of the French Commercial Code that applies when capital is reduced by cancelling purchased shares, we have prepared this Report in order to give you our opinion on the reasons for and terms and conditions of the planned capital reduction.

Our work included those procedures that we considered necessary to meet the professional standards of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes - CNCC)* relating to this engagement. They included reviewing whether or not the reasons and terms and conditions of the planned reduction in capital were legitimate.

The transaction involves the purchase by your Company of its own shares, up to the limit of 10% of its capital, under the terms and conditions provided in Article L. 225-209 of the French Commercial Code. The resolution to approve the authorization to purchase, to extend over a period of eighteen months, is put for vote before your General Shareholders' Meeting.

In order to exercise the authorization for your Company to buy back its own shares, your Board of Directors asks you to delegate, for a period of twenty-six months, full powers to cancel, on one or more occasions, shares purchased in this way, up to a limit of 10% of the Company's capital per period of twenty-four months.

We have no comments to make on the reasons for or the terms and conditions of the proposed reduction in capital. We would remind you that the capital cannot be reduced unless your Meeting first approves the transaction in the fifth resolution, which enables your Company to buy back its own shares.

**Delegation to the Board of Directors of the authority to decide to issue shares and/or sundry securities, with pre-emptive subscription rights that may be maintained and/or withheld (7th, 8th, 10th and 11th resolutions)**

In carrying out the work defined in the French Commercial Code, and in particular in Articles L. 225-135, L. 225-136, and L. 228-92, we present our report on the delegation to the Board of Directors regarding various issues of shares and/or securities, as proposed in the 7th, 8th, 10th and 11th resolutions. These are transactions on which you are required to form a judgement.

Based on its Report, your Board of Directors proposes that you:

- delegate it, for a period of twenty-six months, with the option to delegate further to others, the authority to decide on the following transactions and to set the final terms and conditions for the issues. It proposes that on some occasions, your pre-emptive subscription right may be cancelled. These transactions are to:
  - issue ordinary shares and/or securities giving access to existing or new shares in the Company, and/or (in compliance with Article L. 228-93 of the French Commercial Code) to shares in any company in which your Company holds, directly or indirectly, more than half the capital; and/or issue securities giving a right to an allotment of debt securities. Such a holding could, on occasion, comprise only debt securities. The pre-emptive subscription rights would be maintained (7th resolution);
  - issue by public offer or by an offer as defined in II of Article L. 411-2 of the French Monetary and Financial Code, ordinary shares and/or securities giving access to shares in the Company, and/or (in compliance with Article L. 228-93 of the French Commercial Code) to shares in any company in which your Company holds, directly or indirectly, more than half the capital; and/or securities giving a right to an allotment of debt securities. Such a holding could, on occasion, comprise only debt securities. The pre-emptive subscription rights would be cancelled. It is made explicit that the new shares may be issued to redeem securities that are contributed to the Company during a public exchange offer for shares that meet the conditions set in Article L. 225-148 of the French Commercial Code (8th resolution);

- authorize the Board, by the 10th resolution and in the context of the delegated authority described in the 8th resolution, to set the issue price, within the annual legal limit of 10% of the equity capital.

The overall par value of the increases in capital that may be made, immediately or later, under the 7th, 8th, 9th, 10th and 11th resolutions may not exceed €200 million. The overall par value of debt securities that may be issued under the 7th, 8th, 10th and 11th resolutions may not exceed €6 billion.

The par value of the increases in capital that may be made in an offer as defined in paragraph II of Article L. 411-2 of the French Monetary and Financial Code may not exceed €100 million, and under no circumstances 20% of the equity capital per year.

These limits take account of the additional securities that will be created when exercising the delegated powers defined in the 7th, 8th and 10th resolutions, under the terms and conditions provided in Article L. 225-135-1 of the French Commercial Code, if you adopt the 11th resolution.

The par value of the increases in capital that may be made in an offer as defined in II of Article L. 411-2 of the French Monetary and Financial Code may not exceed €100 million, and under no circumstances 20% of the equity capital per year, in compliance with the provisions in the 3rd paragraph of Article L. 225-136 of the French Commercial Code, as it applies at April 1, 2009.

It is the responsibility of your Board of Directors to prepare a report that complies with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. It is our responsibility to give our opinion on the fairness of the financial information extracted from the accounts, on the proposal to cancel the pre-emptive subscription right, and on other information regarding these transactions that is given in this report.

Our work covered those procedures that we considered necessary to meet the professional standards of the CNCC relating to this engagement. They involved verifying the content of the Report from the Board of Directors relating to the transactions, and the methods used to determine the issue price of the equity stock to be issued.

Subject to any later review of the terms and conditions for the issues that may be decided, and as regards the 8th and 10th resolutions, we have no comments to make on the methods of determining the issue prices of the equity stock to be issued, as described in the Report from the Board of Directors.

The Report does not describe the methods of determining the issue prices of the equity stock to be issued either in implementing the 7th resolution, or when the equity stock is, as provided in the 8th resolution, issued to redeem securities contributed as part of a public exchange offer meeting the conditions set in Article L. 225-148 of the French Commercial Code. We cannot therefore give an opinion on the choice of factors used to calculate the issue price.

Since the value of the issue price for equity stock to be issued is not fixed, we cannot express an opinion on the final terms and conditions under which the issues will be made, and consequently, on the proposal to cancel your pre-emptive subscription rights, as proposed in the 8th resolution.

Under Article R. 225-116 of the French Commercial Code, we will prepare an additional report as required, when your Board of Directors uses these authorizations to issue ordinary shares with no pre-emptive subscription rights, or to issue securities giving access to capital and/or giving the right to an allotment of debt securities.

**Issuing shares or other securities giving access to capital, reserved for employees and former employees who belong to a savings scheme (14th resolution)**

In carrying out the work defined in Articles L. 225-135 ff. of the French Labour Code and L. 228-92 of the French Commercial Code, we present our report on the plans to increase capital, on one or more occasions, by issuing, with no pre-emptive subscription rights, shares, or securities giving access to capital, to a maximum par value of €5,062,215, reserved for employees and former employees of the Company, and of companies or groups associated with it (as defined in Article L. 233-16 of the French Commercial Code), who are members of a savings scheme. This is a transaction on which you are required to form a judgement.

These increases in capital are subject to your approval, under the provisions in Articles L. 225-129-6 of the French Commercial Code and L. 3332-18 ff. of the French Labour Code.

Your Board of Directors proposes, on the basis of its Report, that you delegate it, for a period of twenty-six months, the powers to determine how this transaction shall be implemented, and proposes that you cancel your pre-emptive subscription rights.

It is the responsibility of your Board of Directors to prepare a report that complies with Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to give our opinion on the fairness of the financial information extracted from the accounts, on the proposal to cancel the pre-emptive subscription rights, and on other information regarding the issue that is given in this report.

Our work covered those procedures that we considered necessary to meet the professional standards of the CNCC relating to this engagement. They involved verifying the content of the Report from the Board of Directors relating to this transaction, and the methods used to determine the issue price of the equity stock to be issued.

Subject to a later review of the terms and conditions for the proposed increases in capital, we have no comments to make on the methods of determining the issue price for the equity stock to be issued, as described in the Report from the Board of Directors.

Since the issue price for the equity stock to be issued is not fixed, we cannot express an opinion on the final terms and conditions under which any increases in capital will be made, and consequently, on the proposal to cancel your pre-emptive subscription right.

Under Article R. 225-116 of the French Commercial Code, we will prepare an additional report as required, when your Board of Directors uses this authorization.

Paris La Défense and Neuilly-sur-Seine, March 11, 2009

Statutory Auditors

KPMG Audit
*Department of KPMG SA*
Patrick-Hubert Petit

Deloitte & Associés
Jean-Paul Picard
Antoine de Riedmatten

# 8 Person responsible for the reference document and Persons responsible for auditing the accounts


**PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT** **348**

Declaration by the Person responsible for the reference document and for the annual financial report 348

**PERSONS RESPONSIBLE FOR AUDITING THE ACCOUNTS** **349**

Principal Statutory Auditors 349

Alternate statutory auditors 349

**DOCUMENTS INCORPORATED BY REFERENCE** **350**

# Person responsible for the reference document

Jean-François Palus
Deputy Chief Executive Officer,
Chief Financial Officer

## DECLARATION BY THE PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT AND FOR THE ANNUAL FINANCIAL REPORT

Having taken all reasonable measures to that effect, I hereby attest that the information in this Reference Document is, to the best of my knowledge, in accordance with the facts, and contains no omission that could adversely affect its scope.

I certify that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results, both of the Company and of all the businesses within the scope of the consolidation; and that the Management Report (the cross-reference table for which is shown on page 355) both presents a true and fair review of the development of the business, the results and the financial position of the Company and of all the businesses within the scope of the consolidation, and also describes the main risks and uncertainties to which they are exposed.

I have obtained an engagement-completion letter from the Statutory Auditors, KPMG Audit and Deloitte & Associés, in which they state that they have audited the information contained in this document relating to the financial position and the financial statements, and that they have read this document in its entirety.

The Statutory Auditors have reported on both the Consolidated and Annual Financial Statements of PPR SA shown in the Reference Document, and their reports are shown on pages 254 and 287 respectively of this Document. Both contain a comment on changing the accounting method.

Paris, April 17, 2009

Jean-François Palus

Deputy Chief Executive Officer,
Chief Financial Officer

# Persons responsible for auditing the accounts

## PRINCIPAL STATUTORY AUDITORS

### KPMG Audit, Department of KPMG SA

1, cours Valmy, 92923 Paris-La Défense Cedex

Patrick-Hubert Petit

**Date the Auditors first took office:** Ordinary General Shareholders' Meeting on June 18, 1992.

**Term and expiry date of their mandate:** from May 25, 2004 until the General Shareholders' Meeting voting on the accounts for the 2009 fiscal year.

### Deloitte & Associés

185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex

Jean-Paul Picard  Antoine de Riedmatten

**Date the Auditors first took office:** Ordinary General Shareholders' Meeting on May 18, 1994.

**Term and expiry date of their mandate:** from June 9, 2008 until the General Shareholders' Meeting voting on the accounts for the 2013 fiscal year.

## ALTERNATE STATUTORY AUDITORS

### SCP Jean-Claude André

2 bis, rue de Villiers, 92309 Levallois-Perret Cedex

**Date the Auditors first took office:** Ordinary General Shareholders' Meeting on May 25, 2004.

**Term and expiry date of their mandate:** from May 25, 2004 until the General Shareholders' Meeting voting on the accounts for the 2009 fiscal year.

### BEAS

7-9, Villa Houssay, 92524 Neuilly-sur-Seine Cedex

**Date the Auditors first took office:** Ordinary General Shareholders' Meeting on May 19, 2005.

**Term and expiry date of their mandate:** from June 9, 2008 until the General Shareholders' Meeting voting on the accounts for the 2013 fiscal year.

# Documents Incorporated by Reference

In compliance with Article 28 of the European regulation 809/2004 dated April 29, 2004, this Reference Document includes by reference the following information, to which the reader is invited to refer:

- for the fiscal year ending on December 31, 2007: Key Figures, Activities of the Group, Activity Report, Investment Policy, Consolidated Financial Statements, Company Financial Statements, Management Report for the parent company and reports from the Statutory Auditors relating to them, shown on pages 6-7, 11-55, 142-166, 167-169, 176-263, 265-280, 281-291, 264 and 292-295 respectively of the Reference Document filed on April 22, 2008 with the French Financial Markets Authority;
- for the fiscal year ending on December 31, 2006: Key Figures, Activities of the Group, Activity Report, Investment Policy, Consolidated Financial Statements, Company Financial Statements, Management Report for the parent company and reports from the Statutory Auditors relating to them, shown on pages 8-9, 13-53, 112-132, 133-135, 141-221, 223-238, 239-250, 222 and 251-254 respectively of the Reference Document filed on March 28, 2007 with the French Financial Markets Authority.

Information included in these two Reference Documents other than that listed above is, where relevant, replaced or updated by the information included in this Reference Document. The two Reference Documents are accessible under the terms and conditions described in Heading 24 “Documents accessible to the public” in this Reference Document.

# 9 Cross-reference tables and Index


CROSS-REFERENCE TABLE FOR THE ITEMS OF THE ANNEX I OF EUROPEAN COMMISSION REGULATION NO. 809/2004 352

CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT 355

CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT 356

INDEX 357

# Cross-reference table for the items of the Annex I of European Commission Regulation No. 809/2004


| | |
|---|---|
| **1. PERSONS RESPONSIBLE** | **348** |
| 1.1. Names and positions of persons responsible | 348 |
| 1.2. Declaration by the person responsible | 348 |
| **2. STATUTORY AUDITORS OF THE FINANCIAL STATEMENTS** | **349** |
| 2.1. Names and addresses of the Statutory Auditors of the financial statements | 349 |
| 2.2. Resigned, removed or not re-appointed | N/A |
| **3. SELECTED FINANCIAL INFORMATION PROVIDING KEY FIGURES** | **6-7** |
| 3.1. Selected historical financial information | 6-7 |
| 3.2. Selected financial information for interim periods | N/A |
| **4. RISK FACTORS** | **159-164, 226-235** |
| **5. INFORMATION ABOUT THE COMPANY** | |
| 5.1. The Company's history and development | |
| *5.1.1. The Company's legal name and trading name* | *290* |
| *5.1.2. Place of registration and registration number* | *290* |
| *5.1.3. Date of incorporation and length of life* | *290* |
| *5.1.4. Registered office and legal form* | *290* |
| *5.1.5. Significant events in the development of the business* | *4-5, 129-130, 182-183, 243-244* |
| 5.2. Investments | |
| *5.2.1. Principal investments made by the Company for each fiscal year for the period covered by the historical financial information* | *155-157* |
| *5.2.2. Principal current investments, the geographic distribution of those investments (at home and abroad) and the method of financing (internal or external)* | *185-189, 238-239* |
| *5.2.3. Information on the issuer's principal future investments to which its management bodies are already firmly committed* | *N/A* |
| **6. BUSINESS OVERVIEW** | |
| 6.1. Principal Activities | |
| *6.1.1. Nature of operations and principal activities* | *12-55* |
| *6.1.2. Significant new products and/or services introduced* | *15, 18, 21-23, 36, 45, 48, 51-55* |
| 6.2. Principal markets | 12-55 |
| 6.3. Exceptional events | 129-130, 182-183 |
| 6.4. Any dependencies | N/A |
| 6.5. The basis for any statements made by the Company regarding its competitive position | 13, 26, 30, 45 |
| **7. ORGANIZATIONAL STRUCTURE** | |
| 7.1. Summary description of the Group | 8-10 |
| 7.2. List of the Company's main subsidiaries | 10, 245-253 |

**8. PROPERTY, PLANT AND EQUIPMENT**

8.1. Existing or planned material tangible fixed assets — 148, 209-210, 238

8.2. Environmental issues that could affect the use of the tangible fixed assets — 97-110

**9. REVIEW OF THE FINANCIAL SITUATION AND THE RESULTS**

9.1. Financial Condition — 128-154, 275-276

9.2. Operating Results

*9.2.1. Significant factors* — *129-130*

*9.2.2. Material changes in net turnover or net profit* — *132-136*

*9.2.3. Any policy or factor that could materially affect the Company's operations* — *10*

**10. CASH AND CAPITAL**

10.1. Information concerning the Company's capital (both short and long term) — 147-153, 168-169, 215-216

10.2. Sources and amount of the Company's cash flow — 167, 220

10.3. Information on the Company's borrowing conditions and financing structure — 7, 150-153, 221-226

10.4. Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the Company' s operations — 226

10.5. Information regarding anticipated sources of funds — 223, 225-226

**11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES** — **N/A (1)**

**12. INFORMATION ON MARKET TRENDS** — **154, 243-244**

**13. PROFIT FORECASTS OR ESTIMATES** — **N/A (2)**

**14. ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT**

14.1. Administrative, management and supervisory bodies — 285, 302-315

14.2. Conflicts of interest with administrative, management, and supervisory bodies — 313

**15. REMUNERATION AND BENEFITS**

15.1. Remuneration of Company Officers — 309-312

15.2. Pensions, retirement pensions or similar benefits — 216-219

**16. ORGANIZATION OF ADMINISTRATIVE AND MANAGEMENT BODIES**

16.1. Expiry dates of current offices — 285, 302-308

16.2. Service contracts with members of administrative, management or supervisory bodies — 313

16.3. Information on the Company's Audit and Remuneration Committees — 318-319

16.4. Statement of compliance with the corporate-governance regime in force in France — 316

**17. EMPLOYEES**

17.1. Number of employees — 61-63

17.2. Shareholdings and stock options — 76, 191-196, 279-283

17.3. Employee share-ownership agreement — 277, 338

**18. MAJOR SHAREHOLDERS**

18.1. Shareholders owning more than 5% of the equity capital or voting rights — 292

18.2. Existence of different voting rights — 291

18.3. Control of the Company — 292

18.4. Any agreements known to the Company, that if applied could subsequently result in a change in its control — 292

**19. RELATED-PARTY TRANSACTIONS** — **242-243, 288**


*(1) Not significant given the Group's business.*

*(2) This Reference Document no does include any profit forecast.*

**20. FINANCIAL INFORMATION ON THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

| | |
|---|---|
| 20.1. Historical financial information | 165-253, 256-274 |
| 20.2. Pro-forma financial information | 184 |
| 20.3. Financial statements | 165-169, 256-258 |
| 20.4 Auditing of annual historical financial information | |
| *20.4.1. Statement that the historical financial information has been audited* | *254-255, 287* |
| *20.4.2. Other information verified by the Statutory Auditors* | *288, 327* |
| *20.4.3. Source of financial information not taken from the issuer's audited financial statements* | *N/A* |
| 20.5. Date of latest financial information | 165, 256 |
| 20.6. Interim and other financial information | N/A (3) |
| 20.7. Dividend distribution policy | 153-154, 276, 290-291 |
| *20.7.1. Amount of dividend per share, adjusted to be comparable, if the number of shares in the issuer has changed* | *N/A* |
| 20.8. Legal and arbitration proceedings | 161 |
| 20.9. Significant change in the financial or trading position | 129-130, 182, 202-204 |

**21. ADDITIONAL INFORMATION**

| | |
|---|---|
| 21.1. Equity Capital | |
| *21.1.1. Amount of subscribed capital* | *292* |
| *21.1.2. Shares not representing capital* | *N/A* |
| *21.1.3. Shares held by the issuer itself, on its behalf or by its subsidiaries* | *278-279* |
| *21.1.4. Amount of any convertible securities, exchangeable securities or securities with warrants* | *N/A* |
| *21.1.5. Information regarding the terms and conditions of any acquisition rights and/or any obligations associated with share capital that is subscribed but not paid up; or regarding any operation aimed at increasing the capital* | *N/A* |
| *21.1.6. Information on the capital of any member of the Group that is subject to an option or to a conditional or unconditional agreement that would make it subject to an option* | *N/A* |
| *21.1.7. History of equity capital* | *278* |
| 21.2. Memorandum and Articles of Association | |
| *21.2.1. Company's objects and purposes* | *290* |
| *21.2.2. Arrangements concerning members of its administrative bodies* | *315-316* |
| *21.2.3. Rights, privileges and restrictions attaching to each class of the existing shares* | *290-291* |
| *21.2.4. Action necessary to change the shareholders' rights* | *N/A* |
| *21.2.5. Rules governing how General Shareholders' Meetings are convened* | *291* |
| *21.2.6. Provisions that could delay, defer or prevent a change in its control* | *292, 320* |
| *21.2.7. Provision setting the threshold above which any shareholding must be disclosed.* | *291* |
| *21.2.8. Conditions, regulations or charter governing changes in the capital* | *292* |
| **22. SIGNIFICANT CONTRACTS** | **N/A (4)** |
| **23. THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST** | **N/A** |
| **24. DOCUMENTS ACCESSIBLE TO THE PUBLIC** | **290, 296-297** |
| **25. INFORMATION ON HOLDINGS** | **245-253, 272-273** |


*(3) No quarterly financial statement has been published between the year-end of annual financial statements and the publication of the Reference Document.*

*(4) Not significant.*

# Cross-reference table for the Management Report

## (Articles L. 225-100 ff. of the French Commercial Code)

| | |
|---|---|
| Situation of the Company and activity over the past fiscal year | 128-153, 275-276 |
| Results of the activity of the Company, its subsidiaries and companies under its control | 129-146 |
| Key financial-performance indicators | 6-7 |
| Analysis of the growth in the business, the results and the financial situation | 128-154 |
| Progress achieved and problems encountered | 130, 150-153 |
| Description of main risks and uncertainties | 159-164, 226-235 |
| Notes on the use of financial instruments; the Company's objectives and policy on financial risk management | 226-235 |
| Information on market risks (interest rates, currency and shares) | 226-235 |
| Information on country risk | 164 |
| Significant events that have occurred between the year end and the date of the Management Report | 154, 243-244 |
| Planned development of the Company and of entities within the scope of the consolidation; prospects for the future | 154 |
| List of offices and duties each Company officer fulfilled in any company | 302-303, 308 |
| Total remuneration and benefits in kind paid to each Company Officer during the year (including the rationale and rules used to determine the remuneration and benefits paid to Company Officers) | 309-312 |
| Commitments of any kind entered into by the Company for the benefit of its Officers | 313 |
| Transactions by executives and Company Officers concerning the Company's securities | 280-282, 314-315 |
| Key environmental and social indicators | 61 |
| Social information | 58-80 |
| Status of employee share-ownership | 276 |
| Environmental information | 81-110 |
| Information on the risk-reduction policy for technological accidents | N/A |
| Significant shareholdings in companies with their headquarters in France | N/A |
| Changes to the way the Company or consolidated annual Financial Statements are presented | 171, 185, 259 |
| Major shareholders and the split of equity and voting rights as at December 31, 2008 | 292-293 |
| Information that could potentially affect any public offer | 292, 320 |
| Company's management structure | 302, 314-315 |
| Special Report on share subscription and purchase options, and on free share allocations | N/A |
| Information on the share buy-back programme – transactions carried out by the Company on its own shares (number and average exchange price of purchases and sales, reasons for acquisitions and proportion of the capital they represent, etc.) | 278-279 |
| Summary table showing the powers to increase capital that are currently delegated | 277 |
| Table showing the Company's results over the last five fiscal years | 286 |
| Amount of dividends distributed during the last three fiscal years | 276 |
| The Company's research and development activity | N/A |

# Cross-reference table for the annual Financial Report

## (Article 222-3 of the General Regulations of the *Autorité des marchés financiers*)

| | |
|---|---|
| Annual Financial Statements of PPR SA | 256-274 |
| Consolidated Financial Statements of the PPR Group | 165-253 |
| Management Report | please refer to the Reconciliation Table in the Management Report |
| Statement of the person responsible for the annual financial report | 348 |
| Report from the Statutory Auditors on the annual Financial Statements; | 287 |
| Report from the Statutory Auditors on the consolidated Financial Statements; | 254-255 |
| Fees paid to the Statutory Auditors | 326 |
| Report from the Chairman of the Board of Directors on the preparation and the organisation of the Board's work, and on the procedures for internal control and risk management implemented by the Company | 315-325 |
| Report from the Statutory Auditors under Article L. 225-235 of the French Commercial Code on the Report from the Chairman of the Board of Directors | 327 |

# Index


## A

**Accounting and financial information** 165, 256

**Accounting methods and principles** 171, 254

**Activities**

- **General public** 12
- **Luxury** 38, 158

**AFEP** (*Association of French Private-Sector Companies - Association Française des Entreprises Privées*), **MEDEF** (*French employers' confederation - Mouvement des Entreprises de France*) (see AFEP-MEDEF Code)

**AFEP-MEDEF Code** 76, 302, 316

**AFE Code** 290

**Alexander McQueen** 5, 34, 35, 37, 39, 52, 54, 55, 122, 146, 158

**APE** (*French Activity Code*) (see AFE Code)

**Artemis** 242, 271, 278, 288, 292, 303, 308, 313, 318, 320

**Allotment of free shares** 192, 194, 267, 282, 311

**Audits**

- **internal** 318, 320, 322
- **social** 61, 82, 88, 125
- **environmental** 61, 109, 125

## B

**Balenciaga** 5, 39, 52, 53, 122, 146, 158, 245

**Board of Directors**

- **Work of the Board of Directors** 317
- **Composition of the Board of Directors** 302
- **Internal regulation of the Board of Directors** 315

**Borrowings** 128, 150, 160, 174, 221, 260, 264

**Bottega Veneta** 5, 11, 39, 46, 81, 84, 114, 122, 144, 158, 182, 186, 245

**Boucheron** 4, 39, 52, 53, 72, 91, 102, 112, 121, 129, 146, 155, 158, 182, 245

## C

**Caps (exceeding)** 291

**Cfao** 4, 9, 11, 30, 78, 91, 99, 102, 117, 119, 121, 132, 140, 158, 249

**Code of Conduct** 58, 78, 81, 87, 164, 315, 321

**Commercial and Companies Register** 171, 290

**Committee**

- **Audit** 242, 288, 318, 322, 325
- **Ethics** 314
- **PPR European business** 60, 76, 80
- **Nominations** 285, 316, 319
- **Remuneration** 75, 279, 309, 316, 318
- **Executive** 130, 154, 183, 243, 314, 321
- **for Ethics and Social and Environmental Responsibility** (*Comité pour l'Éthique et la Responsabilité Sociale et Environnementale - CERSE*) 58, 81, 315, 321

**Strategy and Development** 313, 316, 319

**Conforama** 4, 26, 74, 95, 113, 132, 139, 154, 158, 183, 243, 247

**Control of the Company** 292

**Corporate governance** 76, 302

## D

**Directors** 302, 316

**Directors' fees** 283, 309, 312, 315, 318, 331

**Dividend** 6, 149, 153, 215, 242, 272, 276, 283, 291, 330

**Documents accessible to the public** 290, 296

## E

**EBITDA** 7, 128, 134

**Employees** 16, 20, 24, 30, 34, 39, 43, 46, 49, 52, 61, 164, 279, 320

**Employee benefits** 75

**EMTN** 160, 223, 264

**Environment**

- **Water** 104
- **Waste recycling** 105, 108, 164
- **Paper** 61, 84, 100
- **Transport and energy policy** 93, 124

**Employee savings scheme** 76

**Employees** (see Human Resources)

**Equity** 131, 147, 149, 168, 191, 215, 258

**Equity capital** 149, 215, 261, 276, 283, 291

- **Transactions involving capital** 276
- **Split** 292

## F

**Fair Trade** 114

**Financial reporting** 296, 324

Financial Statements
Consolidated 165
Annual 256
Fnac 4, 9, 13, 78, 106, 116, 122, 130, 137, 154, 157, 243, 247
Free shares (see Allotment of free shares)

## G

General information 290
General Shareholders' Meeting 283, 284, 299, 302, 329
Gucci 39, 43, 100, 112, 136, 143
Gucci Group 4, 39, 78, 100, 142, 183, 195, 225, 245

## H

History 4
Human Resources 69, 78, 80, 88, 124, 322

## I

IFRS 128, 171, 254
Insurance 162, 320, 324
Internal control
Internal-control procedures 162, 164, 318, 320, 327
Chairman's Report (section on internal control) 320
Internal regulations 293, 315
Investment (policy) 155

## K

Key figures 6, 61
Key issues during the fiscal year 18, 25, 29, 33, 36, 45, 48, 51, 60, 129, 182, 259

## L

Liability guarantees 161, 240
Luxury (see Activities)

## M

Management of the Group 314
Minority interests 136, 150, 173

## N

Negative windows 314

## O

Observers 313, 317
OCEANE 178, 278
Organizational structure of Group 10

## P

Pacts and agreements 129, 156, 320
Pension scheme 76, 310
PPR shares
- Own shares 259, 261, 262, 278, 279, 283, 331
- Stock-market prices 294
- Collateral 278
- Share performance 294

Programme EMTN (see EMTN)
Public take-over offer (impact) 292, 320
Puma 5, 34, 81, 87, 115, 131, 141, 147, 154, 158, 196, 239, 251, 322

## R

Raw materials 100, 111, 294
Regulated agreements and undertakings 242, 288
Redcats 4, 20 78, 119, 138, 154, 155, 158, 248
Reports
- Activity 128
- from the Statutory Auditors (see Statutory Auditors)
- Management Report from the parent company 275
- from the Chairman 315

Relationship with schools 70, 119, 121
Remuneration
- paid to Company Executive Officers 75, 243, 309
- paid to other Company Officers (see Directors' fees)

Resolutions (Combined General Shareholders' Meeting on 05/07/2009). 283, 330
Results for the preceding five fiscal years 286
Risk
- insurance 162
- currency 159, 178,229
- credit 233
- financial 159, 226
- fluctuating stock-market prices 159, 233

legal 161

activity-related 163

prevention (see Risk prevention)

interest-rate 160, 226

Risk prevention 162, 164, 319


## S


Securities market 293, 295

Sergio Rossi 4, 34, 39, 54, 122, 130, 146, 183, 245

Share buy-back (programme) 239, 278

Shareholders 292, 293

Share subscription and purchase options 192, 267, 277, 279, 311

Social and Environmental Responsibility 58

Staff profit share 283

Statutory Auditors 349

Declaration on Social and Environmental Responsibility 125

Fees 271, 326

Scope of work 325

Reports

on the consolidated Financial Statements 254

on the annual Financial Statements 287

on regulated agreements and undertakings 288

on the Chairman's Report 327

on capital transactions defined in the resolutions of the Meeting 344

Stella McCartney 5, 39, 55, 100, 146, 155, 158, 245

Stock-market prices 294

Stock options (see Share subscription and purchase options)

Strategy 8, 14, 22, 27, 31, 35, 40, 44, 47, 50, 155

Subsidiaries and associates 272, 283

Suppliers 9, 24, 61, 81, 124, 129, 164


## V


Voting rights 291, 292


## Y


Yves Saint Laurent 4, 39, 49, 129, 145, 155, 182, 245

YSL Beauté 5, 51, 55, 128, 145, 155, 182, 202, 240, 245

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Registered Office: 10 avenue Hoche – 75381 Paris Cedex 08
552 075 020 R.C.S. PARIS
Tél. : +33 (0)1 45 64 61 00 – Fax : +33 (0)1 45 64 60 00
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