2010 EDITION

Reference Document 2009



An adventure of enterprise

PPR

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1 PPR in 2009

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History

The PPR Group was founded by François Pinault in 1963, as a timber and building materials business. In the mid-1990s the Group repositioned itself on the retail market and soon became one of the leading players in the sector. The acquisition 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 Group's development.

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 is thereby continuing 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, a group specialising in electrical equipment distribution (through CDME, which became Rexel in 1993) and in trading with Africa.

1991
- The Group acquires Conforama and enters the retail market.

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

1994
- La Redoute is merged into Pinault-Printemps, and the Group is subsequently 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's home shopping business) of Ellos, the leader on the Scandinavian mail order market.
- Creation of Fnac Junior, a concept store 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 US.
- 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 the Guilbert home shopping business to Staples Inc.
- Partial disposal of Crédit et Services Financiers in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and 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 US group Office Depot.
- Sale of an additional 14.5% stake in Finaref.

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

2005
- Change of corporate name: Pinault-Printemps-Redoute becomes PPR.
- Sale of MobilePlanet.
- Sale of the residual 10% 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).
- Discontinuation of Fnac Service's activities.
- Acquisition by Conforama of a majority stake in Sodice Expansion.
- Acquisition by Redcats group of The Sportsman's Guide, Inc.

2007
- Sale of the residual 49% 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. This stake was increased to 62.1% further to 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.
- Acquisition of a 23% stake in Girard Perregaux.

2009
- Acquisition by Puma of Dobotex International BV.
- Acquisition by Puma of Brandon AB.
- Sale of Bédat & Co.
- Sale of Surcouf.
- Flotation of 58% of Cfao.

Key consolidated figures

The comparative information for 2008 has been restated as described in Notes 2.2 and 2.23 to the consolidated financial statements.

(in € million)	2009	2008	Change
Revenue	16,525	17,207	-4.0%
o/w generated outside of France (as a % of revenue)	*56.9%*	*55.8%*	*+1.1 pt*
Gross margin	7,775	8,076	-3.7%
Recurring operating income	**1,383**	**1,441**	**-4.0%**
Recurring operating margin (as a % of revenue)	*8.4%*	*8.4%*	*+0.0 pt*
Net income attributable to owners of the parent	**985**	**921**	**+6.9%**
Free cash flow from operating activities (*)	**1,117**	**844**	**+32.3%**

(*) Cash flow relating to operations – net acquisitions of property, plant and equipment and intangible assets.

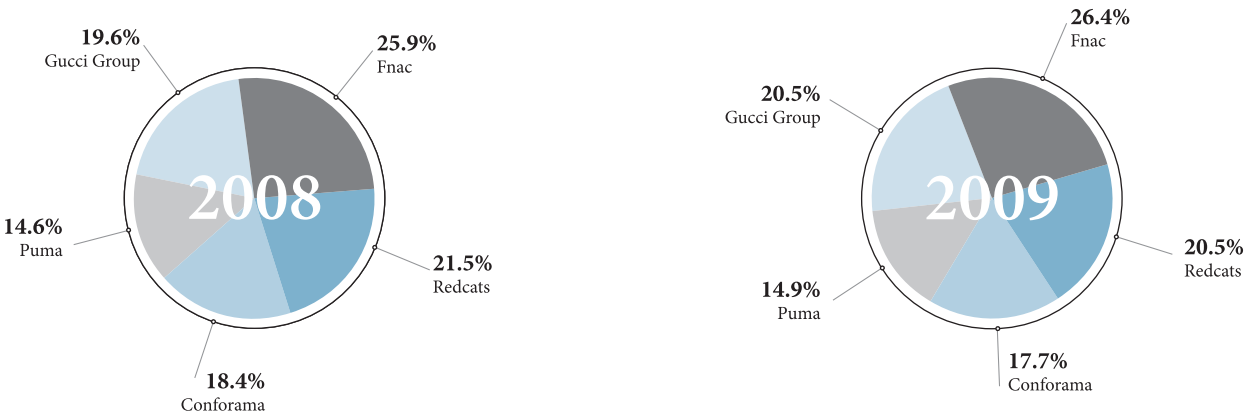
Share data *(in €)*	2009	2008	Change
Earnings per share attributable to owners of the parent	7.79	7.31	+6.6%
Dividend per share	3.30 (**)	3.30	+0.0%

(**) Subject to the approval of the General Shareholders' Meeting on May 19, 2010.

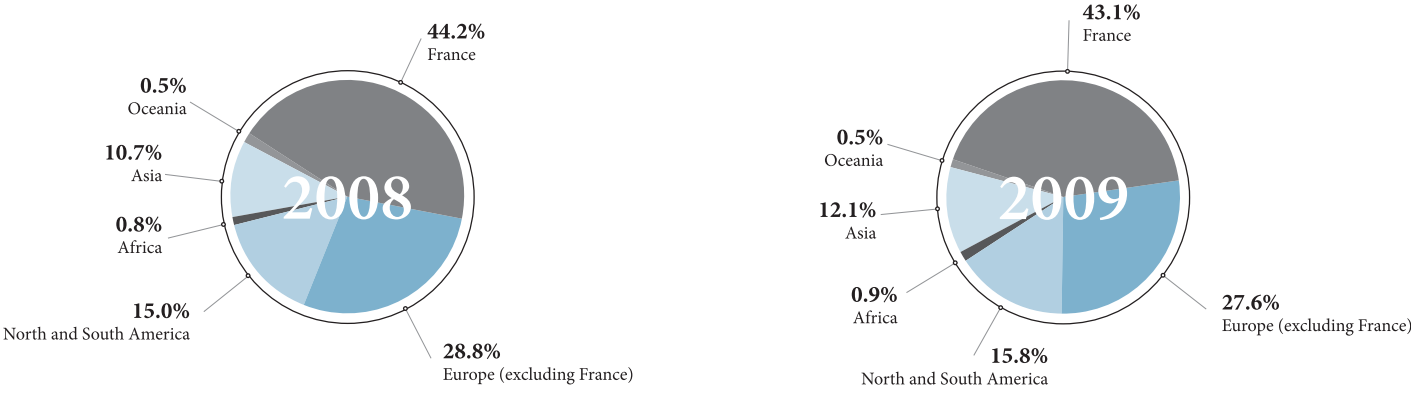
Excluding non-recurring operating items, the change in net income from continuing operations attributable to equity holders of the parent was as follows:

	2009	2008	Change
Net income from continuing operations attributable to owners of the parent	712	718	-0.8%
Net income per share from continuing operations attributable to owners of the parent (in €)	5.63	5.70	-1.2%

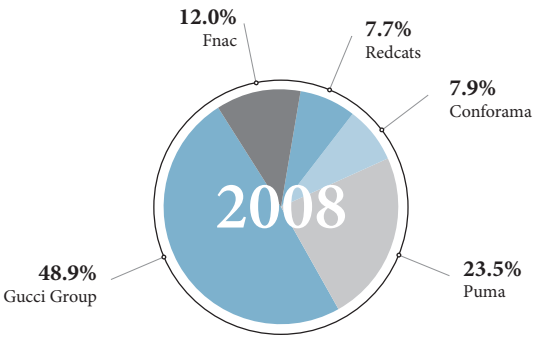
BREAKDOWN OF REVENUE BY ACTIVITY

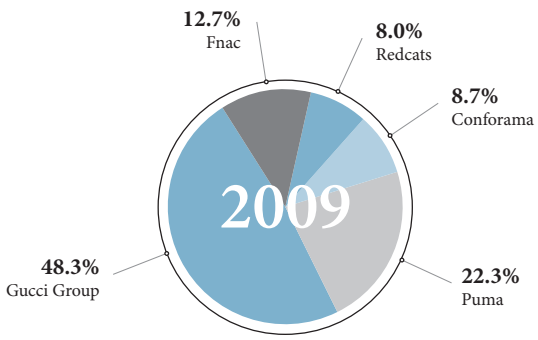


BREAKDOWN OF REVENUE BY REGION



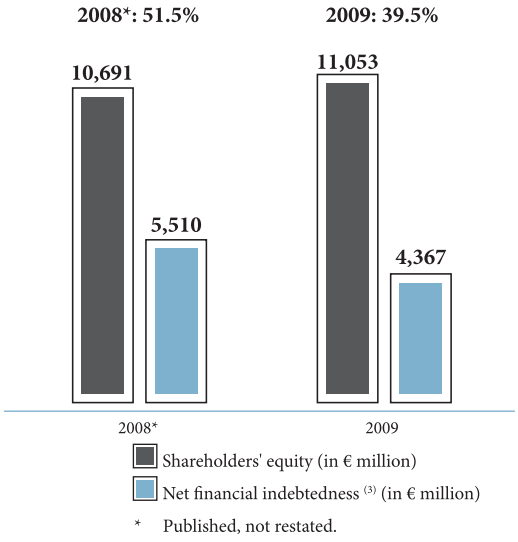
BREAKDOWN OF RECURRING OPERATING INCOME BY ACTIVITY (1)



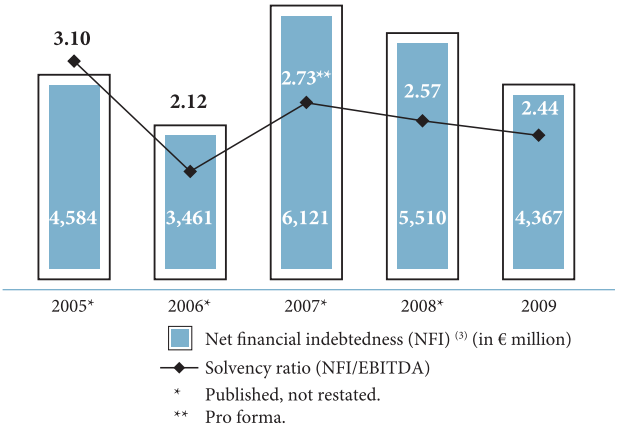


(1) Excluding holding companies and others.

FINANCIAL POSITION - DEBT-TO-EQUITY RATIO (2)

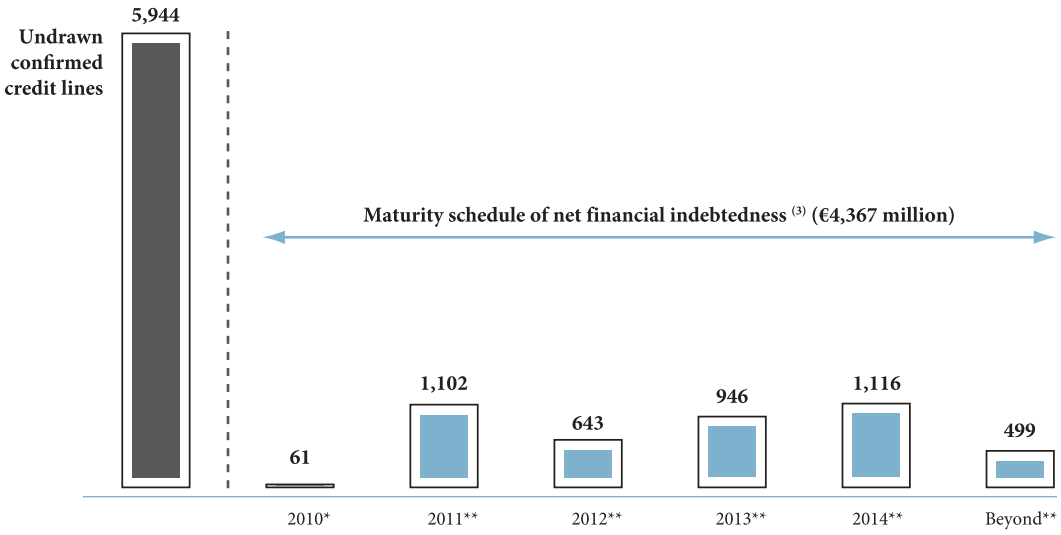


SOLVENCY



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

LIQUIDITY



(3) Net financial debt defined in part 4.

PPR
An adventure of enterprise

At the heart of PPR's identity is a distinctive state of mind: an all-encompassing entrepreneurial spirit that has driven the Group since its inception in 1963.

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

The Group has always strived to reach ever higher and channel its strategic vision into innovative, value-creating achievements. PPR's adventure is one of ongoing metamorphosis, using its impetus to build new business areas, broaden the geographical footprint of Group companies, invent original products, formats and concepts, and apply fresh models for growth and improved performance, all the while paying heed to corporate social responsibility.

This active, forward-looking culture encourages all our people to aim beyond their immediate horizons, assess risks, take responsibilities and act decisively. Far from being content to follow established procedures, PPR's teams are driven by an urge to break new ground through their spirit of inventiveness, enthusiasm and ambition.

A DECENTRALISED STRUCTURE WHERE DELEGATION IS KEY

PPR's strong entrepreneurial culture long ago led it to embrace the principle of decentralisation. Its structure creates a balance between the different operating Subsidiaries, each of which enjoys extensive autonomy within a set framework, agilely supported by leadership from the holding company responsible for driving forward the Group's strategic ambitions.

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

Day to day, 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 responsive, flexible and interconnected management structures. Such freedom for the operating teams helps keep employees involved and committed to the Group's overall performance. It also encourages the best talent.

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

PPR looks to pool resources and facilities wherever this will add value for the Subsidiaries 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, expertise and best practices throughout the Group is systematically encouraged, helping to drive creativity, innovation and excellence in procedures, optimise 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 CONSTANTLY IMPROVING ASSET PORTFOLIO

PPR has built up unrivalled expertise in retailing, with a multifarious range of formats, strongly differentiated models and highly innovative retail channels. Redcats, Fnac and Conforama are all in their way trail-blazers in their respective fields and have all developed into instantly recognisable players in their markets. 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 collections of prestigious brands. Both are global, complementary and positioned in a growth sector: Branded Luxury and Lifestyle Goods. Gucci Group is active in the Luxury Goods market. Its brands are the finest example of the values and traditions of excellence. They remain true to their roots while bringing their aura and success into modern times, evoking ultimate quality and exclusivity through an offering 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.

PPR is therefore the driving force behind an unparalleled array of brands and expertise, which, for the last 40 years, have been enriched by the Group's determination to constantly seek out new sources of growth and profitability, and is continuously developing its portfolio of assets in order to improve the overall performance. This ambition for sustainable expansion and value creation has been the trigger behind the Group's various transformations since its creation in 1963. Consequently, PPR stands ready to fine-tune its portfolio of strategic assets, whether through disposals – such as the flotation of 58% of Cfao in December 2009 – or acquisitions.

External growth opportunities may involve tactical investments that complement existing portfolio brands and products or major assets that fundamentally change the Group's configuration. Central to this process is the demanding criteria that the Group applies when assessing acquisitions. The Group only considers targets that offer potential to improve financial performance, which PPR can identify and exploit in the long term. Also, the Group only considers assets that fit with its policies for consolidated net income growth, financial solidity and return on investment.

A BALANCED BRAND STRATEGY

PPR is progressively steering the focus of its strategic assets towards a collection of strong, universal brands, centred on the Luxury and Lifestyle markets. The product categories concerned are, primarily clothing, footwear and accessories, as well as offshoots that do not impinge on the brands' origins and values. Priority is given to brands that have demonstrated concern for responsible and balanced development, in line with PPR's Corporate Social Responsibility standards.

The Group's objective is to maintain a balance between the Luxury Goods division (Gucci Group) – comprising high-end, exclusive brands that justify high prices and margins – and the Consumer division (currently represented by Puma), which has more accessible products and broader market segments.

Following in the footsteps of PPR's current portfolio, the brands that may appeal to PPR are distinguished by the long-term and constantly evolving nature of their positioning. They are chosen on the basis of outstanding brand identity, authentic style and highly exceptional expertise.

This brand expansion strategy will be conducted:

- subject to PPR's financial performance criteria;
- in accordance with the intrinsic quality of the targeted assets and, in particular, their growth potential; and
- with regard for the cohesive nature of the brands and their potential complementarity under PPR's aegis.

The pace and timing of the PPR's development will depend on the above conditions. The Group's ultimate aim is to assemble a balanced and coherent line of global brands, all drawing on core value-creating skills. Accordingly, PPR will benefit both from the high margins of the Luxury Goods sector and the volumes of the Consumer activity.

A BALANCED AND SOLID GROUP THAT REMAINS ON COURSE TO EMERGE EVEN STRONGER FROM THE TURMOIL OF THE ECONOMIC CRISIS

PPR is committed to continually improving its performance with the aim of increasing returns on investments over the long term. Group companies are guided by a strong cost-control culture and constantly seek to refine their business models and enhance operating profitability while remaining focused on maximising returns on capital employed and keeping working capital down to the minimum required for each business. Finally, through attention to detail and meticulous execution, PPR ensures that the Group's processes and systems are efficient and effective. Each link in the value chain – in both the operating business and in the support functions – is optimised by enthusiastic and talented teams.

Faced with an economic climate that remained downbeat throughout 2009, PPR and its Subsidiaries stepped up their management efforts and implemented action plans to improve business efficiency, enhance cost structures, increase free cash flow and develop the expertise of its people. As a result the Group achieved numerous operational improvements, whose impacts are already discernable and which will continue to add value over the long term.

These improvements, which were accelerated by the sheer urgency of the fall-out from the 2008-2009 economic crisis, came within the context of plans to reassess the economic models of the Group's various businesses. This initiative not only resulted in significant cost containment measures, but also led to improvements in products and services, decision-making processes and departmental organisation, all of which enable the Group to sharpen its competitive edge and better anticipate market trends.

Particular efforts have been undertaken, and measures initiated, to:

- analyse and understand consumer behaviour in order to adapt products to current customer aspirations;
- improve the Group's e-commerce activities across the board by optimising online functions, namely organisation, websites and supply chains;
- innovate, in both the high-end, Luxury Goods activities and the Consumer segments;
- modernise information systems through substantial investments aimed at maintaining and, in particular, enhancing existing tools; and
- step up talent management programmes with a view to increasing training courses and promoting valuable Group-wide expertise.

Naturally, all of these programmes will continue in the future, but 2010 will also be a year of sales initiatives. After the concerted endeavours to optimise profitability, the operating teams will continue to maintain a tight rein on costs while focusing primarily on leveraging organic growth and optimising margins.

By pressing ahead with the modernisation of its structures so as to be better placed to take advantage of the upturn in consumer spending, PPR has thus succeeded in making the most of the current economic slowdown.

A CORPORATE SOCIAL RESPONSIBILITY POLICY AIMED AT ONGOING IMPROVEMENT

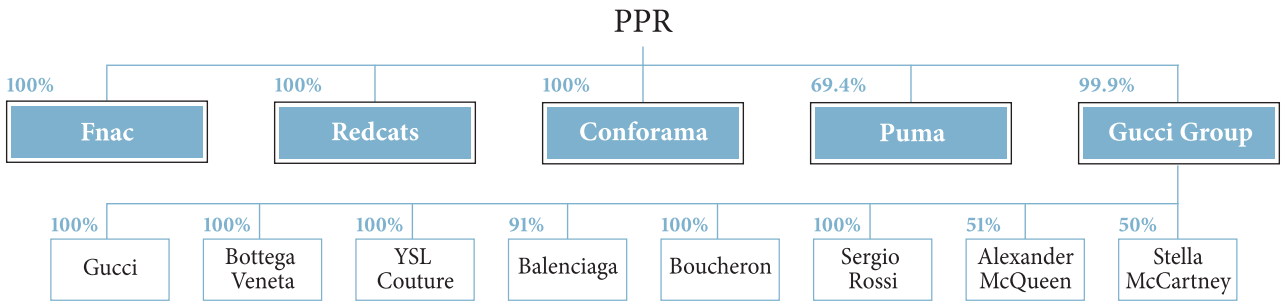
PPR's commitment to corporate social responsibility remains an integral part of the Group ethos. For many years the Group has strived to fulfil its corporate responsibility, which comprises social equality, environmental awareness and economic profitability – the foundations of business sustainability. For PPR, optimising these three pillars represents a real strategic opportunity and now forms a vital part of the culture and values shared by PPR's 73,000 employees.

PPR has identified seven strategic Corporate Social Responsibility priorities. These are common to all of the Group's companies and constitute a simple, well-defined framework within which each company can determine its level of involvement with precise and formally documented milestones.

In 2009, these efforts gained considerable momentum on the back of the film "HOME", which has already been seen by more than 150 million people around the world, and with the creation of the PPR Foundation for Women's Dignity and Rights. These flagship initiatives are just two of the many social and environmental projects led by the Group over the past three years.

These initiatives are now integral to the day-to-day work of the operating teams. All activities – from the definition of offerings through to product and service design, supply chain implementation and sales promotions – are now carefully examined to ensure that the Group can satisfy the threefold objective of developing brands and skills whilst remaining faithful to its founding business values, and fulfilling its role as a socially responsible employer. All of these factors are now essential to efficient and sustainable business performance.

PPR GROUP ORGANISATIONAL CHART AS OF DECEMBER 31, 2009



2 The Group's activities

CONSUMER ACTIVITIES	14	LUXURY GOODS ACTIVITIES	38
FNAC	15	GUCCI GROUP	39
REDCATS	22	GUCCI	43
CONFORAMA	29	BOTTEGA VENETA	46
PUMA	33	YVES SAINT LAURENT	49
		OTHER BRANDS	52

Consumer Activities

- Major 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
- 3.6 million members
- Fnac.com, number one e-commerce site by visitor numbers (1)
- Top retailer of personal computers in France (1)
- 59,000 items in personal computers, photography, hi-fi, TV/video, software/games, office equipment/telephony
- Top bookstore in France with 774,000 items (1)
- Top music store in France with more than 335,000 items (2)
- 2.3 million members, 18 million customers a year and 150 million visits to stores in France

€4,375 million
in revenue in 2009

€182 million
in recurring operating income in 2009

14,632
employees in 2009 (3)

143
directly-operated stores (excl. Fnac Éveil & Jeux) and 3 joint ventures in Greece at the end of 2009

BUSINESS CONCEPT

Since its creation in 1954, Fnac has pioneered new trends in order to provide customers with an unrivalled range of cultural products and has given consumers access to the most cutting-edge technological items. In 2009, the retail chain reaffirmed its ambition to become the preferred, benchmark banner in its business markets by fostering loyalty among its targeted customer and expanding its customer base, thanks to its personalised, holistic marketing approach.

The distinguishing feature of Fnac stores is the unequalled selection of books, CDs, DVDs, video games and technological products available under one roof. The product choices reflect Fnac's selectiveness and impartiality, underpinned by the independence of the banner's buyers and sales force in relation to suppliers and by the work of its test laboratories. Fnac also has a unique policy for providing advice and recommendations to customers, the main vehicles of which are the product information sheets and purchasing guides distributed in stores and its "Contact" magazine sent to members' homes. Its physical and online stores are used not only for purchases; they provide a forum for cultural exchanges and the nurturing of passions. Fnac is faithful to its status as a cultural and technological player and corporate citizen. The banner's commitment is evidenced by the various annual events organised in its stores and externally, its publications, its public support for cultural diversity and freedom of expression as well as its pro-human rights stance. Fnac is active in 8 countries – France, Belgium, Switzerland, Italy, Spain, Portugal, Brazil and Greece (via 3 joint ventures). It has 146 stores, including 66 outside France, representing total selling space of nearly 332,000 square metres. Each year, the 80 stores in France receive nearly 150 million visits and serve nearly 18 million customers.

(1) Source: Médiamétrie.
(2) Source: GFK.
(3) Average number of employees.

COMPETITIVE ENVIRONMENT

Fnac operates stores in seven countries(1), with the market for technical products representing approximately €55 billion in 2009 (source: Fnac), including €11 billion in France alone (source: GFK, November 2009).

Its main competitors include pure players such as Pixmania, Cdiscount.com and Amazon, as well as international distributors like Mediamarkt, and national retailers including Darty and Boulanger in France, Worten in Spain and Portugal, Vanden Borre in Belgium, and Unieuro in Italy.

The market for Books and Publications represents nearly €18 billion (source: Fnac) – of which the French market accounts for nearly €8 billion (source: GFK, November 2009) – and comprises audio, video and gaming products as well as books. In France, this market is driven mainly by book sales and has seen an increasing trend towards online trade (6.7% of sales in 2009). Fnac's main competitors in this market are international pure players including Amazon and iTunes, and national specialised distributors such as Cultura, Espaces culturels E. Leclerc and Virgin Megastore in France, El Corte Inglès in Spain, Bertrand in Portugal, and Mondadori in Italy.

STRATEGY

In 2009, Fnac remained firmly committed to its strategy, which was initiated in 2006 and anchored in the banner's "100% Customer" project. During the next phase of its development, 2009-2011, Fnac will continue to focus on the four key growth drivers, namely the conquest of the semi-urban market, the strengthening of its leadership on the Internet, the development of the service offering and continued international expansion.

Conquest of the semi-urban market

The semi-urban market harbours a vast pool of potential sites and as such is a vital growth channel for Fnac. By establishing a presence in new semi-urban business locations, Fnac can adapt to changing trends in where and how its customers like to shop.

Excellence at Fnac.com

2009 marked Fnac.com's 10th anniversary. Since its inception, the website has become one of the leading e-commerce sites in France, offering nearly 2 million products, new and second-hand alike, and a catalogue of over 3 million titles for download.

As the domestic site's expertise is rolled out in international markets, the new versions of the www.fnac.it and www.fnac.es websites, launched in April and August respectively, reflect the same technological know-how and up-to-the-minute features as Fnac.com.

Development of services

Fnac offers a wide range of services that motivate customers to purchase from the banner. In 2009, sales of services were boosted by the deployment of a comprehensive range of home assistance services encompassing installation, training and support under the "*Labo Fnac*" brand.

International development

International expansion is one of the major themes of Fnac's development plans. The banner opened 3 new stores outside France in 2009 (including a joint venture in Greece).

Despite a tough economic environment, international activities are expanding and generated nearly 30.5% of revenue in 2009. Since 2000, Fnac has tripled the number of its international stores. Building on this expansion, the retail chain is now improving its international organisation by streamlining certain activities. Measures include the further development of centralised procurement of technological products in Europe, the deployment of fnac.com's expertise and technological know-how to other countries and the pooling of human resources tools.

(1) France, Spain, Portugal, Belgium, Italy, Switzerland and Brazil.

AN OFFERING AND BUYING EXPERIENCE TAILORED TO EACH CUSTOMER

To speed up changes to its business practices, Fnac implemented a restructuring plan in January 2009. The plan, named "*100% Customer Revolution*", emphasises commercial innovation and customer relationship management. It aims to achieve customer retention and customer growth in each targeted segment on the back of a personalised, holistic marketing approach. The plan reflects the spirit of Fnac's stated ambition to "reinvent itself and become the preferred, benchmark retail chain for each customer in the sphere of cultural and technological products".

A brand platform to support the new positioning

The repositioning of the Fnac brand was a major undertaking during 2009 and has accentuated the banner's role of providing guidance to customers. Fnac is determined to become a cultural magnet by emphasising personalised solutions and customer service, themes consistently cited in its public statements. The shift in positioning has led to new advertising campaigns and the publication of new purchasing guides.

A superior offering in each product range

Fnac is responding to major structural trends in its markets and to changes in consumer behaviour by adding new product ranges to its offering:

Second-hand video games

The second-hand video game offering was initially tested in April 2009 at 7 stores and was then rolled out to all stores in France and the rest of Europe under the "*Okaz Gaming*" label.

Spin-off products, stationery, games and toys

In June 2009, Fnac commenced stationery sales in France at stores in Bordeaux, La Défense and Grenoble. During the first half of the year, the banner also started selling spin-off products (posters, tie-ins, t-shirts, etc.) and a new offering of games and toys in its children's department.

Market Place

At the end of May 2009, Fnac.com launched "Market Place" for business users, which was extended to non-professional customers from mid-September, to bring together buyers and sellers of new and second-hand items. This new service has expanded the existing offering and has provided a gateway to new markets like spin-off products, musical scores and instruments, games and toys.

Labo Fnac services

In October 2009, Fnac united its team of expert advisers and instructors under the "*Labo Fnac*" brand. This means that all expertise – product information, services and training provided in-store, online or at home – has been marshalled to serve the single aim of guiding the customer throughout the purchasing process, from product selection to product utilisation.

A personalised relationship with each customer

The "*One*" card

The "*One*" membership card was test-launched at the end of 2008 and was rolled out to all Fnac stores in France in May 2009. The card is reserved for the banner's high-spending customers and entitles them to an enhanced quality of service embracing a special in-store host station, a dedicated phone line available 7 days a week from 8:30 am to 10:00 pm, priority bookings for products and events, a dedicated after-sales service providing immediate diagnostic analysis and, where required, a one-to-one meeting with a Fnac sales representative.

Gaming card

Alongside the "*Okaz Gaming*" offering, Fnac has set up a loyalty programme dedicated to a targeted customer segment. The "F*nac Gaming*" card, launched on September 25, 2009, gives customers the opportunity to buy and sell second-hand games easily and to enjoy a broad range of advantages, such as discounts and promotional offers on new video games and accessories, online account consultation and priority bookings of forthcoming video games.

Loyalty card

The new loyalty cards introduced in Spain and Portugal have enhanced the attractiveness and personalised nature of our loyalty programmes.

A rich and meaningful buying experience

Merchandising and store concept

In order to reinvent the buying experience, Fnac is constantly inventing new ways to satisfy the needs of passionate and increasingly well-informed consumers. In November 2009, the banner introduced "*Espaces Passion*" spaces for consumer enthusiasts in three Paris-based stores. This move has highlighted the prime quality of Fnac's offering and sales force expertise in the following spheres – photography, hi-fi, home cinema, comics and mangas, classical music and jazz. The seven thematic spaces house an enlarged product offering, supported by cutting-edge equipment and facilities and the banner's best in-store experts.

Fnac is also refining its market segment offerings. 2009 saw the addition of the youth market segment in France and abroad to provide merchandising targeted at young consumers in a dedicated space.

Reinvigorated emphasis on culture

In keeping with its role as a retailer of cultural and technological products and a prominent figure in the field of culture, Fnac organised more than 10,000 events during 2009 through its network of forums and photo galleries. These types of events enable exchanges and encounters between a broad swathe of the public and numerous artists (authors, philosophers, musicians, actors, film-makers, photographers, etc.).

Music

During 2009, nearly 2,000 showcases were organised in stores to illustrate all music styles.

Major events organised during the year included the "*Fnac de la musique*" event: a total of 50 concerts involving some 200 musicians were organised at about 20 stage locations throughout France. In addition, the Paris-based "*Fnac Indétendances*" festival on the theme of musical diversity drew more than 100,000 people. Fnac also partners with the "*Printemps de Bourges*" music festival in the discovery of young artists and supports many other events in countries where it has a presence.

Books

At the start of each year's literary season and in partnership with the French Education Ministry and the *Académie Goncourt*, Fnac organises the *Prix Goncourt des lycéens* event, a literary prize awarded by high-school pupils based on an independent selection by 400 Fnac members and 300 Fnac booksellers.

As a partner of the Angoulême International Comic Book Festival, Fnac organises numerous in-store events, signings and encounters and actively pursues partnerships, all in favour of comic books in France and abroad.

Gaming and new technologies

In 2009, Fnac became a key player in video games via its partnership with the Video Game Festival. The banner also remained committed to:

- the Fnac Video Game Trophy awards, which attracted more than 30,000 participants at stores in France; and
- the Fnac European Game Trophy awards, with selections from each European country and a final event in Madrid attended by more than 2,300 participants.

Photo galleries

As a major player in photography, Fnac organised: photo marathons during 2009, attracting more than 6,000 participants in 40 cities.

Fnac is a partner of the *Rencontres d'Arles* and Paris *Salon de la Photo*, photo exhibitions, two symbolic events for photography enthusiasts.

In 2009, Fnac outlets also played host to 13 exhibitions, including 20 new displays.

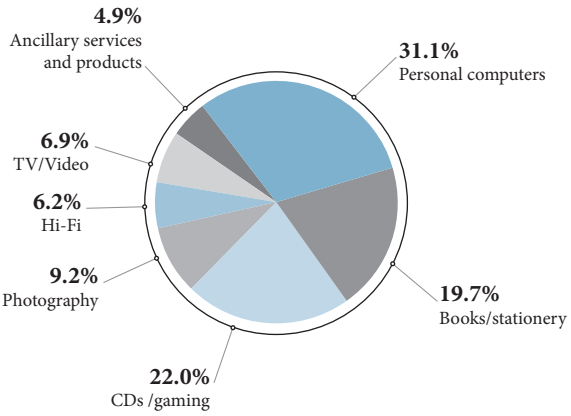
Cinema

Fnac organises Master Classes, filmed sessions with masters of the cinema, to coincide with the release of films and DVDs. Some of these Master Classes (for example, those with Francis Ford Coppola, Terry Gilliam and Jean-Pierre Jeunet) have been recorded on DVDs exclusive to Fnac. Previews and in-store events are also regular features.

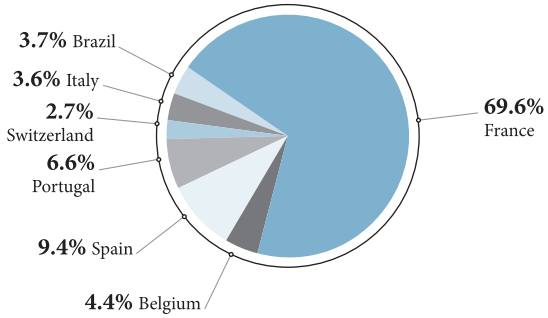
Fnac also sponsors the "Short Film Talent" prize at the Clermont-Ferrand International Short Film Festival. Over the past six years, the films backed by Fnac have gone on to win 4 Césars and 1 Oscar.

Fnac also partners international cinema festivals such as, Directors' Fortnight in Cannes, the Annecy Animated Film Festival and Brazil's *Mostra-Sao Paulo International Film Festival*.

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



SETTING THE EXAMPLE FOR UNLOCKING EMPLOYEES' ENERGY AND TALENT

In 2009, Fnac pressed ahead with its ambitious and pro-active programme for the ongoing management of jobs and skills in line with the changes in its organisation and markets. The objective is to enable employees to transition to high-growth business segments within Fnac by providing training programmes that result in recognised qualifications.

Fnac's commitment to cultivating the employability of its workforce and the abilities of each employee is undiminished. The banner remains a reference for remuneration policy and social benefits within the retail industry.

Profit-sharing and incentive schemes are aligned with the retail chain's overall performance and the variable portion of salaries ensures both fairness and solidarity.

In 2009, Fnac made changes to the variable remuneration paid to non-management employees and supervisory staff at stores in France. These changes came one and a half years after the introduction of a new employee evaluation system that gives weight to both individual-employee performance and team performance. The principal aim of the changes made in 2009 is to increase salary prospects for high-performing employees. In 2009, variable remuneration schemes similar to the system in France were introduced in Spain and Belgium for the same purpose and are under consideration in other countries.

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 will be maintained in 2010. In France, having begun with standard and advanced vocational diplomas ("*bacs pro*" and "*BTS commerciaux*"), Fnac validated 11 degrees in management science and 7 masters degrees in management science in 2009. In the three years since the programme was introduced, nearly 30 directors or managers have obtained advanced degrees and 30 other employees have obtained a degree in management science, all with Fnac's active support. This commitment to assisting professional experience validation candidates has resulted in a success rate for Fnac's employees above the national average.

In 2009, all Paris-based store employees impacted by business-segment cutbacks were relocated internally or externally.

Measures to optimise Fnac's organisation will continue in 2010.

A SOCIALLY RESPONSIBLE COMPANY

Environmental initiatives

To meet the fundamental imperatives of environmental and social responsibility, Fnac has undertaken to reduce its energy consumption by 20% within five years.

- The banner's small- and medium-sized carrier bags are now made of recycled plastic. Large and extra-large carrier bags were discontinued at the beginning of 2010 and have been replaced by reusable bags offered for sale to customers.
- Fnac has introduced environmental labelling starting with the product information sheet for television sets, which indicates the most environmentally-friendly items in the form of a tree leaf.

Social initiatives

- In June 2009, the report by the International Federation for Human Rights (FIDH) concerning support for undocumented immigrants was made available to customers at the entrances to Fnac's 22 largest stores in France and on the banner's www.fnac.com website.
- 2009 also saw the inauguration of Fnac's support for the Freedom of the Press Prize awarded by *Reporters sans frontières* (Reporters Without Borders).

Employment initiatives

During 2009, all Fnac managers in France received diversity training encompassing issues such as non-discrimination and fair treatment.

FINANCIAL RESULTS

Fnac reported revenue of €4,375 million in 2009, down 1.9% on 2008 in comparable terms.

Recurring operating income was €182 million in 2009, representing an operating margin of 4.2%, versus 4.0% in 2008 on a comparable basis.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

On February 18, 2009, Fnac unveiled a business development plan for its French and international operations, together with cost-saving measures.

In keeping with its "*100% Customer Revolution*" relaunch plan, Fnac introduced a number of new, pioneering products and services throughout 2009.

2009 in France

Since the first quarter of 2009, the Fnacmusic download platform has offered France's largest range of legal downloads (close to three million titles) compatible with all digital media players.

April saw the launch of Fnac's second-hand video game offering.

In May, Fnac.com celebrated its 10th anniversary and launched "Market Place" for business users, which was extended to non-professional customers in September.

In June, Fnac gave its backing to the worldwide release of Yann Arthus-Bertrand's film "HOME". The related DVD, which is marketed exclusively by Fnac in France, Switzerland, Spain and Portugal, has achieved record sales since its release.

During summer, Fnac commenced stationery sales at stores in Bordeaux, La Défense and Grenoble.

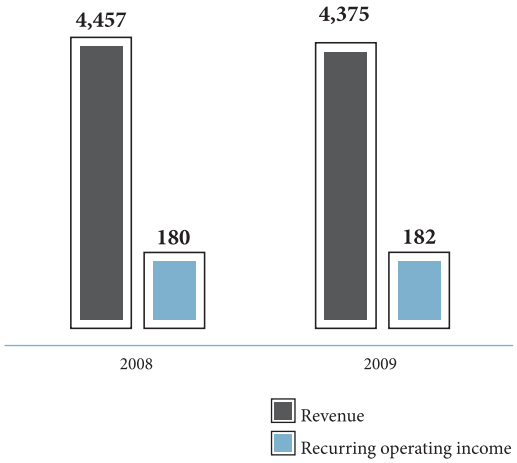
October saw the creation of the "*Labo Fnac-Formations Prestations*" brand covering product information and the home services offering.

In November, Fnac introduced "*Espaces Passion*" spaces for consumer enthusiasts in three Paris-based stores to satisfy consumers' passion for photography, hi-fi, home cinema, comics and mangas, classical music and jazz.

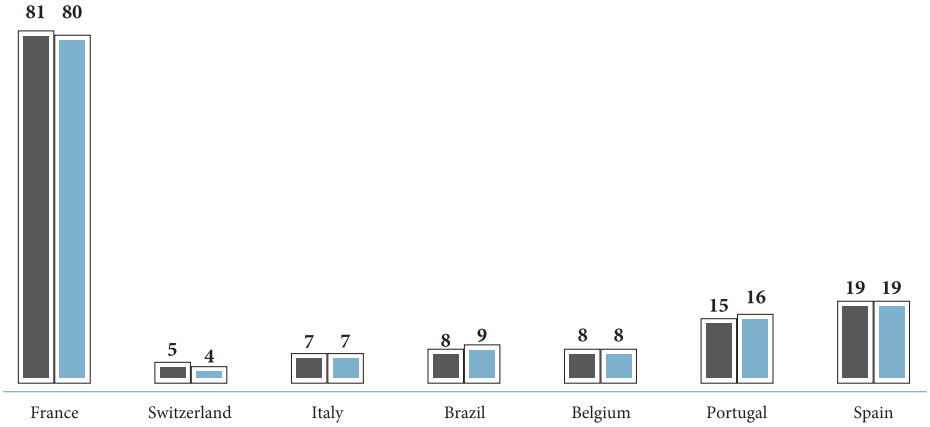
In December, Fnac unveiled the Tick&Live application for iPhone.

December also saw the closure of the Bastille store in Paris.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



NUMBER OF FNAC STORES EXCLUDING SUBSIDIARIES (1)



(1) Excluding Fnac Éveil & Jeux.
Excluding 3 joint ventures.

2009 abroad

The year marked the Brazilian operations' 10th anniversary.

In Switzerland, the Basel store was closed in March.

March also witnessed the introduction of a second-hand video game offering in Spain. Second-hand video game offerings were introduced in Belgium in September, Switzerland in October and Italy in November.

Fnac.com's expertise was rolled out to the Italy-based www.fnac.it e-commerce site in April and to the Spain-based www.fnac.es e-commerce site in August.

Many of Fnac's stores outside France were extensively refurbished or had spaces added during the year:

- in-store layout and merchandising were revamped in Portugal;
- in Brazil, new spaces were added (for iPods, Apple Shops, gaming, merchandise testing in Morumbi) and Fnac Kids areas were extended;
- technological product merchandising was overhauled in Switzerland;
- in the first half of the year, the technological products department at the store in Liège, Belgium was renovated and a space dedicated to Apple products was created ("Apple in-line").

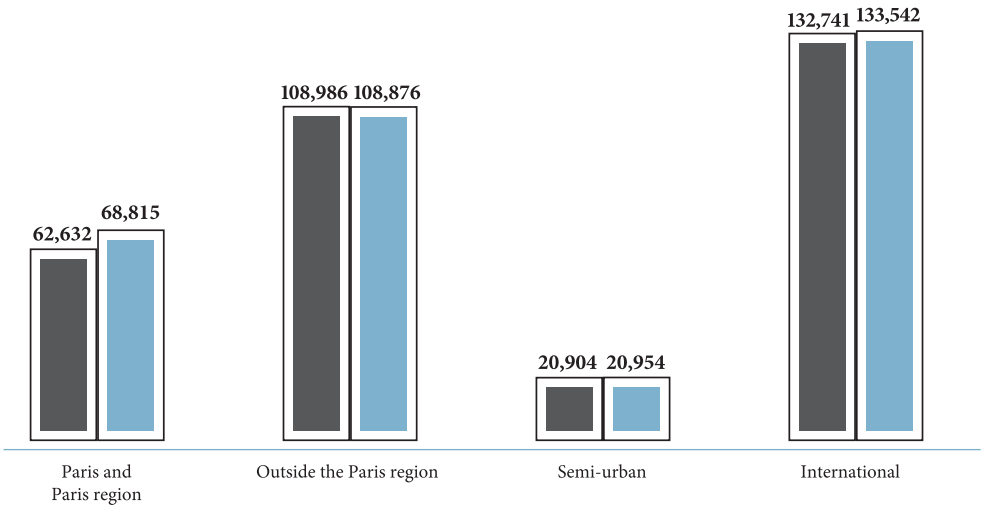
In November, three new stores were opened – the 9th for Brazil (in Ribeirão Preto), the 3rd for Greece (JV in Athens) and the 16th for Portugal (in Guimarães).

Fnac in 2010

2010 will see the continued pursuit of the business reorganization and relaunch plan initiated in 2009. The plan will have five main focuses:

- acceleration of the Internet strategy, comprising:
  - the enrichment of the offering and the development of community content on the www.fnac.com website,
  - the continuation of fnac.com's international rollout (notably to Portugal),
  - the deployment of "Market Place" as a development tool for online business,
  - the implementation of an active policy for reinvestment in digital music and books;
- further development of multi-channelling using the *Clic&Mag* concept of combining store and e-commerce facilities;
- enhancement of the store experience via the introduction of new "Espace Passion Jeunesse" spaces for young consumers and the continuation of the "*Espaces Passion*" deployment initiated in 2009;
- continued development of new businesses (stationery, spin-off products, games and toys);
- increased emphasis on new member recruitment and the personalisation of loyalty programme benefits.

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



(1) Excluding Fnac Éveil & Jeux.
Excluding 3 Fnac stores operated as joint ventures.

REDCATS Group

- A top-ranking international online retailer for fashion and home furnishings
- More than 60 e-commerce sites
- 27 million active customers in Europe and the United States
- Close to 45 million monthly unique visitors to all sites worldwide
- 177.5 million items sold worldwide in 2009

€3,386 million
in revenue in 2009

€115 million
in recurring operating income in 2009

15,672
employees in 2009 (1)

More than **60** e-commerce sites

BUSINESS CONCEPT

Redcats is a group of Europe– and US – based retail chains specialising in the online distribution of fashion and fashion accessories, as well as home furnishings.

Thanks to a presence in 30 countries, Redcats has become one of the world's top three online apparel retailers.

To secure the best procurement terms on an ongoing basis, Redcats operates its own purchasing agencies in Asia, Brazil and Turkey.

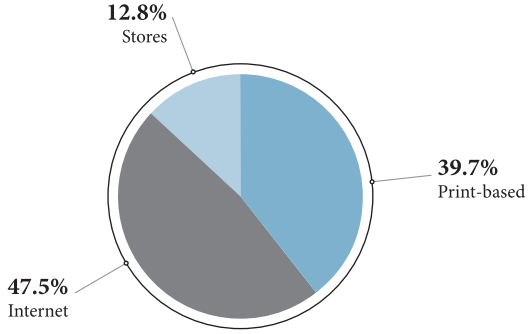
FASHION AND HOME FURNISHINGS RETAIL CHAINS

Redcats operates a portfolio of banners specialising in the online distribution of fashion, furniture and home furnishings products.

The Redcats banners cater to a broad range of consumer age categories (newborn babies, teenagers, seniors, etc.), as well as to a wide spectrum of fashion and lifestyle needs, including large size fashion items, maternity ready-to-wear, and sports and leisure items.

New products and services are added continually, with the aim of designing targeted offerings that anticipate and satisfy customers' needs.

BREAKDOWN OF 2009 REVENUE (2) BY SALES FORMAT



(1) Average number of employees.
(2) Excluding credit and financial services.

EUROPEAN BANNERS

La Redoute is an established multi-specialist in ready-to-wear and home furnishings, and successfully markets its "French touch" to 10 million active customers in 21 countries throughout the world. The banner also carries specialist collections like Taillissime for large size menswear and womenswear, and AM.PM for home furnishings and furniture. Products are distributed through e-commerce sites and catalogues all year round. In France, La Redoute ranks fourth in womenswear retailing and third in home linen retailing (source: IFM). With an average 8 million visitors monthly in 2009 (source: Panel Médiamétrie), the laredoute.fr website is France's premiere-e-commerce site for apparel and home furnishings (source: IFM). Furthermore, La Redoute has been voted the "No. 1 site for apparel and home furnishings" (source: Fevad-Médiamétrie/Netratings survey) and, by Marie-Claire.fr readers, "Best e-commerce site for women in 2009" (source: Fevad). Another accolade awarded is that of "Best service quality in textile, apparel and fashion e-commerce in 2009" (source: IFOP). To further raise the profile of its website, La Redoute launched an advertising campaign at the end of 2009 using posters in major French cities and inserts in free newspapers and publications for women. As a result of these efforts, e-commerce now generates over 59.3% of the banner's home shopping revenue.

La Redoute's international operations, powered by Russia and Italy, contributed 9.5% of Redcats' revenue in 2009.

La maison de Valérie specialises in home furnishings. While maintaining a positioning geared towards credit accessibility, thanks to easy-payment facilities, the brand has revamped its offering to reflect the lifestyles and needs of its customers. Online sales are gaining momentum and La maison de Valérie's website has been voted the second most visited e-commerce site in France in the second quarter of 2009 in the furniture and home improvements category (source: Médiamétrie//NetRatings).

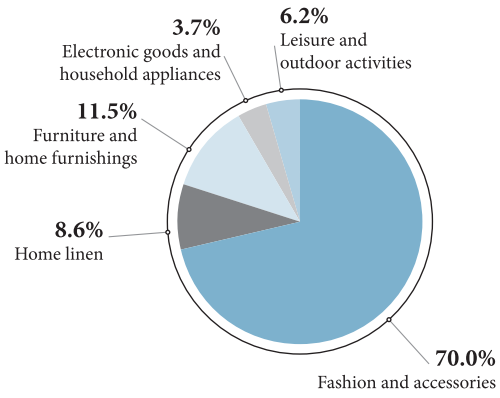
Children's specialist **Vertbaudet** refreshed its visual identity and the names of its collections during 2009. The "Histoires d'enfants" apparel collection has been renamed Vertbaudet "Kids", the former "Histoires de chambres" furniture and home furnishings collection is now called "Home", and the baby wear and maternity wear lines have been brought together under "Baby". These changes, which have been accompanied by the introduction of a new, more modern logo, are intended to return the brand to its roots and restore to prominence the convenience and accessibility associated with the brand's positioning. The Vertbaudet brand was awarded the 2009 Grand Prix for children's fashion in the "value-for-money" category. After the opening of two new sales outlets in 2009, Verbaudet now directly operates 40 stores – plus 9 in partnership – and has an Internet or catalogue presence in 12 countries.

Cyrillus offers an apparel collection for all the family, together with home furnishings and decorative items. In 2009, the brand opened two new stores in France. The network now comprises 55 boutiques (48 in France, 3 in Belgium, 3 in Switzerland and 1 in Germany), 16 shops-in-shops (1 in France and 15 in Germany) and several e-commerce sites.

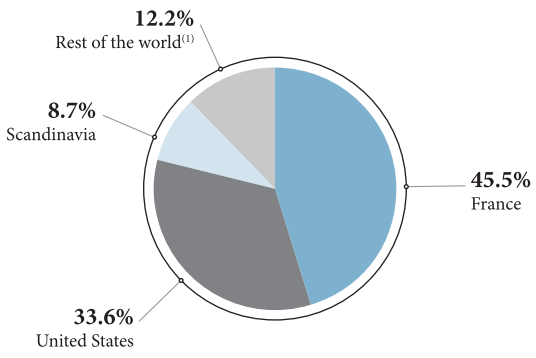
Somewhere continued to support its positioning as a "responsible" banner by opening a number of eco-friendly stores featuring ecological paints and energy-efficient lighting in France. New measures taken in 2009 included the opening of five new stores and the first-time mailing to customers of a Christmas catalogue containing ideas for gifts and party wear. Somewhere now distributes its "casual chic" range via 30 directly-operated boutiques in France and is present in a total of 11 countries.

Daxon offers a "well-being" and home furnishings range for seniors and the Celaia line for active women over the age of 45. In 2009, the decision was made to discontinue the Edmée accessible casual wear concept. Daxon also market-tested personal assistance services in partnership with La Poste (the French postal service) and launched Pédiconfort footwear on the Sarenza.fr website, a leader in footwear

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



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

e-commerce in France, and in La Redoute's "Connivences" catalogue. The Daxon brand is present in seven countries.

Ellos is the home shopping leader for apparel in Sweden (source: GFK). It markets an accessible and contemporary range for all the family under three directly-owned brands – "Sara Kelly" for active women, "JSFN" for trendy and original styling, and "e-basics" for men, women and children. Ellos also markets two collection concepts – **Jotex**, specialising in home linen, and **Enjoy**, specialising in films and music. In 2009, Ellos took action to simplify its offering by discontinuing the distribution of the **Josefssons** catalogue, whose product content is now marketed exclusively on Ellos' e-commerce sites. New commercial initiatives in 2009 included the online hosting of Zara Home products during the summer, as a result of which Ellos is now the leading distribution channel for Zara home furnishings in the Nordic countries. Ellos also launched new TV advertising campaigns in all four Nordic countries (Sweden, Norway, Denmark and Finland) for the first time. Ellos continues to see robust online sales growth, with e-commerce accounting for more than 65% of home shopping revenue in 2009.

US BANNERS

In the United States, Redcats USA has established itself as the specialist in the plus size home shopping market with a total of five brands. **Jessica London**, **Roaman's** and **Woman Within** carry womenswear and accessories for women. **KingSize** markets casual collections for men. **Avenue** rounds out the offering by focusing on younger, fashion-conscious customers through its network of 447 stores across 37 states.

In 2009, Redcats USA took various actions to rejuvenate its banners. These included a logo change to revitalise the image of Woman Within, preparations for the amalgamation of Avenue and Jessica London to combine the two brands' assets under a single roof and the positioning of Avenue on all three distribution channels (store, internet and catalogue).

OneStopPlus.com, the community e-commerce site dedicated to the plus size segment, now carries all of Redcats USA's five plus size brands for the US market, the Brylane Home product range and some of the Taillissime and Ellos collections. Since its launch in 2006, this first "online mall" specialising in large sizes has gained a large following and has attracted record traffic levels, with, for example, 1 million visitors in March 2009. During the year, the site concurrently launched its first advertisement on four US TV channels and issued its first printed catalogue.

Redcats USA's "Sports & Leisure" business comprises **The Sportsman's Guide** brand, a leader in online and catalogue sales of sports and leisure articles, and its subsidiary **The Golf Warehouse**, specialising in online sales of golf equipment. Both brands achieved consistently robust growth in 2009.

Finally, in the "Lifestyle" division, the **BrylaneHome** brand, devoted to home furnishings and furniture brand is being refocused on a more selective offering with greater added value, combining the *Home* and *Kitchen* collections. A new "Lifestyle Plus" offering was launched in spring 2009. The offering comprises a selection of fashion and home furnishings items aimed at improving plus size customers' quality of life. It is now available on the BrylaneHome, KingSize, Woman Within and OneStopPlus.com e-commerce sites and should be on the Roaman's site from next year.

In 2009, the American brands earned 57.5% of their home shopping revenue from e-commerce.

STRATEGY

Redcats aims to be the world's leading online fashion and home furnishings retailer.

Some of the Redcats Group brands focus on a given customer segment (seniors, children, large sizes, etc.), whilst others are multi-specialists, targeting a broader audience via the Internet primarily, but also via catalogues and stores.

The web as a key distribution medium

The Internet remains at the heart of Redcats' strategy. Online business has continued to develop and the Internet is now a key distribution channel for Redcats' banners.

Redcats has developed a large network of more than 60 e-commerce sites, which it continually enhances to improve the shopping experience for customers. New sites are also launched to complement existing ones.

Each and every Redcats banner has an e-commerce site to retail its products. These online platforms are constantly enriched with more features to make the shopping experience faster, easier and more user-friendly. For example, in 2009, the La Redoute French e-commerce site was upgraded to include new features and services, including guided navigation, a more powerful search engine, simplified newsletter subscription terms, a new, easier-to-understand direct order form and a new payment method (PayPal). Other noteworthy enhancements are a more rapid returned goods exchange/refund service, a revamped "Kangourou" section of the website and the introduction of videos on product pages. 2009 also saw moves by the La Redoute Russia and La Redoute Sweden subsidiaries to enhance their e-commerce sites by adding new e-merchandising tools. The Ellos e-commerce site likewise underwent a transformation, thanks to a radical upgrade of its navigation tool and a new-look design. The American brands continued to revitalise their e-commerce sites throughout the year by adding product videos and online advertising.

Redcats Group has also expanded the pooling of IT resources to cut costs and improve team and site efficiency. Accordingly, the Millena platform, a major technological innovation resulting from collaboration between the French and American teams, has been rolled out to most of the Redcats e-commerce sites, the Avenue site being the latest to migrate (in 2009).

Most banners use catalogues as an adjunct to the Internet in order to showcase their products differently and enhance their profile and image in the marketplace.

Some banners, such as Avenue in the United States, Cyrillus, Somewhere, Vertbaudet and, to a lesser extent, La Redoute in France have a store network, thanks to their positioning.

In 2009, Redcats generated online revenue of €1,575 million, an increase of 2.2% on 2008 in comparable terms. E-commerce contributed 47.5% of total revenue(1) in 2009 versus 42.2% in 2008.

Make the product the centrepiece of the offering

As ready-to-wear sales are Redcats' core business, the product is a vital component of Group banners' strategy.

Mid-season collection renewals are one way of putting the product firmly in the spotlight.

For example, in autumn 2009, La Redoute successfully market-tested demand for a 220-page winter catalogue focusing on apparel and home furnishings, which was mailed mid-season to more than 3 million customers. Half of the new catalogue was devoted to unveiling a totally new collection, which was offered concurrently on the e-commerce site.

Given the Internet's capacity for ever more frequent and rapid updates, the sites of banners like Ellos and La Redoute are able to showcase collections that follow consumer trends closely throughout the year.

Maximise synergies between collections

Each Redcats banner develops its own collections and the Group thus has the powerful advantage of a product offering of considerable breadth and depth. Furthermore, as collections can be distributed by several banners at a time, there is an opportunity to leverage the reputation, presence and customer base of each distributing brand.

The sharing of collections between retail chains enables brands to raise their profile in regions where they have only a modest presence, to promote their image among new customer targets and to expand their product offering substantially.

For example, OneStopPlus carries the Taillissime and Ellos Plus collections alongside its own plus size offering. In addition, since 2009, the Ellos offering is available on the La Redoute UK e-commerce site and Taillissime products are marketed online by Ellos.

In the same vein, Daxon has renewed its collection-sharing arrangement with Ellos. In turn, Ellos has devoted about 100 pages in its winter collection catalogue to "Chic Fashion Daxon", thereby enabling the seniors-centred brand to raise its profile in the Nordic countries.

Forge partnerships with external brands

Partnerships with internationally renowned external brands are a central aspect of Redcats' development strategy. The forging of such partnerships, which began in 2008, continued in 2009 with the addition of brand names like Esprit and Zara Home.

During the year, Ellos and La Redoute negotiated a partnership with Zara Home for the distribution on their e-commerce sites of a wide range of Zara Home furniture and home linen, as well as a line of textile products for children's bedrooms ("Zara Home Kids" range). This arrangement enables Zara Home to benefit from the two Redcats banners' distribution might; in return, Ellos and La Redoute enjoy a beneficial association with the Zara brand. Swedish player Ellos has also signed an agreement with the Zizzi brand (150 boutiques in Scandinavia) to enhance its ready-to-wear range for the plus size segment. In the United States, Redcats USA has forged a partnership with eBags, the world's largest online retailer of bags and accessories, which allows customers of Redcats USA's "plus size" and "home" e-commerce sites access to more than 30,000 designer bags and accessories.

Alongside this emphasis on external brands, Redcats continues to collaborate with designers from season to season. For example, Alexis Mabille and Michel Klein were invited to contribute to La Redoute's collections in 2009.

(1) Excluding credit and financial services.

Listen to, satisfy and better anticipate customers' needs

Redcats uses a broad spectrum of tools and initiatives to strengthen the customer relationship and ensure ever-increasing shopping satisfaction.

Among the loyalty programmes, La Redoute's "Kangourou" loyalty card, held by 2,200,000 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. In keeping with its credit-friendly positioning, La maison de Valérie reviewed the benefits package associated with its "Mandarine" card in 2009. Issued free of charge, the card exempts the customer from payment on ordering and provides free delivery on every order, pioneering insurance coverage and a wide range of reductions on partners' products. In addition, cardholders may pay in 10 instalments subject to a one-euro surcharge. At Somewhere, the in-store loyalty card can now be used on the Internet and over the phone as well. In 2009, Vertbaudet launched a new loyalty card offering a simpler and better benefits package, with customers awarded one point for each euro spent. Redcats Group banners also use the "club" concept alongside loyalty cards to promote brand loyalty. In the United States, Roaman's has launched the "Bra Club" card to promote loyalty among lingerie customers. OneStopPlus has started an "OSP Shopper's Club", which signed up 1,000 members within one week of its launch and more than 16,000 by the end of 2009. Similarly, the "Buyer's Club" launched by The Sportsman's Guide immediately struck a chord with consumers and attracted more than 550,000 members by the end of 2009.

New approaches to selling can also help to foster brand loyalty. This is borne out by the success achieved by the private sales organised by La Redoute, Cyrillus and Somewhere in the form of limited-time flash sales offered online and/or in-store, depending on the banner.

Redcats is particularly attentive to providing an effective delivery service for customers. In France, La Redoute.fr offers Colissimo© package delivery in partnership with the French postal service La Poste (for home deliveries), as a supplement to the 24-hour service provided by Relais Colis® parcel depots. Daxon has offered the same Colissimo© service at a cost of one euro since 2008. Redcats has further enhanced its service range by developing "Relais Espace Services" (RES) spaces equipped with touch screen terminals to speed up returned goods refunds and order-taking, with or without exchanges. In the coming years, new "*Relais Espace Services*" spaces will be added to the 268 currently in service in France. Innovative touch screen terminals are also available in the approximately 4,000 *Relais Colis*® parcel depots throughout France.

Another pioneering, customer-focused initiative in 2009 was the move by banners to join or expand their presence on social networks like Facebook and Twitter, following in the footsteps of Roaman's, La Redoute, The Golf Warehouse, Woman Within, Avenue, OneStopPlus and Somewhere, among others. Such popular and influential community websites enable the Group's banners to project a strong brand image, forge more intimate and interactive customer relationships and expand their customer base.

Achieve global-scale coverage

Redcats is extending the international reach of its brands by establishing a direct presence in new geographical markets or by leveraging infrastructure and resources available within the Group. In 2009, Somewhere set up shop in the United Kingdom, Portugal, Spain, Switzerland, Austria and Italy via a partnership with La Redoute's European subsidiaries. Daxon is developing its business base in Portugal and, with the support of Ellos, in Sweden, Norway and Denmark.

International expansion can also be achieved via external partnerships, such as those between Ellos and Wehkamp in the Netherlands, and Vertbaudet and Al Hokair in Saudi Arabia, the United Arab Emirates and Dubai.

At the end of 2009, La Redoute was present in a total of 21 countries and earned more than 25% of its revenue outside France. Vertbaudet is present in 12 countries and generates more than 16% of its revenue internationally. Cyrillus is present in 4 countries and earns 18% of its revenue abroad. Daxon is present in 7 countries and generates 18% of its revenue outside France.

Encourage employees to reinvent their work

Redcats' human resources policy largely reflects the Group's determination to enjoy a reputation as an employer committed to open, two-way communication and diversity. The broad lines of the Group's policy are stated in a guide for all brand managers entitled "The Art of Engaging Dialogue", published in French and in English. The guide aims to strengthen the quality of dialogue based on five HR processes – Recruitment, Integration, Performance, Development and Rewards.

2009 saw the arrival of new senior managers and, in parallel, a shift in emphasis to different human and professional qualities.

Redcats has set about encouraging employees to reinvent their work by emphasising creativity and innovation alongside thinking outside of the box and responsibility awareness. These attitudes and qualities are required of each and every employee and must be placed at the service of the Group's shared goal: to make Redcats the leading international online retailer for fashion and home furnishings.

Noteworthy initiatives taken in 2009 included the new awareness training programme for managers in diversity challenges launched by the Group's in-house university SPEED (which stands for SPEcific EDucation).

Act in a responsible, socially aware manner

Corporate Social Responsibility (CSR) has been embodied in Redcats' values for a number of years.

Redcats' CSR approach is organised around seven strategic imperatives defined by PPR, which are systematically factored into the Group's operations by means of the determination of clear objectives that are consistent with the banners' values.

Redcats Group is committed to forging clear relationships with employees and business partners – whether suppliers or customers – and is involved in many initiatives to help the environment and reinforce social solidarity.

In 2009, the Group launched a series of measures aimed at developing the employability of its workforce, notably by means of training, and also introduced a diversity awareness-raising programme for managers. Based on the PPR Code of Business Practices and its Supplier Charter, Redcats stepped up its commitment to monitoring suppliers' social responsibility performance. On the product side, the banners extended their eco-friendly and eco-citizen offerings. Another noteworthy initiative in 2009 was the creation by Redcats of the SolidarCité Redcats association for the purpose of supporting and assisting with all social solidarity and citizenship actions undertaken by its employees in France. All Redcats banners worldwide also actively supported the release of the film "HOME" by Yann Arthus-Bertrand, which has been widely covered by the press all around the planet. Many other initiatives likewise testify to Redcats' embracing of social and environmental issues and to the active commitment of the Group's employees.

FINANCIAL RESULTS

In 2009, Redcats recorded revenue of €3,386 million, down 8.9% on a like-for-like basis.

Recurring operating income totalled €115 million. The operating margin stood at 3.4% at the end of 2009, versus 3.1% on 2008 on a comparable basis.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

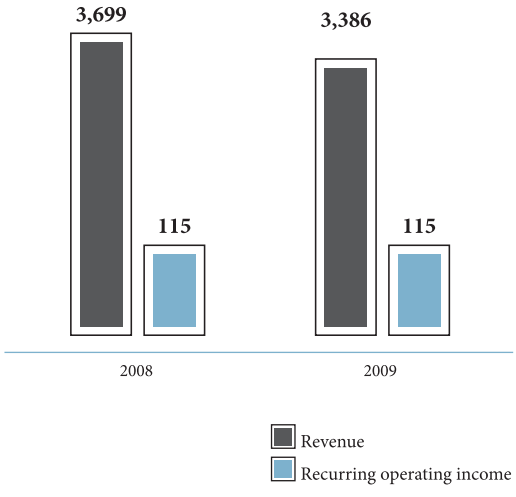
From the second quarter of 2009, under the impetus of the new Chairman and CEO, Jean-Michel Noir, Redcats focused its efforts on optimising its organisation and renewing its senior management teams at most of the Group's banners.

At the same time, employees strived to make their banners' product offerings increasingly attractive, notably by renewing collections mid-season and by partnering with internationally renowned external brands.

Ellos and La Redoute enhanced their home furnishings collections by showcasing Zara Home products on their e-commerce sites and acting as the exclusive online distributors of the Zara Home furnishings and furniture range. This new external brand has won a large following among customers.

In the sphere of collection renewals, Redcats successfully market-tested demand for a 220-page La Redoute winter catalogue. The catalogue, half of which was devoted to a totally new collection, was mailed mid-season to customers.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



In the United States, Redcats USA took action to revitalise Woman Within's visual identity. It also initiated the amalgamation of Avenue and Jessica London to enable the distribution of Avenue products through all three retail channels (store, Internet and catalogue) and, in the longer term, to retain a single brand for the merged activities.

Online sales for all Redcats brands remained on a rising trend in 2009 and the Internet has established itself as the key medium for distribution and developing the client base for the coming years. E-commerce now accounts for 47.5% of Redcats' revenue excluding credit and financial services.

In 2009, plans were launched to improve the competitiveness of Redcats. In France, La Redoute launched a voluntary redundancy plan. At the year-end, the La maison de Valérie furniture and home furnishings retail chain, which had announced pro-competitiveness measures and employee reductions, received a takeover offer from Conforama. In the United States, following the disposal of the Boston Apparel Group brands (Chadwick's and Metrostyle), the decision was made to close one of the Texas-based call centres and to streamline the Avenue store base. In the United Kingdom, the division submitted a proposal for the maintaining of its presence in the UK market. The proposal entailed some 100 job cuts in "Operations"-related functions (Bradford and Wakefield sites). Job reductions on a smaller scale were also conducted at other European operations experiencing difficulty, for example, in Austria and Spain.

In 2010, Redcats intends to continue the work initiated with regard to the innovation and revitalisation of product offerings distributed by the banners, with the aim of making the offerings increasingly attractive and providing them to customers at the right price and at the right time. To this end, three objectives will be pursued: the forging of partnerships with aspirational, internationally-renowned external brands, an increased emphasis on collection sharing between banners and the development of more effective and user-friendly e-commerce sites.

Redcats further intends to capitalise on successful offerings such as that marketed by OneStopPlus (community e-ecommerce site) in the United States and plans to test the concept in Europe.

- Major player in European home furnishings
- A multi-product and multi-style discount offering
- 864,000 square metres of selling space in directly-operated stores
- Operations in seven European countries

€2,928 million
in revenue in 2009

€125 million
in recurring operating income in 2009

11,805
employees in 2009 (1)

211
directly-operated stores at the end of 2009, and 25 affiliated stores

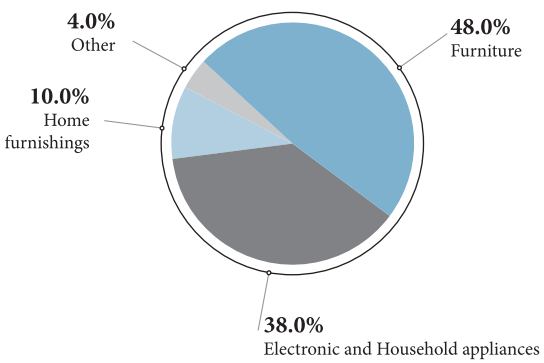
BUSINESS CONCEPT

Conforama is one of the main players in the European discount home furnishings sector, in which it is positioned as a multi-specialist. It offers its customers one-stop shopping for a full range of furniture, home accessories, household appliances and electronic leisure products.

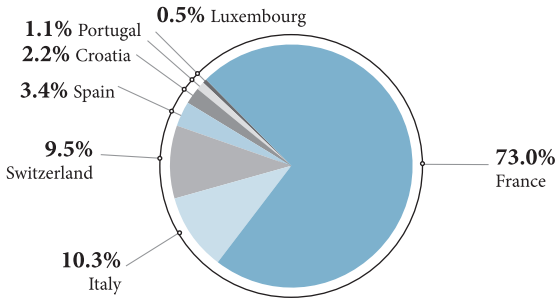
Conforama has 236 stores worldwide, of which 211 are directly-operated. Coverage in France is excellent, with 186 points of sale including 161 directly-operated-stores and 25 franchises (19 in mainland France and six in the French overseas territories). On the international scene, Conforama has a network of 50 stores in six European countries: Switzerland, Luxembourg, Spain, Portugal, Italy and Croatia.

The stores carry over 20,000 listed products, 80% of which are available to take home immediately, displayed in selling spaces averaging 3,500 square metres. The online sales channel operates through the sites www.conforama.fr in France and www.conforama.ch in Switzerland. The product offering is backed up by frequent high-profile advertising campaigns which take place 12 to 25 times each year, depending on the campaign, and targeted operational marketing activities.

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



(1) Average number of employees.

COMPETITIVE ENVIRONMENT

In France, 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 and changes in distribution channels, especially with the rise of online sales.

Conforama is the world's second largest home furnishings retailer, sharing the market with specialist retail chains, department stores and hypermarkets, although its competitors vary from country to country. In France where its main competitors are Ikea and But (respectively market number one and three), Conforama has 14% of the furniture market share, down 3% on 2008 (source: IPEA). The banner operates in the furnishings and white, brown and grey goods segments, which represent €9 billion and €20 billion, respectively. In Spain and Portugal, Conforama's competitors include Ikea, Merkamueble and Muebles Rey. In Italy, the banner faces competition from Ikea, Marcatone Uno and Mondo Convenienza, while rivals on the Swiss market include Ikea and Media Mark.

Conforama stands out from the other players on the market because of its positioning as a discounter that simultaneously covers furniture, home furnishings, electrical appliances and consumer electronics. The banner adapts its range by country to suit the varying tastes of its consumers.

STRATEGY

Conforama's strategy falls within the scope of the Cap Confo business plan unveiled by Thierry Gilbert in January 2009.

This five-year plan (2009-2013) is composed of three commitments: to stand out from the competition, to improve the banner's performance and to unite Conforama's workforce around a new social contract.

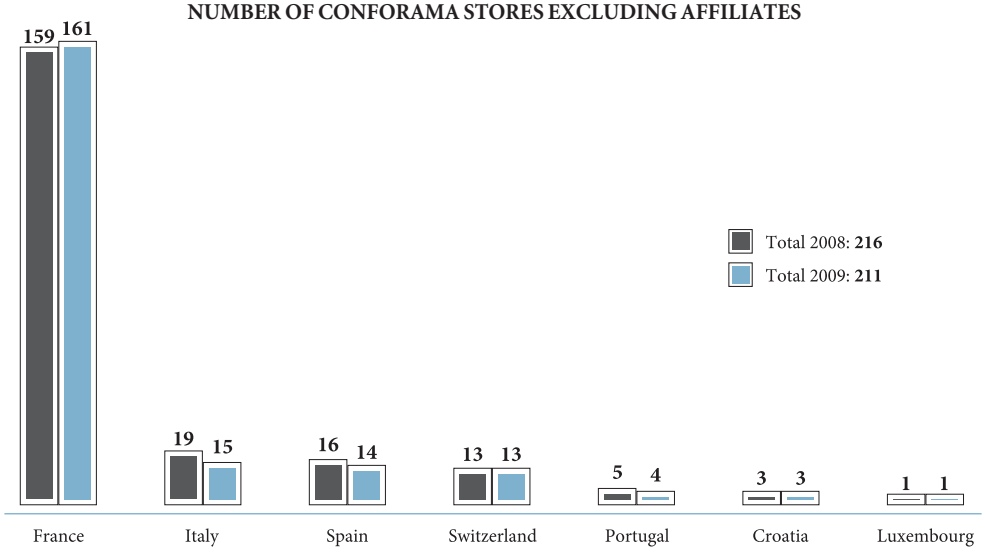
Capitalising on the brand's DNA: discount pricing and customer proximity

Conforama's slogan, "Comfort at home at an affordable price", gives expression to its positioning as a discounter.

All of Conforama's product families are in the lower quartile entry-price range, in all countries in which it operates.

This discount positioning is an asset for Conforama in the current economic climate, as consumers focus even more intently on obtaining value for money. Conforama has also launched new services to assist customers before, during and after their purchase. The new *Confo Excellence* warranty, for instance, which was launched in France in October 2009, allows customers to exchange or repair any white, brown or grey product that breaks down within eight days of their purchase. The *Solutions Confo* service range has also been launched to respond to the needs of customers at different times in their lives, geared towards students, new parents and customers looking to buy a new kitchen.

NUMBER OF CONFORAMA STORES EXCLUDING AFFILIATES



Speeding up transformation

In 2009, Conforama undertook a massive structural transformation project with a view to restoring its competitiveness.

In spring 2009, a new store concept was launched in the banner's flagship store at Pont-Neuf, Paris. The new Conforama store concept is based around the four themes of "day", "night", "kitchen" and "home furnishings" with new merchandising revolving around the "comfort at home" theme. Each category has been made much more consumer friendly, while the store layout facilitates customer flows and ensures that all products are displayed to their advantage. In France, 12 stores had adopted the new concept by the end of 2009.

While remaining true to its core values, in 2009 Conforama's image had a makeover to coincide with its return to the small screen in France with an original new advertising campaign entitled *Mes chers voisins* (My dear neighbours).

Conforama's multi-channel development strategy is aiming to generate 10% of revenue from online sales by 2013. In 2009, the company's website recorded an average of 3.5 million monthly visitors, up 13% compared to 2008. The company has entered into exclusive negotiations with Redcats to purchase the La maison de Valérie online store. This project should enable Conforama to raise performance levels more rapidly through various sales channels and, in particular, provide a fillip to its Internet market share as from 2010.

In order to capitalise on its brand recognition, Conforama has just launched its own label, Confo Home, which will ensure greater control over designs and improve customer loyalty.

Conforama also plans to diversify its distribution methods with the opening in 2010 of "*Confo Dépôt*" and "*Confo Déco*". *Confo Dépôt* is a hard discount store for end-of-life products and *Confo Déco* is a new concept entirely dedicated to home furnishings and tableware. Located both in city centres and shopping centres, these stores will have a surface area of between 500 and 800 square metres.

Confirming Conforama's international potential

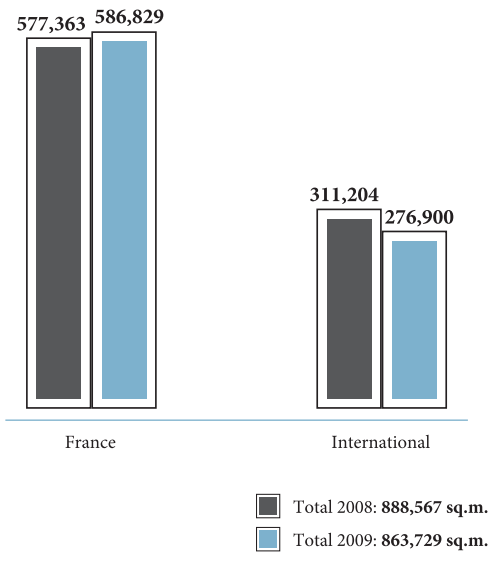
Internationally, Conforama applies a distinctive local strategy to each European country in which it has operations.

In Switzerland, where it has been active since 1976, Conforama has a total of 13 stores, making it one of the main players in the Swiss home furnishings market. The company is nonetheless intensifying its development efforts in German-speaking Switzerland. In 2009, the company launched its Swiss website, www.conforama.ch and gained market share from its competitors.

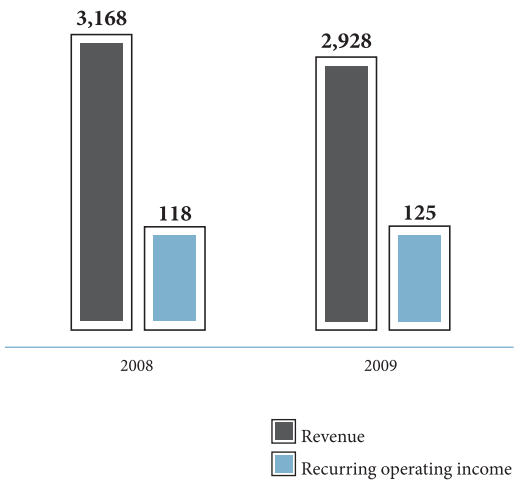
Conforama has a total of 14 stores in Spain and four in Portugal. The closure of non-profitable stores at end-2008 and the creation of the Spain and Portugal zone have already proved beneficial in 2009 with the pooling of ranges, the coordination of promotional periods and a new sales momentum.

In Italy, where the brand has been active since it bought Emmezeta in 2001, Conforama has continued to relook its existing stores. By the end of 2009, 13 of the 15 Italian stores were trading under the Conforama banner.

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



REVENUE AND RECURRING OPERATING INCOME
(in € million)



Diversifying sourcing and improving the supply chain

Conforama's sourcing policy is focused on ensuring product quality while maintaining competitive selling prices and product availability.

At the end of 2009, 83% of home furnishings and home furnishings supplies were sourced within the European Union, including 7% in Poland. Household appliances and electronic leisure products were also primarily manufactured in the EU, with just 18% of supplies being sourced in Asia and Turkey.

In 2009, Conforama continued to increase the proportion of remote sourcing and optimise merchandise purchases and flows. Procurement is carried out by six purchasing offices, located in Paris, Milan, Warsaw, Shenzhen, Sao and Ho Chi Minh City, plus five Asian satellites – two in China and one each in Pakistan, India and Indonesia. This network covers the world's main production centres for furniture and home furnishings items.

Logistics resources have been reorganised in line with the centralisation process. Total warehouse surface area now amounts to 200,000 square metres spread over five major platforms in France. To cut back on transport-related CO_2 emissions, Conforama has favoured inland waterways transport since 2001. In 2009, the banner transported 80% of its mass import products by barge, 9% by rail and 11% by road.

Prioritising operational efficiency

In order to reduce the impact on the workforce of the €50 million cost reduction plan launched in 2009, Conforama has implemented career development steps to assist employees wishing to continue their career with Conforama, allowing those impacted by the banner's restructuring to retain their jobs with the company. The cost reduction plan will continue in 2010.

Conforama is also strengthening its environmental initiatives. Environmental performance criteria have been included in the product specifications and a partnership has been formed with the Forest Stewardship Council.

FINANCIAL RESULTS

In 2009, Conforama reported revenue of €2,928 million, down by 7.9% versus 2008 on a comparable basis.

Recurring operating income amounted to €125 million and the operating margin was 4.3% versus 3.7% in 2008 on a comparable basis.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

Under the aegis of the *Cap Confo* business plan, in 2009 Conforama kicked off an exhaustive project to structurally overhaul the company. It stepped up modernisation of the banner in France and abroad while staying true to its core values of discount pricing and customer accessibility.

In 2010, the company will continue its turnaround by making stores more customer-focused; accelerating the rollout of innovative services at discount prices with the launch of a new *Solutions Confo* offering aimed at parents-to-be; growing online sales; opening the "*Confo Dépôt*" and the first "*Confo Déco*" store; expanding the *Confo Home* own-label offering; and launching a new line of cookware and tableware in France. Internationally, Conforama will strengthen its presence in German-speaking Switzerland, and in Spain and Portugal.

- A Sportlifestyle brand with a distinct design and global outlook that blends influences from the world of sport and fashion
- Operations in more than 120 countries
- Brand image built on strong sports heritage, a long tradition of innovation and sports performance, as well as cooperation with major athletes and teams
- One of the world's largest providers of athletic footwear, apparel and accessories
- Owner of the high-potential Tretorn brand

Brand established in **1948**

€2,461 million
in revenue in 2009

€320 million
in recurring operating income in 2009

9,646
employees in 2009 (1)

BUSINESS CONCEPT

Puma's mission is to become the most desirable brand in the Sportlifestyle sector, chosen not only for the quality and creativity of its products, but for its outlook and commitment to a better world. Puma strives to uphold the Puma SAFE concept (Social And Fundamental Environmental standards) and stay true to the values of fairness, honesty, positivity and creativity in both decisions and actions.

Puma starts in sport and ends in fashion. Its main points of focus are:

- the Sport Performance and Lifestyle labels, which include categories such as football, running, motorsports, golf and sailing;
- the Black label, featuring collaborations with renowned designers such as Alexander McQueen, Yasuhiro Mihara and Sergio Rossi.

(1) Average number of employees.

COMPETITIVE ENVIRONMENT

Puma's competitors comprise global manufacturers of athletic footwear, apparel, accessories and *Sportlifestyle* collections.

STRATEGY

Puma is pushing ahead with its mission to become the most desirable brand in the Sportlifestyle sector. Its strategy is directed at making effective use of the multitude of opportunities offered by the Sportlifestyle market in all its categories and geographic areas, in order to bolster its position as one of the few genuinely multi-category brands. Puma is also pursuing the concepts of combining top athletic performance and innovative technologies with fashion and lifestyle, and creatively combining sports with fashion.

Puma's objective is to break into market categories and segments that will allow it to achieve peak performance and sustained development on the back of its unique positioning, originality and brand potential.

The brand's expansion will hinge on:

- **the expansion of the product ranges and portfolio** to cover the entire Sportlifestyle market;
- **geographic expansion**, in particular through acquisitions, in order to generate fresh openings for existing lines and fulfil the brand's potential on various markets;
- **the development of other brands**, such as Tretorn and Dobotex International BV, which Puma acquired in 2001 and 2009 respectively. Other acquisitions may be envisaged if the profile fits the company's business objectives and the Group's financial criteria.

Streamlined retail activities

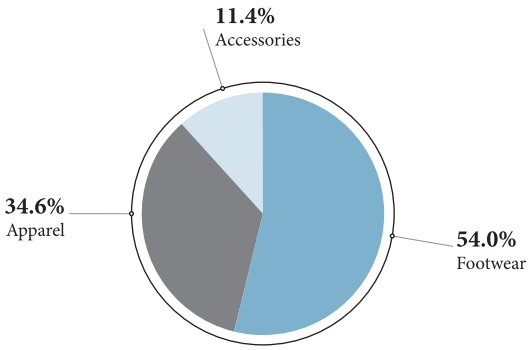
In 2009, steps were taken to streamline Puma's portfolio of retail businesses. Despite this, Puma pushed ahead with the selective expansion of its directly-operated stores. Its own retail network remains an important mainstay of revenue streams and a key element of the brand strategy. Direct proximity to the consumer increases the speed with which products are developed and brought to market in response to market developments. Additionally, in Puma's own stores, innovative products can be presented in an environment appropriate to the brand, while creating a unique brand experience.

Lastly, Puma's e-commerce business is stepping up development efforts and targeting above average growth.

Product development and design

In 2008, Puma appointed London fashion designer Hussein Chalayan as creative director of the Puma Lifestyle collections and the footwear, apparel and accessories categories. Hussein works closely with Puma's design teams in Herzogenaurach (Germany), Boston (USA) and London (UK). Puma also cooperates with other leading designers such as Alexander McQueen and Yasuhiro Mihara to further strengthen the brand's design expertise in the lifestyle fashion area. This artistic

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



and creative input, combined with innovative product design, is what enables Puma to constantly reinvent itself and inspire brand loyalty and attachment among its customers.

Sustainable development

Combating climate change

In keeping with PUMAvision, its Corporate Social Responsibility concept, in 2009 Puma became the first Sportlifestyle company to join the Climate Neutral Network of the United Nations Environment Programme. Its membership of this network highlights its concerted endeavours to slash CO_2 emissions. The three key PUMAvision programmes – Puma safe, Puma creative and Puma peace – are the driving force behind all of Puma's activities, through which it strives to create a better world by working in favour of creativity, sustainability, and peace.

With the new operation centre in Herzogenaurach, Puma provided material proof of its commitment to combating climate change. The new office complex uses only renewable energy and is designed, built and operated in such a way as to cut back on pollution and cap energy consumption. In addition, all of Puma's major sites in Germany had switched to 100% renewable energy sourcing by the end of 2009.

Sustainable products

To contribute actively to protecting the environment, Puma has for many years banned the use of PVC in the raw materials used in the manufacture of its entire product range. This is communicated to customers by means of a "PVC-free" label.

In terms of global commerce, the partnership with the Aid by Trade Foundation has been further expanded. By the end of 2009, around one million textile items had been produced from African certified organic cotton and given a "Cotton made in Africa" label, highlighting the special ecological and social aspects of the project in southern and western African countries such as Zambia and Burkina Faso.

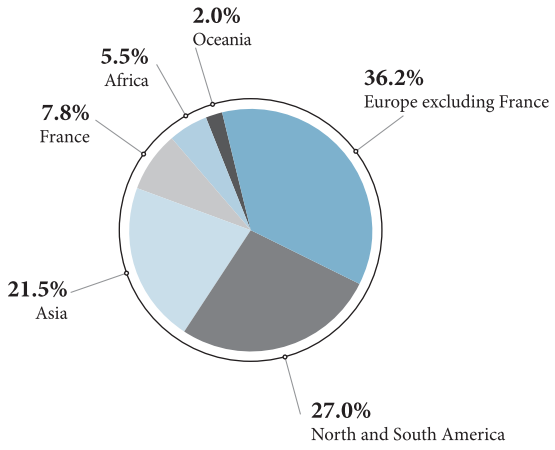
In 2009, the Fairtrade logo made its first appearance ever on a Puma ball when a longstanding Puma ball manufacturer in Pakistan was certified by the independent organisation FLO-Cert.

Sourcing

Focus Asia

Puma's own sourcing organisation "World Cat" focuses on the Asian procurement market, which has further reinforced its position as the main supply source in relation to other regions. Most products are purchased from several longstanding business partners, most of whom, in turn, maintain independent local production facilities. To further streamline workflows, Puma signs strategic partnership agreements with its manufacturers.

BREAKDOWN OF 2009 REVENUE BY REGION



FINANCIAL RESULTS

Puma's consolidated sales went down by 7.6% on a comparable exchange rate basis to €2,461 million in 2009. Recurring operating income came in at €320 million in 2009, while operating margin was 13.0% versus 13.9% in 2008.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

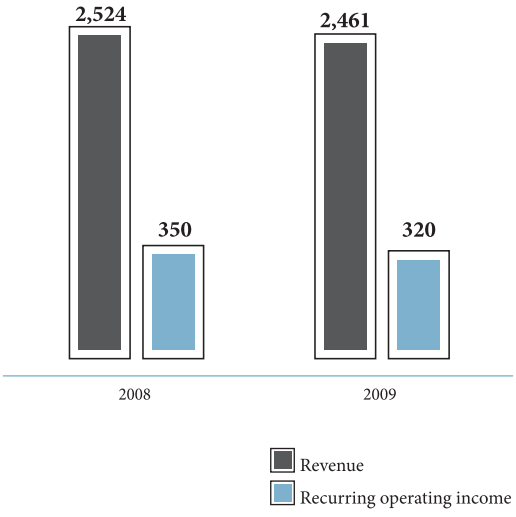
In 2009, Puma once again made sporting history – as the sponsor of the Jamaican track and field team at the World Athletics Championships in Berlin. Three-times Olympic gold medallist Usain Bolt smashed the world 100m record and also took gold in the 200m, in the process blowing away his own record set in 2008 and confirming his status as the superstar of sprint. With the Jamaican team coming in first in the 4x100 relay, the Puma athlete climaxed an amazing race week by adding another gold medal and World Championship title to his haul.

In Puma's sailing category, Puma Ocean Racing Crew and their boat "*il mostro*" finished their maiden Volvo Ocean Race in second place on June 27, 2009, in St. Petersburg, Russia. This 37,000-nautical mile (68,524 km) round-the-world adventure is one of the world's toughest sporting events. To celebrate its participation in the race, Puma launched its most innovative marketing campaign ever which proved to be an extremely successful starting signal for its sailing category, with the investment having more than paid off.

In 2009, Puma's Motorsport category – one of the company's most successful sports performance categories – celebrated its tenth anniversary. From humble beginnings back in 1999 to the pole position of Puma Motorsport today, it has been a long but incredibly successful journey. To celebrate this anniversary, the company launched the Puma Motorsport 10th Anniversary collection of apparel, footwear and accessories, which blend on-track technical performance with off-track fashion appeal.

Although the golfing category is undergoing something of a slowdown, Puma's golf category continued to generate momentum and growth throughout 2009. The marketing campaign "Look better. Feel better. Play better.", along with innovative product introductions in apparel and footwear, further boosted the brand in a sport that had long been perceived as too traditional for cutting-edge fashion. For example, innovative InvisiBonding technology, which eliminates traditional stitching by using a bonding process on the seams, was introduced into the Golf apparel line. In the footwear category, Puma developed a range equipped with Smart Quill Technology ensuring a lighter and more comfortable feel as well as enhanced traction. Lastly, Cell Fusion was added to the golf footwear range. This is Puma's first shoe with replaceable spikes, and sets the company even further apart from the pack.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



2010: Football and Africa to the forefront as the bastions of Puma's image

With the forthcoming 2010 Football World Cup in South Africa – the first sporting event this size to take place on African soil – and to demonstrate its commitment to that continent, for the first time in history Puma has temporarily changed its logo, replacing the iconic Puma cat with the African continent in advertising media, in-store materials and certain products for the duration of the tournament.

The revamped logo was launched in January during the African Cup of Nations, as Puma warmed up for the football year ahead. Nine Puma teams out of a total of 16 took part in the tournament in Angola, where the players of Angola, Cameroon, Togo, Tunisia, Mozambique, Algeria, Egypt, Ghana and Ivory Coast all sported the leaping cat on their jerseys. For the first time, Puma was the tournament's Official Fan Supplier, and operated shopping centres outside the stadiums in Angola during the event.

Seven national Puma teams out of a total of 32 qualified for the football highlight of the year, which kicks off on June 11 in Johannesburg. Reigning World Champions Italy, as well as Cameroon, Algeria, Ghana, Ivory Coast, Switzerland and Uruguay will all be kitted out in the new Puma v1.10 gear.

Finally, Puma has partnered with artist Kehinde Wiley, the internationally acclaimed, Nigerian-American painter, to create a series of original artworks featuring Africa's most prominent football players, including Samuel Eto'o, John Mensah and Emmanuel Eboué. The commissioned portraits will be used to build a limited edition collection of apparel that will be sold during the 2010 World Cup.

Luxury Goods activities

GUCCI GROUP

GUCCI

BOTTEGA VENETA

YVES SAINT LAURENT

BALENCIAGA

BOUCHERON
PARIS

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

€3,390 million
in revenue in 2009

€692 million
in recurring operating income in 2009

11,371
employees in 2009 (1)

609
directly-operated stores at the end of 2009

A LEADING PLAYER IN THE LUXURY GOODS INDUSTRY

Gucci Group is one of the world's leading portfolios of global luxury brands. Innovation and creativity have always been at the heart of the portfolio, from the constantly reinterpreted legacy of Gucci, Bottega Veneta and Yves Saint Laurent to the respected avant garde design of Balenciaga, the cutting-edge contemporary styles of Alexander McQueen and Stella McCartney, and the specialisation of leading brands such as Boucheron and Sergio Rossi.

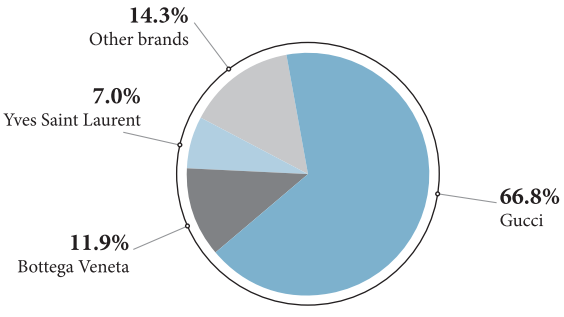
Gucci Group operates in the Luxury Goods market, which was estimated at €1,533 billion in 2009 (source: Bain & Co. November 26, 2009).

In 2008, this market represented €1,673 billion.

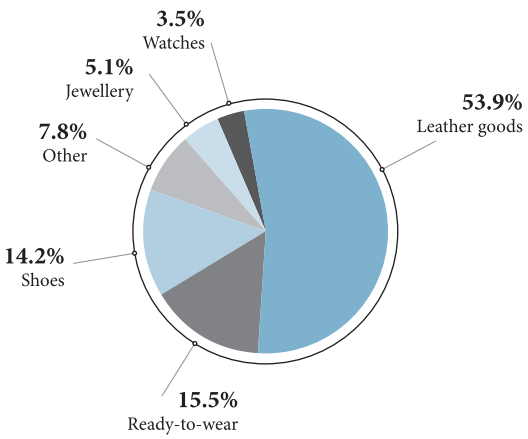
COMPETITIVE ENVIRONMENT

Gucci Group's competitors in the Luxury Goods market include multi-brand and multi-product 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. Its competitors are primarily companies from France, Italy, the UK and US that have comparable international distribution channels.

BREAKDOWN OF 2009 REVENUE BY BRAND



BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



(1) Average number of employees.

STRATEGY

Gucci Group's strategy is based on two main objectives: to ensure profitable growth across the Gucci Group, and, on a brand-by-brand basis, to create innovative and desirable products in keeping with tradition whilst maintaining a consistent position in terms of image, product categories, market segments and sectors.

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 is also committed to the sustainable development of its businesses. This commitment has given rise to numerous environmental stewardship initiatives and socially responsible activities in every community in which Gucci Group has operations.

GLOBAL PRESENCE

Gucci Group is present in all of the world's major Luxury Goods markets and continues to consolidate and extend the global presence of its brands. The Group benefits from its international strength and the diversity of its locations, with established markets in Europe and North America alongside rapidly-emerging markets such as China, India, Russia and Central and South America. All Gucci Group brands develop a significant local client base, whilst also leveraging the opportunities offered by the global tourism.

Europe remains the Group's primary market, generated revenue of €1,141 million in 2009, down 6.4% on 2008 on a comparable basis. Asia-Pacific now represents the second-largest zone, with a 17.4% year-on-year increase on comparable terms in revenue in 2009 to €960 million, confirming its strong potential for the Group. Within Asia, the most dynamic market is China, where the Group had 39 directly-operated stores at the end of the year.

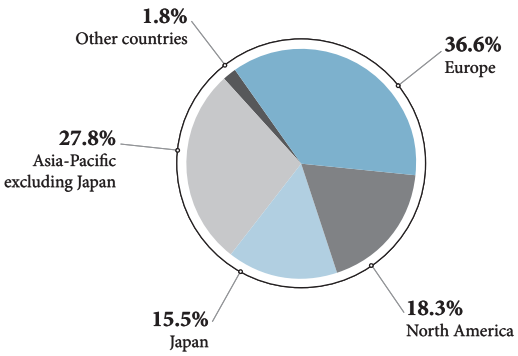
A RICH AND BALANCED PORTFOLIO OF CREATIVE BRANDS

Gucci Group designs, manufactures and markets high-end luxury products, in particular leather goods, shoes, ready-to-wear, watches and jewellery. Gucci Group's greatest strengths are its extensive, diverse and innovative product ranges.

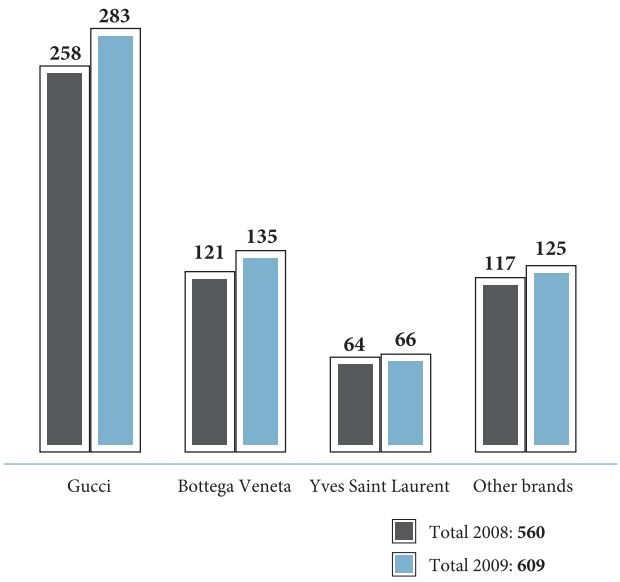
As a multi-brand operation, Gucci Group promotes knowledge sharing among its brands, capitalising on the specific expertise of each label.

With the financial stability of a group structure, the individual brands are able to remain focused on the sustainability of their business and on their long-term vision and strategy.

BREAKDOWN OF 2009 REVENUE BY REGION



2009 NUMBERS OF DIRECTLY-OPERATED STORES



A HIGHLY CONTROLLED DISTRIBUTION NETWORK

In order to protect the core luxury values of its global brand portfolio, a key strategic focus for the Group is the development of a highly-controlled, integrated distribution network with a sound geographical basis. 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 globally. In 2009, the 609 directly-operated stores accounted for approximately 67% of Gucci Group revenue. e-commerce is also gaining good momentum as a retail channel, with all brands currently available online in the US.

Gucci Group's products are also distributed through a limited number of exclusive franchise stores, as well carefully selected duty-free boutiques, department stores and specialist stores, providing alternative purchasing channels for customers.

EXCEPTIONAL QUALITY

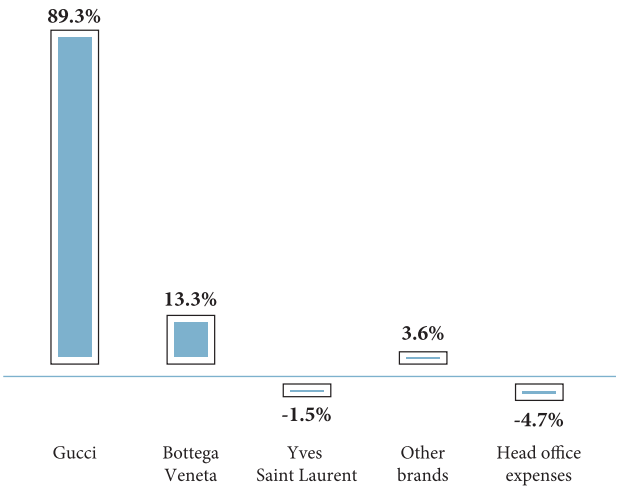
Through meticulous supply chain management, Gucci Group guarantees exceptional product quality for its customers. Gucci Group selects the very best materials and puts in place extremely strict production controls, whether in-house or with scrupulously selected and controlled outside partners. Prototype development, like the entire manufacturing process, is constantly monitored for quality control, while permanent market intelligence ensures the highest levels of performance in terms of the supply network.

A COMMITMENT TO SUSTAINABILITY

Gucci Group is present in many countries around the world and considers that it has a duty to make a positive contribution wherever it is located, respecting local cultures and seeking to minimise the impact of its business on the environment.

All of the brands adhere to the principles set out in the Gucci Group Code of Business Practices, which outlines recommendations on responsible, ethical business behaviour. The company has also collaborated with The CarbonNeutral Company to reduce its CO_2

CONTRIBUTION OF EACH BRAND TO GUCCI GROUP 2009 RECURRING OPERATING INCOME
(as a % of recurring income)



emissions to net zero, in line with the sustainable development commitment made at all levels of the business.

The Group's supply chain is monitored by a number of independent certification agencies. Gucci's wholly-owned distribution company, Luxury Goods Logistics, is the first such centre in the Luxury Goods sector to receive certification for the integrated management of quality, the environment, health and safety, and social responsibility.

Gucci Group's industrial site in Cadempino is accredited by the Global Organic Textile Standard, and the Group is firmly committed to the Kimberly Process Certification Scheme for diamonds as well as the Washington Convention CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) with respect to precious skins. The Group demands ever greater transparency from its suppliers and requires them to comply with its Code of Business Practices.

Gucci Group is also fully committed to the principles of human rights and constantly strives to improve its contribution to the economic and social conditions of the places in which it has operations, an example being Boucheron's active membership of the No Dirty Gold campaign.

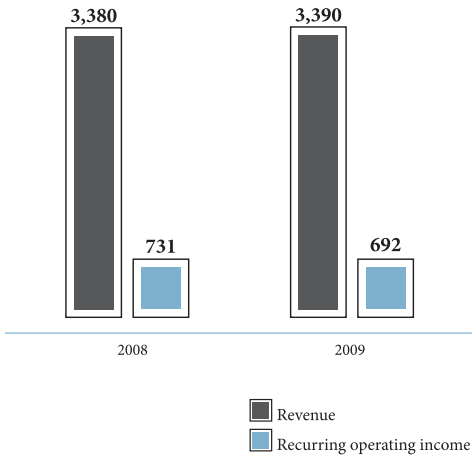
A CLEAR AND CONSISTENT COMMUNICATION POLICY

Through careful management of brand image, a clear, confident and consistent communication policy, outstanding product quality, a focus on sustainable business, and a carefully managed distribution network, Gucci Group maintains its strong brand reputation and credentials as a leader in the core values of Luxury. Through collections, advertising campaigns, press relations, public relations, special events, and store and window displays, Gucci Group's communication strategy seeks to preserve brand exclusivity, while ensuring a high-end image and reinforcing global positioning.

FINANCIAL RESULTS

In 2009, Gucci Group revenue reached €3,390 million, showing a decrease of 3.6% on a comparable exchange rate basis. Fashion and leather goods decreased by 3.1% on a comparable basis. Recurring operating income stood at €692 million in 2009, and the operating margin came at 20.4% versus 21.6% in 2008 on a comparable basis.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



GUCCI

Brand established in 1921

€2,266 million
in revenue in 2009

€618 million
in recurring operating income
in 2009

6,938
employees in 2009 (1)

283
directly-operated stores at the end of 2009

BUSINESS CONCEPT

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

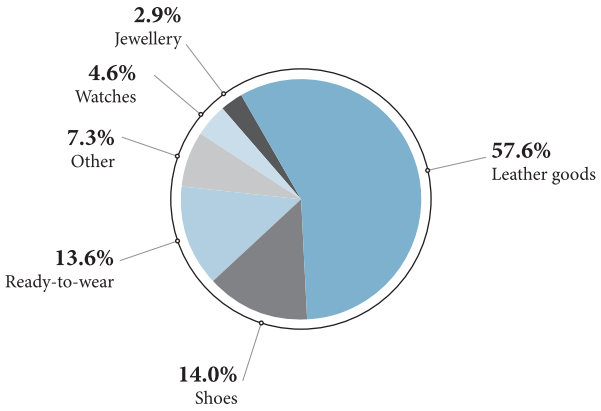
Gucci designs, manufactures and distributes highly-coveted products such as leather goods (handbags, small leather goods, and luggage), shoes, ready-to-wear, silks, timepieces and fine jewellery. Eyewear and fragrances are manufactured and distributed under license by global industry leaders in these two sectors. Gucci products are sold mainly through a network of directly-operated stores and a select number of department stores and specialist stores.

In 2002, the brand was one of the first in the Luxury Goods sector to harness the power of e-commerce as a highly valuable retail channel.

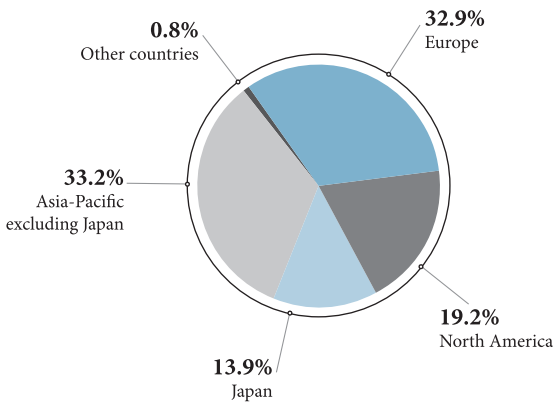
POSITIONING

Gucci continues to focus on galvanising the values upon which its reputation has been based for almost 90 years: exclusivity, quality, the Made in Italy label, Italian craftsmanship, and fashion influencer. Setting it far apart from its competitors, Gucci is able to claim a unique brand positioning pairing modernity and heritage, innovation and craftsmanship, trendsetting and sophistication.

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



(1) Average number of employees.

STRATEGY

In 2009, against the backdrop of the global economic crisis and under a new management team lead by Chairman and CEO Patrizio di Marco, Gucci moved to consolidate and expand its strong presence on the Luxury Goods market by fine-tuning its brand positioning. The strategy led to adjustments to product pricing and ranges with a renewed focus on craftsmanship and heritage, a streamlined global store design concept, supply chain management efficiencies and renewed emphasis on balanced brand equity in marketing and communications. Simultaneously, the company conducted a comprehensive review of its internal processes to become more efficient not only in terms of cost-cutting, but also by carefully examining how to redefine processes and simplify structures.

FINANCIAL RESULTS

In 2009, Gucci generated revenue of €2,266 million, down 1.4% on a comparable basis with directly-operated stores representing 72.2% of total revenue.

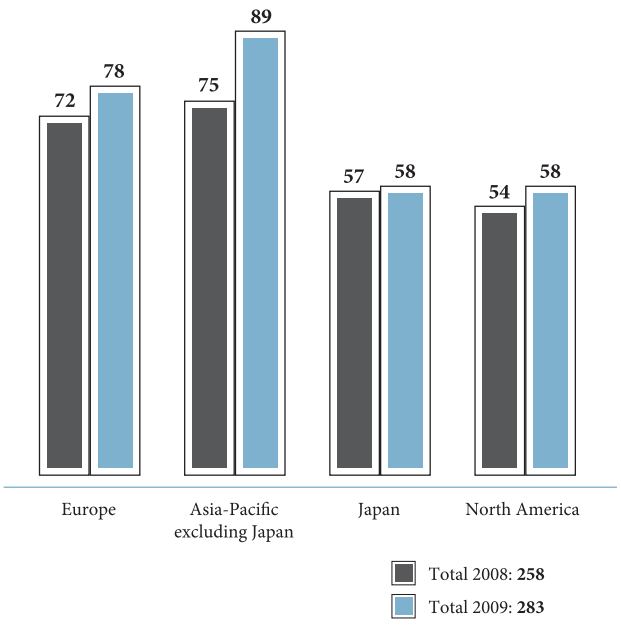
Fashion and leather goods were down 0.4% on a like-for-like basis.

Gucci posted recurring operating income of €618 million in 2009 while the operating margin came at 27.3%, versus 28.3% in 2008 on a comparable basis.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

2009 saw a fine-tuning in the brand's positioning through a wide range of actions focused on enhancing the values for which Gucci has become renowned through its nearly 90 year history: exclusivity, quality, Italian craftsmanship and fashion influencer.

2009 NUMBERS OF DIRECTLY-OPERATED STORES



This fine-tuning of the brand gave rise to a makeover of the ranges and a restricted number of products per line, greater emphasis on the mid-to-upper price point, and exclusivity and craft in design. This was best illustrated in the introduction of more timeless investment pieces such as the *New Jackie*, *Icon Bit* and *New Bamboo* handbags and the *Diamante* luggage collection, all of which capitalise on Gucci's rich heritage, iconic products and reputation for the outstanding quality of its precious skins.

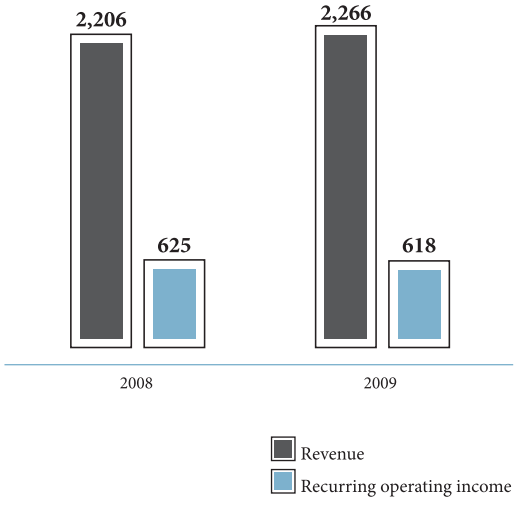
For the network of directly-operated stores, changes included streamlining worldwide store designs based on Creative Director Frida Giannini's concept which was first introduced in 2008 at the flagship Fifth Avenue store in New York. At the same time, with customer traffic generally in decline across all of the world's main luxury fashion retail destinations, there has been a concerted effort to improve customer experience by raising service levels. Gucci has implemented a global customer relationship management system to enhance the flow of information required to fully understand customer profiles and habits which will boost anticipation of customers' needs and desires.

Upgrading Gucci's network of directly-operated stores continued to be a priority during the year, with renovations to the flagship Sloane Street store in London in March 2009 and the opening of a new flagship store in Shanghai in June 2009, which were unveiled against a backdrop of large-scale media events. Gucci will continue to press ahead with the refurbishment of existing stores in well-established markets where protecting the brand's image is paramount. Also crucial to the network of directly-operated stores this year was the swift penetration of younger, high-growth markets. In mainland China, for example, Gucci's store network grew from 23 to 30 directly-operated boutiques in 2009. At the same time, Gucci established itself on the Indian market through a joint venture with a new local partner, and opened its third Indian store in New Delhi. Also new to the network was Gucci's first store in Brazil.

With regard to marketing and communications, 2009 was characterised by an emphasis on the uniqueness of Gucci's essence, transmitting the House's luxury heritage and fashion influence in all its activities. Other examples of how this dual focus on tradition and innovation was brought to life during the year include the introduction of an Artisan Corner at VIP client retail events, showcasing the craftsmanship of Gucci's artisans firsthand; a return – after almost 20 years – to top level show jumping sponsorship at the Gucci Paris Masters; the launch of the Gucci lifestyle app for the iPhone; and the Icon-Temporary pop-up sneaker store.

As Gucci's prominence grows around the world it is not surprising that its brand status also continues to climb. In the latest Interbrand Top 100 brand survey, Gucci jumped 23 places, an improvement of 18 positions over the last five years. Meanwhile, Gucci Creative Director Frida Giannini's profile also continued to receive industry recognition in 2009 with 'Designer of the Year' awards from Japan's Fashion Editors Club, America's Fashion Group International and Marie Claire Spain. During the year, Frida's travels took her to Berlin as a keynote speaker at the International Herald Tribune's 'Techno Luxury' conference, where she spoke about the Internet's power to engage with customers directly. She also travelled to Malawi for a UNICEF field visit and to the Radiant Eye Hospital in Beijing, where she saw projects supported by Gucci's fundraising activities.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



BOTTEGA VENETA

Brand established in **1966**

€402 million
in revenue in 2009

€92 million
in recurring operating income in 2009

1,371
employees in 2009 (1)

135
directly-operated stores at the end of 2009

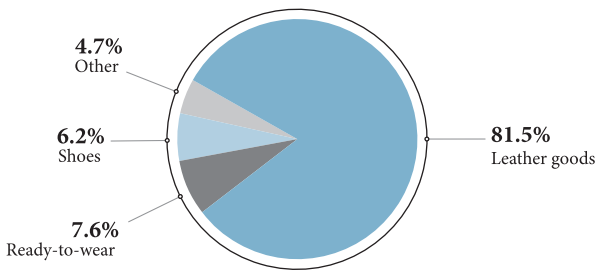
BUSINESS CONCEPT

Bottega Veneta – meaning "Venetian atelier" – creates luxury goods based on the 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 luggage), men and women's ready-to-wear, shoes, high jewellery, furniture, home collections and other accessories. Over recent years, the brand has also engaged in collaborations with key strategic partners that share the same values and commitment to quality and craftsmanship, such as Poltrona Frau for the *Meta* armchair and KPM for *Intreccio Svanito* porcelain. The company recently announced its partnership with Coty for the launch of Bottega Veneta fragrances. Bottega Veneta products are sold exclusively through a tightly controlled network of directly-operated stores, exclusive franchise stores and strictly selected department and specialist stores around the world.

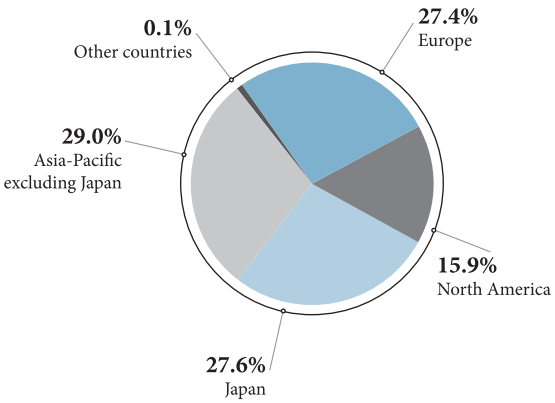
POSITIONING

Bottega Veneta has always been synonymous with the highest craftsmanship, the choice of finest materials, and a design style that is innovative yet – understated. The brand led the way in introducing soft, deconstructed handbags – as opposed to the usual rigid structure that originated with the French school – and quickly became well recognised and warmly appreciated in the market.

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



(1) Average number of employees.

Under the creative direction of Tomas Maier, Bottega Veneta constantly reaffirms its high-end luxury positioning with products appealing to a sophisticated yet modern clientele that appreciates understated luxury, hidden detail and the finest quality of products. 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 unique knowhow of the craftsmen based at its Venetian workshop. The brand's slogan, "When your own initials are enough", and the Bottega Veneta signature, found solely inside its products, are testament to the understated elegance of the brand.

STRATEGY

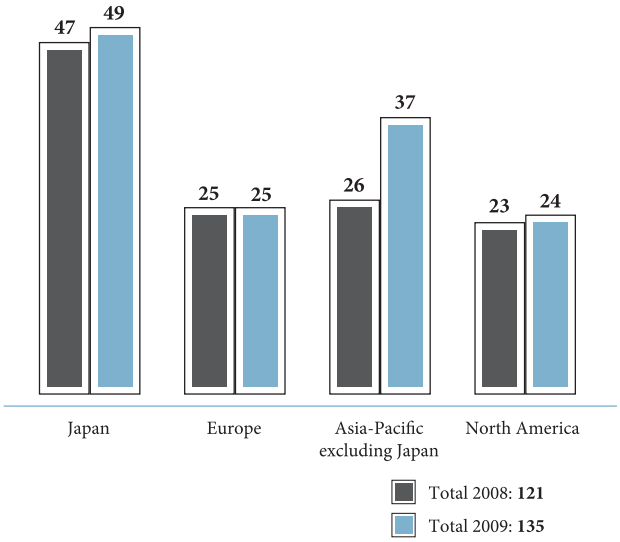
Bottega Veneta clearly positions itself as a high-end, exclusive, luxury lifestyle brand. This is reflected in the innovation that characterises each collection, which always combine exclusivity, outstanding quality and attention to detail. The finest materials are used in all product categories and product launches are part of a well-planned and carefully executed strategy, consistent with the brand's integrity and philosophy.

FINANCIAL RESULTS

Bottega Veneta's 2009 revenue amounted to €402 million down 6.0% on a comparable basis.

In 2009, Bottega Veneta posted recurring operating income of €92 million, representing 22.8% of sales, versus 25.0% in 2008 on a comparable basis.

2009 NUMBERS OF DIRECTLY-OPERATED STORES



2009 HIGHLIGHTS AND OUTLOOK FOR 2010

In a year characterised by changes in consumer spending habits which were heavily affected by the instability of the financial markets and increasing concern over the global economy, Bottega Veneta remained well positioned as a niche luxury brand with a focus on quality, craftsmanship, innovation and exclusivity.

A tighter rein was held over purchasing in 2009 and, despite the challenging economic times, Bottega Veneta nevertheless opened 14 new stores, bringing their total number to 135 by the year end. The brand also bolstered its presence in Asia with six new stores in Korea, and two each in China, Hong Kong and Macau.

The network of directly-operated stores continues to be the main business driver, primarily thanks to the expansion in Asia. Franchises are also beginning to make a more significant contribution in emerging markets, as are shop-in-shops and duty free boutiques. During the year, Bottega Veneta once again hosted "The Knot: A Retrospective" – a travelling exhibition featuring over 50 versions of its emblematic bag. These iconic products – available in seasonal colours and variations – continue to represent the core of the business, and are perfectly complemented in each collection by the introduction of warmly-received new lines, a combination of innovation and craftsmanship that remains central to the brand's worldwide success. To celebrate "The World of Bottega Veneta" an extraordinary store-wide installation was hosted by Bergdorf Goodman in New York for six weeks, beginning in April and coinciding with the International Contemporary Furniture Fair week. A cocktail party was held on April 14 at Bergdorf Goodman to mark the collaboration, with an interesting mix of architects, designers, artists, socialites, celebrities, and fashion editors among the 250 guests.

The new Bottega Veneta show room in Milan was completed in 2009 and was used to host the men's and women's Spring/Summer 2010 fashion shows.

Creative Director Tomas Maier collaborated with renowned photographer Larry Sultan for the Spring/Summer 2009 advertising campaign. The collection conveyed a quiet, unorthodox glamour which lent itself to Sultan's enigmatic sensibility and distinctive use of light and volume.

For the 2009-2010 advertising campaign, Creative Director Tomas Maier teamed up with one of the world's preeminent fashion photographers, Steven Meisel. For Maier, Meisel's intuitive understanding of glamour – its conventions, ambiguities, and irresistible appeal – made him an ideal partner for the campaign.

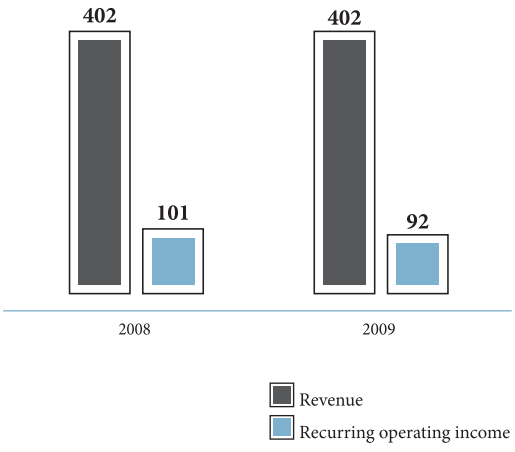
Tomas Maier received the ACE Designer of the Year Award in New York in November 2009. Tomas also presented "The Hand of the Artisan," a video describing the craftsmanship of the brand, at the International Herald Tribune's Luxury Conference in Berlin during the same month.

For 2010, Bottega Veneta has announced plans to create, develop and distribute a line of fragrances with Coty, Inc., a leader in the global beauty industry.

During the year, Bottega Veneta will organise a design competition in conjunction with the world-renowned University of Tokyo. This competition aimed at students of the architecture department of the School of Engineering, will culminate in the presentation of three winning designs in April at Bottega Veneta's 2010 *Salone del Mobile* in Milan.

Given the changes in attitudes to luxury consumption brought about by the challenging economic environment, many research institutes have announced the end of unbridled ostentation with consumers turning towards simpler, more authentic and essential pleasures. This trend sits perfectly with Bottega Veneta's positioning and clearly bodes well for the brand's products.

REVENUE AND RECURRING OPERATING INCOME
(in € million)



YVES SAINT LAURENT

Brand established in **1961**

€238 million
in revenue in 2009

€(10) million
in recurring operating income in 2009

1,027
employees in 2009 (1)

66
directly-operated stores at the end of 2009

BUSINESS CONCEPT

Founded almost 50 years ago, Yves Saint Laurent is one of the most prominent fashion houses of the twentieth century. Originally a couture house, Yves Saint Laurent was the first to introduce luxury ready-to-wear, a concept defined in 1966 under the name *Rive Gauche*. Since then, the House of Yves Saint Laurent has led the way in defining and reinventing modern fashion.

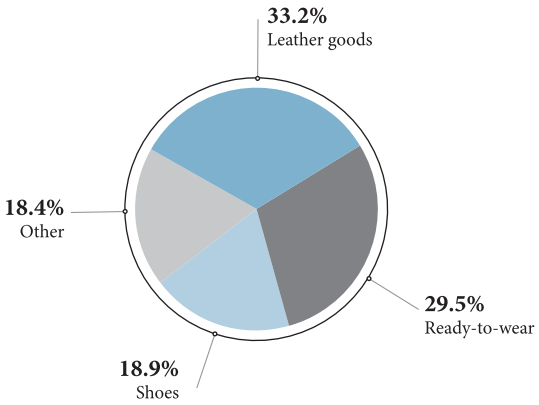
Under the management of Valérie Hermann, CEO since 2005, and Stefano Pilati, Creative Director since 2004, Yves Saint Laurent designs and markets a broad range of women's and men's ready-to-wear products, leather goods, shoes and jewellery. Production is divided between Italy and France, where an historic workshop manufactures ready-to-wear garments. Through a licence agreement with L'Oréal, Yves Saint Laurent is also a major force in fragrances and cosmetics.

The Yves Saint Laurent retail network currently consists of 66 directly-operated stores, including flagship boutiques in Paris, New York, London, Milan, Hong Kong and Beverly Hills, which together generated more than 53% of the House's revenue in 2009. The brand also has points-of-sale in the most prestigious multi-brand boutiques and department stores around the world.

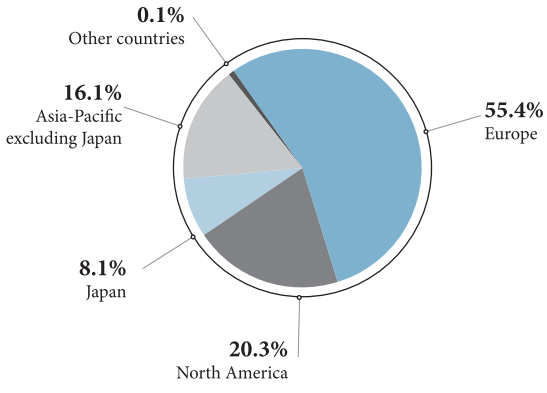
POSITIONING

Ever since its creation, Yves Saint Laurent has been hugely influential in the fashion industry. Throughout the years, its groundbreaking designs have become iconic cultural and artistic references and its founder, the couturier Yves Saint Laurent, secured a reputation as one of the twentieth century's foremost designers.

BREAKDOWN OF 2009 REVENUE BY PRODUCT CATEGORY



BREAKDOWN OF 2009 REVENUE BY REGION



(1) Average number of employees.

His signature styles, such as the tuxedo, trouser suit, safari jacket and trench coat revolutionised women's wardrobes and continue to symbolise French chic, feminine elegance and the power of seduction. Saint Laurent's *Rive Gauche* concept also helped democratise fashion by making a luxury label accessible to a wider public.

These values and ideals are still alive and relevant in the House's contemporary incarnation. Since being acquired by Gucci Group in 1999, Yves Saint Laurent has been positioned at the high end of the Luxury Goods market, renewing the exceptional legacy of its founder through a definitively contemporary approach. Building upon its ready-to-wear authority, Yves Saint Laurent has successfully developed iconic product lines in leather goods such as *Muse, Downtown, Easy* and *Roady* handbags and *Tribute* shoes.

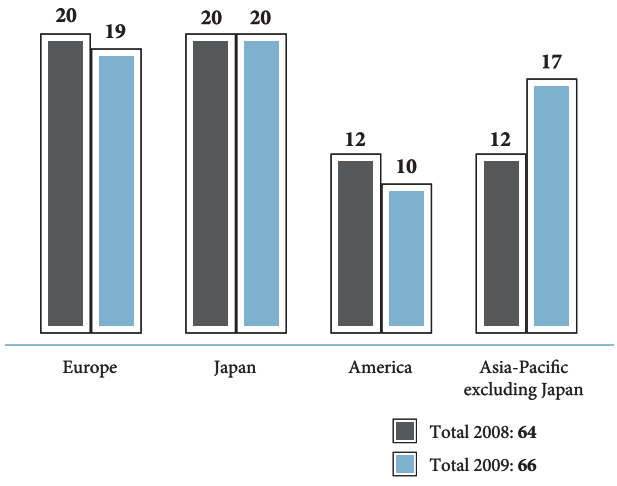
A global brand with a uniquely authentic French heritage, Yves Saint Laurent remains at the vanguard of fashion.

STRATEGY

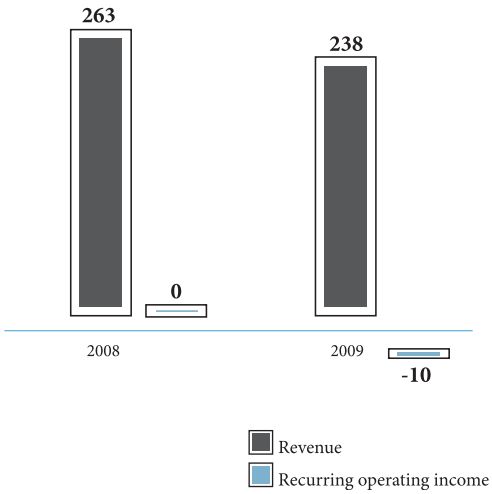
In 2005, Yves Saint Laurent implemented a strategic plan aimed at boosting its financial performance by developing revenue and increasing gross profit, controlling operating costs and optimising financial resources.

This strategic plan has since been evolving and adapting to the recently changing markets. However, the company's prime objectives remain the same – to continue creating and marketing highly desirable products, which, through innovation, reflect the essence of the brand. Yves Saint Laurent's objective is to leverage the brand's historical prominence in ready-to-wear, broaden the product range with the strong-growth categories of leather goods and accessories, and develop the brand's strategic partnerships in the fragrance and cosmetics sectors.

2009 NUMBERS OF DIRECTLY-OPERATED STORES



REVENUE AND RECURRING OPERATING INCOME
(in € million)



FINANCIAL RESULTS

Yves Saint Laurent posted revenue of €238 million in 2009, an 11.8% decrease on 2008 on a comparable basis.

In 2009, recurring operating loss stood at €10 million, versus €0.3 million in 2008 on a comparable basis. The operationnal margins are not significant.

2009 HIGHLIGHTS AND OUTLOOK FOR 2010

Leather goods continue to perform positively with particularly promising results achieved around the launch of the latest handbag, *Roady* last autumn. Yves Saint Laurent's position as uncontested leader in this arena was confirmed by the strong performances of the *Muse*, *Downtown* and *Easy* handbags, *Belle de Jour* small leather goods and the best-selling *Tribute* shoes.

In addition to solid sales momentum in 2009, Yves Saint Laurent fashion met with great success and critical acclaim through editorial exposure and celebrity product placements. The product range was given even greater breadth through the renewal of several capsule collections, called *Editions*, and the introduction of a new limited edition called *New Vintage*, an environmentally conscious collection of ready-to-wear garments and accessories that recycles remnant fabric from past seasons into garments that are particularly representative of the work of Creative Director Stefano Pilati. These collections, launched last season, maintained impressive momentum through the year and included the popular *Edition 24* – versatile, functional pieces for the modern woman on-the-go, *Edition Unisex* – inspired by the male-female opposition so representative of the codes of the House, and *Edition Soir* – a collection of demi-couture evening wear.

2009 also saw the evolution of the Yves Saint Laurent *Manifesto*, first revealed in 2007 as a revolutionary tool in communicating the brand's ready-to-wear philosophy directly to the consumer. Distributed free-of-charge on the streets of Paris, New York, London, Milan, Tokyo, Hong Kong and Seoul, the *Manifesto* delivers the high fashion message of Yves Saint Laurent. In tandem with the beginning of the Fall/Winter 2009-10 *Manifesto* in September 2009, the brand built an online minisite dedicated to the project – www.yslmanifesto.com – and made a first foray into the universe of social media with the launch of an official, dedicated Facebook page and a Twitter account.

In distribution, the company stepped up the development of its retail presence in emerging markets, notably in the Middle East and Asia-Pacific, with the opening of several directly-operated stores and independent franchises in 2009. Ongoing expansion in Asia-Pacific, including mainland China, will be a priority for the brand in 2010 and the years to follow.

Other brands

€484 million
in revenue in 2009

€25 million
in recurring operating income in 2009

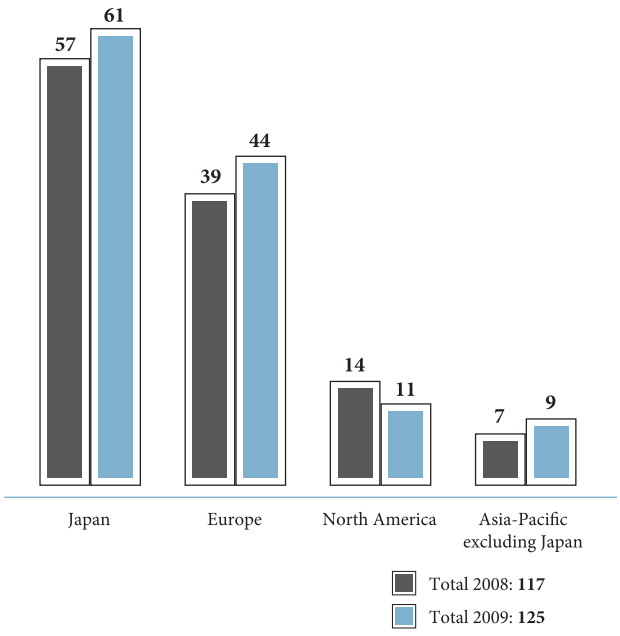
1,871
employees in 2009 (1)

125
directly-operated stores at the end of 2009

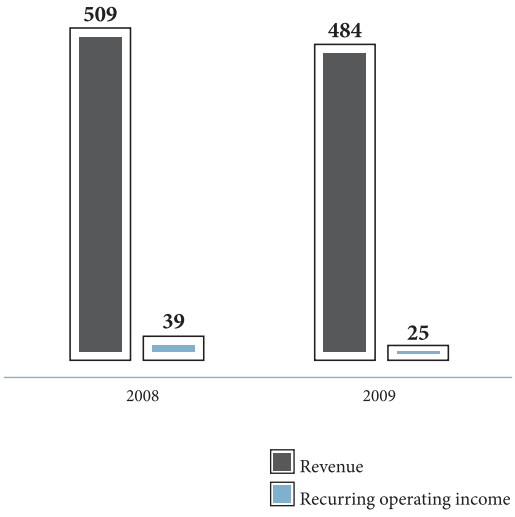
The following section covers Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney. Since joining Gucci Group, all of these brands have seen their businesses increase significantly, thanks to the individual creative vision of their designers and the Group's financial support.

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 wholesale sales for department stores and specialist stores on a worldwide scale, and the implementation of the infrastructure needed to manage growth.

2009 NUMBERS OF DIRECTLY-OPERATED STORES



REVENUE AND RECURRING OPERATING INCOME
(in € million)



(1) Average number of employees.

BALENCIAGA

The House of Balenciaga is one of the most influential forces in fashion and is developing into a major player in the Luxury Goods industry. Founded in 1919 by Cristóbal Balenciaga and established in Paris in 1936, it defined many of the greatest movements in fashion from the 1930s to the 1960s. Its provocative 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 customers 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 to this young designer, who captured the attention of both the media and customers, have greatly contributed to the brand's commercial success and desirability.

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

In the early years of its modern renaissance, Balenciaga deliberately prioritised exclusive distribution channels. With a solid product portfolio and strong demand for the brand's bags, clothes and shoes, Balenciaga is targeting selective international growth for its distribution network and has now shifted its focus to ensuring that the brand is represented in an environment that respects its spirit, not only in directly-operated stores but also through franchises and points-of-sale in the leading multi-brand stores.

Over the past two years, Balenciaga has been developing a master project aimed at building a directly-operated store network, which will provide worldwide access to the banner and even out its geographic expansion. This plan gave rise to 32 openings worldwide in 2009, including two online stores. In Europe, the department store network has been strengthened with one opening in Paris (Galeries Lafayette) and one shop-in-shop in London (Harvey Nichols).

Balenciaga also took its first steps in mainland China during 2009, with the spring opening of the first two directly-operated stores in Shanghai and Hangzhou. Further retail expansion in Japan (on top of the 10 existing stores) included the opening of three additional shop-in-shops. Meanwhile, online activity was boosted by the opening of a UK platform in June 2009.

The franchise network continues to expand. Indeed, franchise and exclusive distribution arrangements include leading partners in key markets such as Taiwan, Singapore, Thailand, South Korea, Russia, Turkey and the Middle East. In addition, Balenciaga recently entered into new duty free agreements in Korea and Saudi Arabia.

New retail openings are underway for 2010 with priority given to Asia (in particular China with four openings, as well as Hong Kong and Japan) and one additional store in the US designed to sustain the growth of the retail segment while preserving the momentum of the wholesale segment. An online rollout in France is scheduled for 2010.

BOUCHERON
PARIS

Boucheron is the most audacious of traditional French jewellers. Founded in 1858, it was the first to establish a jewellers on the famous Place Vendôme in Paris in 1893. The House also pioneered the use of new materials in its collections and launched innovative products such as the wrist watch with interchangeable straps. For 150 years, Boucheron has been a trend-setter in the elite world of high jewellery, acquiring an international reputation in the process.

Boucheron takes much of its inspiration from the world of nature, with the snake being a particular House favourite.

A Gucci Group subsidiary since 2000, Boucheron manufactures and markets jewellery, watches and luxury fragrances through the flagship Place Vendôme store, directly-operated stores, franchises, department stores, exclusive multi-brand boutiques and online stores.

With a clientele of writers, artists, movie-stars, maharajahs and magnates, Boucheron has always appealed to those who are as famous and fabulous as its jewellery. Admirers of the company have included royalty such as Maharajah Sir Bhupindar Singh of Patiala, Riza Shah Pahlavi, Czar Alexander III, Queen Farida of Egypt, and Queen Rania of Jordan; affluent American families including the Astors, Vanderbilts and Rockefellers; legendary film stars such as Greta Garbo, Rita Hayworth, Marlene Dietrich, and more recently the likes of Nicole Kidman, Cameron Diaz, Katie Holmes, Julianne Moore and Anne Hathaway.

After a year filled with festivity to mark its 150th anniversary in 2008, the House of Boucheron kept up the celebratory mood when it took the chic Parisian lifestyle as inspiration for its latest collection. Entitled *Gaité Parisienne*, the collection consists of seven unique sets of high jewellery that are tangible incarnations of Paris, the cosmopolitan capital of pleasure and culture. Each of the seven sets has been given the name of a woman, whose personality and style was used as the catalyst for its creation.

Another high point of the year was the launch of the book "Les Archives Secrètes de Boucheron" by Vincent Meylan. Having spent over two years studying Boucheron's archives, Meylan has produced a book full of intriguing stories about royalty, courtesans, billionaires and Hollywood stars who all shared a passion for precious stones and the House of Boucheron.

Currently there are over 47 Boucheron boutiques worldwide, as well as an online site to cater for jewellery connoisseurs worldwide.

Boucheron is continuing to expand its stores both in France and internationally with openings in Courchevel and Singapore. The flagship Cannes store re-opened its doors in March after refurbishment. Additional points-of-sale have also been launched in Neiman Marcus in Topanga, Dallas, Chicago and Honolulu.

Boucheron also entered into a partnership agreement with Sparkle Roll Group Ltd. with a view to developing and strengthening its footprint in China. Through this partnership, a network of six to ten Boucheron stores will be created over the next five years.

Ten months after signing a licence agreement, Boucheron launched a new eyewear collection with Gold & Wood. Presented for the first time at the Silmo 2009 trade fair, the collection combines two passions – cutting-edge design and outstanding craftsmanship and is available at a selection of prestigious opticians since late 2009. The sunglasses will be distributed in Boucheron boutiques as of March 2010.

sergio rossi

Since its foundation in Italy in the late sixties, Sergio Rossi has become a world reference in women's luxury footwear. The brand has always been synonymous with glamour and style, acclaimed for its unique creativity and perfect fit.

With their attractive shapes, elegant lines, and sensual materials, Sergio Rossi's shoes enhance the female silhouette, becoming powerful instruments in the modern art of seduction.

At Sergio Rossi's workshop in San Mauro Pascoli, in the heartland of artisan Italy, the craftsmen and women who create the shoes are driven by a passion for their work and a constant thirst for perfection.

In less than half a century the Sergio Rossi brand has become a truly global phenomenon – from Hollywood to Tokyo, Shanghai to New York and from bustling city streets to the glamour of the catwalk.

The past year marked a turning point in the brand's history with the launch of the Autumn/Winter 2009 collection by new Creative Director Francesco Russo. The new collection celebrates the essence of the brand, with accentuated, seductive silhouettes for the sensual and powerful woman who embodies the quintessence of chic.

During 2010, the Sergio Rossi brand will be concentrating on women's footwear, its core business, creating collections for a round-the-clock experience, from casual work and leisure wear to more elegant evening models. Sergio Rossi gives women accessories that make them feel desirable and feminine in every situation.

Sergio Rossi footwear and accessories are sold in 44 directly-operated stores and in more than 30 franchise boutiques, as well as in carefully selected department and specialist stores. In 2009, new franchise stores opened in Moscow, Beijing, Beirut, Wuhan, Jeddah and Taipei. Europe counts 17 directly-operated stores and 12 franchises. In the US, the company has decided to focus on its wholesale potential, which has proven to be the most promising channel for brand development and further expansion, a strategy that will be underpinned by the development of its US online boutique. In the Asia-Pacific region, which represents a major growth opportunity, Sergio Rossi has one directly-operated store and 12 franchise stores, with new openings planned in mainland China and Malaysia for the near future. Japan currently has 26 directly-operated stores.

ALEXANDER McQUEEN

Renowned for his audacious and creative designs, Alexander McQueen has an impressive reputation in the world of fashion.

A Gucci Group subsidiary since 2001, Alexander McQueen primarily markets women's accessories and ready-to-wear. The offering has recently been broadened, with new categories of men's ready-to-wear, shoes and small leather goods being added to the portfolio.

Alexander McQueen products are distributed in directly-operated stores, department stores and high-end specialist stores as well as online. The brand has five directly-operated stores in London, Milan, New York, Las Vegas and Los Angeles. An e-commerce site was successfully launched in the UK in November 2009, following the encouraging performance of the US site which was rolled out in July 2008.

In the last few years, Alexander McQueen has also opened several shop-in-shops in leading department stores around the world, including Harvey Nichols (London and Jakarta), Selfridges (London), Saks Fifth Avenue (New York), Shinsegae (Seoul) and Tsum (Moscow).

The brand's franchise program began in late 2006 with the opening of the Istanbul store, followed up by a number of openings in key emerging markets, including Doha in 2009.

Over the past few years, the accessory segments have grown, and represented 35% of total sales in 2009, with both shoes and bags sold in most department stores around the world.

In 2009 the retail trading environment was more challenging due to lower traffic in stores. Nevertheless, the strong sales performance was evidence of the brands' appeal. Its growth in Japan, where five shop-in-shops have recently opened, combined with the stability of historical stores in Europe, resulted in retail sales growing by 15% in 2009.

The remarkable success of the Spring/Summer 2010 campaign also points to a return to growth in wholesale revenue.

In 2010 Alexander McQueen will continue to pursue the strategic license agreements that have enabled it to market its creations to wider international public. These include eyewear with Safilo SpA, high-end sport shoes and apparel with Puma AG, ready-to-wear denim marketed under the McQ Label with Sinv SpA, and a recently-signed agreement for underwear and swimwear with Albisetti SpA.

STELLA McCARTNEY

The Stella McCartney brand continues to retain its unique positioning as a modern, lifestyle, designer brand with an increasingly global presence. The force of its Creative Director and her growing influence within the industry have been recognised in numerous ways, not least by her nomination as one of TIME magazine's 100 most influential people in 2009.

"Aspirational" yet at the same time wearable, the brand continues to resonate with the everyday modern woman, enabling it to grow in popularity and continue its upward trajectory despite the challenging global economic environment.

Ready-to-wear, which remains the driving force behind the business, has continued to expand through the development of new product categories and increased sales in existing categories. The brand's ethical values, now solidly established, are communicated in all aspects of the business, from the development of organic, sustainable products, which are in full expansion, to non-leather shoes and accessories. The Autumn 2009 launch of a collection of Nylon bags made from recycled materials has further reinforced the brand's unique positioning, whilst continuing to offer functional and accessible fashion.

Stella McCartney products are present in department stores in 51 countries. The enhancement of the brand's identity is key to continued strategic growth, with the rollout of additional Stella McCartney branded areas in these leading stores and greater emphasis on iconic products.

The lifestyle that the brand reflects is crucial to the retail growth and each of the stores showcases the diversity of products to a targeted audience. The opening of a new flagship store at Palais Royal in Paris at the beginning of 2009 and a shop-in-shop at the Galeries Lafayette department store in December, as well as a new free standing store in Milan in January 2010, further bolster the brand's positioning and presence in Europe, in addition to its already strong presence in the Far- and Middle-East with franchise partners.

The collaboration with Gap in November 2008 on an exclusive collection of kids and baby wear was an unprecedented success and saw the brand diversify into a territory that the company felt was a natural fit. As a result of its success, a second collection will launch in-store in March 2010.

Existing license agreements remain fundamental to the Stella McCartney brand, with fragrance, lingerie and sunglasses providing an important entry point for customers and further enhancing the lifestyle appeal of the products. The recent amendment to the agreement with Luxottica is expected to boost creativity and more competitive price positioning. The longstanding partnership with Adidas continues to bear fruit through its successful fusion of style and technical performance.

In 2010 Stella McCartney will be focusing on three main priorities – robust sales growth, continued brand momentum and expansion of the online business.

3 Corporate Social Responsibility (CSR) at PPR

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Introduction

CSR at PPR

BACKGROUND

A long-standing commitment to CSR

1996
- Group's first Ethics Charter

2001
- Creation of the SolidarCité association, promoting solidarity-based initiatives among employees
- First employee opinion survey

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

2004
- Signature of the Diversity Charter by PPR's Chairman, and creation of the Diversity Committee and the Mission Handicap working group

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 the Ethics and Corporate Social Responsibility Committee (ECSRC)
- Creation of the Télémaque Foundation

2006
- Structuring of the Group's CSR commitments

2007
- Creation of a Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman
- Definition of seven key strategic priorities for the Group with respect to CSR, to be rolled out between 2008 and 2010. Creation of a CSR Committee responsible for setting and implementing ambitious targets with regard to these seven priorities, and for the results obtained
- Signature of a second agreement with Agefiph to support the employment of disabled people

2008
- Membership of the Global Compact
- Creation of the PPR Foundation for Women's Dignity and Rights

The highlight of 2009 was the worldwide release of Yann Arthus-Bertrand's documentary HOME, co-produced by EuropaCorp and Elzévir Films and financed primarily by PPR. The film features exquisite images of more than 50 countries, taken from the sky, and conveys its message in a deliberately novel manner – both educational and easily understandable. In an unprecedented break with tradition, the film was released on the same day (June 5, 2009) around the world and free of charge, simultaneously across all media (Internet, DVD, television and cinema), to coincide with World Environment Day. To date, it has been seen by more than 150 million people worldwide. PPR's brands and employees rallied around the promotion of the film, and each of the Group's 88,000 employees received a copy of the DVD from François-Henri Pinault and was able to take part in a special HOME competition organised within the Company. The film also sped up the adoption of sustainable development goals by PPR's brands and Subsidiaries and sparked a series of related actions and projects.

PPR is convinced that the best way to enhance the Group's CSR commitment is through the talent and entrepreneurial spirit of its employees. With this in mind and as a natural follow on from HOME, in 2010 PPR will launch the Innovation and Sustainable Development awards.

A DEDICATED AND WELL-ASSIMILATED CSR STRUCTURE

CSR is addressed at the highest level of PPR's organisation, notably through a dedicated Group CSR Department, which reports directly to the Chairman and is represented on the Executive Committee. To turn the CSR strategy into concrete initiatives and keep pace with actual events on the ground, PPR also has a dedicated CSR network, active in each of its Subsidiaries.

- **A common point of reference for all Subsidiaries**. The CSR Committee, made up of members of the Group's Executive Committee, defines and monitors the implementation of formal objectives for each of the five Subsidiaries and for PPR headquarters, within the scope of the seven key strategic priorities. These priorities, which constitute a common point of reference for all of the Group's Subsidiaries, are:

Priority 1. Develop employability through skills management and training;

Priority 2. Train each manager on diversity issues;

Priority 3. Integrate CSR criteria into the supplier selection process;

Priority 4. Monitor and limit transport-related CO_2 emissions;

Priority 5. Reduce the environmental impact of stores and infrastructures;

Priority 6. Promote responsible products and usages;

Priority 7. Implement solidarity programmes related to companies' business activities.

A portion of the variable remuneration of members of the Subsidiaries' management is directly based on the achievement of CSR objectives.

- **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 Group CSR Department is tasked with defining the Group's corporate social responsibility policy, assisting the Subsidiaries to implement the key strategic priorities, ensuring compliance with the related legal obligations, anticipating and preparing the Group for future obligations that may be introduced, and setting up Group-wide projects. The CSR Department works closely with Group Human Resources on employee-related CSR issues.
- **A CSR or Sustainable Development Department in each Subsidiary**. Each of the five Subsidiaries has a Head of CSR or Sustainable Development responsible for implementing the Group's CSR policy at his or her Subsidiary, as well as for instigating specific action plans consistent with the common point of reference, namely the seven key strategic priorities. In 2009, 21 employees were working directly on CSR issues in the Group's five Subsidiaries, in addition to the eight people employed at PPR Group level. Certain Subsidiaries also have CSR Committees comprised of representatives from the company's main departments and attached to the CSR or Sustainable Development Department.

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

2009 HIGHLIGHTS

Launch and first full year of operation of the PPR Foundation for Women's Dignity and Rights

The PPR Foundation for Women's Dignity and Rights, which was created in late 2008, held its first Board of Directors' meeting on January 29, 2009, and since then has been focusing its efforts on two strategic objectives: combating violence against women and aiding development initiatives in favour of women. It backs projects in partnership with local and international non-governmental organisations (NGOs) and actively encourages the involvement of Group employees in its work. It also conducts initiatives to promote awareness of women's rights, organising exhibitions and debates around the topic. In 2009, the Foundation entered into 17 partnerships with associations chosen at its Board of Directors' meeting and at two Selection Committee meetings held in March and July 2009.

Dissemination of an updated version of the Code of Business Practices

The Code of Business Practices was updated by the ECSRC (Ethics and Corporate Social Responsibility Committee – see page 325) in 2008 and disseminated to all employees in 2009, in the 14 languages most widely spoken within the Group. To increase employees' awareness of the Code and encourage them to take on board the ethical principles that it espouses, a Group-wide communication campaign was carried out in conjunction with this initiative.

Seven key strategic priorities: an abundance of initiatives

The Group's seven key strategic priorities gave rise to an abundance of initiatives and projects in 2009 and enabled the Subsidiaries to intensify their commitment. One example was the "Green Toolbox", a good practices guide prepared and published by the Subsidiaries' sustainable development and real estate/property teams in 2009 under the auspices of PPR and distributed to the Group's 2,300 stores worldwide. This guide, which is intended as an environmental management operating tool, should enable the sites to reduce their ecological footprint and encourage them to strive for both economic and environmental efficiency.

October 1, 2009: Signature of a third agreement with Agefiph for the employment of disabled people

Following on from the 2005 and 2007 agreements, on October 1, 2009, PPR entered into a third agreement with Agefiph, a French association promoting job placements and vocational training for the disabled. The very promising results of the 2007 agreement – which saw 126 hires over two years as opposed to the 75 initially targeted – gave rise to this third agreement which is set to run for 15 months and encompasses Fnac, Redcats, PPR Holding & Shared Services and the four Gucci Group brands in France. Conforama is continuing its pro-disabled people endeavours under a company agreement entered into in 2007 with the retail chain's employee representatives.

Fifth edition of the in-house opinion survey "What's the weather like where you are?"

The in-house opinion survey, carried out on a bi-yearly basis since 2001, is designed to gauge employees' perceptions of issues affecting their life within the Company. The Group can then define and implement action plans on the basis of the results and monitor their effectiveness over time. The fifth edition was rolled out in PPR Holding & Shared Services, Fnac, Conforama, Redcats Group and, for the first time, Puma. Over 55,000 employees took part, in 12 languages and 55 countries. The participation rate was the highest ever, at 77%, demonstrating employees' commitment to the initiative. The results will be available in early 2010 and the first half of the year will be dedicated to providing feedback to employees and drafting appropriate action plans.

2009 KEY FIGURES

- 73,245 Group employees at December 31, 2009, 56.8% of whom are women;
- 1,193 disabled workers;
- 90.7% of employees on permanent contracts;
- 50.5% of managers are women;
- 60.1% of new recruits are women;
- 12,171 permanent employees work part time, 81.7% full time;
- 81.6% of part-time employees are women and 96.7% are non-managers;
- 77.1% of non-management permanent employees work full time;
- 36.6 is the average age of permanent employees in 2009;
- 8.5 years is the average length of service of permanent employees;
- 662,802 hours of training;
- 57,902 employees trained;
- 17 partnerships signed by the PPR Foundation for Women's Dignity and Rights;
- 25 employees granted solidarity leave;
- 3,493 social accountability audits carried out among Group suppliers, some within the context of steps taken to achieve SA 8000 certification;
- 56% of the Group's waste is recycled;
- 65% of paper purchased directly by the Group is from sustainably managed woodland;
- 100% of the Group's paper suppliers are ISO 14001 certified.

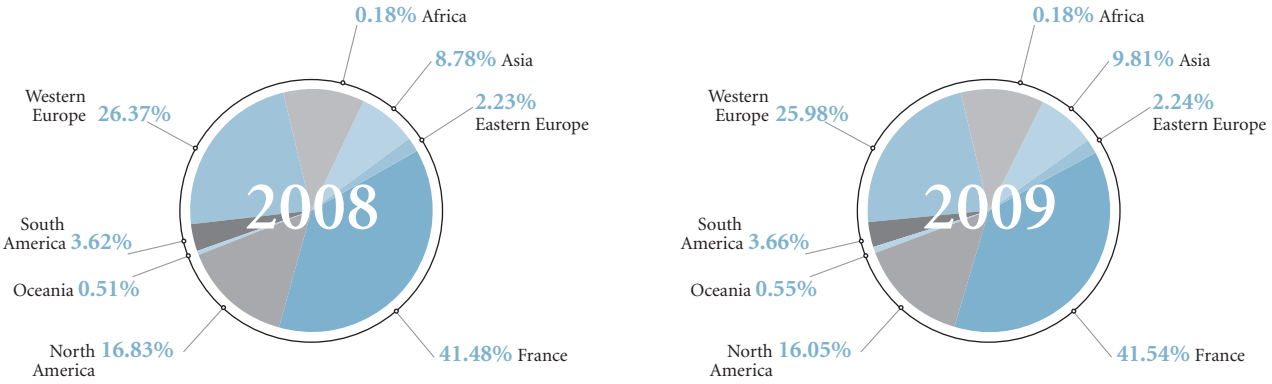
Every year PPR publishes a report on the progress of each of the Subsidiaries with respect to the seven key strategic priorities. In 2010, the Group will publish the 2009 highlights of each Subsidiary, as well as the main measurable objectives achieved with respect to each of the priorities.

The social and environmental indicators verified by the Statutory Auditors within the scope of their audit of the 2009 financial statements are indicated below by the symbol ✓. When the verified scope does not cover the entire consolidated group, the verified scope is specified in a footnote.

THE GROUP'S HUMAN RESOURCES PROFILE [1]

Number of employees

BREAKDOWN OF EMPLOYEES AT DECEMBER 31 BY GEOGRAPHIC AREA [2] (%)



(Rate of coverage: 100%)

BREAKDOWN OF EMPLOYEES AT DECEMBER 31: MEN MANAGERS/WOMEN MANAGERS/NON-MANAGER MEN/NON-MANAGER WOMEN BY GEOGRAPHIC AREA (NUMBER)

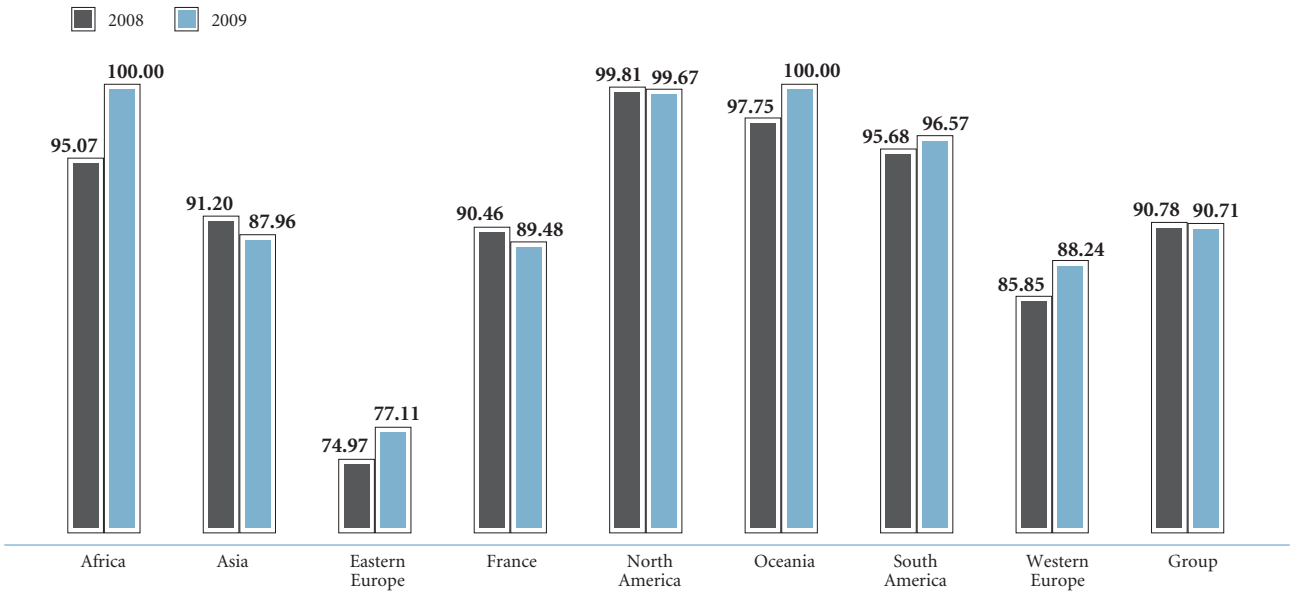
	Managers				Non-managers			
	Women		Men		Women		Men	
	2009	2008	2009	2008	2009	2008	2009	2008
Africa	14	10	25	21	54	67	39	44
Asia	549	515	488	545	4,427	4,054	1,719	1,636
Eastern Europe	147	135	89	102	911	965	491	512
France	3,442	3,515	3,458	3,550	12,000	12,815	11,525	12,002
North America	1,327	1,266	754	716	7,034	8,139	2,643	2,812
Oceania	25	26	31	33	208	205	137	129
South America	102	99	193	201	867	933	1,517	1,546
Western Europe	1,016	1,061	1,455	1,513	9,440	10,261	7,118	7,436
TOTAL	**6,622**	**6,627**	**6,493**	**6,681**	**34,941**	**37,439**	**25,189**	**26,117**

(Rate of coverage: 100%)

(1) For each social indicator, the 2008 data has been adjusted on a pro forma basis to take account of the changes in Group structure in 2009. The rate of coverage is calculated as a % of Group employees as at December 31, 2009.

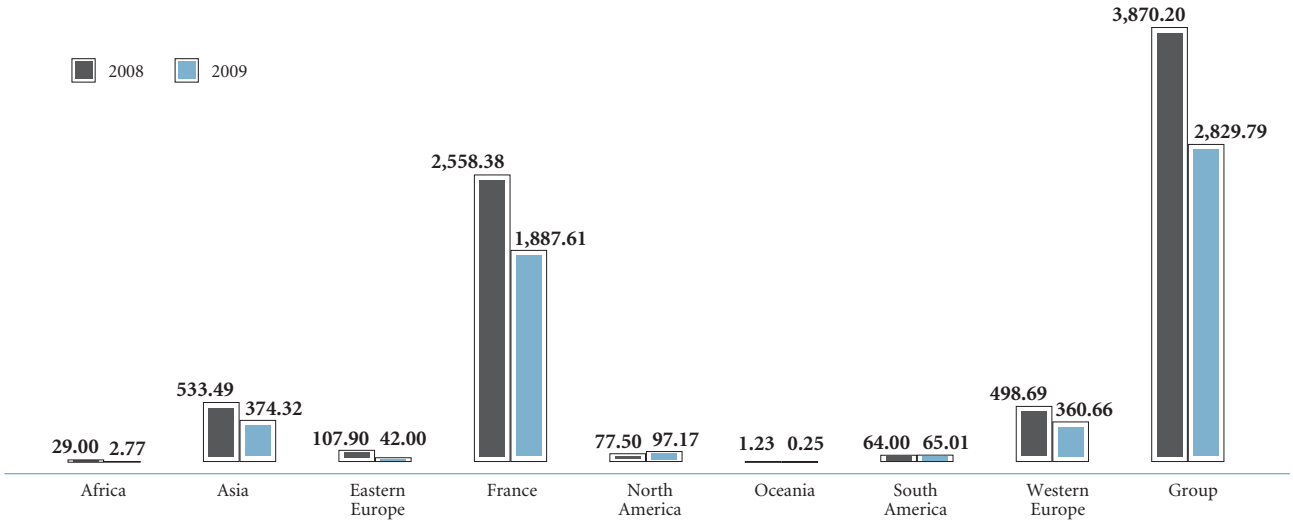
*(2) All charts showing the Group's different geographic areas include the following countries and territories: **Africa**: South Africa; **Asia**: Bangladesh, China, Guam, Hong Kong, India, Japan, Korea, Macao, Malaysia, Pakistan, Singapore, Turkey, Taiwan, United Arab Emirates, Vietnam; **Eastern Europe**: Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Lithuania, Poland, Romania, Russia, Slovakia, Slovenia, Ukraine; **France**; **North America**: Canada, USA; **Oceania**: Australia, New Zealand; **South America**: Aruba, Argentina, Brazil, Chile, Mexico, Peru, Uruguay; **Western Europe**: Austria, Belgium, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK.*

BREAKDOWN OF PERMANENT EMPLOYEES BY GEOGRAPHIC AREA (%)



(Rate of coverage: 100%)

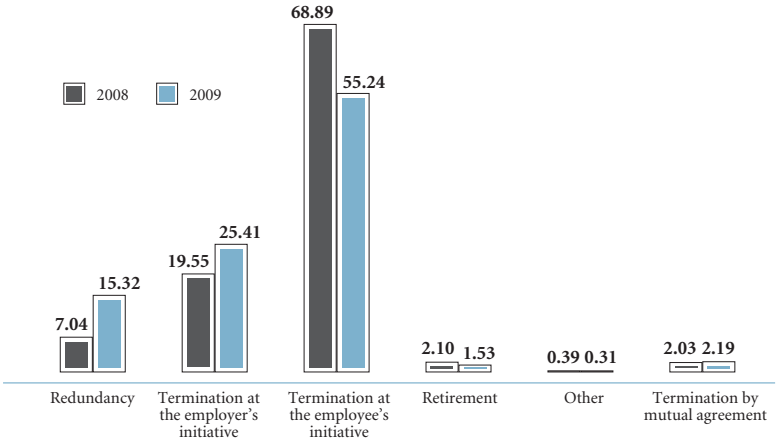
NUMBER OF FTE [1] TEMPORARY EMPLOYEES BY GEOGRAPHIC AREA



(Rate of coverage: 100%)

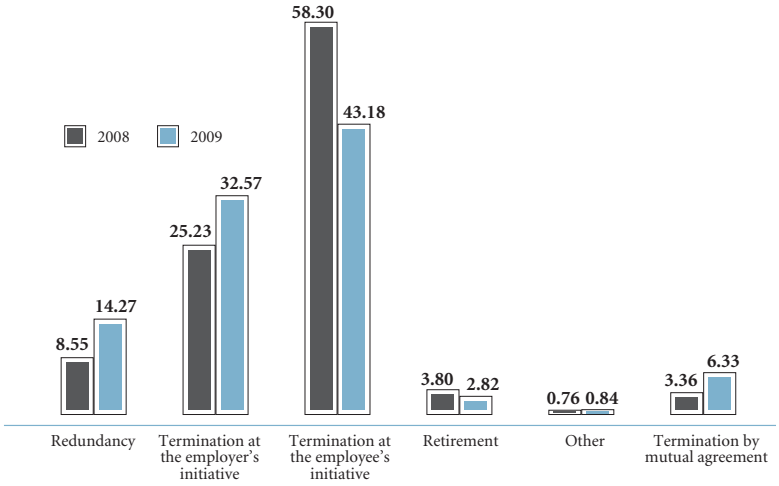
(1) FTE: Full-time equivalent.

BREAKDOWN OF PERMANENT EMPLOYEE DEPARTURES BY REASON (%)



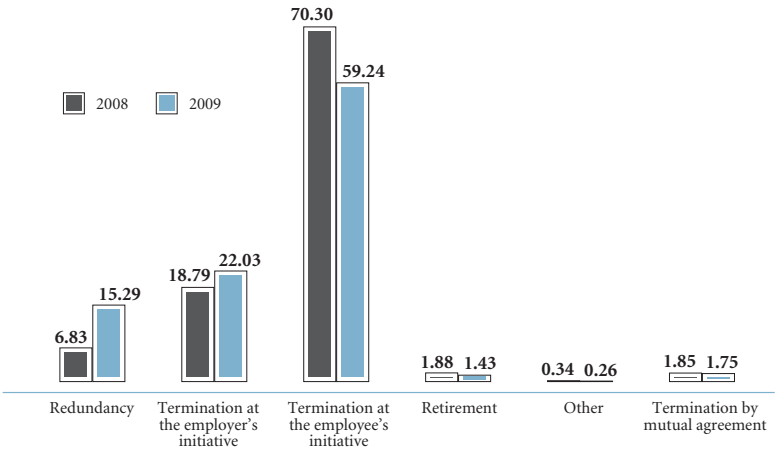
(Rate of coverage: 100%)

BREAKDOWN OF MANAGER DEPARTURES BY REASON (AS A % OF PERMANENT EMPLOYEE DEPARTURES)



(Rate of coverage: 100%)

BREAKDOWN OF NON-MANAGER DEPARTURES BY REASON (AS A % OF PERMANENT EMPLOYEE DEPARTURES)



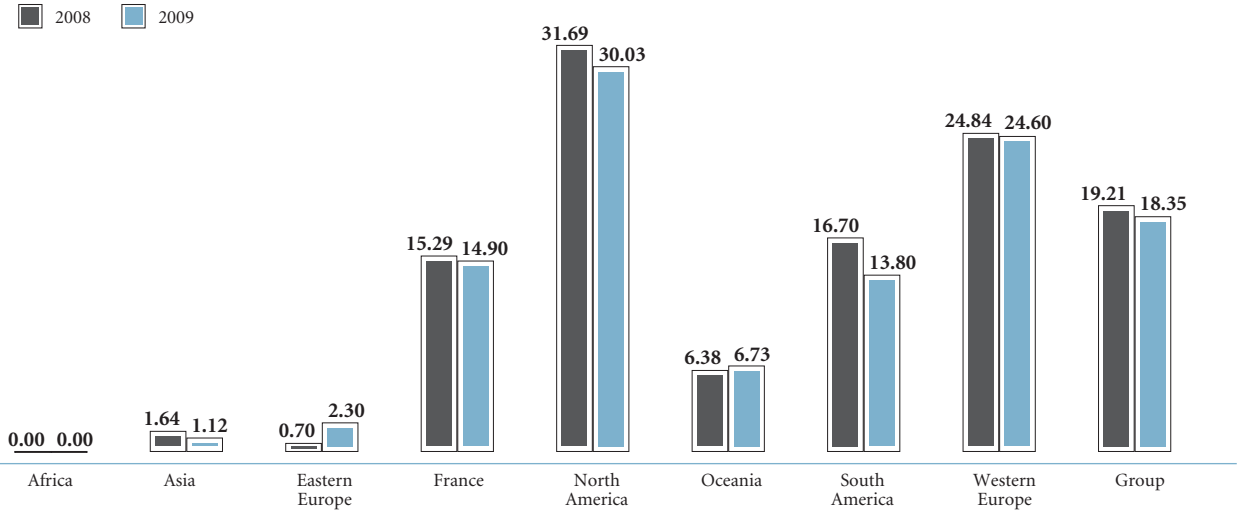
(Rate of coverage: 100%)

Working time

The average weekly working hours for Group full-time employees was 36.3 hours in 2009 (rate of coverage: 100%). The organisation of work time in the Group's Subsidiaries varies according to the sites and populations concerned. In France, work is most commonly organised on the basis of a fixed number of hours or days, with annualised working time and the possibility of flexitime. In certain cases, shift work (days and sometimes nights) or occasional on-call arrangements may apply.

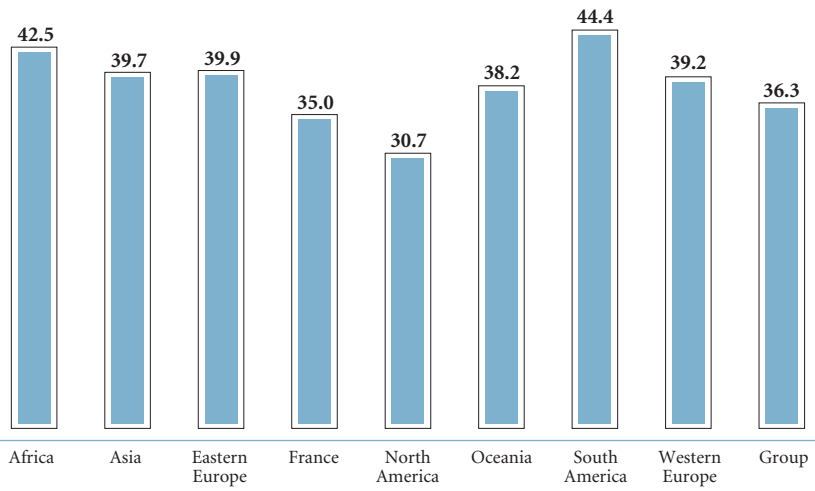
In 2009, 260,368 overtime hours were recorded in France (rate of coverage: 100% of France Group scope).

BREAKDOWN OF PERMANENT EMPLOYEES WORKING ON A PART-TIME BASIS BY GEOGRAPHIC AREA (%)



(Rate of coverage: 100%)

AVERAGE WORKING WEEK BY GEOGRAPHIC AREA IN 2009 (IN HOURS)



(Rate of coverage: 100%)

OVERALL ABSENTEEISM AND ILLNESS [1] (%)

	2009	2008
Overall absenteeism rate	5.50	5.18
Rate of absenteeism due to illness	3.57	3.42

(Rate of coverage: 100%)

Profile

AVERAGE AGE AND LENGTH OF SERVICE OF PERMANENT EMPLOYEES BY GEOGRAPHIC AREA (IN YEARS)

	Average age		Average length of service	
	2009	2008	2009	2008
Africa	30.19	28.56	2.3	1.86
Asia	28.45	31.86	3.37	3.18
Eastern Europe	30.16	34.12	4.36	3.72
France	39.86	39.11	12.69	12.03
North America	36.18	36.12	4.47	3.78
Oceania	28.7	28.99	3.97	3.77
South America	31.6	30.56	4.17	4.09
Western Europe	36.18	36.05	7.26	6.91
GROUP	**36.61**	**36.67**	**8.52**	**8.04**

(Rate of coverage: 99.96%)

BREAKDOWN OF EMPLOYEES BY AGE IN 2009 (%)



(Rate of coverage: 99.96%)

(1) The total figure for absenteeism due to illness only includes sick-leave days. The overall absenteeism rate includes absenteeism due to illness, but also includes every other kind of absence (work-related accidents, unjustified absences, etc.) and is calculated from the first day of absence.

Health and safety

PPR and its Subsidiaries consider that protecting the health and safety of their employees is a fundamental duty. With this in mind, the Subsidiaries have put in place procedures and programmes to identify, assess and reduce the main risks arising from their activities.

In 2009, PPR set up a prevention programme in its Subsidiaries in response to the risk of the H1N1 swine flu pandemic. This programme, led by the Group Human Resources and Health & Safety Departments, aimed to raise awareness of prevention measures by means of guidelines displayed in each of the Group's companies. Masks were purchased, distribution rules were drafted and a business continuity plan was put forward in August 2009.

In 2009, a total of 1,766 work-related accidents resulting in leave occurred in the workplace or during a business trip, as against 1,834 in 2008. There were no fatal accidents in 2009.

NUMBER OF WORK-RELATED ACCIDENTS BY GEOGRAPHIC AREA

	2009	2008
Africa	0	0
Asia	46	26
Eastern Europe	18	21
France	1,237	1,225
North America	58	76
Oceania	2	2
South America	61	64
Western Europe	344	420
TOTAL	**1,766**	**1,834**

(Rate of coverage: 99.99%)

NUMBER OF EMPLOYEES WHO RECEIVED SAFETY TRAINING BY GEOGRAPHIC AREA

	2009	2008
Africa	2	0
Asia	564	743
Eastern Europe	722	744
France	5,569	4,511
North America	3,744	3,723
Oceania	59	12
South America	185	235
Western Europe	5,620	6,021
TOTAL	**16,465**	**15,989**

(Rate of coverage: 93.46%)

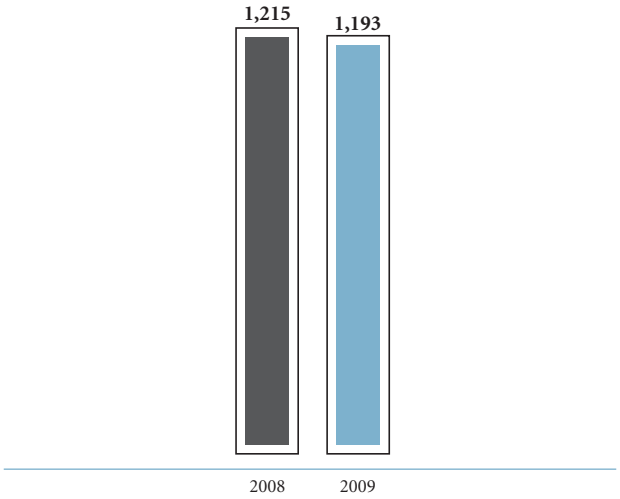
SAFETY TRAINING HOURS BY GEOGRAPHIC AREA

	2009	2008
Africa	152	0
Asia	7,376	7,061
Eastern Europe	4,807	5,343
France	36,815	31,144
North America	16,960	13,279
Oceania	308	65
South America	2,384	2,430
Western Europe	20,032	21,878
TOTAL	**88,834**	**81,200**

(Rate of coverage: 93.46%)

Employment and integration of disabled workers

TOTAL NUMBER OF DISABLED WORKERS (1)



(Rate of coverage: 81.98% - excl. UK and US)

At December 31, 2009 the PPR Group employed 1,193 disabled workers, of which 72% (859 persons) in France ✓ within the scope of the "employment obligation" laid down by the French law of February 11, 2005 on equal rights and opportunities, participation and citizenship of people with disabilities.

(1) Employed as at December 31, 2009, within the scope of the "employment obligation" laid down by the French law of February 11, 2005 on equal rights and opportunities, participation and citizenship of disabled people.

✓ *Verified by the Statutory Auditors.*

Priority 1: develop employability through skills management and training

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

In terms of recruitment, induction and loyalty-building, the PPR Group strives to offer all of its employees training that is thorough and specific to their field, and that enables ongoing development throughout their lives.

For each brand and Subsidiary, this means ensuring the continuous enhancement of business and behavioural skills among employees. By sustaining performance and skills development at individual level, each employee can guarantee his or her employment prospects within or outside the Group.

The Group and its Subsidiaries have implemented ambitious training programmes designed to serve both short- and medium-term needs. These programmes give all staff the opportunity to improve their employability and maintain their eagerness to learn and take on new challenges. They further nurture involvement and motivation across the workforce.

Emphasis is also placed on the identification of in-house talent, based on a thorough knowledge of the Company's internal resources, with the aim of encouraging loyalty and retaining staff. To this end, PPR and its Subsidiaries use employee evaluation, monitoring and mobility tools that are pragmatic, flexible and consistent with the Group's decentralised structure.

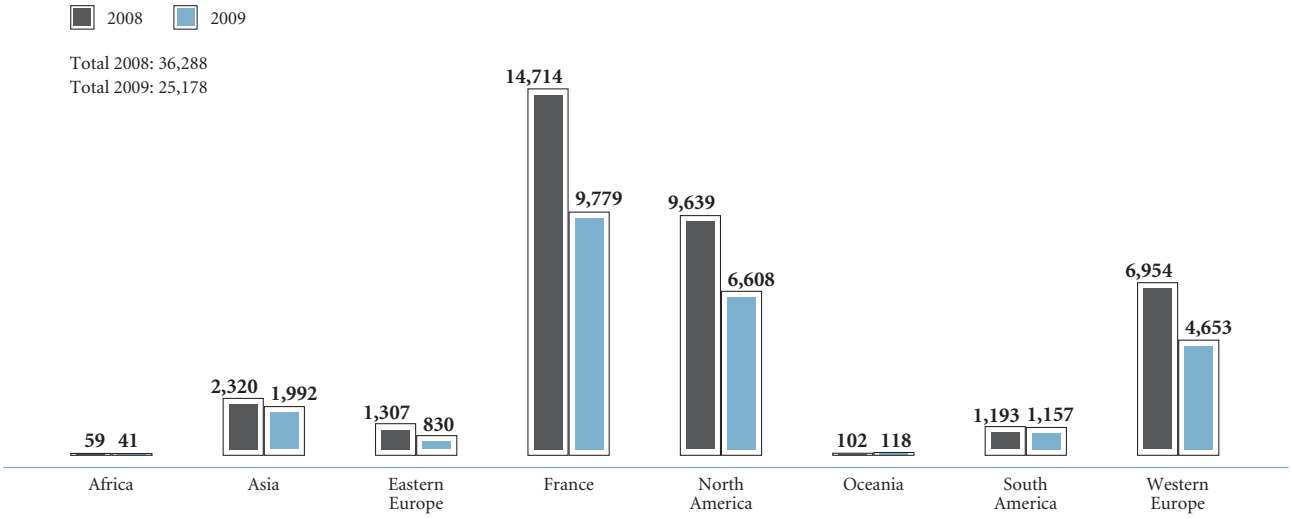
ENHANCE EMPLOYEE SKILLS AND TALENTS

In 2009, the Group's Human Resources Development Department continued to focus on the implementation of employee-development tools and projects that address PPR's strategic imperatives of performance, internationalisation, entrepreneurship and innovation. The professional enhancement of the workforce was pursued with an unerring focus on closeness to employees, synergies and cross-functionality.

Attract and integrate

In 2009, PPR recruited 12,821 employees on permanent contracts, 12,357 on fixed-term contracts and 2,829.8 full-time equivalent (FTE) temporary workers in the 59 countries and territories where the Group operates. Of the employees recruited, 60.1% were women and 94.4% were non-managers.

NUMBER OF RECRUITS BY GEOGRAPHIC AREA

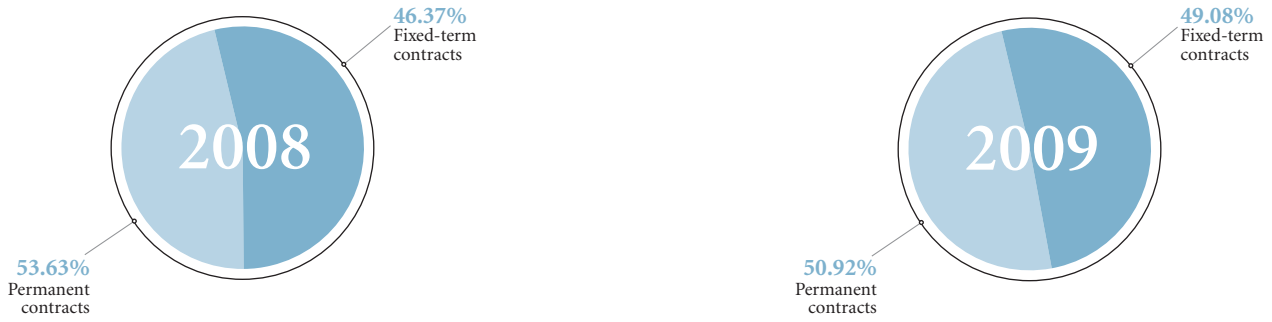


(Rate of coverage: 100%)

In 2009, the labour market remained tight. PPR nevertheless continued its efforts to attract new talent and adapted its recruitment focus in line with the Group's trading conditions and diverse business base.

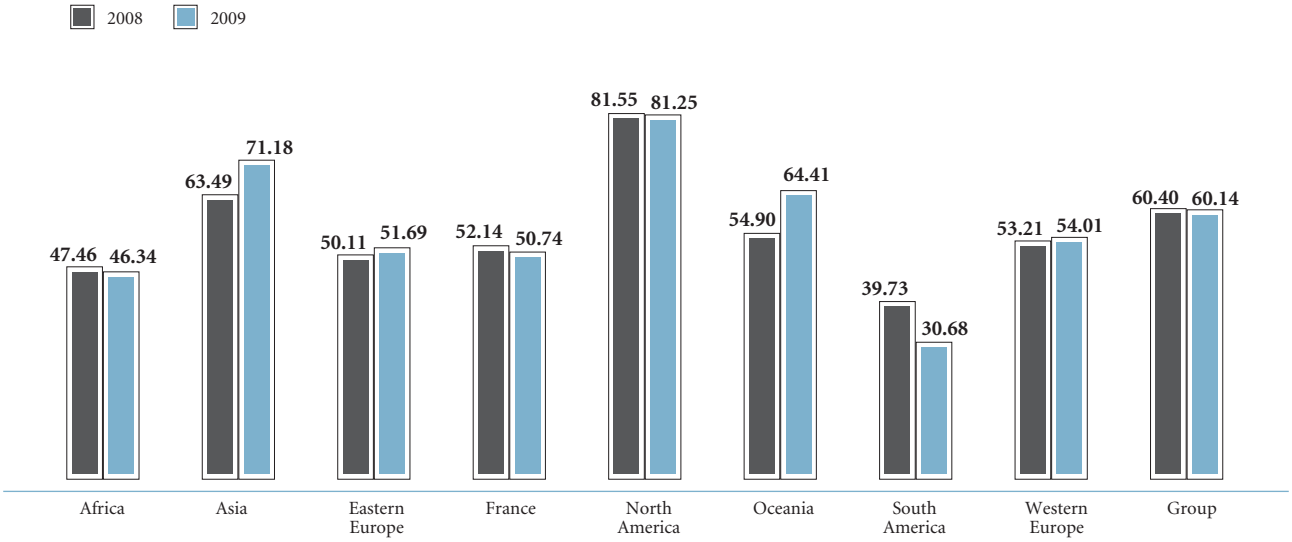
The economic and financial crisis prompted a review of organisational structures based on the close matching of needs and skills.

BREAKDOWN OF FIXED-TERM AND PERMANENT CONTRACTS (%)



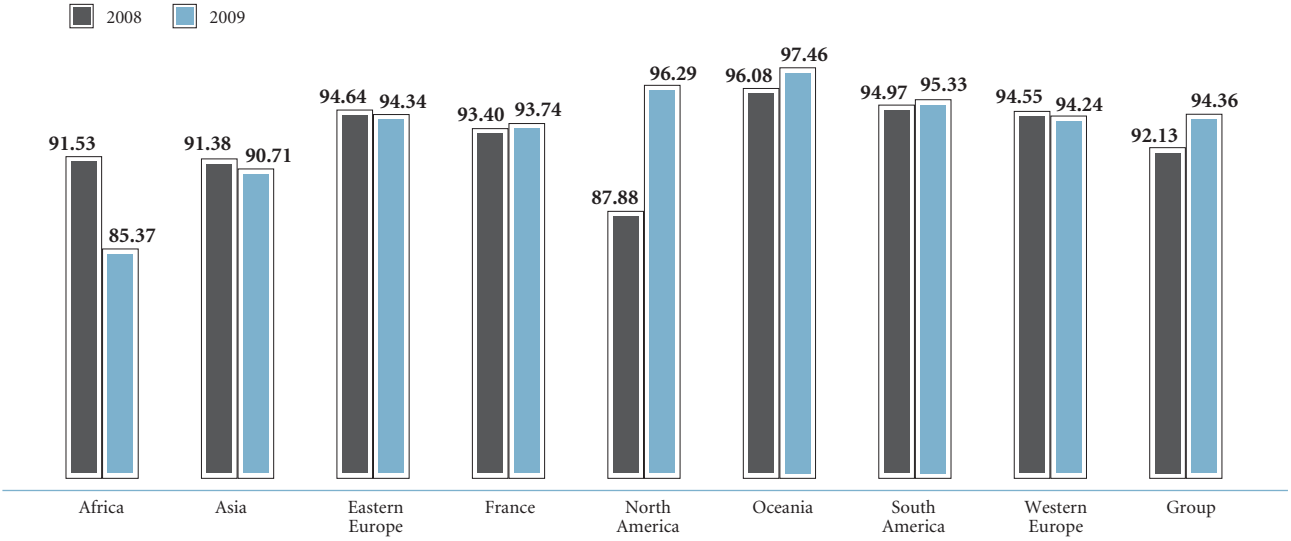
(Rate of coverage: 100%)

SHARE OF WOMEN AMONG RECRUITS BY GEOGRAPHIC AREA (%)



(Rate of coverage: 100%)

SHARE OF NON-MANAGERS AMONG RECRUITS BY GEOGRAPHIC AREA (%)



(Rate of coverage: 100%)

PPR's relations with learning institutions are guided primarily by a desire to attract new talent consistent with the economic climate and with the diversity of the Group's business base.

To cultivate the Group's image as a desirable employer, PPR and its Subsidiaries have drawn up a list of institutions (business schools, universities, etc.) with which specific initiatives and partnerships have been prepared. Actions include participation in forums, talks on the Group and the Subsidiaries' flagship businesses, and the organisation of CV workshops to help students find traineeships or jobs.

Furthermore, for the fifth 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 in which contestants manage a virtual company. The aim is to facilitate exchanges with students from the selected schools and universities and to observe them in a real work situation in order to create a recruitment pool.

In addition, PPR has for several years now been a partner to the ESSEC business school in connection with the "*Une Grande École, pourquoi*

pas moi ?" ("Why shouldn't I go to business school?") programme. The programme aims to give bright youngsters from modest backgrounds access to top-level higher education by developing their social and cultural capital and their self-confidence. In 2009, a number of Group sites (headquarters and stores) welcomed secondary-school pupils enrolled in the programme to their premises in order to familiarise them with their work environments and businesses and to provide career guidance.

At the individual Subsidiary level, new employees undergo induction programmes covering organisational and strategic issues. Redcats Group organises a "Newcomers" session lasting one and a half days for all Redcats France executives and "talents" (new employees, experts and future leaders), as well as for senior management team members posted abroad, during the first six months of their arrival. The session gives participants the opportunity to interact with Management Committee members and meet employees from other Redcats Group banners. At the same time, each Redcats Group banner or division organises induction training at local level. La Redoute, for example, organises a week-long induction training course for all supervisory and managerial staff to explain the company's strategy, operations and general business environment (presentation of sectors and departments, tours of industrial facilities and call centres, introduction to businesses and so forth).

Boucheron has created a one day-long induction programme for all new employees (non-management staff, trainees, etc.) to familiarise them with the brand's history, Gucci Group, the PPR Group and the product range. The day ends with field visits to workshops and boutiques.

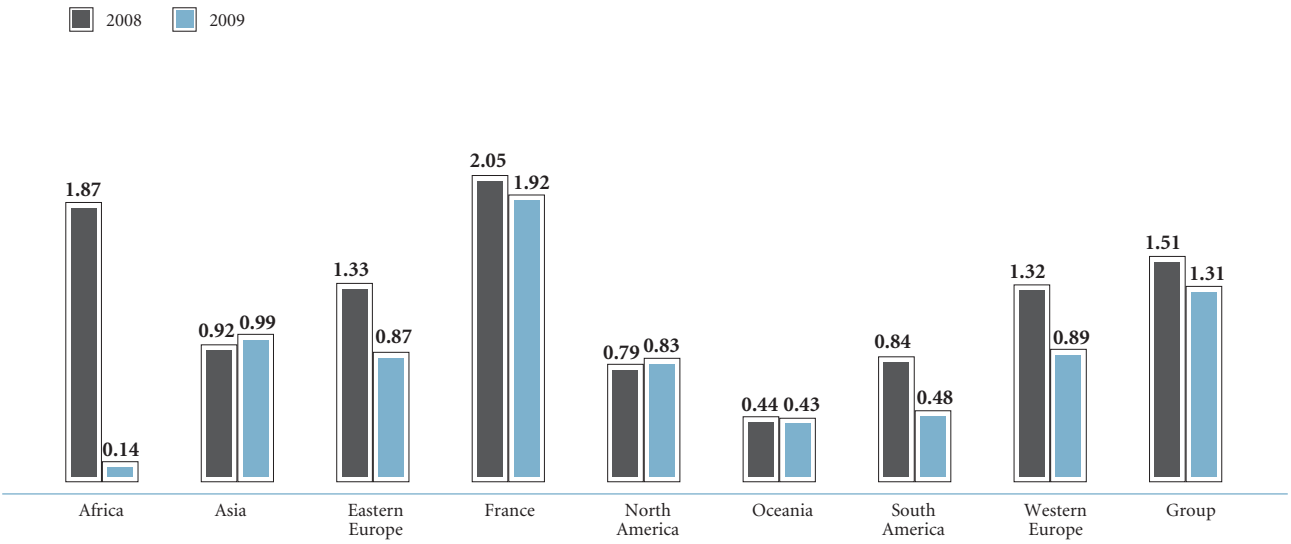
In February 2009, as part of its "Cap Confo" project, Conforama launched its "Cap Confo Attitudes" (I put customers first, I embrace performance targets, My behaviour is responsible and exemplary). The attitudes describe the behaviour expected of employees, both individually and collectively, in the interests of the success of the project. They have been rolled out to every level of the Company and recognise each employee's central role in business development and in sustaining corporate performance. They are likewise ingrained in all of the Company's HR processes – recruitment, induction, performance evaluations and training. The Attitudes are more than a reference framework for Conforama; they embody a mindset, brand image and identity that set the company apart from competitors.

Enhance employee skills

In 2009, the Subsidiaries provided 662,802 hours of training (excluding safety training). In all, 57,902 employees followed at least one session (all training programmes combined). Women represented 56.9% of staff trained in 2009 (excluding the US and safety training).

The Group's training budget was €24.8 million (rate of coverage: 99.99%), corresponding to 1.31% of total Group payroll.

SHARE OF TOTAL PAYROLL ALLOCATED TO TRAINING BY GEOGRAPHIC AREA (%)



(Rate of coverage: 99.90%)

NUMBER OF TRAINING HOURS (EXCLUDING SAFETY TRAINING) BY GEOGRAPHIC AREA [1]

	2009	2008
Africa	1,096	348
Asia	98,594	78,348
Eastern Europe	20,665	41,890
France	212,605 ✓	249,145
North America	114,083	150,269
Oceania	6,090	4,550
South America	30,428	31,682
Western Europe	179,240	241,829
Total	662,802	798,061

(Rate of coverage: 99.90%)

NUMBER OF EMPLOYEES TRAINED (EXCLUDING SAFETY TRAINING) BY GEOGRAPHIC AREA

	2009	2008
Africa	78	58
Asia	6,045	3,626
Eastern Europe	674	1,050
France	11,842	15,449
North America	9,446	5,712
Oceania	172	143
South America	1,527	826
Western Europe	11,653	12,757
Total	41,437	39,621

(Rate of coverage: 99.90%)

BREAKDOWN OF TRAINING (EXCLUDING SAFETY TRAINING) BETWEEN MANAGEMENT AND NON-MANAGEMENT (%)

	2009	2008
% of managers	19.7	21.57
% of non-managers	80.3	78.43

(Rate of coverage: 99.90%)

BREAKDOWN OF EMPLOYEES TRAINED (EXCLUDING SAFETY TRAINING) BY GENDER (%)

	2009	2008
% of women	56.9	54.85
% of men	43.1	45.15

(Rate of coverage: 84.10%, excluding US)

The Group's employee skills development is based on PPR UniverCité's programmes and on in-house training at each Subsidiary.

(1) Training hours provided in France represented 32% of the aggregate amount across all banners. They qualify for inclusion in tax return no. 2483 (compulsory training levy on French employers).

✓ *Verified by the Statutory Auditors.*

PPR UniverCité

PPR UniverCité caters to the Group's and banners' leaders, senior management and key staff members. Its training programmes complement those provided by the Subsidiaries to develop employees' key skills and overall strategic vision.

In 2009, PPR UniverCité added a Leadership seminar to its offering. The seminar aims to strengthen participants' leadership skills and team mobilisation capacity through a more effective understanding and assertion of their personal style. More than 30 employees took the seminar during the year.

Senior managers also received training in motivational, entertaining speaking skills through a new seminar on interpersonal communication.

During 2009, PPR UniverCité took action to realign its offering with the Group's strategic positioning and prevailing economic conditions.

This included the expansion of the offering on individual and collective development themes, with due attention paid to the constraints upon line staff at the various banners. Existing seminars (concerning, for example, leadership, change management and assertiveness) were redesigned to fit into two days.

Commercial imperatives (for example, negotiating skills, innovation/creativity and adapting to new buying behaviour) were addressed through new, theme-based courses lasting one evening/one day or one day.

In addition, efforts were maintained to develop the budding potential identified each year at the Subsidiaries. The employees concerned were enrolled in an 18-month programme encompassing kick-off/learning expeditions, training seminars and the collective management of a project dealing with an aspect of corporate social responsibility.

In June 2009, for example, PPR UniverCité sent about ten employees to provide support for an NGO initiative in Burkina Faso. Participants came together to carry out a concrete, solidarity project in the form of an audit for the *La Voûte Nubienne* association (www.lavoutenoubienne.org), with a view to developing the association's operations in the Sahel region. Thanks to a combination of vigorous preparation and on-site efforts, PPR's employees were able to place their collective know-how at the service of a sustainable development and social entrepreneurship initiative.

In September 2009, about 10 employees took part in a Learning Expedition (immersion trip) in Scandinavia to study the business models of global competitors from Sweden and Denmark.

PPR UniverCité further offers a new "Resources and Development" seminar for high-flying employees, which was attended by 47 participants in 2009. The three-day seminar boosts employees' self-knowledge through 360° feedback and personal profiling, following which each participant is able to draw up a personal development plan. The various stages of the seminar enable high-fliers to consolidate their strengths and develop their skills through role-playing exercises and self-analysis.

About ten HR employees from the various banners underwent specific certification processes (360° and Insight) to help them engage more effectively with the banners' high-potential employees. In 2009, more than 200 persons took part in the training programmes developed by PPR UniverCité.

All of these measures are coordinated in close cooperation with the banners' Training Departments and the HR Development Committees. The overriding goal is to combine resources as effectively as possible and thereby create skills development synergies within the Group.

Training by the Subsidiaries

To meet their specific needs, the Subsidiaries each introduced new training and development measures in 2009 alongside the core programmes initiated in prior years. The numerous training courses designed in 2009 reflect the emphasis on programmes related to the first of the key strategic priorities – Develop employability through skills management and training.

Fnac was among the first European companies to launch a professional experience validation programme and in 2009 remained true to its policy of optimising employees' professional experience in France and abroad. The policy encourages employees to obtain recognition of their professional experience, with the banner preparing and supporting candidates in the achievement of qualifications (the *Bac professionnel* and *Brevet de technicien supérieur standard* and advanced vocational diplomas or, since 2007, Bachelor's and Master's degrees). This commitment to assisting professional experience validation candidates has resulted in a success rate for Fnac's employees above the national average. Since 2004, more than 350 Fnac employees have earned qualifications under this programme, including nearly 30 directors and managers.

Fnac has also instituted a mid-career interview system, which will be rolled out during 2010. The interviews will be routine for all employees aged 45 years and over or with 20 years' of service and are intended to enable those concerned to contemplate their future within the banner with serenity.

Redcats Group is also continuing to promote its image as an employer in all countries in which it operates. Employee development measures were kept up during the year through the SPEED programmes run by Redcats Group's in-house university, with seminars attended by more than 200 participants in 2009. The new "Managing performance" training course introduced in 2009 for all Redcats France companies is designed to teach managers a professional approach to monitoring employees' performance.

Considerable emphasis was placed on the employability of the non-management workforce in 2009. "Inter-industry professional qualification certificates" were awarded to about 20 logistics employees at La Redoute and Movitex. These certificates are designed and issued by employer and employee representatives in the leather/skins, apparel, textile and footwear sectors. They certify that the employees concerned have the necessary skills to engage in cross-functional

activities serving several industrial spheres (textile, metallurgy, medicine, paper/cardboard, home shopping, etc.). La Redoute also has a professional experience validation programme.

Redcats Group also provided basic knowledge training to ensure the employability of its least qualified workers. This basic training encompasses French and Mathematics (with employees who took Level 1 in 2008 admitted to Level 2 in 2009), business knowledge (focusing on the home shopping and retail businesses, web culture and basic economics), change-related assistance in the spirit of "Take charge of your professional goals", office automation and foreign languages. Nearly 300 employees across Redcats Group brands have benefited from such training.

At Conforama, changes in cash desk-related work have prompted the formation of a think tank composed of cash desk managers, Administrative Managers, a representative of the training function and cashiers. The think tank's work on good practices and the role of cashiers within the Subsidiary has resulted in a set of organisational and procedural good-practice guidelines and a training handbook accompanied by e-learning modules to help new employees settle into their positions and understand what is expected of them, and to develop teams' skills. Another outcome was the production of an employee booklet ("*Le Fil Rouge*"), which serves as a ready source of essential information concerning the cash register-reception-financing function at Conforama. The dual aims are to enhance customer-service quality and to recognise and develop the skills inherent in what is a little-known occupation.

Gucci Group has launched its second international leadership development programme for its top staff. The programme follows on from the 2008 "Journey" aimed at allowing each employee to identify his or her managerial style and to reflect upon his or her impact on team motivation. The new programme, called "Quest", brought together 79 international senior managers in 2009. The brands within Gucci Group have also introduced a wide range of training programmes.

Boucheron offers learning sessions covering different aspects of its business – manufacturing workshop, draughtsmanship (range of certificate courses in gemmology with the French National Gemmology Institute, etc.), sales, finance and accounting, foreign languages, office automation, products and personal development, among others. In terms of design, the brand has introduced internally-developed training modules covering the styles of various periods of the 20th century as reflected in artwork and luxury goods. The modules are intended primarily for sales and marketing/design staff, but all employees may take part. It is noteworthy that Boucheron's investment in the acquisition of new skills and professional qualifications in relation to existing jobs exceeds the legal requirement.

In order to enhance and professionalise the sales function in boutiques, Gucci has set up a number of sales training programmes (selling, customer focus) for store directors, managers and sales staff, together with leadership (coaching) courses. In Italy, 1,400 Gucci employees took a one-day training session in skills evaluation and development taught by in-house instructors from the human resources function.

EVALUATE

Annual performance evaluations

The annual performance evaluation process at PPR and its Subsidiaries provides an opportunity for managers and employees to exchange views on the past year's results, as well as on objectives for the coming year.

For the second year running, Balenciaga trained all managers in its recommended evaluation techniques in a bid to foster unity across teams. To date, 82% of employees have been evaluated on this basis. The next step will be to gather employee feedback with a view to career management. In the case of Boucheron, individual annual performance evaluations are conducted on a business-by-business basis. The rate of feedback to the Human Resources Department was 90% in 2009.

At Fnac, annual performance evaluations are treated as an extension of career interviews, with employees given the opportunity to discuss their professional goals. This enables the creation of a tailored development plan for each employee covering, for example, managerial back-up, training and assignments.

People reviews

Every year, at each Subsidiary, the key issues arising from executive evaluation and development interviews (for example, potential mobility) are aggregated and analysed by Human Resources staff at the Subsidiary and Group levels and by senior managers during Career Committee meetings, also known as "people reviews". 2009 saw the introduction of a new tool providing a finer analysis of aggregate information by Subsidiary. The Subsidiary-level information is summarised and discussed at Group level.

This monitoring process has engendered training and development programmes tailored to the needs of the Company and its employees, in addition to facilitating internal mobility and identifying Group employees with high potential.

In 2009, Redcats Group extended its people review process to its entire talent body (new employees, experts and future leaders, in addition to the Senior Management Team). A survey of 100 high-potential employees was carried out during the year to gather more in-depth related information and ensure that processes and tools are aligned with the needs of the employees concerned.

Gucci Group holds an annual "Talent Review" for the teams of the brand CEOs. In 2009, the performances and career development of 110 Gucci Group leaders were reviewed.

DEVELOP

Every year, the Subsidiaries' performance evaluations and the Group-level people reviews identify potential candidates for internal mobility within a Subsidiary or the wider Group. Cases are reviewed by an inter-Subsidiary Committee, which matches candidates to the various posts available within the Subsidiaries. About 50 people pass through this process annually. This approach is also used for the provision of assistance to and redeployment of employees whose jobs are at risk.

Help with redeployment

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

Across the PPR Group in France, Subsidiaries may be called upon to redeploy some of their employees as a result of restructuring measures, site relocations, site closures or cases of physical unfitness for a particular position. To limit the individual impact of these situations to the extent possible and to ensure the successful internal redeployment of all those who wish to continue to work for the Group, PPR has adopted a redeployment policy in France and has set up a Steering Committee under the name of Job Coordination.

Job Coordination, set up in 1999, is an internal network of Subsidiary representatives who are in ongoing contact to identify and propose redeployment solutions. Its role is founded on the principle reaffirmed in 2005 by the PPR Group's Executive Committee concerning a temporary freeze on external recruitment in certain geographic areas until the applications of all existing employees in a redeployment situation in the catchment area concerned and with a suitable profile for the positions on offer have been considered. Over the ten years of the Job Coordination network's existence, members have shared an unrelenting commitment to maintaining common rules for the redeployment of Group employees.

Puma France joined this network in January 2008.

In 2009, the work of PPR's Job Coordination network took on an added importance as the extremely adverse economic conditions resulted in cost reduction plans and restructuring programmes which affected employment. The social and economic context triggered a reaffirmation of the Group's social responsibility as reflected in the employment solidarity spearheaded by the Job Coordination network. Examples of the Subsidiaries' commitments in the sphere of employment solidarity are as follows:

- maintaining the freeze on vacant positions until the completion of employee redeployment within the Subsidiaries, with adherence to this principle overseen by the Group's Job Coordination network;
- defining and implementing priority rules for employee redeployment in the event of the concurrence of staff reductions and competition for available redeployment opportunities.

To this end, the updating and sharing of vacant positions have been optimised. Job Coordination meetings are now held more frequently and the network's rules of operation have been adapted in line with requirements.

In addition, the "Assisted Mobility Guide" used by the Group in France has been revised, re-published and distributed throughout all banners in France. The Guide constitutes the foundation of concerted redeployment action for the benefit of employees affected by economic changes.

In 2009, in order to comply with its announced cost-saving plan and to limit the impact on its employees, Conforama implemented career development steps to assist employees wishing to continue their career within the banner. A hotline service was provided from July 15 to September 15, 2009 to respond to employees' inquiries. Thirty mobility spaces were opened throughout France to help employees formalise their employment aspirations and provide related support. Nearly 550 interviews were held and more than 300 employees were received.

Thanks to internal reorientation training programmes covering both theory and practice, 50 employees changed role within Conforama during the year, with total internal transfers reaching 87. This initiative provides an ongoing response to adjustment processes at Conforama, limiting the staff reductions resulting from the decline of certain activities by channelling employees towards emerging businesses.

Redcats Group systematically reserves vacant positions for suitable existing employees in a redeployment situation. The banner has sought the help of a specialist firm for the purposes of its job protection plan and the La Redoute voluntary redundancy plan, while also working closely with the PPR Group and its Subsidiaries on the redeployment front.

In 2009, Fnac pressed ahead with its ambitious and pro-active programme for the management of jobs and skills in line with changes in its organisation and markets. The aim is to offer employees whose jobs are at risk the opportunity to move to high-growth business segments at Fnac with the benefit of accredited training. Training courses can cover as much as 110 hours, excluding the time allotted for induction into the new business segment. The banner is supportive of part-time working for employees aged 57 and over and tops up pension contributions (employee's and employer's share) in such cases, in accordance with the brand's Seniors Agreement. Fnac's commitment to cultivating the employability of its workforce and the abilities of each employee is thus undiminished.

All of the redeployment and mobility-assistance measures taken by the Subsidiaries and the Group to limit the impact of restructuring on employment testify to PPR's sense of responsibility and social investment.

Preventive management and continued employment of workers who have become incapacitated

Keeping disabled employees in their jobs and the preventive management of worker incapacity are key aspects of PPR's policy in favour of the employment of disabled persons. La Redoute has launched a huge corporate project, "Cap Progrès", which combines ergonomic measures with the pursuit of industrial excellence, with the aim of ensuring that workstations are more comfortable to use and thereby preventing occupational incapacity. After pilot-testing, the project was rolled out more widely within La Redoute and within the Children-Family division through the "LEO (*Logistique Excellence Opérationnelle* – Logistics & Operational Excellence)" project for the continuous improvement of processes and workstations. "*Cap Progrès*" measures have also been deployed within SOGEP through the organisation of a "safety challenge" at 26 outlets and the installation of new sorting equipment to improve working conditions.

REMUNERATION AND EMPLOYEE BENEFITS

- Total Group payroll in 2009: €1.9 billion (rate of coverage: 100%).
- Employer social security contributions for the brands and banners in mainland France in 2009: €338.6 million (rate of coverage: 100% of the France Group structure).

Remuneration policy

Owing to the specificity of the Group's businesses and the decentralised operational structure, remuneration policy is set at individual Subsidiary and brand levels in accordance with the principles of internal fairness and external competitiveness defined by PPR.

Each Subsidiary regularly analyses its remuneration against market data supplied by specialist firms. This market analysis is then used to define overall remuneration policies adapted to each Subsidiary and to the different business segments.

In 2009, Fnac made changes to the variable remuneration paid to non-management employees and supervisory staff at its stores in France. These changes came one and a half years after the introduction of a new employee evaluation system that gives weight to both individual-employee performance and team performance. The principal aim of the changes made in 2009 is to increase salary prospects for high-performing employees.

In 2009, variable remuneration schemes similar to those in place in France were introduced in Spain and Belgium and are under consideration in other countries.

Executive pay

The remuneration of the Group's key executives is monitored by the Group Human Resources Department to ensure consistency and fairness within the Group.

Furthermore, the Board of Director's Remuneration Committee examines remuneration terms and conditions for corporate officers and makes related proposals to the Board. The Remuneration Committee is informed by executive management of the remuneration granted to PPR Group Executive Committee members and of the principal criteria underpinning the remuneration policy applied within the Group.

For the past two years, a portion of the variable remuneration paid to Group Subsidiaries' CEOs has been conditional upon the attainment of precise objectives in the sphere of corporate social responsibility. The objectives in question are determined annually.

The PPR Group's Board of Directors has opted to align the Group's corporate governance with the principles of the AFEP-MEDEF Code and, therefore, complies with the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of the corporate officers of listed companies. The Board considers that the recommendations are all addressed by the corporate governance approach already implemented by the Group and presented in this Reference Document.

Supplementary health, death and disability and pension coverage

In 2009, more than 80% of employees in France benefited from supplementary insurance coverage through the various Group schemes. Most of the other employees likewise had additional coverage in keeping with the legal requirements in their countries of employment. In the case of expatriate employees, special coverage is provided by the Group.

In 2009, in order to improve its employees' understanding of the supplementary health, death and disability and pension coverage available to them, Fnac organised forums and information sessions by the relevant providers. These meetings were used to sum up prior changes, notably the introduction of the scheme with Santéclair, a company specialising in health risk management. Fnac's objective is to adapt the health insurance provided more closely to insurees' medical needs. For example, the results of the scheme provided by the PPR holding company have improved substantially and a number of Subsidiaries are contemplating similar adjustments.

In addition, Group Subsidiaries have expanded their defined-contribution schemes (as per Article 83 of the French Tax Code) and have taken steps to raise employees' awareness of such solutions.

Profit-sharing and incentive agreements

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

In 2009, amid difficult economic conditions and after negotiations between management and employee representatives, Conforama France put in place an incentive agreement that entitles the employees of each establishment to share in the results of the establishment concerned. Where incentive payments are awarded, the agreement provides for the payment of an identical lump-sum amount to all employees, irrespective of position or remuneration level.

Employee savings

Nearly all of the Group's companies in France have Employee Saving Plans, which are designed to invest profit-sharing payments and, 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 that they comply with the lock-in period.

Individual communication of remuneration terms

The PPR Group wants its employees to enjoy better information and transparency concerning the remuneration rules resulting from the remuneration policies that it sets. To this end, some Subsidiaries have introduced an individual wage assessment.

2009 saw Conforama's first individual wage assessment providing employees with complete details on the remuneration structure and employee benefits applicable in the company.

The PPR holding company again produced an individual wage assessment, adding information on estimated staff replacement rates across employee categories.

Fnac likewise provided an individual wage assessment, for the fourth year running. Fnac Italy distributed a specimen pay slip to its workforce to clarify the components of remuneration for employees.

Employee card

The employee card entitles those working for Consumer activities (except Puma) to discounts on purchases made at the Subsidiaries concerned in France and a number of other European countries (the Benelux countries, Spain and Switzerland).

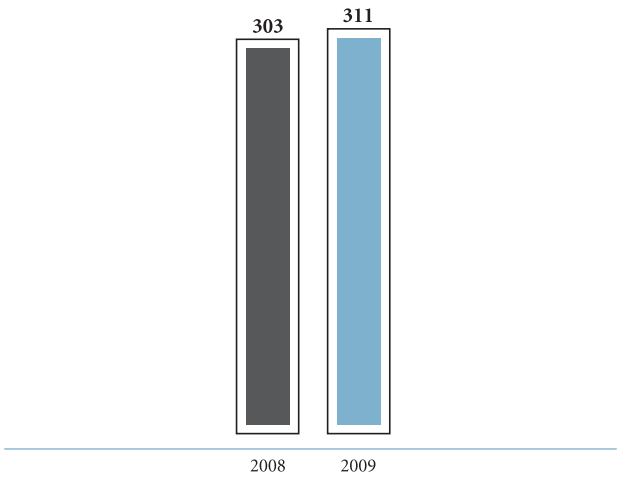
LISTEN TO AND ENGAGE WITH EMPLOYEES

By promoting freedom of expression within the Group and social dialogue with employee representatives, PPR has clearly demonstrated its determination to forge lasting, constructive relationships with its employees. This commitment is evidenced by the in-house employee opinion survey and the quality of social dialogue within the two Group-level employee representative bodies (the Group Works Council and the European Works Council).

The commitment has also been adopted within each company. In 2009, 311 collective agreements were entered into by Group companies, notably in Western Europe, Asia and France, compared with 303 in 2008. The agreements mainly concerned remuneration and employee benefits (wages and salaries, variable remuneration, incentive payments and profit-sharing), employee representation, and the number and structure of working hours. In France, a body of agreements was signed concerning the retention of senior employees at Conforama, Fnac, Redcats Group and Gucci Group. In Italy and Spain, agreements were reached in respect of restructuring operations.

In 2009, despite an unpropitious economic and social climate, the number of hours spent on strike, mainly in France, fell sharply from 60,642 in 2008 to 27,154 or 0.022% of theoretical working hours (rate of coverage: 100%). Strikes outside France mainly concerned other Western European countries. The main trigger points for industrial action were restructuring measures, employee pay and benefits, and sympathy with national issues.

NUMBER OF COLLECTIVE AGREEMENTS SIGNED BY GEOGRAPHIC AREA



(Rate of coverage: 100%)

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

In 2001, PPR introduced a bi-yearly in-house opinion survey, "What's the weather like where you are?", on an international scale. The survey is intended to gather employees' perceptions of workplace issues (working relationships, training and personal development, organisation and operational efficiency, management and so forth). The survey findings are used to determine and implement action plans and to measure their effectiveness over time.

For the purposes of the survey, PPR guarantees that responses will remain confidential, feedback will be provided to all teams and action plans consistent with survey outcomes will be implemented.

2009 marked the fifth survey, which covered PPR Holding & Shared Services, the Fnac brands and banners, Conforama, Redcats Group and, for the first time, Puma. The survey was produced in 12 languages in 55 countries and the number of employees surveyed exceeded 55,000 (including the workforce of Cfao, which was still in the PPR Group's scope of consolidation at the time). The response rate was a record high of 77%, compared with 73% in 2007, reflecting the high level of employee engagement.

The findings of the 2009 survey will be available in early 2010. During the following six months, they will be communicated to Group employees and will be used to formulate action plans by Subsidiary, entity and site.

The next survey will be held in 2011.

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 and operates under French law. Its 24 members, who meet in plenary session twice a year, are kept informed of the Group's strategies, economic and financial imperatives, and human resources management initiatives. The senior management teams of the Group and Subsidiaries (Chairman and Chief Executive Officer, Chief Financial Officer, Human Resources Directors, etc.) work directly with the Group Works Council on an as-needed basis. Each plenary session is preceded by two preparatory meetings of members, one of which is held on the eve of the plenary session.

In 2009, the Group Works Council met in plenary session on May 12 and October 22. The main points discussed by members were the 2008 results, the Group's level of activity and economic and financial situation during the first half of 2009, the latest news concerning the Subsidiaries, the "What's the weather like where you are?" survey, preventive measures in respect of the H1N1 swine flu pandemic, and the Group's strategy and outlook.

The PPR European Works Council (EWC)

Created pursuant to the agreement of September 27, 2000, the PPR European Works Council (EWC) provides a Europe-wide forum for information, consultation, the exchange of views and dialogue. The EWC is a true cross-border institution and operates alongside existing national employee representative bodies in accordance with specific prerogatives.

The PPR European Works Council was renewed in September 2009 and its scope of influence has been extended following Puma's integration into the Group.

The EWC ordinarily holds two three-day plenary sessions per year, at which it is informed and – where applicable – consulted about cross-border issues affecting Group employees, in accordance

with the precise terms set out in the new agreement governing its functioning, signed on September 3, 2008. The new agreement was signed by the PPR Group's Management and the members of the EWC and is broadly similar to the previous one. It has expanded the functioning of the EWC by developing and specifying prerogatives and the various associated conditions. The EWC also has a select Committee composed of four members, elected by their peers, who meet at least five times a year to prepare and analyse the two annual plenary meetings and to discuss certain issues with executive management.

An addendum to the agreement governing the EWC's functioning dated September 3, 2008 was signed on June 25, 2009. The addendum makes the right of each country to have at least one permanent member on the European Works Council conditional upon a workforce of at least 50 employees in the country concerned.

In 2009, the EWC addressed topics related to the Group's economic and financial situation, activities, outlook and strategy, as well as European social indicators. On March 31, 2009, the EWC was informed and consulted at an extraordinary plenary meeting with regard to the cost-saving plans put forward in France by Fnac and Conforama, and to the competitiveness-restoration and reorganisational measures planned by the Group's various banners (La Redoute, Conforama Iberian Peninsula and Conforama Italy).

During 2009, the charters in support of the employment of disabled persons and seniors negotiated with the European Works Council in 2008 were distributed throughout the Group and a progress report on their implementation was provided to the EWC.

At the plenary meeting of November 24, 2009, it was agreed that the new Select Committee of the European Works Council should be consulted on the subject of psycho-social risks. The consultation process got under way in December 2009 and will continue throughout 2010.

Priority 2: train each manager on diversity issues

PPR has long been committed to diversity and was among the first to sign the Diversity Charter in 2004.

This commitment goes beyond social responsibility compliance. The Group is convinced that companies whose teams reflect all of the diversity of the surrounding society (in terms of gender, age, origin or disability) enjoy a real economic and competitive advantage. Diversity is further conducive to social cohesion and internal dialogue.

Managers play a crucial role in the recruitment and career development of their team members and are therefore crucial to the policy of promoting diversity within the Group. With this in mind they must be trained to ensure that adherence to diversity principles is firmly anchored in their managerial practices.

A COMMITMENT UNDERTAKEN AT THE HIGHEST LEVEL

By making diversity training for managers one of its seven key strategic priorities, the PPR Group has clearly demonstrated its ambition to make diversity part of everyday life at its Subsidiaries.

This ambition was formalised by the signature of the Diversity Charter by François-Henri Pinault in May 2005 (subsequent to signature by PPR in 2004) and by the signature of the Charter of Corporate Commitment to Equal Opportunities in Education in December 2006. The PPR Code of Business Practices, available to employees since 2005, is further evidence of this commitment and was redistributed to the entire workforce in 2009.

At end-2009, the PPR holding company signed the Parenthood Charter, signalling its desire to provide employees who are parents with a working environment conducive to a healthy work/family life balance.

The Group's endeavours in favour of the employment of disabled persons are undiminished. A third partnership agreement between PPR and Agefiph (a French association promoting job placements and vocational training for the disabled) came into effect on October 1, 2009 and will cover a period of 15 months. This new agreement includes Fnac, Redcats Group, PPR Headquarters & Shared Services and the four Gucci Group brands in France. Conforama, which continues to participate in PPR Mission Handicap, is continuing its pro-disabled people endeavours under a company agreement entered into in 2007 with the chain's management and employees. Negotiations concerning the renewal of the agreement were in progress at the end of 2009.

In 2008, two other charters were negotiated with the members of the European Works Council, one promoting the employment of seniors and the other the employment of disabled persons. These charters have reinforced the Group's commitment to diversity across Europe.

INTER-COMPANY MANAGEMENT

Decentralised management is one of PPR's defining characteristics. The Group's role is to establish and communicate a common framework for all of the Subsidiaries, encourage the sharing of good practices between them and provide support with the implementation of company-specific action plans.

The PPR Human Resources Department, through the Diversity Committee, coordinates the Group's pro-diversity policy with the help of a network of contacts at each Subsidiary. This approach results in a more tailored response to each Subsidiary's situation in terms of culture, history and employment catchment areas. It also facilitates ownership of diversity issues by each Group entity.

The Diversity Committee comprises up to two representatives from each Subsidiary and two representatives of PPR's CSR Department, and is coordinated by the PPR Human Resources Department.

Mission Handicap fits naturally into its operations. The Committee has met every three months since November 2004 to report on and monitor progress at the banners on action plans and targets, share good practices and launch new initiatives.

The commitment to train all managers on diversity issues is one of the matters closely monitored by the Diversity Committee. The Committee gives Subsidiaries the opportunity to share their views and exchange experiences with the aim of implementing measures more effectively.

AN APPROACH BASED ON ANALYSIS AND PERFORMANCE MONITORING

In order to craft a pro-diversity policy and action plans adapted to its characteristics and circumstances, the PPR Group initiated three analyses at Fnac, Conforama and Redcats Group in 2004. The analyses were performed by external, independent consulting firms.

Priority tasks in France were identified thanks to subsequent targeted assessments performed by external providers in 2008 – a situation report on the employment of disabled persons by the four Gucci Group brands (Yves Saint Laurent, Gucci France, Balenciaga and Boucheron) at the beginning of 2008 and a quantitative assessment of gender equality in the workplace at nine PPR Group brands/entities.

Every year, the Subsidiaries also carry out quantitative and qualitative self-assessments of their commitments and initiatives concerning equal opportunities and diversity. This allows monitoring of progress over time and helps identify areas of emphasis for maximum effectiveness. Practices applied outside the Group are also looked at.

PPR's partnership with Agefiph requires the Group to prepare a full audit of progress at each anniversary of the date of signature of the related agreement. In June 2009, the reporting process conducted at the end of the two-year term of the second PPR/Agefiph agreement yielded very positive results, especially on the recruitment front: PPR had initially planned to hire 75 disabled persons, but ended up recruiting 126 in total (on permanent contracts, vocational contracts, fixed-term contracts and temporary assignments lasting six months or more) at the entities included in the scope of the agreement (Fnac, Redcats Group, PPR Headquarters & Shared Services and the four Gucci Group brands in France). The audit also highlighted 181 additional initiatives to encourage inclusion (assignments of less than six months and traineeships). In 2009, thanks to its vocational contract programme for the disabled, Fnac was able to take on 14 disabled persons (who received 455 hours of training) to work in Customer Services.

Since 2005, the in-house opinion survey has recorded employees' views on equal treatment regardless of gender, origin, age, and health/disability. The 2007 version provided the first insight into the trend in employees' perceptions of these issues: favourable scores for these four issues ranged from 68% to 79%, a considerable advance on 2005. The results of the 2009 survey are expected at the beginning of 2010.

AWARENESS-RAISING AND TRAINING

The PPR Group is convinced that awareness-raising among employees is a pre-requisite to the deployment of a proactive policy in the sphere of diversity. Accordingly, the Group and its Subsidiaries have developed a range of routine exercises on the theme of diversity that include dedicated meetings, diversity-related articles in internal communication media and awareness-raising/training modules.

As part of its commitment to train all of the Group's managers on diversity issues and in keeping with PPR's decentralised approach to management, each Subsidiary prepares its own programmes, resources and specific modules. PPR monitors progress regularly.

By end-2009, all of Fnac France's managers and Human Resources staff had received diversity training based on modules targeted at different audiences (Human Resources functions, Store and Regional Directors, and customer-facing managers). This training includes alerting employees to stereotypes and their influence on behaviour, an overview of the legal context, a focus on various diversity issues, a situation report on diversity within Fnac, sharing commitments, managerial practices in real-life situations, detailed information concerning the nationwide action plan and examples of measures to be taken at individual level. The modules will be deployed internationally during 2010.

Conforama likewise trained all Human Resources staff during the year, thanks to a one-day course organised in partnership with an independent firm of specialists. The course covered two principal themes (equal opportunities and diversity management) and used both theoretical and cultural approaches, backed by exercises

focusing on stereotypes and prejudices. This training is a precursor to that designed for managers, which will be integrated into existing managerial modules. In addition, Conforama's Chairman and CEO decided to sign the Diversity Charter afresh as a testimony to his commitment at the head of the chain.

Redcats Group's training programme reflects the ideas brought to the table by managers during earlier meetings of dedicated focus groups. Role-playing and real-life situation exercises are a salient feature of the programme, the aim being to prepare managers to deal concretely with operational diversity management in a team context. At the end of the training session, participants are given a practical booklet providing guidelines and highlighting points to watch.

The Gucci Group brands in France have adopted the same operational approach, supported by a uniform, one-day training module centred on recruitment. All Gucci Group managers have now received diversity awareness training through an e-learning module covering the PPR Code of Business Practices.

For the fourth year in a row, PPR Mission Handicap unveiled a nationwide, in-house awareness-raising campaign to coincide with France's National Week for the Employment of the Disabled.

A poster campaign using two illustrations was used to celebrate the fifth anniversary of PPR Mission Handicap and achievements over that time in terms of the integration of disabled persons into PPR teams or initiatives put in place in favour of the disabled. The posters also urged Group employees to remain committed to the cause using the rallying cry "Let's keep going together!"

All Group Subsidiaries in France were drawn into the process. In all, 3,000 posters were printed and dispatched to sites by employees of ESAT (*Établissements et Services d'Aide par le Travail*) sheltered employment programmes.

Concurrent actions during the week-long mobilisation included the welcoming of disabled jobseekers under Agefiph's "One day, one business in action" scheme, Conforama's participation in Handichat (online video chats bringing companies and disabled jobseekers together), participation in specialist recruitment forums, French Sign Language workshops, exchanges with disabled artists and/or disability associations, presentations by Paralympic athletes, short plays, demonstrations featuring guide dogs for the blind and buffets/cocktails catered by ESAT sheltered-workshop employees.

In addition, all Conforama employees were shown the last two films covering the banner's awareness-raising campaign (six short films in total, shown from end-2008 and throughout 2009). The quality of Conforama's campaign has already won two awards for the banner (the "Grand Prize for HR Creativity" from the ACCE [1] and the "Corporate Internal Event Prize" from the UJJEF – *Communication et Entreprise*, a professional association of corporate communicators in France). Conforama also involved customers in its mobilisation campaign for the very first time in 2009. A themed comic strip was distributed to the banner's employees and concurrently offered for sale to customers in stores at the symbolic price of €2, with proceeds going to the A.I.M.E 77 (*Autisme Intégration par Méthodes Éducatives 77*) association. This association promotes the schooling and personal development of children who are autistic or have invasive development disorders. Conforama wanted to support this public initiative, which aims to provide autistic children with an adapted, enriching education alongside other children.

Awareness-raising action outside the National Week for the Employment of the Disabled included the distribution to all employees of the "Conforama Practical Guide on Disability", which contains details of the various types of aid provided by the company and the state, together with tax assistance for the disabled.

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

Encouraging diversity within the workforce implies diversifying recruitment sources. Accordingly, PPR and its Subsidiaries advertise job offers on generalist and specialist websites like Hanploi [1] and forge partnerships with organisations that promote the employment of disabled persons, for example, Cap Emploi [2].

The many other initiatives carried out by the Subsidiaries include participation in forums (AFIJ, Alliance, Adapt, etc.), cooperation with dedicated bodies (Ettique, Hors les Murs, etc.) and the promotion of vocational contracts for the disabled.

(1) Agence Conseil en Communication pour l'Emploi, employment communication advisory agency.

(2) Website dedicated to disabled jobseekers.

(3) Agefiph partner-associations that assist companies with the recruitment of disabled people and give disabled jobseekers help and advice during induction.

Furthermore, equal treatment is assured by the Group's performance evaluation and career development processes (for example, annual performance evaluations, joint decisions by Employment or Career Committee members, Validation Committee for salary reviews, and communication and computerisation of procedures concerning access to training).

INVOLVEMENT OF MANAGEMENT AND EMPLOYEES

In 2007, Conforama entered into a three-year agreement related to the employment of disabled persons in France. The agreement was signed by all of the trade unions concerned. A joint Steering Committee monitors compliance with the terms of the agreement and reports annually to the European Works Council. In September 2009, negotiations were initiated for the renewal of the agreement, which was nearing completion towards the end of December.

In 2008, the PPR Group's management and the members of the European Works Council successfully negotiated two charters designed to strengthen the Group's undertakings in the sphere of the employment of disabled people and seniors within PPR's European companies and banners. The charters are intended to guide Subsidiaries' related initiatives and change employee attitudes. Each Group company determines its own actions based on the guidelines laid down in the two charters, sets targets and marshals the resources required to achieve them. The charters have been presented to the employee representative bodies of each entity. They can be downloaded from PPR's website (under Commitments).

A progress report is compiled once a year and submitted to the members of the European Works Council. At end-2009, discussions got under way with the new Select Committee of the European Works Council on the subject of psycho-social risks. The consultation process will continue throughout 2010.

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. The many measures taken in this respect include supplier compliance audits, the de-listing of suppliers whose social responsibility performance is deemed inadequate or even in breach of the basic principles of human rights and the cultivation of local partnerships.

The PPR Group is keen to maintain lasting relationships with its service providers and business partners. Accordingly, the Group has established a framework defining the reciprocal commitments between PPR and its partners. The approach taken is based on the promotion of respect for human, social and environmental rights and on doing business with partners from the social economy.

THE CORNERSTONES OF PPR'S COMMITMENT TO ITS BUSINESS PARTNERS

The Group emphasises long-term partnerships that guarantee continuity and reliability. These long-term partnerships are founded on a set of strict rules, which are cited in the PPR Code of Business Practices, inter alia. All of the related documents are based in turn on the core conventions of the International Labour Organization (ILO) and internationally recognised human rights standards.

In keeping with the Group's decentralised approach, each Subsidiary commits to the approach best suited to its businesses and operational methods. Puma, for example, works with the Fair Labor Association (FLA) and was accredited by that organisation in 2007. Redcats Group, Conforama and PPR Purchasing (PPR-P, the direct purchasing hub for white, brown and grey goods, household appliances, and own-brand audiovisual and computer equipment) follow the methodology prescribed by the Social Clause Initiative (SCI). Note that in 2008, Redcats Group agreed a more specific methodology for measuring working hours with the SCI. Gucci Group is pursuing SA 8000 (Social Accountability 8000) certification for its brands.

Whatever the method, system and tools deployed, the objective is always that of helping the Group's suppliers meet minimum corporate social responsibility standards and develop their own CSR approach, with a view to establishing stable, lasting relationships.

PPR's decision to join the Global Compact in 2008 has strengthened the Group's commitment to the defence and promotion of the United Nations' ten principles in the fields of human rights, labour, the environment and anti-corruption. The Group's first COP (Communication on Progress) in relation to this commitment, submitted in 2009, is available on PPR websites and the Global Compact website (www.unglobalcompact.org).

The PPR Code of Business Practices

The Code of Business Practices was formulated by PPR and has been shared by the banners since 2005. It is founded on internationally recognised standards, namely:

- 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 the Rights of the Child; and
- the core conventions of the International Labour Organization.

In 2008, the Code was updated by the members of the Ethics and Corporate Social Responsibility Committee and the revised version was provided to all employees during 2009. The Code has been translated into the 14 languages most widely spoken within the Group and delivered to employees' fingertips. Some Subsidiaries opted to attach a copy of the Code to employees' pay slips and others preferred e-mailing coupled with online communication campaigns. The Code can be downloaded from PPR's website.

The PPR Group Supplier Charter: in place since 2002

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

- prohibition of the employment of children under the age of 15 and of forced labour (Conventions 29, 105, 138 and 182);
- compliance with occupational 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 encouraged to ensure that their own suppliers comply with the principles set forth in the PPR Group Supplier Charter. To facilitate comprehension and application by suppliers, some brands have translated the charter into the local languages of the regions in which they operate (Bengali, Kannada, Tamil, etc.).

Sector commitments undertaken by the Group

In 2004, PPR's Indirect Purchasing Department produced an Ethics Charter specifically for logistics and transport as a complement to the Supplier Charter. Sent to carriers under contract with PPR since 2005, the Ethics Charter stipulates 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 include corporate social responsibility requirements.

In parallel, the Code of Ethics specific to online negotiations prescribes buyer and supplier commitments at each stage of the negotiation process in order to ensure a spirit of mutual trust in this new form of conducting business.

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

For indirect purchasing purposes and given equal service levels, the Group gives preference to socially responsible suppliers whose commitment to CSR is reliably documented. The Group is, therefore, attentive to the CSR processes implemented by its suppliers.

An analysis of PPR's Indirect Purchasing Department's supplier list shows that in 2009:

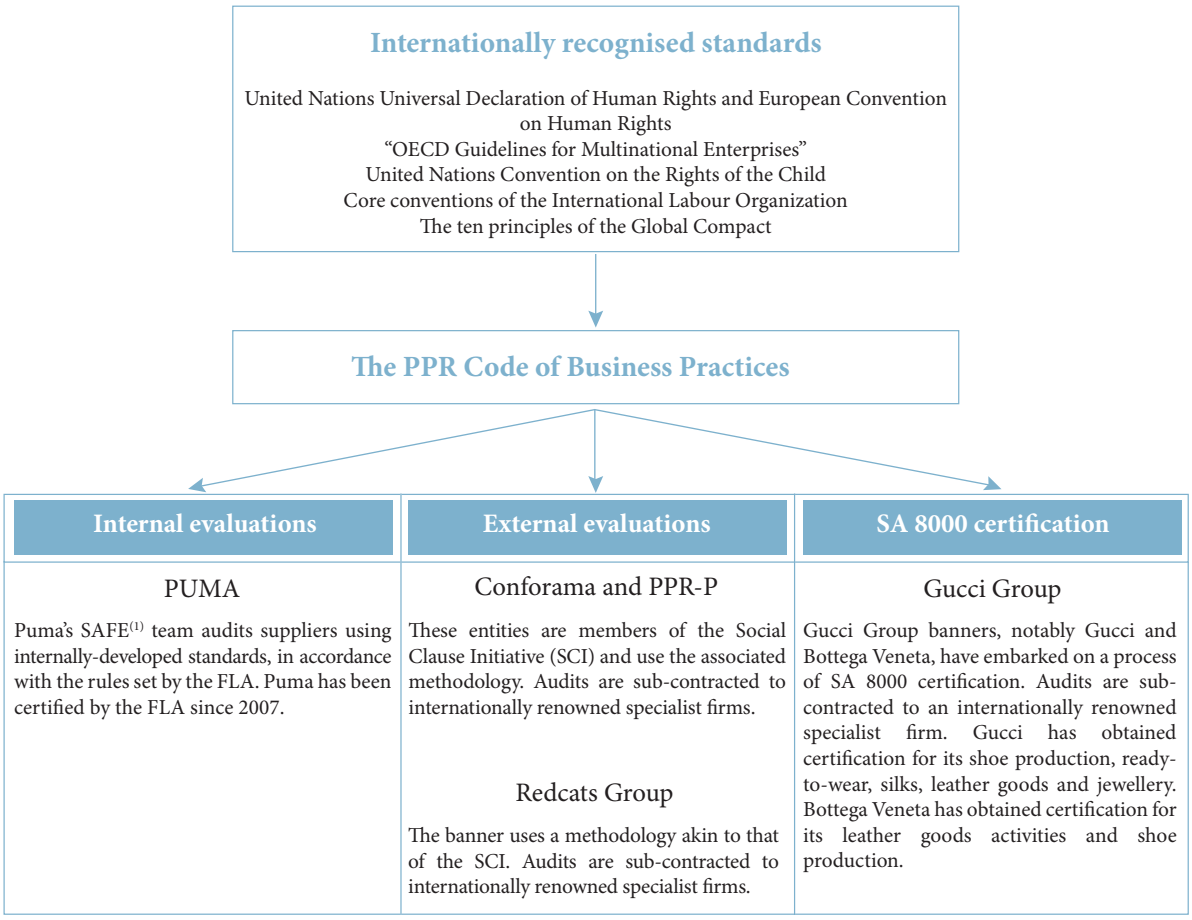
- **in express transport**, 100% of suppliers had ISO 9001 certification and 80% had ISO 14001 certification;
- **in air freight**, 59% of suppliers had ISO 9001 certification and 26% had ISO 14001 certification;
- **in marine transport**, 81% of the Group's suppliers had an ISO certification, with 85% of them ISO 9001-certified and 92% ISO 14001-certified.

BUSINESS-SPECIFIC APPROACHES

In keeping with the Group's policy of decentralisation and to ensure that each Subsidiary can address its specific needs with maximum effectiveness, the Subsidiaries are free to define and implement social compliance criteria for their supply chains, subject to strict adherence to the ethical principles contained in the PPR Code of Business Practices.

Three approaches are used within the Group, as follows:

MONITORING OF SOCIAL COMPLIANCE IN THE SUPPLY CHAIN WITHIN THE PPR GROUP



Internal evaluations

Within the PPR Group, only Puma currently has a full-time, in-house team dedicated to supplier compliance with the brand's ethical principles. The team has 13 members.

Puma's SAFE (Social And Fundamental Environmental standards) concept ensures that Puma's social and environmental standards are applied within the company and at its suppliers. The concept was initiated in 1993 when the Puma Code of Conduct was first published and sent to Puma's suppliers in Asia. Full details of the SAFE standards are available on the brand's website.

Puma's SAFE programme has been fully certified by the Fair Labor Association (FLA) since 2007.

The FLA is an external association dedicated to monitoring and implementing the required standards of working conditions at suppliers. As a member of the FLA, Puma must regularly send updated lists of its suppliers to the association, which selects up to 5% of the supplier facilities for external, independent and unscheduled audits, performed by FLA-accredited auditors. In accordance with Puma's commitments with regard to the FLA, the brand's supplier list has been available to the public since 2005.

In addition to evaluations and partnerships with suppliers for development and training, Puma organises an annual conference with its stakeholders, "Talks at Banz", in cooperation with the German Network of Business Ethics. During these conferences, university representatives, suppliers, employees, non-governmental organisations and other Corporate Social Responsibility experts meet

(1) Team in charge of CSR at the brand (see http://safe.puma.com).

with the Puma teams concerned to discuss CSR issues, as well as the brand's social and environmental strategy.

In keeping with its unwavering commitment to transparency, Puma regularly publishes sustainable development reports, which include the progress made in relation to set objectives. In 2009, Puma again met the Global Reporting Initiative requirements for an A+ rating. The last report, published in 2009, also contained a notice of verification and certification from the German certification body TÜV-Rheinland.

External evaluations

Recognising the need for policies to evolve through knowledge-sharing, the Group's banners joined the Social Clause Initiative (SCI) in 2002. The SCI is a body composed of 13 of France's largest retailers and two European retailers, which have undertaken to encourage their suppliers to comply with Human Rights and local employment legislation at their production units. One related requirement is the on-site verification of actual working conditions at supplier sites. On-site inspections are carried out by external, independent specialist audit firms accredited by the SCI.

In order to address the operational realities faced by its brands and banners as effectively as possible, the Group amended its SCI membership in 2007 to allow brands that so wished to continue their cooperation with the Initiative. PPR is active in very diverse markets and operational performance is its primary concern. The Group considers that this cause is best served by allowing its brands and banners to participate in sector initiatives clearly linked to their core businesses.

In conjunction with SCI-approved audit firms, the member-banners have developed a set of common reference tools (SCI Code of Ethics, audit manual, factory profile, audit questionnaire, audit execution guidelines, corrective action plan and alert notification). During 2009, the SCI Code of Conduct was revised in line with that of the Global Social Compliance Programme (GSCP), an international initiative for the worldwide harmonisation of standards and tools used in the management of social compliance in the supply chain.

The audit questionnaire is used by the SCI member-banners as a common framework for conducting social audits. The questionnaire incorporates the core ILO conventions and recommendations and local regulations in each country. It is divided into eight sections: child labour, forced labour, discrimination, disciplinary practices/ harassment or ill-treatment, freedom of association, working hours, wages and benefits, and health and safety.

In the event of major non-compliance, a warning system guarantees that the manager in charge of social compliance audits at each banner is alerted no later than 48 hours after discovery. Examples of major cases of non-compliance that warrant an alert notification are the physical presence of children in the plant, confirmed cases of forced labour, confirmed cases of unpaid work, evidence of ill-treatment or excessive disciplinary practices and the existence of a working environment presenting an immediate risk to the health and/or safety of 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. In the case of Redcats Group, the standards applied are very similar to those used by the SCI, with different weightings ascribed to non-compliance cases deemed serious.

SA 8000 certification at Gucci Group

Gucci Group recognises the value of its suppliers' know-how and is keen to ensure social compliance throughout its supply chain operations. To this end, the company has embarked upon a demanding social accountability certification process.

SA 8000 is an international social accountability certification standard used to assess a company's facilities and supply-chain relationships. The standard is based primarily on the principles of the International Labour Organization and measures the performance of companies in nine areas: child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems. The standard also provides for a social accountability management system to demonstrate commitment to the continuous improvement of working conditions. The accreditation body for the certification process is the non-governmental organisation Social Accountability International (SAI). The Gucci brand has been a member of SAI's Consultative Committee since 2009.

Gucci obtained SA 8000 certification for its leather goods activities and jewellery supply chains in 2007. SA 8000 certification was subsequently obtained for the brand's shoe production facilities in March 2009 and for the ready-to-wear and silk businesses in November 2009. Gucci Group's main logistics platform, LGI (Luxury Goods International), also successfully completed the certification process, in December 2009. Gucci Group is now working towards SA 8000 certification for its Italian boutiques. The Bottega Veneta brand, too, is seeking certification for its operations and was awarded SA 8000 certification for its footwear production and leather goods activities.

DEPLOYMENT OF POLICIES THROUGH WIDE-RANGING ACTION PLANS

The PPR banners and brands use differing supplier evaluation systems and the presentation of audit findings below reflects this. Results are provided first for Puma, whose audits are performed by its SAFE team, then for the banners that have opted to evaluate suppliers using SCI tools and, lastly, for Gucci Group, which uses the SA 8000 approach. In the interests of transparency in relation to areas representing a major risk, outcomes are also analysed by geographic area.

The breakdown of audits reflects the Group's geographic sourcing regions for its banners and its practice of focusing audits on countries where the risk of non-compliance with its Code of Business Practices is greatest.

The Group also relies on the expertise of its 29 purchasing agencies, whose employees are for the most part recruited locally.

In 2009, PPR carried out 3,493 audits, all approaches combined (in-house evaluations, SCI methodology and SA 8000 certification).

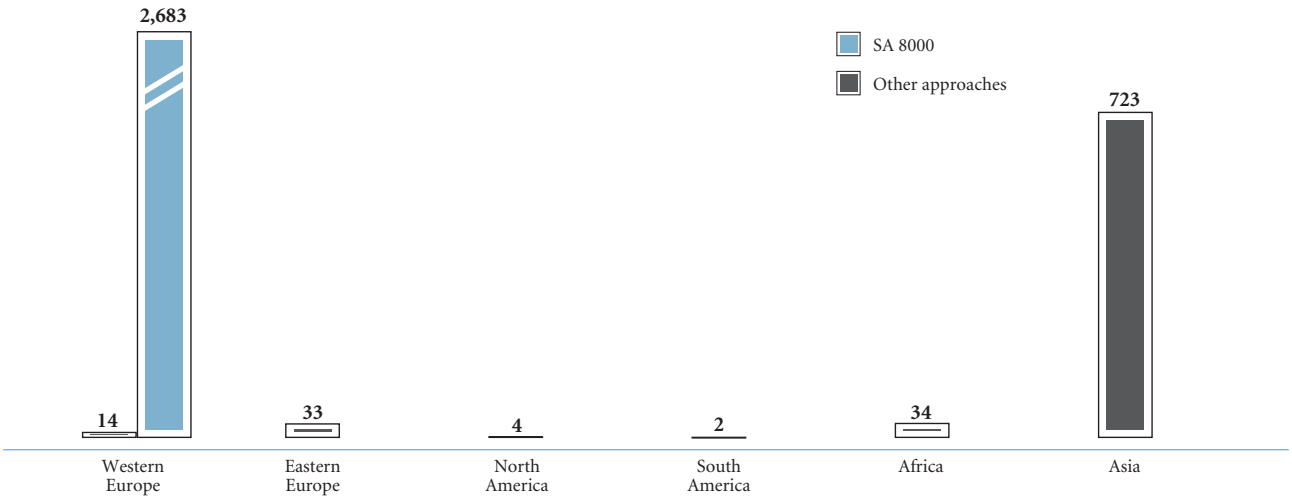
NUMBER OF AUDITS PERFORMED BY PPR IN 2009 AND 2008

Total number of audits in 2009	Total number of audits, excluding SA 8000	
	2009	2008
3,493	810	934

The data show a 13% decline in the number of audits carried out by the banners (excluding SA 8000 certification), mainly in response to the Group's action to pare the supplier base.

In 2009, PPR's audits covered 41 countries, 14 less than in 2008, reflecting the banners' focus on high-risk regions. Of the 3,493 audits carried out, 77% concerned Europe (chiefly Gucci Group) and 21% concerned Asia (with 11% in China).

BREAKDOWN OF AUDITS PERFORMED BY PPR IN 2009 BY GEOGRAPHIC AREA



Puma

Internal evaluation and monitoring system

Puma has conducted more than 2,500 audits since 2002 and has developed an internal database to ensure total transparency and accountability with regard to supplier inspection.

During each audit, plants are assessed and rated (A, B+, B-, C, D) based on Puma's formalised internal evaluation system. New plants must satisfy 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 have been made.

Upon completion of the audits, follow-up reports are drafted by the brand's in-house teams who conducted the audits in order to verify progress in the implementation of corrective action plans. The factories report on the measures implemented. Written proof is initially accepted as evidence of corrective action, but does not remove the need for a follow-up audit to ascertain that remedial measures have been properly implemented.

Information and complaints procedures

In 2005, Puma published its first SAFE pocket guide for employees of factories that work for the brand. The pocket guide was first published in English and Chinese, and subsequently also in Vietnamese,

Thai, Bangla, Urdu, Malay (Bahasa Malaysia), Indonesian (Bahasa Indonesia), Turkish, Spanish and Arabic.

The pocket guide is an abridged version of the SAFE handbook providing essential information on Puma's social, environmental and health and safety standards, together with full contact details to enable factory employees to reach the SAFE team directly in case of breaches of the Puma Code of Conduct. Puma auditors also distribute copies of the pocket guide to employees selected for interview during audits. The pocket guide thus serves as both an information and communication tool for employees. Contact details for SAFE team members are also displayed on Puma Code of Conduct posters in facilities, in the language of the country concerned. Puma has thus maintained a confidential channel of communication with its indirect employees around the world since 2005.

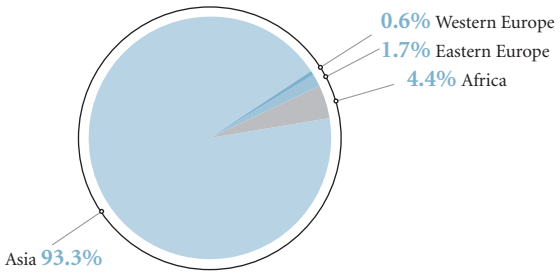
This direct communication link has already been used by employees working in separate factories. In addition, Puma's membership of the FLA means that third parties are entitled to file an official complaint with the FLA if they feel that there has been a breach of the Code.

Evaluation of Puma suppliers in 2009

Puma distinguishes between two main supplier categories: direct suppliers and indirect suppliers (sub-contractors used by direct suppliers). The brand focuses principally on direct suppliers, but is also committed to monitoring the social performance of its suppliers' suppliers by means of audits.

In 2009, Puma carried out 341 audits, including 294 at direct suppliers (called Tier 1 suppliers) and 47 at indirect suppliers.

BREAKDOWN OF AUDITS PERFORMED BY PUMA IN 2009 BY GEOGRAPHIC AREA (%)



Total: **341 audits**

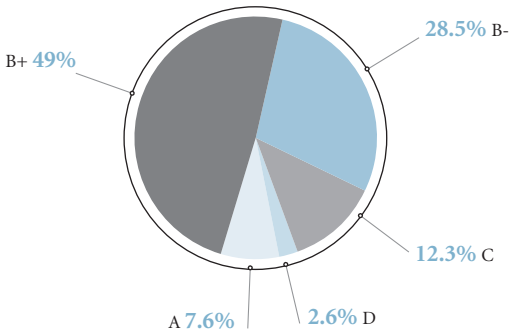
Of the 336 direct suppliers, 281 were audited in 2009 in the course of 294 audits. All told, 84% of Puma's direct suppliers were audited during the year.

In 2009, Puma also continued to develop its process for indirect suppliers, which are ranked in tiers:

Tier 2 suppliers are sub-contractors of Puma's direct suppliers and Tier 3 suppliers provide components like zips, laces and buttons to Tier 1 suppliers.

Puma's teams audited 39 indirect suppliers in the course of 47 audits in 2009.

BREAKDOWN OF THE RESULTS OF AUDITS PERFORMED BY PUMA IN 2009 (%) ✓



Total: **341 audits**

✓ *Verified by the Statutory Auditors.*

Beyond social auditing: development of supplier skills (capacity-building programmes)

Puma's development and training programme is anchored in the belief that evaluation goes hand in hand with the fostering of skills and enduring systems within the factories.

This reasoning underpinned Puma's decision to join forces with Adidas and TÜV Rheinland to develop a training programme in human resources management, which was introduced in China in 2006 and 2007. Given the programme's success in China, Puma launched a similar programme for Vietnamese suppliers at end-2008. The first phase of this project, in which three other international sportswear companies are involved, got under way at end-2008 and continued in 2009. During 2009, human resources managers from 13 Vietnamese suppliers, mainly footwear manufacturers, took all of the training modules. This initiative was backed by Vietnam's Chamber of Commerce and Industry. 2010 will mark the second phase of the project, during which training will be provided to "social compliance officers" employed primarily by manufacturers of accessories. Suppliers trained in 2009 will assist the new course participants in a tutoring role.

Puma is also keen to acquaint as many suppliers as possible with tools, best practices and action plans to enable them to pursue their own sustainable development policies in a spirit of pragmatism and efficiency. The company has organised talks on sustainable development policies for the benefit of its suppliers. The talks were held on three continents and dealt with issues such as certification systems (for example, ISO 14001, OSHAS 18001, GOTS and Oeko-Tex 100), the operational management of environmental performance indicators and energy-efficient production technologies.

These talks have proved popular and constructive. Some suppliers have gone on to obtain environmental certification and put excellent labour-related performances, and are now able to supply organic cotton products. As a follow-on from the project, ten suppliers have received assistance with drafting sustainable development reports. One of Puma's main South African suppliers produced its second sustainable development report in 2009 and has become the African continent's first carbon-neutral textile supplier.

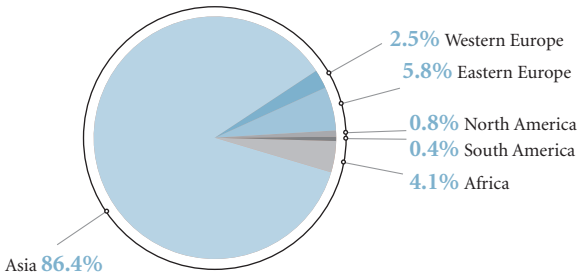
Puma and its partners are looking to foster healthy rivalry between suppliers and thereby drive the spread of good sustainable development practices throughout the industrial sector in countries where they source supplies.

PPR-P, Conforama and Redcats Group

External evaluations

Group banners also commission independent firms to conduct compliance audits of PPR's suppliers. Audits are performed using the SCI methodology in the case of Conforama and PPR-P. They serve as measurement tools and help identify areas for improvement. The approach applied by Redcats Group is based largely on SCI standards and methodology, but provides closer targeting of the most critical cases of non-compliance, for example, excessive working hours during peak periods.

BREAKDOWN OF AUDITS PERFORMED BY PPR-P, CONFORAMA AND REDCATS GROUP IN 2009 BY GEOGRAPHIC AREA (%)



Total: **469 audits**

In 2009, 469 audits were carried out for PPR-P, Conforama and Redcats Group, compared with 539 in 2008. In keeping with the Group's policy of focusing on high-risk regions, 86.4% of audits were performed in Asia.

Results of social audits

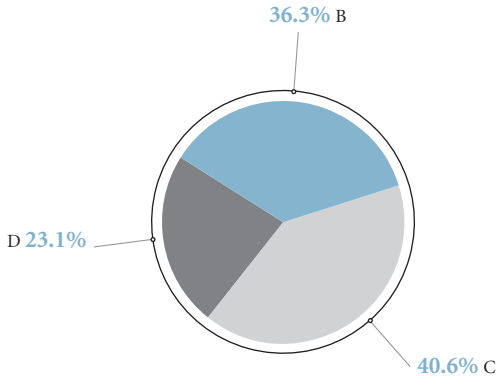
The SCI methodology is used to rate audited suppliers from A (excellent) to D (unacceptable).

The eight sections of the audit questionnaire comprise a list of questions. Responses to the questions are graded 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 "critical" question, for which a positive response results in a D grade from the auditor. The supplier's overall rating reflects the average outcome of the ratings obtained by questionnaire, weighted by the D ratings across all questionnaires. Given Redcats' use of a different methodology during the year and the differing activities of the Group's banners, comparisons are not possible.

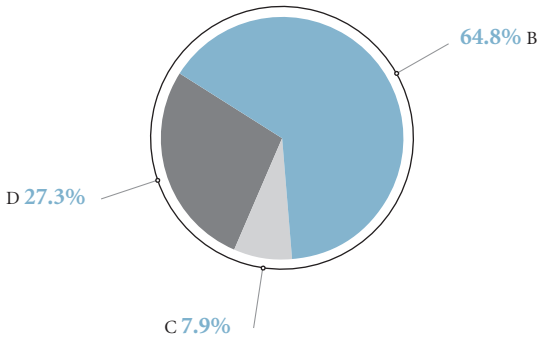
As in 2007 and 2008, none of Redcats Group's, Conforama's and PPR-P's suppliers was rated excellent (A) in 2009. However, 37% of the audits performed by Conforama rated sites as acceptable (B), 43% as in need of improvement (C) and 20% as unacceptable (D).

BREAKDOWN OF AUDITS PERFORMED BY CONFORAMA AND PPR-P IN 2009 BY RATING (%) ✓



Total: **91 audits**

BREAKDOWN OF AUDITS PERFORMED BY REDCATS GROUP IN 2009 BY RATING (%) ✓



Total: **378 audits**

In the case of Redcats Group, 65% of audits performed rated sites as acceptable (B), 8% as in need of improvement (C) and 27% as unacceptable (D).

Corrective action plans have been implemented for areas requiring improvement.

To foster continuous improvement, banners like Redcats Group and Conforama emphasise the monitoring of compliance with the Group's commitments, particularly in the case of supplier facilities in need of improvement (C and D ratings). A fresh audit is scheduled and conducted within three months at any supplier not meeting expectations and commitments in the case of Redcats Group and within six months in the case of Conforama. In 2009, the re-audit rate for Conforama, Redcats Group and PPR-P was 28%, reflecting Group banners' emphasis on ongoing collaboration with suppliers.

This process has produced concrete results. In 2009, 71% of Redcats' suppliers which had previously been rated C or D showed a level of social performance consistent with a B rating during re-auditing.

✓ *Verified by the Statutory Auditors. Note that Conforama conducted 84 audits in 2009.*

Redcats Group is clearly committed to achieving progress both for itself and for its business partners.

Areas for improvement

In 2009, cases of non-compliance identified in the analysis of audits largely related to health and safety issues, which made up 53% of all non-compliance cases (compared with 50% in 2008). Non-compliance with safety standards includes emergency exits that are obstructed or insufficient in number, the lack of or inadequate machinery protection systems and the absence of fire drills. Failure to comply with health standards includes an insufficient number of toilets, snack rooms or dormitories relative to the number of employees. The next most common non-compliance area, representing 20% of all cases, was wages and social security contributions (non-observance of minimum wage, unpaid overtime or overtime paid below the legal rate, non-payment of compulsory insurance and pension contributions, etc.). Next in line were violations of working conditions (no day off during the week, excessive overtime, etc.), which represented 16% of all non-compliance cases.

In 2009, 6.3% of non-compliance cases concerned suspicions of child labour. The audits performed by the Group led to the de-listing of 11 suppliers for the employment of 14 year olds. Non-compliance is signalled by the auditors when they observe, for example, the lack of documents proving the age of employees, the absence of governmental work permits or parental authorisation, the lack of medical certificates, the non-restriction of working hours for minors or the non-restriction of workers below the legal working age.

Gucci Group

In 2006, Gucci began its social accountability certification process by inviting all of its suppliers to SA 8000 information and training seminars. Since 2006, 400 suppliers and sub-contractors have undergone training and awareness-raising with regard to social responsibility issues. One seminar brought together 300 suppliers in July 2009, prior to the launch of the SA 8000 certification process for the brand's ready-to-wear and silk activities.

An external, independent audit firm performs regular social audits of Gucci's suppliers and sub-contractors. Risk mapping is used to define priority areas for auditing. The many factors taken into account to determine the level of risk include geographic location and the nature of activities. The degree of risk associated with the supplier (low, medium or high) determines the frequency of audits. Each audit entails corrective or improvement measures.

In 2009, about 1,000 suppliers were audited during a total of 2,683 audits (some suppliers were audited more than once). In the case of the leather segment, 100% of direct suppliers and their sub-contractors were audited at least twice during the year.

The 20% drop in the incidence of non-compliance between 2008 and 2009 shows that this ambitious programme is delivering benefits.

SUPPORT FOR SOCIAL INCLUSION VIA THE SHELTERED SECTOR AND ECONOMIC ACTIVITY

Inclusion via economic activity

Starting with the work of its SolidarCité association (which has become the PPR Foundation for Women's Dignity and Rights) and for many years now, PPR has sought to facilitate the social and occupational integration of the disadvantaged. Through personalised guidance, the Group strives to help the long-term unemployed, young people under the age of 26 without jobs and training, the homeless and people in a vulnerable situation find work. The induction process at Group banners helps such persons regain the know-how and interpersonal skills required for integration within PPR.

In 2009, the two temporary job placement agencies Janus and Id'ées/Adecco Insertion – which have been on the Group's list of service providers since 2007 – continued to work with all of the Group's Subsidiaries in France. A total of 169 placements were found, mainly for handling, cashier and sales work. In all, 53,517 hours of temporary work were commissioned through the above-mentioned agencies, corresponding to more than 29 full-time equivalent (FTE) jobs.

Collaboration with the sheltered sector

The Group also continues to develop its partnerships with sheltered-sector organisation ESAT (*Établissements et Services d'Aide par le Travail*, formerly known as CAT) and other companies employing staff with special needs. These entities allow persons with varying degrees of disability to carry out an activity in specially adapted working conditions.

In 2009, the Group and its Subsidiaries used such entities for services like laundry, envelope packing, printing, packaging, sorting & mailing, ready meals, buffets, floral compositions and occasional one-off assignments. All logistics operations for the 2009 PPR *Mission Handicap* awareness-raising campaign were handled by the sheltered sector (poster printing, packaging and sorting & mailing).

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. Thus, within just a few years, the need to reduce greenhouse gas emissions – first and foremost carbon dioxide (CO_2) – has become a universal obligation. This need is particularly prevalent in the transport sector, which constitutes the largest contributor of emissions (26% of emissions) in France and the second largest (27% of emissions) in the world. In France and Europe over 85% of emissions are transport-generated: road freight is the main culprit, although it would be wrong to ignore the heavy impact of air freight from international trade [(1)].

PPR has chosen to monitor and limit transport-related CO_2 emissions as one of its seven key strategic priorities in the domain of Corporate Social Responsibility, although it must be said that the Group's activities are mainly in the retail sector and its emissions are therefore not comparable to those of big industrial groups. 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.

ENVIRONMENTAL MANAGEMENT

A structure specific to each banner and an inter-company community to steer environmental management

Each PPR Group Subsidiary develops its own organisational structure for environmental management and implements specific action plans to limit its environmental impact.

Each Subsidiary can call on the expertise of at least one dedicated CSR manager responsible for deploying the Group's CSR approach and, in particular, for steering environmental measures specific to his or her Subsidiary. These correspondents meet regularly to share and exchange best practices that have been developed within Group companies. In addition to exchanging experiences, these meetings enable participants to define action plans to deal with cross-company issues in the Group, as well as more specific issues affecting individual banners.

The PPR Group conducts ongoing monitoring of its environmental performances through an established structure and dedicated tools in place since 2004. These include:

- a working group, drawn from members of the environment network in the various companies and brands, which disseminates information about the Group's commitments and ensures that they are implemented at site-level. It also reports on company and brand requirements and best practice;
- appropriate environmental indicators that ensure targeted collection of quantitative and qualitative data. The sequential nature of such reporting 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. The Group's environmental indicators and the method used to collect, input and validate data are all laid out in the PPR Group environmental reporting protocol;
- an IT reporting platform enables the Group to collect data relating to these indicators at the sites, monitor the response to commitments and steer the process. To render both the raw and processed data more easily comprehensible, the indicators are grouped together by theme.

Effective indicators identifying the Group's environmental challenges

The reporting indicators are representative of each banner's environmental imperatives and are consistent with Group CSR policy.

(1) Source: Eurostat and OECD.

Since 2004, eight areas have been monitored each year as part of the environmental reporting process: raw materials consumption, transport, waste, energy consumption, water consumption, product policy, and the management of the environment and environmental risks. The eighth and final area encompasses general data (surface area, revenue, etc.) enabling ratios to be calculated.

Even though certain indicators may appear to make only a minor contribution to progress in comparison to other sectors, the main goal of the adopted approach is to gain an understanding of the PPR Group's environmental impact and, as far as we know, does not exclude any issue.

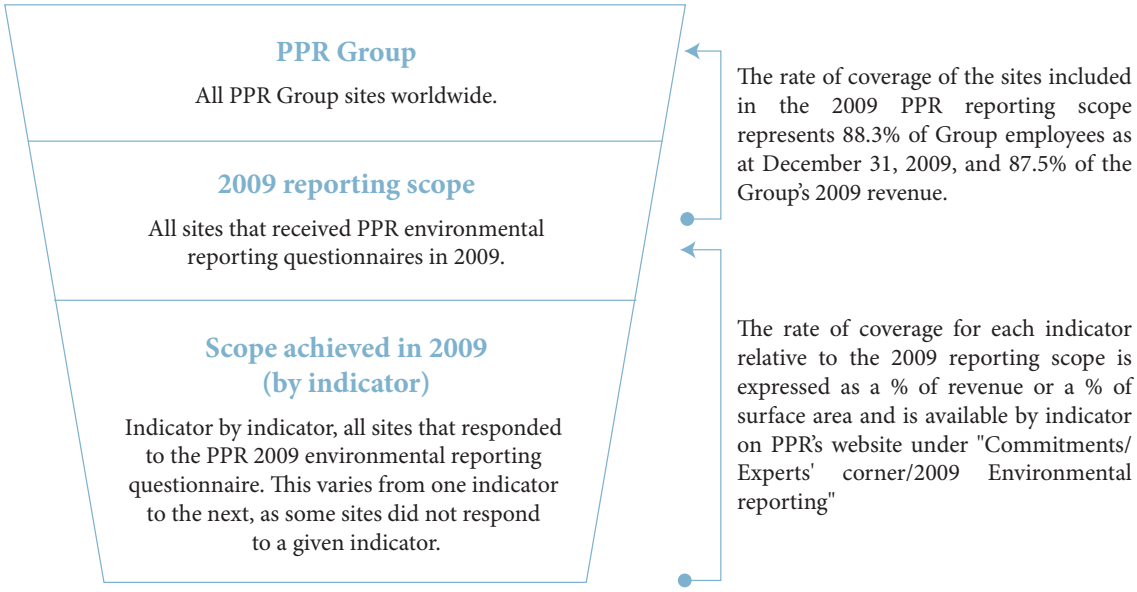
Changes to the reporting platform in 2009

Following on from the improvements carried out in previous years, in 2009 the Group continued to focus on improving data reliability, stabilising the reporting indicators and reinforcing the data collection, verification and validation processes. This involved:

- the introduction of steering indicators and internal ratios to allow any significant changes in the monitoring indicators to be visualised;
- the introduction of an indicator for B to B transport, enabling a specific emission factor to be applied for road freight by Fnac France.

2009 reporting scope

PPR ENVIRONMENTAL REPORTING: 2009 RATE OF COVERAGE



Each year PPR sends out environmental reporting questionnaires to an increasing number of sites, with the aim of eventually covering all of its activities worldwide. In 2009, this led to the integration of new sites pertaining to the Yves Saint Laurent, Stella McCartney and Alexander McQueen brands, as well as the Gucci Group headquarters.

In 2009, the environmental reporting scope covered:

- 88.3% of PPR Group's 2009 revenue;
- 87.5% of PPR Group employees at December 31, 2009.

The water, energy and raw materials consumption, waste production and transport usage of the Conforama sites located outside France has been estimated based on their respective revenue. These entities account for around 33% of Conforama's revenue.

In order to accurately monitor changes from one year to another, a number of the Group's indicators are presented in this report on a proforma basis. By only taking into account sites that have provided reliable data for two consecutive years (2008 and 2009), this method helps to get around changes in the scope of consolidation, which tend to distort the information provided by the indicators.

TRANSPORT-RELATED CO_2 EMISSIONS

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

- supplier deliveries when these are charged to the banner. Conversely, transport of products delivered directly to the logistics platforms is not included;
- 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**. This includes all transport of goods paid for by the brands, with the exception of transport relating to customer deliveries. For a better comparability of the volumes transported by the banners, the road freight, rail freight, shipping, river 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/kilometres;
- **B to C transport**. This corresponds solely to transport relating to customer deliveries. These flows exclusively involve road transport. Many types of vehicles are used and in 2009 companies were asked to calculate vehicle fuel consumption (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 employee travel 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".

Breakdown of the Group's CO_2 emissions

TRANSPORT-RELATED CO_2 EMISSIONS IN 2009 (TONNES OF CO_2)

	2009
B to B transport	226,619
B to C transport	36,816
TOTAL	**263,435 ✓**

In 2009, the Group's transport-related CO_2 emissions totalled more than 263,000 tonnes.

B TO B VOLUMES TRANSPORTED IN 2009 AND RELATED CO_2 EMISSIONS (1)

	2009 Total	Related CO_2 emissions *(in tonnes of CO_2)*
Road freight (t.km)	329,891,598	29,726
Shipping (tfq/day)	793,215	79,322
Shipping (t.km)	1,665,519,214	14,823
Air freight (t.km)	110,514,241	101,361
River (t.km)	22,420,667	690
Rail freight (t.km)	135,629,401	697
TOTAL B TO B		**226,619**

✓ *Verified by the Statutory Auditors. The value verified by the Statutory Auditors takes into account Redcats Group, Conforama and Fnac, which correspond to more than half of PPR's consolidated value.*

(1) The conversion factors used to calculate CO_2 emissions from the various forms of transport are available on PPR's website under "Commitments".

In 2009, B to B transport emitted nearly 227,000 tonnes of CO_2, corresponding to an emission rate of 158 kg of CO_2 per tonne transported [(1)]. In the Group, the most frequently 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 almost half of the Group's B to B CO_2 emissions. In comparison to 2008, the portion of emissions relating to air freight is, nevertheless, significantly lower, having declined from 55% to 45% of total emissions. At Redcats Group this reduction can be attributed notably to an active policy to limit the transport of goods by air and, at the same time, develop the use of rail transport (+37% between 2008 and 2009), particularly for the post-shipping transport of Redcats USA goods. To a lesser extent, the reduction can also be explained by a decline in air freight-related emissions at Puma, reflecting a less packed calendar of major sporting events in 2009, compared with 2008 (which notably saw the Beijing Olympics and the European Football Championship). Finally, the volume of business transported by road increased by 31%. This is mainly due to the improvement in reporting for this type of transport at Fnac. In 2009, all of Fnac's logistics activities, notably those in Italy and Brazil, were included in the report.

FUEL CONSUMPTION IN B TO C TRANSPORT IN 2009 AND RELATED CO_2 EMISSIONS

	2009 Total *(m^3 of diesel)*	Related CO_2 emissions *(in tonnes of CO_2)*
TOTAL B TO C	13,841	36,816

In 2009, B to C transport emitted nearly 37,000 tonnes of CO_2. Compared with 2008, this represents a reduction of close to 15% on a proforma basis and is notably attributable to the slowdown in business.

Initiatives to optimise transport flows and atmospheric emissions

Optimising transport flows constitutes a major initiative at the core of the Group's strategy for reducing greenhouse gas emissions.

Optimising loads and logistics flows

By focusing on reducing the distances covered during the transport and delivery of goods, improving truck load factors on both legs of their journeys, and the performance of truck fleets, the Group's brands can substantially reduce their carbon footprints. These efforts also have significant repercussions on fuel consumption, enabling environmental and economic benefits to be reconciled.

The banners are therefore planning to extend the multidrop delivery practice to all units and achieve optimum load factors on the transport carried out by their vehicle fleets. By way of example, Fnac France has set up a specific reporting function to enable it to precisely monitor load factors and empty return journeys made by its delivery trucks and vans. After signing a charter of commitment with the French Transport Ministry in 2008, SOGEP, the Redcats Group's logistics and delivery subsidiary, has set up an eco-driving training programme for its drivers based on the use of a new tool which is able to register certain key data during truck journeys, such as kilometres travelled, speed, acceleration, braking, etc. By analysing this data it is possible to evaluate the impact that the drivers' style of driving is having on fuel consumption and CO_2 emissions and to determine areas for improvement. All of SOGEP's drivers will have completed the programme by the end of 2010. Also, the partnership between SOGEP and Mercedes, entered into in 2008 to test two natural gas-powered vehicles for town-centre deliveries, was conducted throughout 2009. The results of this initiative have proved inconclusive due to insufficient loads (10 m^3 compared with the usual 18 m^3) and a still insufficient number of filling stations in the Paris area that supply natural gas. SOGEP has therefore decided to put this project on hold for the time being.

Meanwhile, Gucci has reorganised its logistics network by setting up two distribution platforms, one located in Vincenza, in the north of Italy, and the other in Florence, serving the middle and south of the country. Splitting the distribution platform in two has enabled the company to reduce its annual transport distance by more than 100,000 km.

Finally, Puma joined the Climate Neutral Network of the United Nations Environment Programme in 2009 with a view to reducing its environmental footprint. Through this initiative, the brand has committed to optimising its logistics and transport flows on an international level.

Working in partnership with suppliers

PPR also makes efforts to choose transporters that have themselves made commitments to reduce their environmental impact. The main air transporter used by Redcats USA has equipped its fleet with a new positioning system (Automatic Dependent Surveillance – Broadcast) which helps to significantly cut fuel consumption, particularly during landings.

(1) Gucci and Stella McCartney are excluded from the calculation of CO_2 emissions/tonne transported.

This system helps to save close to 4 million litres of fuel per annum, cut emissions of nitrous oxide, a major greenhouse gas, by 34%, and reduce noise pollution by 30%. Meanwhile, Puma is working in direct partnership with its logistics provider to optimise and reduce transport-related greenhouse gas emissions. New avenues have been explored, such as combining shipping and air transport for very short delivery deadlines instead of using only air transport, or setting up a complete logistics chain for shipping to avoid being penalised by stoppages.

Developing alternative means of transport

Since 2001, Conforama has used mainly inland waterways in France for the post-shipping transport of its mass-import containers. On July 1, 2008 Conforama signed a "Large Retailer" protocol in favour of the development of river transport along the Rhône-Saône waterways. This protocol signed by the government, the Compagnie Nationale du Rhône, Voies Navigables de France and seven major retailers, aims to increase the portion of goods transported by river between Fos-sur-Mer and Lyon.

Conforama has committed to send virtually all of the goods destined for its Lyon warehouses via the Fos-Lyon waterway, saving an estimated 1,300 truck journeys per annum. The closure of a logistics site on this axis has obliged the company to postpone the arrival of some goods at the port of Le Havre. Instead of 1,300 containers, only 1,130 containers used this axis. At the same time, the decline in activity also penalised the company which, nevertheless, managed to achieve its 98% target, saving 1,100 truck journeys out of the recalculated amount of 1,130. This means of transport has also been used since 2005 between the port of Le Havre and the port of Antwerp to take goods to the Conforama logistics warehouses in the Paris area and the north of France.

Taking all rivers together, 80% of Conforama's post-shipping transport went by river in 2009, compared with 9% by rail and 11% by road.

Other post-shipping transport initiatives have also been undertaken throughout the Group to encourage the development of alternatives to road transportation. Conforama has joined forces with one of its service providers to test two vehicles, one electricity-powered and the other gas-powered, to carry out deliveries to customers in central Paris. Meanwhile Redcats Group has favoured rail transportation in the US and in the north of France for its bulk shipments. Finally Fnac Switzerland set up a partnership in May 2009 with a company that organises delivery tricycles to deliver packages weighing up to 40 kg to customers located in town centres.

Minimising atmospheric emissions

In 2008, Conforama, together with various other regional transporters, undertook to co-finance a carbon sink at Saint Quentin Fallavier in France. The project, which consisted of planting 10 hectares of woodland to naturally absorb CO_2, was led by EPANI (1) (formerly EPIDA), which delegated the technical responsibility to the National Forestry Office. In line with its commitment to provide ongoing support for the project (for five years), Conforama helped finance the upkeep of this carbon sink in 2009.

Business travel: policy and impact

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 related emission factor is high (2), close to that for road travel and four times that of rail travel.

This year, the countries covered are France, the US, Germany, Italy, Switzerland and the UK. This distances travelled are broken down according to initial location of the Group's employees.

Thus the following table shows the emissions related with flights taken by employees based in the countries concerned.

(1) EPANI: Etablissement Public d'Aménagement Nord-Isère (public planning department for the North Isère region of France).

(2) Details of sources are available on PPR's website under "Commitments".

BUSINESS TRAVEL-RELATED CO_2 EMISSIONS IN 2009 (1)

	Total 2009 *(passager.km)*	Related CO_2 emissions *(tonnes of CO_2)*
France	28,157,545	4,919
US	38,117,076	6,659
Germany	12,291,317	2,147
Italy	2,347,648	410
Switzerland	1,512,267	264
United Kingdom	1,211,069	212
TOTAL	**83,636,922**	**14,611**

The corresponding emissions amount to around 14,600 tonnes of CO_2.

Group "company car" policy

The PPR Group has continued with its strategy to reduce the CO_2 emitted by its company vehicles.

The Group's car policy favours models with low CO_2 emissions, which has led to a change in the catalogue of vehicles and the exclusion of the most polluting vehicles.

The application of the measures adopted under this policy and the gradual replacement of the company vehicle fleet has enabled the Group to meets its initial targets. CO_2 emissions have been cut by more than 10%, to 1,554 tonnes in 2009. Additionally, the average CO_2 emission level for a vehicle in the PPR fleet has fallen from 162 g/km to 151 g/km of CO_2, a reduction of close to 7%. Moreover, over 80% of the Group's company vehicles emit no more than 160 g of CO_2 per kilometre.

Lastly, for the second year running PPR's headquarters has renewed efforts to raise employee awareness of alternative and less polluting means of transport by offering to reimburse subscriptions to the Parisian Vélib bike rental system.

(1) Source of passenger/km data: PPR Group's regular travel agents. The conversion factor used to calculate the emissions in tonnes of CO_2 is available on PPR's website under "Commitments".

Priority 5: reduce the environmental impact of stores and infrastructures

Through poor energy efficiency, inadequate thermal insulation, energy-hungry heating and air-conditioning, sharply-rising electricity consumption and high water usage, the building sector is responsible for around 20% of greenhouse gas emissions in France and almost 10% worldwide. Buildings represent the biggest potential source of energy savings in Europe. Besides greenhouse gases, certain infrastructures, most notably industrial plants, pose significant environmental risks to their immediate surroundings.

With 2,300 stores and over 1.3 million m^2 of warehouse space around the world, the PPR Group is extremely concerned about the environmental impact of its buildings. Although it mainly rents the infrastructures that it occupies, the Group has defined the reduction of the environmental impact of its stores and infrastructures as one of the key strategic priorities of its CSR policy.

INTENSIFICATION OF MEASURES IN 2009

A Group approach to the eco-friendly design and equipment of buildings

Since 2008, the PPR Group has been committed to a root-and-branch project to integrate environmental criteria into equipping, operating and maintaining its buildings. This resulted in the setting up of a "sustainable construction and equipment" working group, bringing together managers of real estate assets, developers, architects and technical managers from the various Subsidiaries. Members of the working group continued to meet regularly throughout 2009 in the company of an outside expert brought in to share expertise on eco-design and sustainable building management. These meetings are also an opportunity for Subsidiaries to share best practices.

In 2009, the working group decided to focus its efforts on existing buildings. Operations and maintenance issues have been central to discussions as they form the major levers for reducing the environmental impact of existing stores.

As a result, 2009 was an opportunity to develop a best practices guide, entitled The Green Toolbox, enabling the environmental impact of stores to be reduced. This document takes the form of a collection of 16 priority and 32 complementary best practices. These have all been selected for their environmental benefit but also because, more often than not, they have a positive economic impact.

The aim of the guide is to highlight good practices already in place in certain stores which, due to their proven effectiveness, can be shared and introduced Group-wide. Designed to be practical and easy to use, the guide explains the expected benefits of each good practice, the key success factors and the methods that have enabled them to be successfully deployed. It is intended for use by all individuals working in and for the stores.

The publication of the guide, in autumn 2009, was accompanied by an extensive programme of distribution to real estate, maintenance and operations teams as well as store managers. Each Subsidiary organised the distribution of the guide according to its own structural organisation so that it could be put into use as quickly and easily as possible. Meanwhile, PPR participated in the smooth distribution of the guide by promoting it in the Group's internal communications resources.

While the guide was being distributed, the Subsidiaries worked towards identifying pilot stores in which the introduction of best practices would be carefully monitored.

Multiple eco-friendly design and equipment initiatives

In the continuation of measures adopted in 2008, 2009 was marked by the delivery of new buildings offering a reduced environmental impact.

Puma's new headquarters in Germany, inaugurated in 2009, are equipped with solar panels, water-saving sanitary facilities, and systems that regulate the building's heat and air-conditioning. Studies were also carried out to integrate the building into its surroundings and to position it so that artificial light requirements were kept to a minimum, while maintaining optimum working conditions for Puma employees.

The new Puma research centre in Vietnam also opened in 2009. In line with the "Puma Vision" concept, which structures its approach to sustainable development, the brand has endeavoured to integrate a certain number of features with a view to reducing the impact of its activities. Consequently, the roof of the building is equipped with water tanks which collect rainwater throughout the year, most notably during the rainy season (May to November). This means that landscaping can be watered and the building kept cool during the dry season. Puma has also sought to reduce energy consumption on its site: a shield protects the factory and offices from the sun and solar panels provide energy for hot water and air conditioning.

Gucci Group has been looking into obtaining LEED certification (Leadership in Energy and Environmental Design) for its new store openings. Gucci's San Francisco store has been LEED-certified since 2009. Another example within Gucci Group is the measure adopted by Yves Saint Laurent in its new store concept, the "Opium" concept, which uses energy-saving installations. New Yves Saint Laurent stores will now have the latest technology lighting installed: LED and fluorescent lighting, lighting automatically timed according to the season, and motion detectors in ancillary premises, such as storage areas. Significantly, the brand is using an innovative vegetable-fibre based concrete, renowned for its environmental qualities, for the floors and counters in this new concept store.

Finally, Somewhere continued the roll-out of its new boutique concept, designed entirely with a responsible approach in mind: pared down design including limited use of false ceilings and painting directly onto walls where possible, optimised energy use, use of certified consumables, notably in terms of paper which is 100% recycled and/or PEFC- (Programme for the Endorsement of Forest Certification) endorsed, as well as the use of eco-materials (ecological or certified paint, wooden flooring from sustainably-managed forests, etc.). In 2008, the brand planned to apply the concept to three boutiques; in fact, by the end of 2009, a total of six boutiques had been fitted out.

THE GROUP'S ENERGY POLICY

Energy consumption and related CO_2 emissions

The indicators for this heading allow the Group to assess the energy it uses as well its greenhouse gas emissions, both direct (from burning natural gas and heating fuel oil) and indirect (from generating electricity and steam).

ENERGY CONSUMPTION AND RELATED CO_2 EMISSIONS IN 2009 (1)

	Energy consumption *(MWh)*	Related CO_2 emissions *(in tonnes of CO_2)*
Electricity	575,716	151,095
Natural gas	172,977	31,952
Heating fuel oil	13,353	3,387
Steam	8,516	2,623
TOTAL ENERGY	**770,562**	**189,057 ✓**

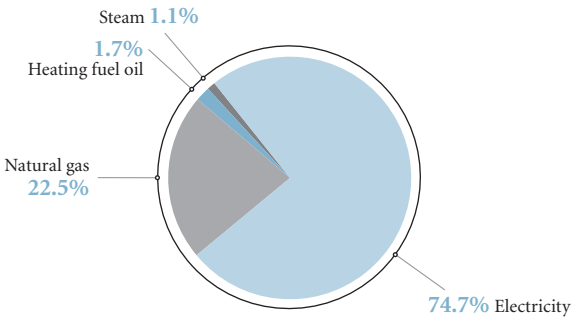
In 2009, the PPR Group's total energy consumption totalled over 770 GWh. Electricity accounted for 75% of this and is the Group's main source of power. Because PPR's business is retail-centred, most of this energy is used for lighting sales areas and enhancing product displays.

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

✓ *Verified by the Statutory Auditors. The value verified by the Statutory Auditors takes into account Redcats Group, Conforama and Fnac which correspond to more than half of PPR's consolidated value.*

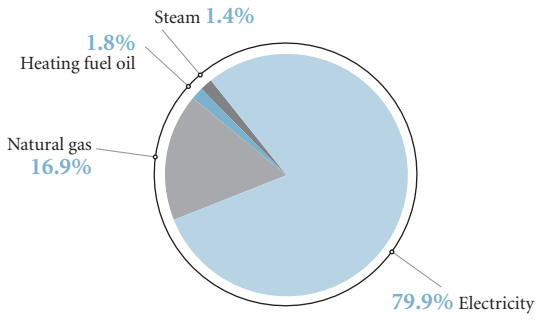
The breakdown of energy consumption and related CO_2 emissions by the PPR Group in 2009 is as follows:

BREAKDOWN OF PPR GROUP'S ENERGY CONSUMPTION IN 2009 (%)



Total: 770,562 MWh

BREAKDOWN OF CO_2 EMISSIONS RELATED TO PPR GROUP'S ENERGY CONSUMPTION IN 2009 (%)



Total: 189,057 tonnes of CO_2

The Group's total CO_2 emissions from its energy consumption in 2009 equated to around 190,000 tonnes, mainly produced indirectly through electricity generation.

CHANGE IN PROFORMA ENERGY CONSUMPTION 2008-2009 (MWH) AND RELATED CO_2 EMISSIONS (TONNES OF CO_2)

	2008-2009 proforma scope		Change 2009/2008
	2009	2008	
Electricity	544,191	561,966	-3%
Natural gas	133,796	131,715	2%
Heating fuel oil	12,207	11,450	7%
Steam	7,521	5,676	33%
TOTAL ENERGY	**697,715**	**710,807**	**-2%**
Direct emissions	27,811	27,235	2%
Indirect emissions	145,152	152,187	-5%
TOTAL ENERGY – EMISSIONS	**172,963**	**179,422**	**-4%**

On a proforma basis, energy consumed by the Group has decreased from 711 GWh in 2008 to 698 GWh in 2009, a fall of 2% which is chiefly explained by an across-the-board reduction in electricity consumption by the Group's companies.

This decrease in electricity consumption can be explained both by improved energy efficiency within the Group's infrastructures and a slowdown in business at certain Subsidiaries.

The sharp increase in the Group's steam consumption has less of an impact on total energy consumption due to the fact that use of this type of power remains low compared with that of electricity, natural gas and heating fuel oil. This increase can nonetheless be explained by the installation of a heating system at the new Puma headquarters in Germany.

The rise of almost 7% in heating fuel oil consumption is due to the filling in 2009 of several fuel-oil tanks belonging to Redcats Group which are used to feed generators and which were not refilled in 2008.

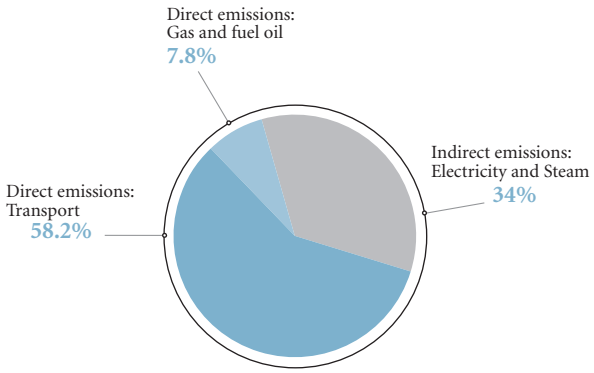
TRANSPORT- AND ENERGY-RELATED CO_2 EMISSIONS IN 2009 (TONNES OF CO_2)

Total Transport (direct emissions)	**263,435**
Total Energy	189,057
- o/w Direct energy	35,339
- o/w Indirect energy	153,718
TOTAL	**452,492**

In 2009, the Group's CO_2 emissions from transport and energy totalled more than 452,000 tonnes of CO_2, 66% of which were direct emissions.

Details of transport-related CO_2 emissions are given in the Section dealing with the Group's transport (Priority 4).

BREAKDOWN OF TRANSPORT- AND ENERGY-RELATED CO_2 EMISSIONS IN 2009 (%)



Total: **452,492 tonnes of CO_2**

Commitments and initiatives to reduce energy consumption

Although energy savings form one of the key elements of the various eco-design building initiatives, as outlined above, in 2009 a number of PRR Group companies also implemented measures to significantly reduce their energy consumption.

In 2009, the Chairman and Chief Executive Officer of Fnac formally committed to reducing Fnac's energy impact at all of its sites by 20% within the next five years. From 2010, Fnac will be investing more than €900,000 to renovate the air conditioning and lighting installations in many stores.

Between 2008 and 2009, Fnac's efforts to reduce its environmental impact resulted in it obtaining Energy Savings Certificates (ESC) of up to 5,767,430 kWh cumac [(1)]. By adopting this system, Fnac is enhancing the efforts it has undertaken to get a better handle on its energy consumption. In 2010, the company plans to continue and intensify this measure by further increasing its number of certificates.

Puma became the first Sportlifestyle brand to join the Carbon Neutral Network in 2009. Under the auspices of the United Nations Environment Programme (UNEP), this network enables best practices on the subject of the fight against climate change to be shared among local authorities, companies and associations. Through this means, Puma has notably embarked on developing ways of employing renewable energy, reducing greenhouse gas emissions generated by the transport of goods, and tightening environmental criteria when selecting company vehicles. Furthermore, Puma will be taking part in the organisation of eco-friendly sporting events that aim to increase awareness of environmental issues. It should be noted that the brand has set itself the objective of reducing CO_2 emissions and energy consumption for its directly-managed stores by 25% between now and 2015.

Finally, Conforama's IT Systems Department has significantly contributed to the Group's energy policy by virtualising around a hundred servers, streamlining the printer fleet, and recalibrating the cooling system in the head office's IT room following an energy audit. This measure forms part of a global initiative to reduce energy consumption at French sites by 10% between now and 2012.

(1) KWh cumac are kWh saved over the standard lifetime of a piece of equipment, adjusted by an annual discount coefficient of 4%. Consequently, a freezer with A+ classification, allowing 50 kWh per year to be saved over a ten-year lifetime, will be allocated 420 kWh cumac.

A gradual move towards renewable energy

Although renewable energy still accounts for a limited share of the PPR Group's fuel mix, encouraging progress was made in 2009. Puma has decided to supply its new head office, a warehouse and three stores in Germany exclusively with electricity from renewable sources. The use of electricity generated exclusively from water, wind and solar power should enable savings of 4,200 tonnes of CO_2 per year. In the medium term, all Puma stores in Germany will take part in this programme. It should also be noted that Puma's head office has solar photovoltaic panels both on its roof and integrated into its glass facade, covering a surface area of more than 1,000 m^2 and generating a maximum output of 75 kW.

Since 2007, Stella McCartney has offset emissions related to the running of its head office in the UK (electricity in particular) through a power operator which invests in clean energy sources, notably wind power. The brand is working towards expanding the system to its main stores and infrastructures and is also looking to include its franchises, particularly those in the Middle and Far East.

OPTIMISATION OF RAW MATERIALS

Paper, a major issue for PPR

Due to the considerable volume of sales catalogues and/or documents distributed each year, paper consumption was identified as a major environmental issue for the PPR Group. The *Bilan Carbone*™ assessments carried out in 2008 confirmed this.

A preference for direct sourcing

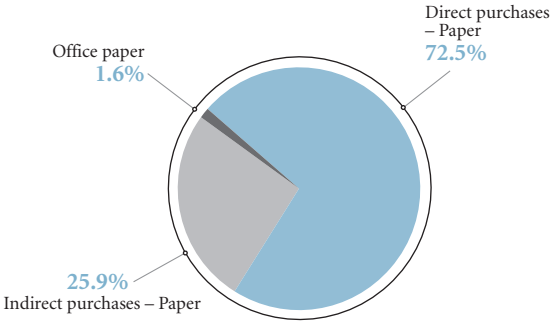
The PPR Group acquires paper in three different ways:

- **direct purchases** from paper manufacturers in order to produce catalogues, magazines and brochures. These purchases only concern Redcats Group, Conforama and Fnac and represent the majority of the volume;
- **indirect purchases** of paper ordered by service providers outside the Group (printers, processing companies and agencies) for printing communication media such as posters, mail-shots, POS advertising and calendars. These purchases concern all Subsidiaries;
- **office paper**, which concerns all Subsidiaries.

In recent years, Redcats Group has been responsible for managing direct paper purchases for the entire PPR Group. This centralised management, which helps to streamline the amount and cost of paper purchased, is an effective means of implementing a paper consumption control policy in all the Group's banners and brands.

In 2009, PPR consumed just over 200,000 tonnes of paper. The breakdown of this consumption by type of paper purchased is given below.

BREAKDOWN BY TYPE OF PAPER CONSUMED IN 2009 (% AND TONNES)



Total: **200,157 tonnes**

A significant drop in paper consumption

PAPER CONSUMPTION IN 2009 AND 2008-2009 PROFORMA CHANGE (IN TONNES)

	Consumption in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Paper – Direct purchases	145,136	145,136	176,922	-18%
Paper – Indirect purchases	51,844	44,068	51,527	-14%
Office paper	3,177	2,865	3,183	-10%
TOTAL PAPER	**200,157**	**192,069**	**231,632**	**-17%**

The Group's paper consumption fell significantly between 2008 and 2009, by 17%. The brands have been reviewing their sales communications, reducing the amount of paper documents and stepping up the use of electronic media in 2009. Over the past few years, growing momentum in Internet sales has brought about a change in the marketing policies of PPR's brands. The drop in paper consumed in 2009 reflects an ongoing and intensified focus on the initiatives implemented over the last few years to reduce paper consumption for commercial and internal purposes. Group employees were asked to use the double-sided print option, to favour paperless communication (e-mails, press reviews, scanned documents, etc.) and to print on the back of scrap paper. Individual printers are increasingly being withdrawn and replaced with centralised print management systems resulting in a significant reduction in paper used. Additionally, Fnac has committed to a short-term target of reducing the paper consumed at all its company offices by three-quarters.

Ongoing efforts to obtain better paper quality

By setting up a centralised paper purchasing system the Group can opt for supply chains that deal in paper from forests certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification schemes (PEFC). These certifications guarantee that the wood used to make the paper comes from sustainably-managed forests.

SOURCES OF PAPER CONSUMED BY PPR IN 2009 BY PURCHASE TYPE (%)

	Certified paper	Recycled paper	Certified + Recycled total	Other
Paper – Direct purchases	65%	7%	72%	28%
Paper – Indirect purchases	10%	14%	24%	76%
Office paper	5%	8%	13%	87%
GROUP TOTAL	**50%**	**9%**	**59%**	**41%**

In total, for all sources of paper combined (direct and indirect purchases or office paper), 50% of the paper consumed in 2009 came from certified forests and 9% from recycled paper fibres.

Since 2008, PPR has been closely monitoring its Subsidiaries' use of recycled paper as part of its environmental reporting process. Although the proportion of recycled paper relative to total paper consumption is still low (9%), initiatives are gradually being introduced at all levels of the Group to increase recycled paper usage. For example, recycled paper (office paper and indirect paper purchases) already represented 52% of Redcats Nordic's paper purchases in 2009 and the widespread use of recycled paper is being introduced in the brands' stores and head offices.

With regard to direct paper purchases, which represent the majority of the volume (72.5%), over 72% is made from fibres that are recognised for their environmental quality. In 2009, 65% of the Group's directly-purchased paper came from certified forests and 7% from recycled fibres. As an example, 100% of the paper used to produce Fnac France's internal communication materials and Puma's catalogues comes from sustainably-managed forests.

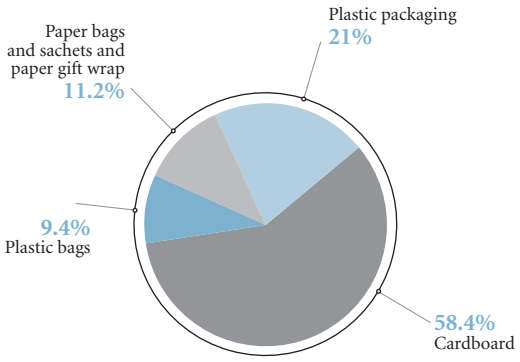
It should be noted that 100% of PPR's direct paper supplies can be traced. All PPR suppliers impose traceability on their own suppliers with regard to paper fibre sources. As a result, among uncertified purchases, no wood can come from protected forests or forests governed by conservation programmes for which the local authorities have prohibited tree felling. Similarly, 100% of PPR's paper supply factories are ISO 14001 certified, 99% are PEFC and/or FSC Chain of Custody certified and 71% 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.

Lastly, in 2009, Gucci Group committed to purchasing only recycled or FSC-certified paper by 2011. As part of this objective, Gucci Group is working in partnership with the NGO Rainforests Action Network (RAN).

Packaging, the guarantee of product protection

The Group also uses significant volumes of cardboard and plastic for the protection and transport of products sold in stores or through mail-order sales. The reported data distinguishes plastic bags and paper bags from other types of packaging.

BREAKDOWN OF PACKAGING TYPES CONSUMED IN 2009 (%)



Total: 15,964 tonnes

In 2009, PPR consumed approximately 16,000 tonnes of packaging, over half of which was cardboard, 21% plastic packaging, and the remainder mainly plastic or paper bags.

For the second consecutive year, paper bags were used more than plastic bags after new entities that mainly use paper bags (Gucci Group brands in particular) were brought into the scope of consolidation.

PACKAGING CONSUMPTION IN 2009 AND 2008-2009 PROFORMA CHANGE (IN TONNES)

	Consumption in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Plastic bags	1,500	1,486	1,508	-1%
Paper bags and sachets	1,781	1,680	2,181	-23%
Total bags and gift wrap	**3,281**	**3,166**	**3,689**	**-14%**
Plastic packaging	3,361	3,248	3,950	-18%
Cardboard	9,322	8,402	9,220	-9%
Total non-bag packaging	**12,683**	**11,650**	**13,170**	**-12%**
TOTAL PACKAGING	**15,964**	**14,816**	**16,859**	**-12%**

On a proforma basis, the Group's total packaging consumption fell by 12%. This reduction affects paper bags, plastic packaging and cardboard consumption in particular. In 2009, Redcats Group reduced its cardboard consumption by more than 1,000 tonnes by using a greater number of wooden pallets. In addition, a significant decrease in plastic bag consumption (down 18%) was recorded by all Redcats Group entities. Finally, Gucci reduced its paper bag purchases by 600 tonnes between 2008 and 2009 by introducing a system to use up stocks accumulated over previous years.

In 2009, the Group's banners therefore continued with efforts started several years ago to reduce the amount of packaging used. Employing reusable crates and pallets and recycling cardboard and protective film is another practice being rolled out in the Group. In addition, more specific measures have been implemented by certain banners. Gucci has replaced cardboard packaging with biodegradable bags for the transport of 40% of its leather products. Meanwhile, The Sportsman's Guide, a Redcats USA brand, has acquired individual-item packaging

equipment, reducing the amount of plastic film it uses by six tonnes, from 24 tonnes in 2008 to 18 tonnes in 2009.

Also on a proforma basis, the consumption of plastic shopping bags has remained stable across the Group's companies. At the same time the use of more eco-friendly shopping bags (reusable bags and recycled plastic bags in particular) has increased.

Each banner has adopted specific solutions based on its positioning and the products it sells. Consequently, banners are implementing their own measures to help reduce the impact of shopping bags on the environment. A number of initiatives have now been set up.

In October 2009, Conforama redefined the range of shopping bags available in its stores. Since 2006, the banner had offered its customers large reusable bags instead of disposable plastic shopping bags. However, following a review of this initiative, Conforama concluded that 100%-recycled plastic shopping bags contributed more to reducing its environmental impact and responded better to customers' expectations. These bags, which are on sale in all of the banner's stores, are made from plastic sourced primarily from industrial sites and waste recycling centres. The production process emits approximately 50% less CO_2 than that used for standard plastic bags. In turn, Conforama encourages customers to recycle through information printed on its bags.

In 2009, Fnac also decided to change its shopping bags in order to reduce their environmental impact while at the same time revitalising the brand's image. Initially, small and medium-sized bags were replaced with bags made out of stronger and more environmentally-friendly recycled plastic. Since December, new reusable bags specially designed by the banner are available for €1 to replace the two large-sized plastic bags.

Lastly, Stella McCartney uses biodegradable plastic bags in its UK stores.

Water, an issue of limited relevance to PPR

WATER CONSUMPTION IN 2009 AND 2008-2009 PROFORMA CHANGE (IN M³)

	Consumption in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Industrial water	128,970	128,970	130,918	-1%
Non-industrial water	1,236,772	1,145,901	1,187,300	-3%
TOTAL WATER	**1,365,742**	**1,274,871**	**1,318,218**	**-3%**
Surface area ratio – Non-industrial water (m^3/m^2)		0.29	0.29	-2%

In 2009, the PPR Group's water consumption totalled 1,365,742 m^3. To better monitor this consumption, industrial water has been monitored separately from non-industrial water since 2008.

Industrial water consumption totalled approximately 129,000 m^3 and concerns only the Gucci Group tanneries in Italy (Cfao being outside of the Group consolidation scope).

With regard to the other Group brands and banners, water consumption has little impact since it is used for sanitary purposes. In 2009, PPR's non-industrial water consumption was just over 1.2 million m^3.

On a proforma basis, water consumption by the Gucci Group tanneries remained stable between 2008 and 2009.

Again on a proforma basis, the Group's non-industrial water consumption fell by approximately 3%. The water consumption surface area ratio remained stable between 2008 and 2009.

In recent years, the Group's banners have launched actions to combat waste. 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.

Finally, the new Puma headquarters in Germany is equipped with a system for collecting rain water that is capable of holding 226 m^3 and can supply the sanitary installations.

Industrial raw materials

Following the removal of Cfao from the 2009 environmental reporting scope, the consumption of industrial raw materials is marginal. It now represents an issue of secondary importance for the Group within the current reporting scope and will not be studied in detail in this document.

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 2009 AND 2008-2009 PROFORMA CHANGE (IN TONNES)

	Production in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Non-hazardous waste	67,700	62,348	69,559	-10%
Hazardous waste	9,153	7,768	7,133	9%
TOTAL WASTE	**76,853**	**70,116**	**76,692**	**-9%**

In 2009, the PPR Group's total waste production amounted to over 76,000 tonnes, 88% of which was non-hazardous. It should be noted that the vast majority of hazardous waste was WEEE (Waste Electrical and Electronic Equipment).

Total non-hazardous waste production saw a decrease of approximately 10% at Group level. This drop is chiefly explained by a uniform reduction in the production of non-hazardous waste by Conforama France and Conforama Croatia and by the recording in 2008 of over 2,000 tonnes of non-hazardous waste, made up of computer furniture disposed of during Fnac's change of headquarters. Hazardous waste production does however show a significant increase of almost 9%, a positive sign of the growing momentum of WEEE collection at Fnac and Conforama. It should be noted that Conforama has set itself the objective of increasing the proportion of WEEE collected in its stores by 30% between now and 2012.

Non-hazardous waste, the majority of Group waste

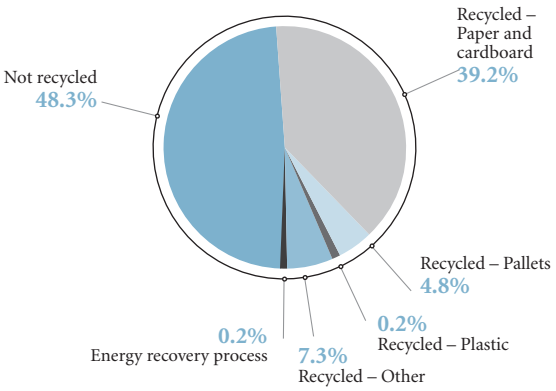
PRODUCTION AND DISPOSAL OF NON-HAZARDOUS WASTE IN 2009 AND 2008-2009 PROFORMA CHANGE (IN TONNES)

	Production in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Recycled - Paper and cardboard	26,530	24,645	25,562	-4%
Recycled - Pallets	3,266	3,264	3,606	-9%
Recycled - Plastic	139	122	115	6%
Recycled - Other	4,902	4,855	7,073	-31%
Energy recovery process	144	142	157	-9%
Not recycled	32,719	29,320	33,046	-11%
TOTAL NON-HAZARDOUS WASTE	**67,700**	**62,348**	**69,559**	**-10%**

(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.

BREAKDOWN OF NON-HAZARDOUS WASTE AND RELATED PROCESSING CHANNELS IN 2009 (%)



Total: **67,700 tonnes**

Of the 67,700 tonnes of non-hazardous waste generated by the Group in 2009, more than 51% was recycled. In 2009, the PPR Group banners continued the efforts that have been underway for several years with the objective of streamlining waste management. Concretely, these efforts mainly involved enhanced collection and sorting.

The partnership between Fnac and Kadéos to organise gift-card recycling emerges as an innovative example of measures taken by the brands to reduce waste sent to landfills. For nearly four years, Fnac has been collecting used cards in its points of sale and sending them to the logistics site in Massy, using existing transport flows. The cards are then recycled and used to make wiring systems or electrical switchboxes. As a result, 3.3 tonnes of cards were recycled in 2009.

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. This system has been implemented in logistics centres as well as in stores and headquarters.

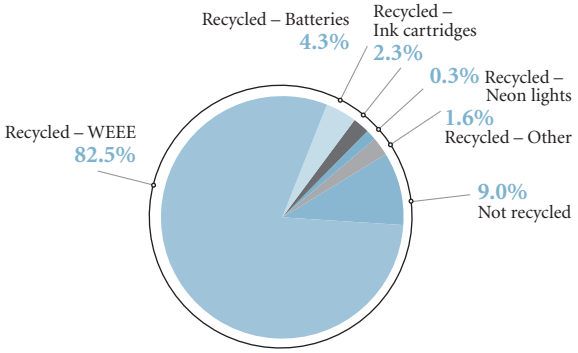
The specific collection of plastic is spreading progressively, notably at Gucci logistics sites, enabling more than 120 tonnes of plastic to be recycled in 2009. In addition, the implementation two years ago of a platform for the selective collection of all types of non-hazardous waste at the Gucci logistics site in Casellina in Italy has enabled the banner to once again obtain a 50% reduction on the community tax it pays for waste processing. This saving is a reflection of the recognition by the local authorities of Gucci's initiative, which enables 100% of the waste collected at Casellina to be recycled or recovered.

Hazardous waste

PRODUCTION AND DISPOSAL OF HAZARDOUS WASTE IN 2009 AND 2008-2009 PROFORMA CHANGE (IN TONNES)

	Production in 2009	2008-2009 proforma scope		Change 2009/2008
		2009	2008	
Recycled - WEEE	7,549	6,288	5,520	14%
Recycled - Batteries	400	398	399	0%
Recycled - Ink cartridges	213	209	125	68%
Recycled - Neon lights	27	26	22	17%
Recycled - Other	144	136	151	-10%
Energy recovery process	0	0	0	
Not recycled	820	711	916	-22%
TOTAL HAZARDOUS WASTE	**9,153**	**7,768**	**7,133**	**9%**

BREAKDOWN OF HAZARDOUS WASTE BY TYPE IN 2009 (%)



Total: **9,153 tonnes**

Of the 9,153 tonnes of hazardous waste generated by the Group in 2009, 91% was recycled. The change in WEEE reflects the increased amount of customers' used appliances collected. 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 second year.

WASTE RECYCLING RATE IN 2009 (%)

Non-hazardous waste	**51%**
Hazardous waste	91%
TOTAL WASTE	**56%**

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 91% of its hazardous waste and 51% of its non-hazardous waste, which adds up to an overall Group recycling rate of 56%.

The banners have taken many initiatives to develop ink cartridge collection and recycling. In June 2005, Fnac initiated a unique process combining environmental protection and support for networks promoting job placement, by organising used ink cartridge collection in partnership with *Ateliers du Bocage* and Trieum [(1)], a subsidiary of French association Emmaüs. In 2009, this initiative collected over 88,000 ink cartridges in French Fnac stores, an increase of 37.5% compared with 2008.

Also in partnership with Emmaüs, Fnac continued its "Recycle your mobile phone" campaign in 2009, a measure committed to social economy and solidarity. In 2009, *Ateliers du Bocage* and Trieum sorted and tested more than 2,100 mobile telephones collected in Fnac stores. Over 18% of these were repaired and put onto the used telephone market that targets less fortunate users.

As a retailer of electric and electronic equipment, the PPR Group is legally obliged to take back used equipment when its customers purchase a new machine (the "one-for-one" rule). Several of the Group's companies however, such as Fnac and Conforama, wish to go beyond the strict regulatory framework and actively participate in increasing WEEE collection in France. In partnership with Éco-systèmes, an eco-organisation, collection points for small electric and electronic equipment will be tested in Fnac and Conforama stores in 2010. From now on customers will be able to drop off electric or electronic equipment that has reached the end of its life, even if they are not buying a new product or if the product was not originally bought from the banner concerned.

(1) In the South and Rhône Alpes regions, ink cartridges are collected by a different company.

Water discharge and odour nuisance

Water discharge from the PPR Group's retail companies does not represent a significant impact. The sites concerned have nonetheless introduced specific measures to gauge and restrict their environmental footprint.

Both of Gucci's tanneries in Italy have undertaken efforts to limit the environmental impact of their water waste. One of them installed a pre-treatment station for waste water, which significantly reduces the chemical contamination of effluents discharged into the municipal water treatment network. As a proactive initiative, the other tannery is working with ARPAT (a regional environment protection agency) on the issue of water pollution. Both tanneries also have modern equipment to control odour nuisance, ensuring that they do not emit any nauseous odours.

EVALUATING AND MANAGING ENVIRONMENTAL RISKS

Lessons learned from the *Bilan Carbone*™ carbon assessments of 2008/2009

At the end of 2008, PPR instigated *Bilan Carbone*™ assessments at four of its Subsidiaries in order to draw up a precise inventory of the main sources of greenhouse gas emissions by type of site (boutiques, city centre stores, suburban stores and warehouses). The assessments also aimed to determine areas for improvement and, if necessary, to add to the panel of environmental indicators that the Group monitors as part of its environmental reporting.

This exercise confirmed that the major sources of greenhouse gas emissions were taken into account within the framework of the Group's CSR policy. The key strategic priorities identified by the Group and its Subsidiaries with respect to the environment (priorities 4, 5, and 6) and the environmental performance indicators are therefore demonstrably in line with the Group's actual impact on the environment.

As a follow on from this first exercise, Redcats Group decided to launch additional *Bilan Carbone*™ assessments at several French sites (boutiques, headquarters and industrial sites). To achieve this, the Subsidiary joined forces with a team of students, as part of their final-year dissertation, and a firm specialised in environmental risk management to instigate joint studies in October 2009.

Certification and labelling process

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 (through the reduction of greenhouse gases and volatile organic compound emissions released into the atmosphere, as well as responsible management of industrial effluents).

Two PPR Group entities have obtained ISO 14001 certification in recent years:

- January 2009: SOGEP, Redcats Group's Subsidiary in charge of logistics and delivery activities. SOGEP has also been ISO 9001 (quality) certified since 2007;
- 2006: 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 stakeholders and its working environment.

Within the Group, the number of ISO 14001-certified sites remains limited due to the fact that most of the Subsidiaries' activities are retail centred. In 2009, however, several Subsidiaries looked into the feasibility and relevance of embarking on such an approach within their business. In May 2009, the Gucci brand performed an environmental pre-audit as part of the ISO 14001 certification process at several sites located in Italy; the sites should be ISO 14001 certified in 2010.

Fnac has been studying the same issue in relation to its main logistics centres. In France, this willingness to act has resulted in the setting up, in the Massy and Wissous warehouses, of an environment management system that complies with the requirements of the ISO 14001 standard. These two sites have been committed to a development strategy for several years. Various environmental indicators and proactive targets are monitored each month by all of Fnac Logistique's departments.

In 2009, thanks to the measures implemented, gas consumption fell by 28% at the Massy site and by 32% at the Wissous site; electricity consumption also fell by 7.5% at the Massy site (544,921 kWh in total). At these two sites, the collection of cardboard for recycling increased by 34%. There are plans to roll out the Fnac Logistique France model in all countries in which the company operates.

In addition, at the end of 2009, the Société Française du Livre (SFL), a Subsidiary of Fnac, officially embarked on a programme of ISO 14001 certification via a three-year action plan.

Expansion of carbon offsetting programmes

The evaluations carried out as part of the PPR Group's environmental reporting process have enabled certain sites to introduce carbon offsetting programmes. These programmes are primarily intended to be developed at sites at which efforts to reduce environmental impacts are already under way. The main aim is to make the emissions related to the activity of the site carbon neutral.

In line with its strong commitment to sustainable development, the Stella McCartney brand has been offsetting the CO_2 emissions of all its UK sites since 2006 and has set itself the objective of doing the same for all its stores worldwide by 2012. Since 2008, the brand has been inviting customers to offset carbon emissions generated by the delivery of their online orders. At the time of payment, online customers are given the option of adding a $3 charge to offset the carbon emissions related with the delivery of purchases. This contribution is paid to the Carbon Neutral Company, which supports projects helping to combat global warming. Elsewhere within the Group, Gucci Group implemented the same system at its London office in 2009. Finally, Puma also offsets CO_2 emissions at its new headquarters in Germany which, by virtue of its design, construction and operation, has a limited environmental impact.

In November 2009, Puma became the first Sportlifestyle brand to join the United Nation's Climate Neutral Network. This commitment ties in strongly with the brand's sustainable development strategy and will result in concrete measures to reduce its carbon footprint (increased use of renewable energy and optimised use of transport and logistics) on a global scale. As part of this membership, Puma has also undertaken to work with a South African supplier with a view to helping it reduce its own CO_2 emissions. Thanks to this partnership, it has become the first supplier of carbon-neutral clothing on the African continent.

Priority 6: promote responsible products and usages

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 concerning CSR issues have played a part in reinforcing corporate responsibility, and companies are now expected to make a commitment above and beyond simply complying with standards.

As part of their sustainable development policies, the Group and its Subsidiaries continually work to guarantee the safety and quality of their products, increasingly include responsible products in their offerings and raise awareness among customers and consumers about responsibly using the products they purchase.

By identifying this area as a priority focus, the Group's brands have reaffirmed their commitment to play a key role in promoting and recommending responsible products and usages to customers throughout the world.

PRODUCT QUALITY AND TRACEABILITY

Product testing and control procedures

The PPR Group pays extremely close attention to the safety and quality of its products. Quality aspects for own-brand electrical and electronic products sold by Redcats Group, Fnac and Conforama are monitored by PPR Purchasing (PPR-P), the Group's central purchasing hub for own-brand white, brown and grey goods. For other products, quality is monitored directly by the companies themselves. All the Subsidiaries as well as PPR-P have a dedicated Quality Department.

Product testing within the Subsidiaries

Technical audits at production sites

The PPR Subsidiaries that make their own products have developed procedures aimed at (i) verifying site production capacities and their effective management, (ii) ensuring that stringent and reliable quality control procedures are applied, and (iii) monitoring compliance with the applicable standards, rules and regulations. For example, under PPR-P's Validation Plan, auditors representing the purchasing hub review all documents related to production and the quality control system and verify that the related procedures are applied across the production chains. These audits enable the approval of selected suppliers and sites and encourage suppliers to enhance their performance by implementing the recommendations contained in the audit reports. In 2009, the technical audit programme covered 22 countries and encompassed 67 audits carried out by PPR-P and 263 by Conforama, representing a 22% increase on 2008.

Product specifications

Another tool made available to Quality Departments is a list of product specifications which enable the Subsidiaries to set out all their requirements in terms of compliance, regulations, traceability, quality and respect for the environment. These specifications also take into account the Subsidiaries' individual product policies such as limiting the use of hazardous substances and using substitute materials. For instance, Puma's product specifications list the brand's strict requirements concerning dozens of chemical substances that cannot be used in the manufacture of its products.

Pre-referencing product tests

Each year, the PPR Group's Subsidiaries also perform tests on product samples before the products concerned are referenced or manufactured. Conforama further strengthened its testing system in 2009, carrying out 18% more tests than in 2008 and particularly focusing on certain types of products and/or suppliers. As part of this process, Conforama identifies and tests all products in the mass import market that could give rise to a risk. Puma also has a very precise pre-referencing procedure that forms part of a document entitled "SAFE – Handbook of Environmental Standards", which can be viewed on Puma's website (http://safe.puma.com).

For new electric and electronic product models, PPR-P selects products that comply with its specifications before sending prototypes to testing laboratories prior to referencing them. For this purpose PPR-P works with both La Redoute's laboratory and internationally recognised independent laboratories to carry out product sample tests concerning safety, operating functions, ease of use, EU documentation, quality of assembly and user manuals. Out of the 515 models tested in 2009, only 276 qualified for Group referencing. For testing the technical performance of brown goods PPR-P also works with Fnac's laboratory.

When a product passes the first selection test, the laboratories carry out a second similar round of tests on an assembly-line sample product in order to validate the relevant production process.

Pre-marketing product tests

In addition to the testing system used by PPR-P, the Subsidiaries commission approved laboratories to perform quality inspections on sample parts before products are shipped. In 2009, Conforama further tightened its testing procedure, with 29,200 inspections performed during the year either by the brand itself or by its internationally-renowned subcontractors, representing a 33% increase on 2008 when some 22,000 inspections were carried out. Conforama almost tripled the number of its laboratory tests compared with 2008, sending 5,200 models for additional testing, primarily for standard-compliance tests to ensure that the products met the Subsidiary's quality requirements and specifications.

Fnac's testing laboratory

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 laboratory uses state-of-the-art test equipment that guarantees objective testing and carries out bench measurements based on extremely strict specifications. The equipment used and broad range of measurements performed make the Fnac laboratory the only one of its kind worldwide. The results of the laboratory's tests are published in comparative technical analysis reports that are available free of charge in Fnac stores. Over seven million copies of these reports are printed each year and 150,000 are downloaded every month from Fnac's website.

Subsidiaries' compliance with environmental regulations

The European Union's REACH (Registration, Evaluation, Authorisation and restriction of CHemicals) regulation came into force in January 2007. Its purpose is to improve understanding of how the chemical substances contained in all products sold in Europe can impact human health and the environment, with the aim of eventually prohibiting or restricting use of the most hazardous substances.

In order to monitor its Subsidiaries compliance with this regulation, in 2007 the PPR Group set up an inter-Subsidiary Steering Committee that meets approximately once every two months. In 2009, this Committee also worked on helping Subsidiaries ensure that they comply with the EU Directive on eco-design requirements for energy-related products (ERP). Following meetings with the Committee the Subsidiaries revised their specifications in order to incorporate the ERP's eco-design requirements and its implementing measures. They also drew up specific procedures for explaining the new regulations to their suppliers, particularly those based outside Europe. Local purchasing offices played a key role in this overall process.

Lastly, the members of the Steering Committee closely monitored the discussions currently under way in France concerning the creation of an environmental labelling system for consumer products. Most of the Committee's members are involved in the related think-tank processes within their individual industries and/or the discussion platform created by ADEME [1] and AFNOR [2]. This platform was set up as part of the French government's Environment Round Table project (*Grenelle de l'environnement*) to bring together the various players involved in order to define a standard environmental labelling method and model to be applied throughout France. During the year the Steering Committee members also reviewed the initiatives being taken in this area in other countries, particularly Belgium and the United Kingdom.

Traceability of raw materials

Leather and fur

The PPR Group guarantees the traceability of the leathers it uses for its Luxury Goods activities. Gucci Group mainly uses cowhide sourced from Europe, of which some 65% comes from France, and guarantees full traceability of precious skins used by its brands ✓ (primarily alligator, crocodile and python). All of these skins are sourced from breeding farms or hunt auctions. In accordance with the requirements of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), precious skins purchased by Gucci Group come with a certificate testifying to their legal origin in order to ensure that the brand does not threaten the survival of any species of animal.

(1) The French Environment and Energy Management Agency.
(2) The French Standardisation and Certification Agency.
✓ *Verified by the Statutory Auditors.*

The use of fur is extremely limited within Gucci Group and has even been prohibited by certain brands such as Stella McCartney and Bottega Veneta.

Diamonds and gold

Boucheron and Gucci strive to ensure the traceability of the diamonds they use and to guarantee their origin. To meet this objective, both brands comply with the Kimberley process aimed at certifying 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 in a move to stem the flow of diamonds from rebel-held conflict zones sold to finance wars against existing governments.

As well as carefully respecting the Kimberley process, both brands are members of the Responsible Jewellery Council (RJC) – an international non-profit organisation that is committed to promoting responsible ethical, human rights, social and environmental practices in a transparent and accountable manner throughout the jewellery industry, from mine to retail. Boucheron has been a member of the RJC since 2006 and Gucci joined in November 2009.

Although tracing the origin of precious metals is a complex process, a number of the Group's brands have adopted a responsible sourcing policy. For example, in January 2009 Boucheron signed up to the "No Dirty Gold" campaign. As its name suggests, this international campaign works to ensure that gold mining operations respect human rights and the environment. Also, to mark the release of the film HOME, Boucheron crafted a four-gold special edition cube called the "*Magnetic Quatre*" to raise funds for the Initiative for Responsible Mining Assurance (IRMA) which seeks to ensure that mines operate in an environmentally and socially responsible manner by setting up an independent verification system. The Magnetic Quatre was auctioned online and all proceeds went to IRMA.

Wood-based furniture

In 2009, PPR launched a series of measures intended to strengthen its knowledge of the origin of the wood used in products sold by the Group's brands, and to draw up a list of requirements that go beyond compliance with the CITES Convention. As part of this process, due to the complexity of the wood industry, PPR has held meetings with several international NGOs. In 2010, the Group intends to continue with the action already undertaken and plans to launch a "responsible wood" training module for all the departments concerned.

Although the Group's brands took steps in 2009 to become more familiar with the issues involved in responsible wood sourcing, the Subsidiaries concerned had already implemented a number of best practices in the area. For instance, Conforama's preferred source of wood for its solid wood products is Europe, with a particular focus on pine and spruce. Conforama has also joined the Forest Stewardship Council (FSC) in a move that affirms its commitment to responsible wood sourcing.

In parallel, Redcats Group – whose furniture offering mainly comprises solid wood products – has also put in place specific wood sourcing procedures, notably including strict requirements for teak (although this wood represents under 2% of its sales). Under these procedures, Redcats Group requires its suppliers to provide it with documents certifying the wood's origin, right from the woodcutting permit phase and to guarantee the traceability of each consignment through to the end-product's manufacturing stage. Moreover, since 2003, Redcats Group has partnered the Brazil-based NGO, ESSOR, in its reforestation project in the northern and north-eastern parts of the country. Under the agreement signed with ESSOR, Redcats Group and its Brazilian suppliers donate the equivalent of 0.1% of the Subsidiary's wood purchases in Brazil to finance the reforestation project. The replanted trees are mainly fruit-bearing so that the harvested fruit can be sold on the market by local disadvantaged communities. In 2009, Redcats Group renewed its partnership with ESSOR for a third three-year period. Around 350,000 trees have been planted under this programme since the partnership began in 2003.

The amount of certified wood-based products sold by Conforama and Redcats Group is increasing each year. In 2009, Redcats Group continued to sell certified garden furniture, and Conforama launched its first FSC-certified solid wood living room furniture, as well as five other products made from wood sourced from sustainably managed forests.

Lastly, in view of the amount of paper used across the Group – which is made from wood pulp – PPR has set up a policy for its companies to use Group-approved suppliers of recycled paper or paper from sustainably managed forests (see Priority 5).

DEVELOPMENT OF RESPONSIBLE PRODUCTS

In order to achieve their objective of promoting responsible products and usages, the Group's Subsidiaries focus on three main action areas: (i) using and promoting organic and fair trade materials, (ii) supporting research into new raw materials that are more environmentally friendly, and (iii) incorporating eco-design principles into product development and referencing.

Using and promoting organic and fair trade materials

In 2009, the Group's Subsidiaries continued to offer their customers organic and fair trade products, with an increased emphasis on referencing responsible products.

Each year, Redcats Group's various brands sell numerous items made out of organic materials. In 2009, the proportion of "responsible" items in La Redoute's offering increased by over 50%, with more than 100 organic products marketed during the year (home linen, ready-to-wear fashion for men, women and children, and lingerie).

Vertbaudet also stepped up its efforts in this area, proposing a growing number of organic and/or fair trade cotton items in all of its collections. The brand's 2009 catalogues included more than 55 such products, with a particular expansion in the number of home decoration items made from organic materials featuring in the Autumn Winter collection. Cyrillus likewise increased the number of organic and fair trade products in its offering by more than 50%.

In addition, Somewhere – a brand that is well known for its sustainable development commitments – continued to affirm its positioning. By gradually and steadily increasing the number of environmentally-friendly ranges it offers to customers, in 2009 the brand reached its ambitious objective whereby one out of every five products it markets is made from organic or other innovative environmentally-friendly raw materials, including wool (1), cotton (2) and denim (3). During the year, Somewhere renewed its partnership with the ethical jewellery brand Cruselita, which complies with fair trade principles by supporting the sustainable economic and social development of craftspeople in Madagascar.

Puma also lent its support to the fair trade campaign in 2009, by taking part in several international projects. For example, it continued with its project begun in late 2008 to produce 5,000 fair-trade certified footballs in support of a campaign focused on preventing juvenile delinquency through sport in South Africa. In tandem, it strengthened its partnership with the Aid by Trade Foundation and by the end of 2009, around one million textile items had been made from African cotton bearing the Cotton made in Africa label. This label certifies that the cotton was produced as part of the Cotton made in Africa project which is aimed at helping to improve social and environmental conditions in Africa. Farmers participating in the project are trained in facilities such as "Farmer Field Schools" in order to learn relevant skills. Currently, almost 150,000 smallhold farmers and one million families are involved in this project through their production of more than 37,000 tonnes of cotton. Cotton made in Africa has quite long fibres and is hand-harvested, making it an excellent quality product that is extremely popular with both retailers and customers on account of their growing interest in fair trade products.

In the run up to the 2010 Football World Cup, Puma will be launching more collections inspired by Africa. In addition to the African-themed fashion collections "From the Puma Archives" and "Africa United" lines, Puma has unveiled its "African Football Fan Wear" collection which forms part of the Cotton made in Africa project. These collections have been available in Puma stores since July 2009, and items such as tee-shirts and sweatshirts carry the Cotton made in Africa label. In the second half of 2009, up to 2% of the Puma apparel collection bore the Cotton made in Africa label, including shirts made for the supporters of African national teams. Puma has set itself the objective of increasing the proportion of responsible products in its offering to 25% by 2015.

Another example of responsible product development within the Group is the organic capsule collections (4) designed by Stella McCartney every year. Following on from an initial organic cotton lingerie collection in 2008, during 2009 the brand launched an organic tee-shirt collection to raise funds for Red Nose Day, an event organised by the UK charity Comic Relief, to help vulnerable populations in Africa and the United Kingdom.

Supporting research into new raw materials

As well as using ecological and fair trade products, the PPR Group's brands constantly strive to find new and innovative raw materials. Following on from an initial series of tests run on recycled raw materials – notably within Somewhere and Cyrillus in 2008 – the brands continued to work on this in 2009, especially Gucci Group which launched two initiatives using innovative materials during the year. The first of these was by Yves Saint Laurent which created New Vintage in June 2009, an environmentally-conscious capsule collection designed to reclaim, recycle and sustain, in which the fashion house's Creative Director used remnant fabrics from past YSL designs. The collection was launched exclusively in New York and was a resounding success. Then in December 2009 the brand introduced a second edition of the collection – New Vintage II – which was also based on using remnant fabrics. The limited and numbered pieces forming this collection were sold at Yves Saint Laurent boutiques in Paris, New York and London.

Gucci Group's second initiative in this area was its announcement in October 2009 that it had entered into a partnership with Central Saint Martins College of Art and Design to create the first Ph.D in Sustainable Technology for Future Luxury, supported by the Textile Futures Research Consultancy (TFRC) of the University of the Arts, London (UAL). The underlying aim of the project is to promote technology and convergence in order to improve the interface between science and design, drive research into sustainable development, and develop new textile products and applications.

(1) Wool from environmentally-friendly sheep farms.

(2) Products made from organic materials.

(3) Denim fibres made from regenerated material.

(4) Mini-collections that are special editions launched outside the traditional fashion schedule.

In partnership with the TFRC, the new Ph.D programme is intended to further strengthen the work undertaken by a community of individuals of unrivalled creative talent and specialist expertise who are acclaimed worldwide for their major achievements in key areas. It encompasses various research projects that involve marrying fashion and textile design with organic nanotechnologies, recycling synthetics into superior materials, and developing "smart" textile surfaces that change shape in reaction to ambient environmental changes.

Gucci Group has invested in this project because it recognises the importance of using innovation to create new ways of consuming and developing solutions that are commercially viable while at the same time respectful of nature and mankind. The new Ph.D course will open in September 2010.

Puma has likewise increased the use of innovative materials in its designs. With a view to offering its customers an ever-broader range of products that meet criteria relating to the environment, health and safety, the brand seeks to use innovative materials such as recycled rubber, polyester and cotton, as well as vegetable-tanned leather.

Developing eco-designed products

Eco-design entails incorporating environmental factors right from the product design phase. Consequently it requires an overall multi-criteria approach that takes into account all stages of the product lifecycle. Although the Group's Subsidiaries currently only sell a small number of items that can be categorised as fully eco-designed they all work towards creating products in line with eco-friendly design principles.

As explained above, the starting point for developing more environmentally-friendly products is the raw materials used to make them. As well as selecting specific raw materials the Group's brands seek to limit or even prohibit the use of certain chemical substances. For example, Puma has prohibited the use of PVC in all of its products for several years – a policy that is pointed out to consumers through the use of "PVC-free" labels. At the same time, the brand has drawn up the "Puma Restricted Substances List" which sets out Puma's specifications concerning hazardous chemicals. This list forms part of Puma's Handbook of Environmental Standards which can be viewed on the brand's website at http://safe.puma.com.

Similarly, for the past few months Redcats Group has been working on a broad-scale programme to substitute certain chemical substances, particularly phthalates. This programme is currently in the roll-out phase.

In addition, the Group's brands are developing comprehensive environmentally-friendly product programmes. For instance, Conforama has incorporated eco-design principles into its product range for the past four years. With a view to ramping up this type of offering, in 2008 Conforama drew up a responsible product development plan structured around three different levels:

Level 1: developing eco-friendly designed products, following on from the eco-designed bedroom concept which has been marketed since 2007.

Level 2: developing responsible products whose technical specifications include environmental performance criteria for the materials used.

Level 3: pointing up for customers products certified by accredited organisations, through clear and informative labelling.

In 2009, Conforama devised and rolled out a new training programme specifically targeted at product managers and buyers in order to explain the concepts underpinning a responsible product offering as well as Conforama's own criteria. The key focuses of this training included using wood from certified sustainable sources, reducing emissions from product finishing processes and substituting certain products such as PVC. The training courses are currently being given throughout all of the brand's product families and the first products resulting from this comprehensive responsible approach have already hit Conforama's shelves. An example is the "Canyon" FSC-certified range of living room furniture, made entirely of solid pine from sustainably managed forests in Brazil which went on sale in the last quarter of 2009. Its FSC certification gives consumers a guarantee that the wood comes from forests that are managed in a way that respects both the environment and local populations. Five other products made from wood from sustainably managed forests were also offered in 2009, including children's bedroom furniture. Conforama's aim is to be able to propose one "responsible" product in each of its ranges by the end of 2012.

Also during the year Redcats Group pursued the strategy it launched in 2007 to offer eco-designed furniture. With Vertbaudet's "Histoire d'enfants" collection of children's furniture and La Redoute's articles, Redcats Group marketed a total of 44 eco-friendly designed product references in 2009, including cots and chests of drawers.

The film HOME – an innovation driver for PPR Subsidiaries

All of PPR's brands lent their support to the film HOME, which was released on World Environment Day on June 5, 2009. Through their support of this film, each brand was able to raise customer awareness of the challenges our planet is facing, particularly in terms of sustainable development. The brands went to exceptional lengths to promote HOME to the general public, providing information on the film through their sales support material, on their websites and directly in-store. When the film was released Redcats Group screened it at some sixty different sites operated by its various brands. Likewise, Conforama and Fnac showed the film on the TV screens in all of their stores. As HOME was distributed free of charge on all forms of media and without copyright it was viewed by over 150 million people. It will be shown again throughout the world in 2010, at both public and private screenings. The film's promotion by PPR's brands was a key factor in the exceptional impact it had on public awareness.

As part of their initiatives to support the film, a number of the Group's brands designed exclusive responsible products based on the *Home* colours. Gucci designed a tee-shirt and tote bag made from organic cotton, with all the proceeds going to Yann Arthus-Bertrand's GoodPlanet.org foundation, whose mission is to "bring ecology to the forefront of our conscience". Similarly, Yves Saint Laurent created a collection of limited edition organic cotton tee-shirts, tank tops and tote bags based on three different themes. Within Gucci Group, the release of HOME gave Sergio Rossi the opportunity to showcase its eco-design capabilities by creating the "Eco Pump", an environmentally-friendly stiletto pump made using an innovative process combining leather remnants and liquid wood injections. To create this visionary shoe, Sergio Rossi worked in collaboration with the Fraunhofer Institute, a German research centre which is the world leader in alternative materials and has a department dedicated to environmentally-friendly solutions.

Lastly, La Redoute offered its customers two 100% organic tee-shirts specially designed for the occasion. These tee-shirts – which proved very successful – were created based on feedback from the brand's employees who were asked to think up ideas to raise awareness of the urgent action needed to save the planet. La Redoute gave €3 to GoodPlanet.org for each tee-shirt sold.

RESPONSIBLE AND SUPPORTIVE CUSTOMERS

PPR's aim is to give its customers the means to support social and environmental projects. To this end we set up shared product campaigns, particularly with non-profit organisations, and continually take measures to raise our customers' awareness of sustainable development issues and offer them the possibility of being "responsible consumers".

Raising awareness of sustainable development

In 2009, the Group undertook a range of measures to help increase customers' understanding of the sustainable development issues that our planet faces. As part of this approach, PPR actively participated in the platform set up in France by ADEME [(1)] and AFNOR [(2)] with a view to creating a methodology for environmental product-labelling.

Offering consumers environmental product-labelling

One of the ideas raised by the *Grenelle de l'Environnement* is to devise a labelling system giving products an "ecological price tag" so consumers can choose the products they buy based not only on cost but also on their environmental performance. The ambitious aim of this project is to ensure that environmental issues are incorporated into consumers' purchasing behaviour and to provide the entire production and retail chain with new indicators to encourage an increased use of eco-design techniques. The PPR Group has become actively involved in the platform created for this project by ADEME and AFNOR in May 2008, by participating in think-tanks on the project's overarching structure and in a number of different working groups.

In addition to the Group's overall commitment to this project its brands have adopted practical measures to raise their customers' awareness of environmental issues. One example is Fnac's second working group on "Energy-consuming equipment, batteries and accumulators" which carried out a pilot project on television sets aimed at enabling the working group to effectively identify the key environmental impacts of this type of product. Based on the findings of this research, in November 2009 Fnac introduced an environmental section in its technical data on televisions provided to customers. The project – a first in France – was overseen by the Fnac's test laboratory in partnership with an independent environmental expert. In addition to the standard criteria used for rating televisions – such as contrast, colour, directivity and movement – each television is now given an environmental rating using a system of one, two or three green leaves corresponding to the carbon footprint generated when the television is used. This footprint is calculated by means of each manufacturer measuring the energy consumption of its television sets using the criteria specified in the applicable EU regulations. In addition, in order to ensure that the system is independent and objective, the Fnac test laboratory carries out its own random tests on selected models to ensure that the data reported is accurate.

(1) The French Environment and Energy Management Agency.
(2) The French Standardisation and Certification Agency.

Fnac's sustainable development forums

During France's Sustainable Development Week which ran from April 1 to April 7, 2009, Fnac organised a number of debates at forums in twelve of its stores, in partnership with the French Sustainable Development Ministry and the WWF.

Up and running since 1974, Fnac's forums are a place where people can discuss a broad range of topics. During the Sustainable Development Week they were attended by more than 1,000 people who came to debate topics such as responsible consumption, climate change and issues addressed by the *Grenelle de l'Environnement*. Fnac invited a total of 34 well-known external experts to take part in the sixteen debates held.

La Redoute promotes ethical design

Another aspect of the brands' commitment to sustainable development is their objective of promoting responsible products to the general public. In line with this aim La Redoute has been a partner of the "Ethical Fashion Show" right from the creation of the event by awarding a La Redoute prize which gives the winner the opportunity of creating a mini-collection for one season to be sold online through the brand's website. The 2009 show was held between October 1 and October 4 in Paris and the La Redoute prize was awarded to Bibico in recognition of its original designs and affordable prices, as well as its use of eco-friendly textiles. The 2008 winner was Kamakala whose Autumn-Winter collection for 2009/2010 was presented on La Redoute's e-commerce site.

Developing shared product offerings

In line with PPR's focus on promoting responsible products and usages, all of the Group's brands are working on creating opportunities for customers to support non-profit organisations through the products they buy. A prime example of this is the development of shared product offerings. A shared product is a product or service that is manufactured or performed by a company for an individual, a non-profit organisation or another entity, with a set amount paid to the supported organisation and no addition to the product's purchase cost.

Fnac

Developing shared products is a long-standing component of Fnac's corporate social responsibility policy. As part of its support for apfEE (a French charity dedicated to equal opportunities in education) and AFEV (a charity for disadvantaged urban populations), in 2009, for the fourth year running, Fnac renewed its "*On aime, on aide*" operation dedicated to preventing illiteracy. For the 2009 campaign Fnac released an exclusive CD by Ayo and the entire €8,000 proceeds from the 2,000 CDs sold went to the two charities.

Also in 2009, for the fifteenth consecutive year Fnac partnered Reporters Without Borders – a non-profit organisation which campaigns for press freedom throughout the world. As part of the 2009 project Fnac proposed photo album collections such as *Don McCullin* and *Nature* at all of its stores. A total of 17,000 albums were sold and the entire proceeds (amounting to over €25,000) were donated to Reporters Without Borders.

During the year, Fnac continued its programme set up in late 2008 to encourage customers to give to charity. This provides an opportunity for Fnac's 2 million card-holders to support charities by donating their loyalty card points. For every 4,000 Fnac points, customers receive gift vouchers worth €10 which can be donated to one of four partner charities: apfEE, FIDH (the International Federation for Human Rights), GoodPlanet.org and *Secours populaire français* (a French charity for combating poverty and social exclusion). In addition, Fnac sometimes makes top-up payments to the charities for specific campaigns. Altogether, €16,200 was raised for the four charities in 2009.

Gucci Group

The year 2009 marked the fifth anniversary of Gucci's partnership with UNICEF to support healthcare and educational programmes for orphans and children affected by HIV/AIDS in sub-Saharan Africa. During the holiday season Gucci offered its customers a special collection for which the brand donated a percentage of its sales to UNICEF. For the 2009 campaign, Gucci's Creative Director commissioned the acclaimed author and illustrator Michael Roberts to create a new children's book entitled *Snowman in Africa* as a sequel to his *Snowman in Paradise* book. Gucci donated 100% of the $25 retail price of the book to UNICEF for each book sold exclusively in Gucci stores and through Gucci.com from November 16 to December 31, 2009. Taking inspiration from Michael Roberts' illustrations, Gucci also designed a range of exclusive accessories and a gift card to support UNICEF. During the same period Gucci donated 25% of the sale proceeds generated in over twenty countries from its special edition "Gucci-for-Unicef" Joy handbags as well as from specifically-designed leather accessories and charm bracelets. Gucci has raised over $7 million (more than €5 million) for UNICEF since the start of the partnership.

Puma

Puma has also set up a number of partnerships with charities and regularly designs special collections whose sale proceeds are donated to charity. As part of its support for the Peace One Day organisation, Puma designed a collection made from fair trade cotton produced in Africa for the participants in the "One Day, One Goal" football matches organised to campaign for global peace. A portion of the profits generated by the collection were donated to Peace One Day.

Puma also participated in the Africa Express jam session that brought together 125 African and Western musicians in Paris during the year. The brand sold special Cotton made in Africa tee-shirts for the event and also produced and distributed the CD and DVD of the concert. Puma's support will help fund the construction of recording studios in Africa as well as financing tours by African musicians in Western countries.

Redcats Group

A large number of Redcats Group brands have developed shared product offerings which enable customers to contribute to the causes that PPR supports.

To celebrate the twentieth anniversary of the UN Convention on the Rights of the Child, Vertbaudet teamed up with UNICEF and created an anniversary "Children's rights" tee-shirt as well as a special collection of ragdolls for its Autumn-Winter 2009 catalogue. For each item sold, Vertbaudet donated €1.50 to UNICEF – representing the equivalent of 20 vaccinations – for the children's vaccination programme in the Central African Republic which the brand has supported since 2007. In all, Vertbaudet donated €200,000 to UNICEF in 2009.

Meanwhile, in September 2009 Cyrillus contributed to promoting educational opportunities for disadvantaged children by supporting the ABC d'Ailleurs charity's project to build a school in Kassan, Mali. The brand created a "back-to-school" pencil case which it sold through the Cyrillus website in September and October. Cyrillus donated to the charity 60% of the retail price of each pencil case sold, corresponding to €3 per pencil case and raising a total of €12,474. At Christmas, for the third year running Cyrillus lent its support to the L'enfant@l'hôpital charity by donating €5 out of the €9 retail price of a specially-designed teddy bear. The €22,000 raised from this project will be used to finance creative writing workshops for anorexic girls and depressed teenagers as well as to start up a new project at a centre for disabled children.

For the past several years, Daxon has supported *SOS Villages d'Enfants*, a charity whose ambassador is the French actress Anny Duperey and which runs residential centres for children to enable brothers and sisters to remain together when they can no longer live with their parents. The brand devoted a double-page spread in its catalogue to a range of shared products for which it donated €2 of the retail price of each item to SOS Villages d'Enfants. A total of €16,000 was raised, enabling the charity to carry out new projects in France, including extending and refurbishing the main house at one of its villages in the Moselle region where around fifty brothers and sisters separated from their parents live in 11 family dwellings.

In Sweden, Ellos teamed up with the retailer Champion and designed a special collection to support the Swedish Cancer Society's pink-ribbon breast cancer awareness campaign. Ellos donated 20% of the sale proceeds generated from the collection, which ran from October 1 to December 31, 2009.

For many years, Redcats' USA brands have also participated in large-scale projects devoted to both local and national causes. For example, Woman Within supports the Carol M. Baldwin foundation which finances projects for breast cancer research. In 2009, Woman Within donated to the foundation all of its profits from a specially-designed reversible bag, raising a total of some $40,000 (about €27,000).

Priority 7: implement solidarity programmes related to companies' business activities

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? From a more practical point of view, by contributing to the well-being of society, a company is helping to ensure a sustainable future for itself. By helping resolve and raise awareness about the needs of society, companies work in harmony with their surroundings and breathe new life into their environment.

The PPR Group's brands and banners are located in 59 countries and regions with highly varied sociocultural environments, where the need for education, jobs and healthcare is sometimes urgent. In this context, despite the numerous possibilities for action, the Group chooses to work only where it can bring real added value, through its business activities and the proximity of its operations to the people it is helping.

COMMITMENTS AT PPR GROUP LEVEL

HOME

It took almost three years to make HOME, an ode to our planet and its fragile equilibrium. HOME is a marvellous journey through the air, offering splendid, never-before-seen views of 54 countries. The film unveils the beauty of our planet's rich variety of landscapes, but does not hide the terrible devastation left by mankind over the past 50 years. The film was born of an ambitious goal: sharing and helping others understand the issues facing the planet and raising awareness about social and environmental matters. This is the shared aspiration of director Yann Arthus-Bertrand, co-producer Denis Carot, producer and distributor Luc Besson, and François-Henri Pinault, Chairman and CEO of PPR, the official sponsor of HOME. To date, more than 150 million people worldwide have watched the film.

However, what makes HOME ambitious is not only the images it shows but the way in which it was broadcast. The film was shown free of charge – a first in the history of film and environmental concern. More than simply a documentary, HOME was designed to be a *shared global* event. For the first time ever, a feature-length film was shown at the same time across five continents, in over 130 countries or regions. The emblematic date of June 5, 2009 – World Environment Day – was chosen for this simultaneous broadcast, with most spectators watching the film for free over all types of media platforms: cinema, television, DVD and the Internet. Coinciding with the film's release, Éditions de La Martinière published an accompanying book, also called HOME, which takes readers on a journey around the planet in nine broad sections while supplying scientific explanations and data.

All over the globe, public projections (many of which outdoors) were held on June 5, 2009, to mark the film's release and make it a shared occasion; 100,000 people assembled on the Champs de Mars in Paris, Central Park in New York, Trafalgar Square in London, Huan Sen Square in Phnom Penh, the Plaza de Naciones Unidas in Buenos Aires and many other places to see the film. The joint aim of Yann Arthus-Bertrand, Luc Besson, Denis Carot and François-Henri Pinault was to reach the greatest possible number of people to explain that we all have a responsibility toward our planet. The ongoing purpose of the film is to heighten awareness worldwide of environmental and societal issues.

But even though the event has come and gone, the influence of HOME has only just begun. The film has so far been translated into no fewer than 37 languages. The DVD is available to buy in more than 30 countries, with Fnac outlets having exclusivity on the sale in France. Recently, a collector's edition of the film was released along with a new documentary entitled HOME*: Histoire d'un voyage*. More than 80 TV channels have broadcast the film, while several thousand cinemas around the globe have screened it. Furthermore, making the film available over the Internet for free as from June 5 has led to an incredible number of viewings. Altogether, in just under a year, HOME has been viewed 12 million times on YouTube (5.4m in English, 2.3m in French, 1.8m in Spanish, 1.6m in German and slightly under 400,000 times in Russian and Arabic). Some 100,000 copies of the accompanying book, available in English and French, have been bought.

As an artistic work, a teaching aid in schools and colleges, and an awareness-raising instrument, HOME is an ambitious project and the ways in which it is being experienced and used are developing all the time. HOME has been designed to be a genuine shared experience that will enable us to understand the issues at stake and take appropriate action. Throughout 2009, the film was projected worldwide by festivals and schools (with the help of an additional teaching aid called HOME-*éducation*, available for free in DVD form or over the Internet), by local authorities, by and in association with NGOs, by state ministries and parliaments (the film was screened at the UN Headquarters in New York before all its delegations) and by many companies operating in various industries. Today, fully fledged groups and projects are emerging, either independently or through the work of organisations, that are using the film as a focal point on online forums or as a tool to raise awareness of environmental issues.

More than simply financing the production of the film so that it could be viewed virtually always for free, PPR has lent support through the extensive involvement of all its business lines and brands – a sign of its commitment to CSR.

PPR Foundation for Women's Dignity and Rights

For over ten years, PPR Group has been developing an ambitious CSR policy and been committed to equal opportunities and the promotion of diversity. As part of this commitment, the Group has backed a variety of solidarity programmes in connection with its activities, primarily through SolidarCité, an organisation founded in 2001 to support employees' civic and socially-aware initiatives.

2009 marked a new milestone in PPR's commitment, with the creation of the PPR Foundation for Women's Dignity and Rights. The Board of Directors, headed by François-Henri Pinault, met for the first time on January 29, 2009, to establish the Foundation's strategy, governance principles and budget.

Worldwide, at least one in three women is beaten, coerced into sex or abused during her lifetime. Women are at the heart of family life. They play a central role in cultural, economic and social balance and make a vital contribution to their communities. This is why the Foundation has chosen to uphold two key objectives: combating violence against women and aiding initiatives in favour of women, their families and their communities.

Centring on one of the eight Millennium Goals set by the UN in 2000, to "promote gender equality and empower women", the Foundation has galvanised support within the Group for a major issue that fits well with PPR's activities and the brands' clientele, and can accommodate a decisive role for business alongside public authorities.

The Foundation forges partnerships with local and international associations and, building on the work done by SolidarCité, encourages the involvement of Group employees in actions in support of women's dignity and rights.

Actions are organised on five fronts, most of which have been carried over from SolidarCité (which no longer exists as an organisation):

- supporting the fight against violence and aid for development, through partnerships with NGOs, supporting community projects sponsored by Group employees or giving employees the opportunity to participate in a solidarity project as part of their paid leave;
- micro-finance;
- coaching social entrepreneurs;
- awareness-raising and prevention;
- advice and support for the Group's brands and banners.

Supporting anti-violence and developmental initiatives

Partnerships with NGOs

The Foundation supports projects run by local and international organisations that aim to stamp out violence against women and promote developmental aid for women.

The process for selecting which projects to support is very specific. The Selection Committee assesses projects from operational and financial standpoints, paying close attention to how existing capabilities can be strengthened and to societal impact. Once a decision has been made, a specific grant is assigned. If the amount exceeds €70,000, the Committee issues a recommendation and the project is submitted to the Board of Directors (twice yearly) for a final decision.

In 2009, the Foundation forged 17 partnerships ✓, allotting a total budget of €455,100. Three major projects were authorised by the Board of Directors and 14 (including two sponsored by Group employees) were chosen by the Selection Committee. For example, the PPR Foundation has allotted €80,000 to a Médecins du Monde project for the refurbishment and refitting of centres in Pakistan for housing women who have been victims of domestic violence.

Employee projects

Following on from the work of SolidarCité, the Foundation encourages Group employees to join volunteer organisations and supports projects in which employees are involved. Employees who are members of an organisation and who are sponsoring a project pledge to monitor progress made and submit a report one year after the subsidy payment. The selection process and criteria are the same as for NGO partnerships.

In 2009, two development projects sponsored by Fnac employees received financial backing from the Foundation for a total of €5,000. One project was located in Africa and the other was in Asia, managed by an organisation called Compter sur Demain, which trains young women in Laos to become schoolteachers.

✓ *Verified by the Statutory Auditors.*

Solidarity missions

Since 2005, PPR employees can use their paid leave to take part in two-week-long solidarity missions.

In 2009, The PPR Foundation for Women's Dignity and Rights continued this programme by offering employees the chance to participate in development assignments helping women in developing countries. The number of employees embarking on assignments rose to 25 last year, an increase of 66%. In addition to two existing partnerships, with *Coup de Pouce*, which coordinates construction and renovation assignments, and *Planète Urgence*, which provides training and education, an agreement with *Association Française des Volontaires du Progrès* (AFVP) was signed, with regard to two skill-sharing pilot projects.

Last year, 60% of volunteers came from Fnac, 35% from Redcats Group and 5% from Conforama. Most assignments were located in Africa. For example, two employees from Fnac and Redcats Group went to Côte d'Ivoire in July to help build a maternity clinic in association with *Coup de Pouce*.

In 2010, the Foundation would like to see employees from more countries taking part in the programme.

Micro-finance

Access to credit for the disadvantaged, who are passed over by the mainstream banking system, has become a key aspect of development aid in developing countries. As women are traditionally good at repaying loans and put the money to use by improving their families' access to healthcare and education, they are the prime beneficiaries of this aid.

In 2009, the Foundation identified micro-finance providers through which it could lend funds to micro-businesses started by women. Lending to Micro-Finance Institutions (MFIs) will be broadened in 2010.

Social entrepreneur grants

Following on from the programme started by SolidarCité in 2008, the Foundation continued to sponsor social entrepreneurs last year.

One of the people awarded a grant in 2008, Thomas Granier, last year benefited from the association between the PPR Foundation and PPR UniverCité in the context of the Group's training programme for gifted young PPR employees. To help develop personal and leadership skills, six senior managers worked on a short-term solidarity project, carrying out an audit for the association *La Voûte Nubienne* in Burkina Faso. The association promotes sustainable ancestral techniques for roof building without the use of wood. Large numbers of builders from Burkina Faso are being trained in the technique, leading to sustainable leaps forward in the standard of living of people groups living in Sub-Saharan Africa.

In addition, new social entrepreneur grants were handed out by the PPR Foundation to projects aimed at tackling social issues relating specifically to women, such as access to the job market, maternal health and measures to prevent marginalisation of victims of violence. Projects shortlisted in 2009 will be assessed by the Selection Committee in the first quarter of 2010. Three will receive a grant of €15,000, as well as coaching by a Group manager for one year.

Awareness-raising and prevention

The PPR Foundation for Women's Rights and Dignity supports actions that inform and promote awareness among Group employees and the public at large about violence against women and development aid for women.

One of the first projects of the PPR Foundation was targeted at Group employees. This was the *Blessures de femmes* (Women's Injuries) exhibition by photographer Catherine Cabrol, bringing together portraits and testimonies of women that had suffered various forms of violence. The exhibition was inaugurated at the PPR head office in Paris on March 8, 2009 – International Women's Day – with Catherine Cabrol in attendance. It was then shown at the headquarters of Boucheron and Yves Saint Laurent and at the offices of Fnac Logistique. In 2010, the Foundation wants to roll the exhibition out to spread awareness across all of PPR Group's business lines.

In addition to this exhibition, conferences by women's rights specialists such as Sophie Bessis, Deputy Secretary General of FIDH (International Federation for Human Rights), provided employees with opportunities to learn and exchange views on the issues.

In terms of initiatives among the general public, on the occasion of UNICEF International Day of Zero Tolerance for Female Genital Mutilation on February 6, 2009, the PPR Foundation teamed up with the Fnac Saint-Lazare store to organise a public conference. Five experts shed light on the issue from legal, medical or "on-site" perspectives.

This is an area that the PPR Foundation would particularly like to emphasise in 2010. It is backing the French broadcast of the film *Desert Flower*, directed by Sherry Hormann, on March 10. This film traces the life of Waris Dirie and denounces violence against women, especially genital mutilation. By involving the Group's brands and banners in the promotion of this broadcast, to be held on International Women's Day, the PPR Foundation aims to reach as many people as possible to raise awareness of this issue and of women's rights in general.

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, in priority education zones and/or enrolled in sandwich courses. The institute's goal is to give these young people all the opportunities 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 provided by a volunteer educator from the student's school and a corporate tutor (a volunteer employee from one of the Télémaque Institute's partner companies). Volunteer employees serve as social facilitators by helping students with their studies, broadening their horizons and putting them in touch with the right people.

When the Télémaque Institute was founded in 2005, PPR donated an initial amount of €631,500 to the project, enough to support 25 young people through to their last year of secondary school.

The Télémaque Institute currently has 13 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 21 PPR Group employees as at December 31, 2009. At the end of 2009, the Télémaque Institute had worked with 200 students and set an objective of 250 beneficiaries by the end of 2010.

CHALLENGES THAT MOVE OUR COMPANIES TO ACTION

After eight years of work with local communities, the support of Group banners and brands has been shown to provide real impetus for community projects located in their areas through the provision of skills and knowledge.

All of PPR's business lines are developing their own solidarity programmes related to their lines of work and in the areas where they are located. The PPR Foundation continues to contribute its expertise in helping them select partners and motivate employees. It also promotes the sharing of best practices amongst the Group's brands and banners. Lastly, it encourages them to take part in Foundation projects in favour of women.

Conforama: making sure the poorest have home essentials

Consistent with its business of retailing furniture and household appliances, and thanks to its network of stores, Conforama is helping provide home comforts to the needy through its work with associations.

Since 2006, Conforama has been partnering with *Secours Populaire Français* in the distribution of "life kits", containing new furnishings and household appliances vital for families. These kits are awarded on the basis of needs following selection by the Association's local delegations. The 80 "life kits" allocated in 2009 will be distributed at the same time as those awarded in 2010 so that all Conforama stores can take part in the initiative.

In addition, Conforama last year gave *Secours Populaire Français* more than 150,000 new home decoration and small-furnishings products such as storage furniture, rugs and lamps, with the dual aim of providing further assistance to the identified needy families and giving the association goods to sell in jumble sales in order to raise funds for its projects.

As an extension to its partnership with *Secours Populaire Français*, Conforama supported an initiative to pay for disadvantaged children to go on holiday by opening its doors to volunteers to collect money from store customers. Conforama wants to see a greater number of stores and staff members involved in this initiative.

Outside France, Conforama Italy and its employees rallied round the victims of the earthquake that hit the *Abruzzo* region on April 6 last year. The banner gave away equipment worth €20,000 to the Italian Red Cross, plus €5,000 collected through a staff fund-raising campaign.

Fnac: bridging the digital divide and promoting free speech

In 2009, Fnac added some extra focus to the solidarity programmes it runs in relation to its business lines. Within the context of the two broad product families that it retails and services – new technology and books, DVDs and music – Fnac has defined two avenues for helping communities: combating the digital divide and acting as a cultural mediator in the promotion of free speech.

Fnac: bridging the digital divide

As a leading player in the market for new technology, Fnac is working to bridge the digital divide by promoting widespread access to technology and training.

In 2009, Fnac once again offered support to secondary school *Lycée Henri IV* in Paris, with assistance for its higher education preparatory programme, which helps foster more diversified access to top universities. Fnac Digitale donated 30 laptop computers with appropriate educational software.

In the same vein, Fnac organised its second annual discount sale for the community in tandem with *Secours Populaire Français* and Dijon city council. Thanks to the efforts of approximately 30 Fnac employees from the Dijon outlet, the head office and the logistics site, new, used and repaired cultural and high-tech products were sold to residents and social service bodies at reduced prices. With over 800 visitors at this day-long event, a total of €20,000 was raised. The full proceeds were donated to the association.

Outside France, Fnac Portugal has for the past two years been running a major project to bridge the digital divide in association with AMI (*Assistance Médicale Internationale*): Infoteca, which are multimedia hubs kitted out by Fnac. In 2009, Fnac Portugal inaugurated a new centre in Porto in addition to existing ones in Cascais and Vila Nova de Gaia. These multimedia hubs can be used by local beneficiaries of AMI services to connect with the information-knowledge economy, which often marks a first step towards inclusion in society and the world of work. Initial results have been extremely encouraging. Several training programmes have been run, bringing together several hundred trainees, not counting the many people and associations who use the multimedia facilities under their own impetus. Partly as a result of these facilities, many users have been gradually able to reintegrate the labour market. Following these success stories, two new multimedia hubs are planned between now and 2012, in Almada and Coimbra.

Fnac: a cultural mediator promoting free speech

Fnac has always sought to defend freedom of speech by acting as a cultural mediator between creative industries and the general public. In this context, it has broadened the terms of its partnership with the International Federation for Human Rights (FIDH).

In June 2009, Fnac took up the slogan used by the FIDH, "Keep your eyes open", to coincide with the publication of the latter's report on those helping undocumented immigrants. The report, along with a popular petition protesting against "the criminal offense of showing solidarity", was made available to customers at the entrances to the 22 largest Fnac stores in France.

Separately, to celebrate 30 years of the UN's Convention on the Elimination of All Forms of Discrimination against Women, Fnac exhibited 30 photographic works brought together by the FIDH on the theme of womanhood in November 2009. A subsequent auctioning of these works raised €12,650 for the Federation.

The banner has also been busy outside France. With extremism becoming more prevalent in areas such as Antwerp, since 2006 Fnac has been part of a project against intolerance in all its forms. The project was initiated by well-known French musicians Tom Barman (dEUS), Axelle Red and Arno. Fnac outlets publicised the initiative to help spread awareness of the issue. The banner picks out festivals and works that are representative of its commitments (e.g., *Les voies de la Liberté* festival) and has created photo-walls at the entrance to its stores on which the public can pin testimonials.

Lastly, the banner broadened its partnership of more than 15 years with Reporters Without Borders to encompass the Reporters Without Borders – Fnac prize, awarded to journalists and media platforms that embody the fight for free speech and freedom of information. In 2009, it was Israeli journalist Amira Hass who received the Journalist of the Year award for the quality of her work published in daily newspaper *Ha'aretz* in Israel. Chechen magazine *Dosh*, published quarterly, received the media prize for its fight for the right "to inform and to be informed".

Gucci Group: working hard in the areas of education, healthcare and culture

Gucci Group and its brands are active in promoting the improvement of living standards for disadvantaged peoples in the regions in which it operates. In relation to its business activities, the Group carries out initiatives to encourage education and integration, by making its expertise available, and to support access to healthcare and culture.

In 2009, Gucci Group spent close to €3 million on solidarity projects, with strong backing from the Gucci brand itself.

In late 2009, to encourage employees to get involved, Gucci Group set up a Selection Committee for assessing solidarity projects along the same lines as that of the PPR Foundation. The Committee screens projects put forward by Gucci Group employees involved in community work and decides which ones to support financially. The first Committee meeting took place in October 2009 and a decision was made to support six specific projects.

Education and integration: sharing expertise

In Italy, Gucci's teams continued their support for *La Ronda della carità e della solidarietà*, an organisation that helps homeless people to find work through craft workshops. In 2009, 2,000 candles were manufactured and offered inside Christmas box sets to all employees of Gucci's head office, giving paid work to 22 homeless people for two months.

In 2009, the China Children & Teenagers' Fund awarded Gucci the merit of "Best company promoting the interests of children in China" for its involvement in the Telethon. One of the fund's initiatives is helping children suffering from amblyopia, a chronic eye disease characterised by poor or indistinct vision. In 2009, the brand bequeathed a gift of RMB 1m (some €100,000) to the association and financed a stay in the countryside.

In 2009, Gucci also paid the college fees of four underprivileged students, enabling them to continue studying at the Academy of Arts & Design at Tsinghua University in Beijing. A "Gucci Tour" of Italy (including Milan fashion shows) was offered to the four best-performing students of the Academy as a prize.

In 2009, Gucci formed a partnership with Mary J. Blige's Foundation For the Advancement of Women Now (FFAWN).

On September 16, 2009, the outlet on 5th Avenue in New-York paid 10% of its sales on that day to the Foundation and organised a private sale in its favour. In addition, taking into account sales of the watch made especially in honour of this new partnership, more than $50,000 (€36,000) were raised by Gucci and Gucci Group Watches on behalf of the FFAWN. This special day in favour of the Foundation will be held annually.

Boucheron worked to promote education for young people from disadvantaged backgrounds. The brand supported a partnership between the Comité Colbert and the Paris education authority to give pupils the chance to discover its business activities over three days. On French national heritage day, the Paris boutique and workshops opened their doors to over 70 young people helped by associations for the promotion of education and integration. In 2009, Boucheron for the third year running supported the *Sport dans la Ville* association, which encourages the social and professional integration of young people from tough areas through sport, by participating in the inter-company football tournament organised by the association.

For the fifth subsequent year, Sergio Rossi donated inventory worth $35,000 (€25,000) to women's network Step Up and Step Out.

Alexander McQueen created a crown made from playing cards. This was auctioned off and the proceeds went to Shelter, which aids homeless people in the UK.

Access to healthcare

Gucci Group brands supported several associations in 2009, especially those working to combat AIDS/HIV, cancer and other serious illnesses prevalent among women and children.

Last year marked the fifth anniversary of Gucci's partnership with UNICEF, which supports programmes to provide medical care and education to AIDS orphans and children suffering with AIDS or that are HIV-positive, in Sub-Saharan Africa. Close to $2 million was raised in 2009 through sales of Gucci products with either all or part of proceeds paid to UNICEF.

In addition to its long-term and large-scale efforts to raise funds for UNICEF, Gucci last year donated funds to the National Breast Cancer Coalition, amfAR, Sidaction, Fight AIDS Monaco and the Raisa Gorbachev Foundation, which helps children suffering from cancer. Gucci furthermore encouraged its employees to donate money to the Italian Red Cross for victims of the Abruzzo earthquake by pledging to match each gift. A total of €67,000 was donated to the Red Cross.

Bottega Veneta contributed money to the 2009 Behind a Miracle campaign run by the Bighorn association, which in total raised more than $375,000 (€270,000) for the Lucy Cursi Cancer Centre in California.

Other Gucci Group brands also rallied round this cause, contributing products which were then sold to raise funds. Yves Saint Laurent donated lots for auctions held by associations raising funds for AIDS, cancer, Alzheimer's disease and type-one diabetes, in Europe and the US. Through the sale of the Christmas tree it designed specifically for the Carla Bruni-Sarkozy foundation, Gucci raised €50,000 for the *Sol en Si* association. Stella McCartney also donated products to various hospitals.

Support for culture

Through the work of its brands, Gucci Group continued its ambitious programme to support art and culture in 2009.

For the fourth consecutive year, Gucci Group gave out its Gucci Group Award, organised in association with the Venice Film Festival, to an artist who had made an extraordinary contribution to film. In 2009, the trophy was awarded to journalist Mark Boal for the screenplay of *The Hurt Locker*, a moving film about the war in Iraq.

Gucci also continued its support for the Film Foundation, a not-for-profit organisation dedicated to film conservation. Last year Gucci financed the restoration of *Senso*, a 1954 film directed by Luchino Visconti. The brand also sponsored the second grant by the Gucci Tribeca Documentary Fund, which awards $100,000 (€70,000) each year to four different documentary makers.

In the autumn of 2009, Alexander McQueen, Stella McCartney and Sergio Rossi donated various articles for a designer sale organised by charity Kids Company in association with *Harper's Bazaar* magazine. Proceeds went towards paying for a magical Christmas Day experience for 2,000 underprivileged children in the UK.

Gucci Group and its brands also made numerous donations, such as those by Bottega Veneta to the Museum of Contemporary Art and the Center Theater Group in Los Angeles, and by Yves Saint Laurent to the Orange County Museum of Art, California, and the Metropolitan Opera House, New York.

Throughout 2009, Boucheron lent works (including some of the oldest in its collections) to several exhibitions: *Schmuck Museum* in Pforzheim, Grimaldi Forum in Monaco, the *Musée des Arts Décoratifs* in Paris, *Carrousel du Louvre* on behalf of the *Fondation de la Haute Joaillerie*, and the *Gulbenkian* de Lisbonne.

In 2009, Bottega Veneta continued its work with the *Scuola della Pelletteria*, a school founded to develop training and alleviate unemployment in the Veneto region. In April 2009, after completing a two-year curriculum, 10 students received degrees in leather-working. In the same vein, Sergio Rossi last year forged a partnership with Cercal (*Centro Ricerca e Scuola Internazionale Calzaturiera*) in San Mauro Pascoli for the training of high-qualified employees in the footwear industry.

Puma: solidarity initiatives under PUMAVision

Under PUMAVision, which unites the brand's entire CSR strategy in association with its activities and sphere of influence, Puma funds three key programmes – puma.safe, puma.peace and puma.creative – to create a better world through the support of sustainable development, peace and creativity. Puma is building up solidarity partnerships around the promotion of peace and art.

puma.peace: sport in support of peace, in partnership with Peace One Day

Since 2007, Puma has supported the association Peace One Day, whose goal it is to promote peace worldwide by instigating an international cease-fire and non-violence day. This has taken place on September 21 each year since 1999. More specifically, the initiative One Day, One Goal encourages sport to do its part in fostering peace and eradicating armed conflict.

In 2009, Puma successfully secured the participation of the 192 UN member countries, with more than 400 soccer matches played in aid of reconciliation between the nations. The stand-out matches included the Iraq army against the Kurdish Peshmerga and Tijuana against California. Puma sought to promote this initiative by taking part in a prestigious inaugural concert in Paris, by circulating a dedicated range of charity products (with part of the sale proceeds given to the association) that was launched through a media campaign with partner athletes, by kitting out participants from some countries and by organising emblematic soccer matches between employees of Puma and Adidas through the involvement of more than 700 employees. Furthermore, in 2009, Puma sponsored the documentary The Day After Peace, directed by the founder of Peace One Day, Jeremy Gilley.

The goal is to involve 3 million people worldwide in support of Peace One Day by 2012.

puma.creative: supporting the creative fibre of up-and-coming artists

Creativity sits at the heart of Puma's values. Instrumental in changing mindsets, creativity grabs people's attention and causes them to ponder the key issues facing the society of tomorrow. Puma last year opted to promote artists in Africa through its Creative Africa Network initiative. Puma handed out 220 *puma.creative Mobility Awards*, enabling artists from Africa and the Caribbean to stage large-scale cultural events promoting the artistic movement coming out of the African continent: the Joburg Art Fair in South Africa; Africa Express with over 125 musicians taking part in Paris; the eighth biennial meeting of African photography, with 58 artists attending, in Bamako, Mali; and the Marrakech art festival in Morocco. Puma also set up websites dedicated to African artists (www.creativeafricanetwork.com) and Caribbean artists (www.creativecaribbeannetwork.com).

In addition, Puma set up a partnership with the Design Museum in London in early 2009, sponsoring the exhibition by Hussein Chalayan *From Fashion and Back*.

Redcats Group: employees working towards education and integration

The high degree of involvement in community work by the employees of Redcats Group in France led to the inception in early 2009 of SolidarCité Redcats, a non-profit association set up to continue the education and integration initiatives carried out since 2001 under the banner of SolidarCité PPR. The association derives its strength from the dedication of employees, without whom projects would not be supported.

Outside France, the brands are involved in the work of local and national associations in relation to their business activities.

SolidarCité Redcats: employees working to foster integration in France

For many years, Redcats Group employees have worked towards the social and professional integration of people in difficult circumstances.

To extend its partnerships with job placement organisations providing services such as ironing, housework, DIY and fresh grocery deliveries, SolidarCité Redcats set up a concierge office, by which employees from their workplace can order a whole range of neighbourhood services designed to make life easier. Since starting in October 2008, the trial operation at the La Redoute head office has resulted in more than 5,000 service assignments being completed, representing the creation of eight full-time jobs. Following this success, a new concierge office was inaugurated on October 5, 2009 for employees at the Cyrillus, Somewhere and Vertbaudet headquarters in Tourcoing, France.

The *Espoir en Stocks* storage centre, which was founded by SolidarCité to collect and store donations in kind from PPR (overstock, customer returns and samples) and which became an independent organisation in 2008, once again mobilised 20 volunteers in 2009 who gave freely of their time each week to sort through and mend products. Half of the objects (which included toys, household linen, furniture and kitchenware) were distributed to partner charity organisations to help others in times of crisis (fires, flooding, etc.). The other half was sold at a discount to employees of Redcats Group. In 2009, over €40,000 – the entire proceeds from discount sales – was raised and donated to 26 partner organisations. Over 100 volunteers worked hard to organise the discount sales.

SolidarCité Redcats continued to work hand in hand with Janus, a social temporary-employment agency. As a result, in 2009, 141 people were posted to Redcats Group in northern France for 44,000 hours, equating to 24 full-time jobs per month.

In 2009, SolidarCité Redcats continued to support three socially aware grocers (in Wattrelos, Waziers and Lomme) by providing products from Group banners. These grocery stores sell new products at reduced prices to those struggling financially. SolidarCité Redcats further helped these stores by holding cooking and artistic workshops, with a view to facilitating re-integration.

In the context of community integration, in December 2009, more than 30 volunteers served 250 disadvantaged people (including 148 children) in the La Redoute canteen. A Christmas tea party was put on, with entertainment supplied by the Mouscron circus school. Each of the 250 people left with a present offered by Redcats or PPR companies.

Redcats Group: employees promoting education

From the outset, SolidarCité Redcats has been committed to making education and culture accessible to everybody.

The "1 student, 1 day, 1 job" campaign, which has been going for five years, gives secondary-school pupils studying at a priority-status school the chance to discover a particular job for one day at La Redoute alongside a member of staff. In 2009, 120 pupils, each accompanied by employee mentors, discovered one of 46 different jobs.

SolidarCité Redcats also provided support for two employee projects helping to promote education in Mali. The organisation ABC d'Ailleurs, which was created in 2002 by employees of the Childcare-Family division at Redcats Group, is running a programme for building schools in the village of Kassan and encouraging employees to sponsor pupils: 120 children today receive schooling for free. ABC d'Ailleurs is one of the associations benefiting from funds raised by SolidarCité Redcats at its events. As part of a programme to provide solar energy in Gabou, Mali, in association with the Lycée Turgot in Roubaix, SolidarCité Redcats financed the purchase of two photovoltaic panels for a sum of €5,000, with pupils training operatives from Mali in the installation and maintenance of the panels. Approximately 300 children benefit from electricity generated by these panels in their school.

Redcats Group brands working actively outside France

In March 2009, La Redoute Austria distributed 1,000 blankets, developed in collaboration with an Austrian designer, to the *Rettet das Kind* association, which helps children and teenagers from disadvantaged backgrounds.

Redcats USA donated 700 large-size women's suits to Dress for Success, an international not-for-profit organisation that works to improve living conditions for women; 70% of those benefiting from its help wear US dress size 14 or above.

The Redcats Asia division distributed approximately 5,000 ready-to-wear prototypes to the Salvation Army, the local Red Cross and the Duchess of Kent Children's Hospital.

In 2009, as in previous years, all of the Group's brands and banners reaffirmed their commitment to civil society, local communities and the non-profit world through initiatives dovetailing with their operations and business activities.

Cross-reference table pursuant to Articles R. 225-104 and R. 225-105 of the French Commercial Code (*Code de commerce*)

(formerly Article 116 of the Loi NRE)

Article	Description	Section of the Reference Document
Employee-related (Article R. 225-104 of the French Commercial Code)		
Para. 1a	Total number of employees	Introduction
	Permanent-contract hires	Priority 1
	Fixed-term contract hires	Priority 1
	Recruitment difficulties, if any	Priority 1
	Number of and reasons for redundancies	Introduction
	Overtime	Introduction
	Temporary staff	Introduction
Para. 1b	Downsizing and cost-cutting plans	Priority 1
	Job protection	Priority 1
	Redeployment	Priority 1
	Rehires	Priority 1
	Career support advice	Priority 1
Para. 2	Organisation of working time	Introduction
	Working hours and days for full-time employees	Introduction
	Working hours and days for part-time employees	Introduction
	Absenteeism and reasons for absenteeism	Introduction
Para. 3	Remuneration	Priority 1
	Changes in remuneration	Priority 1
	Payroll expenses	Priority 1
	Application of the provisions of Title IV, Book IV of the French Labour Code (*Code du travail*) (= incentive and profit sharing plans and employee savings schemes)	Priority 1
	Gender equality	Priority 2
Para. 4	Employee relations	Priority 1
	Collective bargaining agreements	Priority 1
Para. 5	Health & Safety	Introduction
Para. 6	Training	Priority 1
Para. 7	Employment and integration of persons with disabilities	Introduction, Priority 2
Para. 8	Social and cultural works	Priority 7
Para. 9	Outsourcing	Priority 3
	Contribution to regional development and employment	Priority 3
	Relations with the community, including associations to combat social exclusion, educational institutions, environmental and consumer associations, and local residents	Priority 2
	Scale of outsourcing	Priority 3
	Steps to ensure that subcontractors comply with International Labour Organization (ILO) standards	Priority 3
	Steps taken to ensure that subsidiaries comply with ILO standards	Priority 3
	Steps taken by foreign subsidiaries to address the impact of their business on regional development and local communities	Priority 3

Article	Description	Section of the Reference Document
Environment (Article R. 225-105 of the French Commercial Code)		
Para. 1	Water consumption	Priority 5
	Raw materials consumption	Priority 5
	Energy consumption	Priorities 4 and 5
	Measures taken to improve energy efficiency	Priorities 4 and 5
	Use of renewable energy	Priorities 4 and 5
	Land use	Data not available
	Emissions into air, water and soil	Priorities 4 and 5
	Noise and odour pollution	Priority 5
	Waste processing	Priority 5
Para. 2	Measures taken to limit harm to the ecological balance	Priority 6
Para. 3	Steps taken towards environmental assessment and certification	Priority 5
Para. 4	Measures taken to ensure compliance with legal requirements	Priority 6
Para. 5	Expenditure incurred to mitigate environmental consequences of the business	Priority 5
Para. 6	Internal department for environmental management	Priority 4
	Employee training and awareness campaigns	Priority 4
	Resources assigned to the reduction of environmental risks	Priority 5
	Structure to deal with pollution incidents extending beyond the Company	Priority 5
Para. 7	Amount of provisions and guarantees covering environmental risks	Priority 5
Para. 8	Amount of compensation paid following legal decisions relating to the environment	Data not available
Para. 9	Information on objectives assigned to foreign subsidiaries	Introduction

Statutory Auditors' review report

on a selection of Corporate Social Responsibility (CSR) indicators

This is a free translation into English of the review report by the Statutory Auditor issued in French and is provided solely for the convenience of English speaking readers. The review report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Further to your request and in our capacity as Statutory Auditors of the PPR Group, we have carried out a review for the purpose of enabling us to express moderate assurance on a selection of CSR indicators. The indicators reviewed are marked by the ✓ symbol in the tables, graphs and narrative text set out on pages 68, 73, 90, 92, 96, 101, 114 and 122 of the 2009 Reference Document. The indicators selected by the PPR Group (hereafter, the "Data") are:

- Priority 1 (1): the number of training hours across all Group businesses in France;
- Priority 2 (2): the number of disabled employees across all Group businesses in France;
- Priority 3 (3): the number of CSR audits (and their findings) performed by three Group banners (Conforama, Puma and Redcats Group);
- Priority 4 (4): CO_2 emissions resulting from B to B and B to C transport for Conforama, Fnac and Redcats Group (representing more than half of the Group's total emissions);
- Priority 5 (5): CO_2 emissions resulting from energy consumed by Conforama, Fnac and Redcats Group (representing more than half of the Group's total emissions);
- Priority 6 (6): the portion of precious skins from traceable sources used by Gucci Group;
- Priority 7 (7): the number of projects supported by the PPR Foundation for Women's Dignity and Rights.

The Data were prepared under the responsibility of the CSR and Human Resources Departments, in accordance with internal CSR standards (hereafter, the "Standards"), which are available for consultation at these departments and are summarised on the PPR Group's website (www.ppr.com). Our responsibility, based on our audit work, is to express a conclusion on the selected Data and not on the Reference Document as a whole.

Nature and scope of our work

We conducted our work in accordance with applicable auditing standards.

We carried out a number of procedures to obtain moderate assurance that no material irregularities exist with regard to the selected Data. We did not perform all of the procedures required to obtain reasonable assurance (a higher level of assurance).

Our procedures consisted of:

- reviewing the Standards for reporting the selected Data with regard to their relevance, comprehensiveness, reliability, objectivity and understandability;
- meeting with employees concerned by the Standards within the CSR and Human Resources departments at Group headquarters, and at Conforama, Fnac, Gucci Group, Puma, Redcats Group and the PPR Foundation for Women's Dignity and Rights, in order to update our knowledge of the reporting process and the organisation put in place, and ensure that the Standards are properly applied;

(1) Develop employability through skills management and training.
(2) Train each manager on 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 stores and infrastructures.
(6) Promote responsible products and usages.
(7) Implement solidarity programmes related to companies' business activities.

- meeting with employees and, in a number of selected entities [(1)], carrying out (i) tests on the application of the Standards, and (ii) consistency checks on the consolidation of the Data. The selected entities represent:
  - 62% of Group employees in France for the indicators selected for Priorities 1 and 2,
  - 100% of CSR audits of the three banners concerned by the indicator selected for Priority 3,
  - 55% on average of total CO_2 emissions for the three banners concerned by the indicators selected for Priorities 4 and 5,
  - 100% of precious skins used by Gucci Group for the indicator selected for Priority 6,
  - 100% of projects carried out by the PPR Foundation for Women's Dignity and Rights for the indicator selected for Priority 7.

We were assisted in our work by our own Environment and Sustainable Development experts.

Observations regarding the procedures

During the course of our work, we found that:

- procedures were in place and effectively managed for compiling, recording and validating the selected Data in the entities concerned by our review, but that internal controls needed to be improved at each level of the process of compiling and consolidating data on the "number of training hours", which should also be defined in the Standards;
- internal controls needed to be improved at each level of the process of compiling and consolidating data on CO_2 emissions resulting from B to B transport, particularly those resulting from air transport at Redcats Group.

Conclusion

We noted that data regarding CO_2 emissions resulting from B to B and B to C transport for Conforama's facilities outside France were estimated, since the banner failed to provide actual figures before the reporting date. The documentation provided so that we could analyse the methods used to estimate these emissions does not allow us to certify the accuracy of the estimates provided in relation to Conforama.

Based on our work, and except for the matter described above, no other material irregularities came to light causing us to believe that the Data marked by the ✓ symbol concerning entities falling within the scope of our review, do not comply with the above-mentioned Standards.

March 11, 2010

Paris La Défense		Neuilly-sur-Seine	
KPMG Audit		Deloitte & Associés	
Division of KPMG SA			
Philippe Arnaud	Patrick-Hubert Petit	Éric Dugelay	Jean-Paul Picard
Partner responsible for Environment & Sustainable Development	Partner	Partner responsible for Risk Management & Sustainable Development	Partner

(1) For the indicators selected for Priorities 1 and 2: Conforama France, La Redoute France, Puma France, SAS Relais Fnac, Yves Saint Laurent France;
For the indicator selected for Priority 3: Conforama, Puma and Redcats Group;
For the indicators selected for Priorities 4 and 5: Conforama España, Conforama France, Fnac España, Fnac France, La Redoute France (including SOGEP and La Martinoire), Redcats US VAD (Indianapolis warehouses, Special Sizes and Sportsman's Guide);
For the indicator selected for Priority 6: Caravel Pelli Pregiate and Gucci Logistica;
For the indicator selected for Priority 7: PPR Foundation for Women's Dignity and Rights.

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2009 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 "Operations discontinued, sold or to be sold." Net income and losses from these activities are included under a separate income statement heading, "Net income (loss) from discontinued operations", and restated in the statement of cash flows and income statement for all reported periods.

The assets and liabilities arising from "operations sold or to be sold" are presented on separate lines in the Group's statement of financial position, but are not restated for prior periods. The assets and liabilities associated with discontinued operations are not presented on separate lines in the statement of financial position.

Changes in accounting policies and methods

As indicated in Notes 2.2 and 2.23 to the consolidated financial statements, the financial statements for the year ended December 31, 2008 have been restated in order to reflect the changes in accounting policies and methods.

Definition of "reported" and "comparable" revenue

The Group's reported revenue corresponds to published revenue. Non-Group revenue is defined as the revenue from each company or brand, after elimination of inter-company sales.

The Group also uses "comparable" data to measure organic growth. "Comparable" revenue is 2008 revenue restated for the impact of changes in Group structure in 2008 or 2009, and for translation differences relating to foreign subsidiaries' revenue in 2008.

Definition of consolidated net debt

As defined by French National Accounting Council (CNC) recommendation No. 2009-R.03 of July 2, 2009, net debt comprises gross debt, including accrued interest, less net cash.

Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds whose interest rate risk is fully or partly hedged as part of a fair value relationship (see Note 32 to the consolidated financial statements).

The financing of customer loans by fully-consolidated consumer credit businesses is presented in borrowings. However, Group net debt excludes the financing of customer loans by consumer credit businesses.

Definition of EBITDA

The Group uses EBITDA to monitor its operating performance. This financial indicator corresponds to recurring operating income plus net charges to depreciation, amortisation and provisions on 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 line item, "Free cash flow from operations", 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.

2009 HIGHLIGHTS

PPR launches an initial public offering for Cfao

On December 3, 2009, PPR ceased to exercise control over Cfao, following the subsidiary's floatation on Euronext Paris.

The IPO marks a further important step in PPR's process of refocusing its business on a coherent group of internationally recognised sportlifestyle and luxury brands. This underlying strategy was regularly explained in information communicated to the markets throughout the IPO process. PPR does not intend to retain a lasting involvement in Cfao's development. However, while the long-term plan is to fully withdraw from Cfao's capital, PPR does not envisage relinquishing its involvement at this stage, and has given a commitment to the banks underwriting the IPO that it will not offer, sell or transfer any Cfao shares before June 7, 2010.

The floatation proved a great success, and was the largest IPO carried out on Euronext Paris in the past few years. It was oversubscribed by 2.5 times following offers received from all the leading institutional investors, with the majority representing long-term investors. The offering was priced at €26 per share, the mid-point of the indicated price range, and the over-allotment option was extremely quickly exercised. Cfao's share performance in the first few weeks of its listing was satisfactory.

Following the floatation, PPR ceased to exercise control over Cfao, having sold to the public 35,650,000 shares in its formerly 99.9%-owned subsidiary for €927 million (excluding transaction costs). The Group has retained a 42.0% interest in Cfao's capital and voting rights and has not entered into any agreements with other shareholders which would give it over half of the voting power. It therefore now only exercises significant influence over Cfao. At the date of the IPO, 54.1% of Cfao's capital was held by institutional investors (42% French), and the combined stake of the largest 32 of these investors was higher than PPR's ownership interest.

Cfao's governance structure is such that PPR cannot exercise *de facto* control, as the three members of Cfao's Management Board are salaried employees who are no longer bound to the PPR Group under an employment contract or management services agreement and the Management Board has full power to manage the company and govern its financial and operating policies. In addition, as a result of the structure of Cfao's Supervisory Board and its *modus operandi*, PPR cannot hold the majority of the votes within either the Supervisory Board or the Nominations Committee. PPR therefore does not have the power to appoint new members of Cfao's Management Board or remove them from office.

Since it was floated, Cfao has become totally financially independent from PPR. Cfao repaid the amounts it owed to the Group under its inter-company current account and now has its own external bank financing arrangements. There are no longer any management, consulting, assistance, agency or joint venture agreements in place between PPR and Cfao. Likewise there are no longer any shared assets or significant business relations between the two groups, except for certain administrative and technical facilities which the groups have agreed that PPR will continue to provide on a temporary basis, as in the past and at market prices. Since December 3, 2009 Cfao has no longer been included in PPR's systems or processes, particularly concerning financial control.

The transaction has been accounted for in accordance with IFRS 5, with Cfao's consolidated net income up until November 30, 2009 and the net gain arising on the sale of the 35,650,000 shares presented on a separate line of the income statement entitled "Net income from discontinued operations". Income statement and cash flow items from the prior year have been restated accordingly. As PPR continues to exercise significant influence over Cfao, its residual interest in the company has been accounted for by the equity method in the Group's consolidated financial statements for the year ended December 31, 2009, with Cfao's estimated results for December [1] recorded under "Share in earnings of associates" and the Cfao shares held by PPR recognised under "Investments in associates" in the statement of financial position. Furthermore, as the Group decided to early adopt the revised versions of IAS 27 and IFRS 3 from January 1, 2009, the 25,834,370 shares representing PPR's residual interest in Cfao have been remeasured at fair value, representing €26 per share, with the impact of these fair value adjustments recorded in the income statement under "Other non-recurring operating income and expenses".

Other changes in the Group's business portfolio

On January 1, 2009, Puma took a majority stake in the Dutch firm Dobotex International BV, a long-standing partner that owns the licence for Puma socks and underwear outside the US.

On January 12, 2009, Puma announced that it had acquired Brandon AB, a Swedish firm specialising in merchandising and brand promotion.

On February 25, 2009, Gucci Group entered into a definitive agreement to sell Bédat & Co to Luxury Concepts Watches Jewellery Sdn Bhd, a company based in Malaysia.

On June 10, 2009, PPR completed the sale of Surcouf to Hugues Mulliez, the founder of Youg's, a brand specialising in the sale of IT products and services.

(1) As Cfao's results for 2009 were not available at the statement of financial position date, PPR's share of Cfao's net income for December 2009 is based on estimated data. At each statement of financial position date, PPR will estimate its share of income based on the most recent interim earnings figures released by Cfao.

On January 8, 2010, Puma and Hussein Chalayan announced that on December 31, 2009 Hussein Chalayan had acquired Puma's stake in their joint venture, Chalayan LLP. Hussein Chalayan remains Creative Director at Puma, responsible for overseeing the design, creation and development of Puma's Sportlifestyle collections. Puma's Urban Mobility Collection developed by Hussein Chalayan will be available in stores for the Spring/Summer 2010 season.

Business recovery, competitiveness and cost-cutting plans

On February 18, 2009, Fnac unveiled a plan aimed at reinvigorating its sales momentum within and outside France. It also announced measures for generating full-year cost savings of €35 million across all aspects of the business, including productivity, overheads, communication and rent. Fnac ceased operations at its Basel store in Switzerland in March 2009 and the La Bastille store in Paris – which specialised in music – was closed at the end of the year.

In 2009, Redcats continued to implement its competitiveness plans launched in 2008, with additional measures undertaken during the year. On November 25, 2009 it presented a plan involving the purchase of its subsidiary La maison de Valérie, by Conforama. This business combination is in line with Conforama's multi-channel business development strategy, as it combines the strengths of each brand (La maison de Valérie's recognised expertise in home shopping and Conforama's powerful name) while enabling both brands to leverage their strategic fit and expertise in the home furnishings and furniture market.

On February 18, 2009, Conforama presented a cost-cutting plan intended to achieve full-year savings of €50 million, in a bid to restore its competitiveness. This plan includes a €25 million payroll cut based on improved store productivity and organisational adjustments to accommodate centralised back-office functions. It also targets a reduction of €10 million in logistics costs, €9 million in head office costs, €3 million in real estate costs and €3 million in markdowns. In the first quarter of 2009, Conforama closed three stores in Spain and Portugal and four in Italy.

On May 8, 2009, Puma announced the outlines of a cost-cutting plan targeting cost savings compared to the budget of up to €150 million on an annual basis through to 2011. The plan is designed to allow Puma to optimise its network of directly-operated stores, its overall organisational structure and its operating processes. In the second half of the year, Puma launched "Project Relay" – a new cost-savings plan aimed at lowering the fixed-cost base and increasing operating efficiency.

The Luxury Goods division also tightened its cost control measures in 2009, rolling out plans to optimise headcount and payroll with a view to further improving the efficiency of its supply chain, particularly for sourcing and indirect purchases. In addition, all of the division's brands adopted a "do more with less" strategy during the year, especially concerning marketing and advertising expenditure as well as in-store operating investments.

Enhanced financial strength

In 2009, PPR further enhanced its financial strength by extending the average maturity of its debt and diversifying its sources of financing. As part of this strategy the Group carried out a €152.5 million issue of bonds maturing in June 2014. PPR also carried out four other bond issues under its EMTN programme, consisting of:

- €800 million maturing in April 2014, issued in two equal tranches paying interest at 8.625%;
- €150 million maturing in June 2014, placed with retail investors in Benelux and paying interest at 7.75%;
- €150 million maturing in June 2017, placed with private investors and paying interest at 6.50%;
- €200 million maturing in November 2017, placed with private investors and paying interest at 6.50%.

New impetus for the Group's corporate social responsibility policy

In the past three years all of PPR's entities have implemented concrete initiatives in the area of corporate social responsibility, and in 2009 the Group's CSR measures were stepped up significantly. One key project during the year was PPR's support for the film HOME, which has already been viewed in 131 countries by over 150 million viewers, raising awareness of the sustainable development challenges the planet is facing. Another major initiative was the creation of the PPR Corporate Foundation for Women's Dignity and Rights which has already supported some twenty projects worldwide aimed at combating violence against women and empowering women to fully contribute to the development of their communities.

2009 BUSINESS REVIEW

The main financial indicators taken from PPR's consolidated financial statements for 2009 reflect the Group's very satisfactory performance during the year.

(in € millions)	2009	2008	Change
Revenue	16,524.6	17,207.0	-4.0%
Recurring operating income	1,383.4	1,440.7	-4.0%
as a % of revenue	*8.4%*	*8.4%*	*+0.0 pt*
EBITDA	1,790.7	1,820.3	-1.6%
as a % of revenue	*10.8%*	*10.6%*	*+0.2 pt*
Net income attributable to owners of the parent	984.6	921.1	+6.9%
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	712.4	718.0	-0.8%
Gross operating investments	338.9	508.0	-33.3%
Free cash flow from operations	1,116.6	843.8	+32.3%
Total equity	11,053.3	10,598.8	+4.3%
o/w attributable to owners of the parent	*9,954.5*	*9,341.9*	*+6.6%*
Net debt	4,367.3	5,510.4	-20.7%
Average headcount	63,298	66,214	-4.4%

Revenue

Consolidated revenue from continuing operations amounted to €16,525 million in 2009, down 4.0% on 2008 as reported and 5.6% on a comparable basis.

(in € millions)	2009	2008	Reported change	Comparable change (1)
Redcats	3,386.4	3,698.6	-8.4%	-8.9%
Fnac	4,375.1	4,457.2	-1.8%	-1.9%
Conforama	2,928.0	3,167.9	-7.6%	-7.9%
Puma	2,460.7	2,524.2	-2.5%	-7.6%
Luxury Goods division	3,390.3	3,379.9	+0.3%	-3.6%
Eliminations and other	(15.9)	(20.8)	nm	nm
Total revenue from continuing operations	**16,524.6**	**17,207.0**	**-4.0%**	**-5.6%**

(1) On a comparable Group structure and exchange rate basis.

The worldwide economic downturn was severe in the final months of 2008 and the first part of 2009. The exceptionally deep and widespread recession was reflected in an across-the-board fall in business confidence indices and by a sharp decline in consumer spending trends.

All of the world's economies were hit by the recession almost instantly, but the recovery phase that began in the second half of 2009 fed through to different economies at differing rates. There was a marked rebound in emerging Asian markets but the upturn was more subdued in the Euro zone, the United States and Japan.

For PPR, the deterioration in market conditions was less pronounced in the second half of 2009, with the exception of Puma. Revenue in the last three months of the year contracted by 3.2% as reported and 2.3% on a comparable basis versus the same period of 2008, with the last quarter accounting for 28.6% of the full-year revenue figure (against 27.6% in the previous year). Based on comparable data, the year-on-year decreases in consolidated revenue were 5.8% in the first quarter of 2009, 7.4% in the second quarter and 8.0% in the third quarter.

The Luxury Goods division accounted for 20.5% of consolidated revenue in 2009 (20.1% on a comparable basis in 2008), while Puma accounted for 14.8% (15.1% on a comparable basis in 2008).

Changes in Group structure had a positive €110 million impact on revenue for the year and mainly concerned Puma's acquisition of Dobotex and Brandon.

Exchange rate fluctuations had a positive €197 million impact on revenue, primarily reflecting the combined effects of (i) a €121 million gain due to the rise in the US dollar against the euro (of which 49.8% was recorded by Redcats, 33.6% by the Luxury Goods division and 16.6% by Puma), (ii) a €141 million gain resulting from the stronger Japanese yen (of which 64.8% was recorded by the Luxury Goods division and 35.2% by Puma), and (iii) a €70 million unfavourable currency effect in the fourth quarter notably due to the fall in value of the US dollar (which accounted for €55 million of the overall negative impact).

Revenue by geographical area

The proportion of revenue generated by international operations continued to grow in 2009, accounting for 56.9% of the Group total, versus 56.5% the previous year (on a comparable basis).

(in € millions)	2009	2008	Reported change	Comparable change (1)
France	7,124.2	7,610.9	-6.4%	-6.5%
Europe excluding France	4,571.8	4,955.4	-7.7%	-8.3%
Americas	2,609.0	2,575.6	+1.3%	-2.5%
Africa	143.9	137.0	+5.0%	+5.9%
Oceania	79.2	83.8	-5.5%	-3.3%
Asia	1,996.5	1,844.3	+8.3%	-0.8%
Total revenue from continuing operations	**16,524.6**	**17,207.0**	**-4.0%**	**-5.6%**

(1) 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 changes in the economic environment. Importantly, the Group is becoming less reliant on the European economy. Revenue generated outside the Euro zone accounted for 39.5% of the Group's total sales against 38.3% in 2008 on a comparable basis. During the year PPR continued its expansion in emerging economies, with these markets reporting 7.8% growth and contributing 13.0% of the Group's total revenue figure, up 160 basis points on 2008 based on comparable data.

Online revenue

In 2009, Group online revenue from continuing operations came in at €1,976 million, up 5.5% as reported and 4.9% on a comparable basis. In the fourth quarter, PPR's online sales rose by 6.2% on a reported basis and 8.2% based on comparable data.

E-commerce accounted for 12.0% of total Group revenue for the year as a whole, versus 10.8% in 2008 on a comparable basis. Over the last three months of 2009 the weighting of online revenue in the Group's total sales edged up to 12.5% versus 11.3% for the same period of the previous year.

Recurring operating income and EBITDA

In 2009, PPR posted recurring operating income of €1,383 million and its recurring operating margin held firm at 8.4%.

(in € millions)	2009	2008	Change
Redcats	114.7	114.6	+0.1%
Fnac	182.1	179.8	+1.3%
Conforama	125.0	118.3	+5.7%
Puma	319.5	349.7	-8.6%
Luxury Goods division	692.1	731.0	-5.3%
Holding companies and other	(50.0)	(52.7)	+5.1%
Total recurring operating income from continuing operations	**1,383.4**	**1,440.7**	**-4.0%**

Gross margin for 2009 amounted to €7,775 million, down 3.7% on 2008. However, gross margin rate stood at 47.1%, up 20 basis points on 2008.

Recurring operating expenses were reduced by 3.7% as reported and 4.7% based on comparable exchange rates, demonstrating the effectiveness of cost-cutting measures put in place throughout all of the Group's entities. In particular, payroll expenses decreased by 2.1% on a reported basis and by 3.1% at comparable exchange rates.

The Group's average headcount was 63,298 in 2009, representing a 4.4% reduction on the previous year.

Despite a 7.3% increase in net charges to depreciation, amortisation and provisions for impairment of non-current operating assets, EBITDA posted by the Group edged back just 1.6% year-on-year to €1,791 million. This led to a significant improvement in the EBITDA margin, which rose to 10.8% in 2009 from 10.6% in 2008.

(in € millions)	2009	2008	Change
Redcats	169.3	166.4	+1.7%
Fnac	258.1	256.5	+0.6%
Conforama	197.5	183.3	+7.7%
Puma	380.4	406.3	-6.4%
Luxury Goods division	833.9	858.9	-2.9%
Holding companies and other	(48.5)	(51.1)	+5.1%
Total EBITDA from continuing operations	**1,790.7**	**1,820.3**	**-1.6%**

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses consist of items that are unusual, notably as regards their frequency, nature or amount, and are likely to affect the understanding of the Group's operating performance.

In 2009, this item represented a net expense of €547 million and included the following:

- €485 million in net proceeds from the sale of operating assets, chiefly resulting from the fair value remeasurement (at a unit price of €26) of the 25,834,370 shares corresponding to PPR's residual interest in Cfao;
- close to €655 million in asset impairment losses, mainly relating to goodwill on Redcats (€500 million) and Conforama Italy (€124 million);
- €321 million in restructuring costs, concerning all of the Group's businesses.

In 2008, other non-recurring operating income and expenses represented a net expense of €368 million, primarily corresponding to €236 million in asset impairment losses and €126 million in restructuring costs.

Net finance costs

The Group's net finance costs for 2009 break down as follows:

(in € millions)	2009	2008	Change
Cost of net debt	(236.1)	(342.6)	-31.1%
Other financial income and expenses	(145.3)	(10.3)	nm
Finance costs, net (from continuing operations)	**(381.4)**	**(352.9)**	**+8.1%**

In 2009, the cost of net debt amounted to €236 million, representing a steep reduction of almost €107 million, or 31.1%, compared with 2008. This decrease mainly reflects the following:

- a 10.3% contraction in the Group's average outstanding net debt versus December 31, 2008, chiefly due to (i) the full-year impact of proceeds received from the sale of YSL Beauté, (ii) optimisation of the Group's cash-flow generation cycle, and (iii) to a lesser extent, the proceeds received at the end of the year from Cfao's IPO;
- a 130 basis-point decrease in PPR's average cost of borrowing, in light of more favourable interest rates.

The €135 million increase in net other financial expense is mainly attributable to accounting adjustments carried out in connection with IAS 39, chiefly corresponding to €85 million in net losses on currency hedges, and €59 million in negative fair value adjustments to derivatives, which had no cash impact.

Overall, these finance costs represented net cash outflows of just €251 million in 2009, down 22.3% on the 2008 figure of €323 million and thereby contributing to the improvement in the Group's free cash flow performance.

Corporate income tax

The Group's income tax charge for 2009 breaks down as follows:

(in € millions)	2009	2008	Change
Tax on recurring income	(231.8)	(287.6)	-19.4%
Tax on non-recurring items	55.1	18.9	
Total tax charge	**(176.7)**	**(268.7)**	**- 34.2%**
Effective tax rate	**38.8%**	**37.3%**	**+1.5 pt**
Recurring tax rate	**23.1%**	**26.4%**	**- 3.3 pts**

The significant increase in PPR's effective tax rate in 2009 was attributable to non-recurring items. Adjusted for the impact of non-recurring items and the related taxes, the recurring tax rate decreased by 330 basis points to 23.1%.

Net income from continuing operations

In 2009, PPR's consolidated net income from continuing operations totalled €279 million, versus €449 million the previous year.

Attributable net income from continuing operations amounted to €247 million compared with almost €375 million in 2008.

Net income from discontinued operations

Discontinued operations include all assets (or disposal groups) accounted for in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

For the year ended December 31, 2009, the Group reported net income of €765 million from discontinued or sold operations (see Note 12 to the consolidated financial statements), breaking down as €686 million in gains on disposals (net of taxes and fees) and €79 million in net income generated by discontinued operations.

In 2008 net income from discontinued operations totalled €590 million, comprising €488 million in gains on disposals (net of taxes) and €102 million in net income generated by discontinued operations.

Non-controlling interests

Non-controlling interests stood at €59 million as of December 31, 2009, versus €118 million one year earlier. This decrease primarily reflects (i) the lower net income figure reported by Puma in 2009, (ii) the Group's purchase of additional Gucci shares during the year (as of December 31, 2009, PPR owned 99.9% of Gucci Group NV, versus 99.8% at end-2008), and (iii) a reduction in non-controlling interests in certain Cfao subsidiaries.

Net income attributable to owners of the parent

Net income attributable to owners of the parent totalled €985 million, up 6.9% on 2008.

Adjusted for the post-tax impact of non-recurring items, attributable net income from continuing operations amounted to €712 million, representing a modest decrease of 0.8% compared with the previous year.

Earnings per share

The weighted average number of PPR shares used to calculate earnings per share was 126.5 million in 2009, 0.4% higher than the 126.0 million used for 2008 (see Note 13 to the consolidated financial statements).

Earnings per share stood at €7.79 in 2009, up 6.6% on 2008. Excluding non-recurring items, earnings per share from continuing operations was €5.63, 1.2% lower than in 2008.

The impact of dilutive instruments on the calculation of earnings per share was neutral in 2009.

ANALYSIS OF OPERATING PERFORMANCES BY DIVISION

Fnac

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**4,375.1**	**4,457.2**	**-1.8%**
Recurring operating income	**182.1**	**179.8**	**+1.3%**
as a % of revenue	***4.2%***	***4.0%***	***+0.2 pt***
EBITDA	258.1	256.5	+0.6%
as a % of revenue	*5.9%*	*5.8%*	*+0.1 pt*
Gross operating investments	56.4	82.3	-31.5%
Average headcount	14,632	14,888	-1.7%

Fnac posted a solid performance in 2009, despite the ongoing lacklustre economic environment and subdued consumer spending, once again demonstrating the strength of its business model and the power of its brand. Revenue came in at €4,375 million, inching down just 1.8% as reported and 1.9% based on a comparable Group structure and exchange rates.

The downward trend started to reverse in the second half of the year, though, with sales up 0.5% on a reported basis and 0.6% based on comparable Group data in the third quarter, then rising by 0.8% and 0.4% respectively in the fourth quarter.

In France, the banner's revenue declined by 2.1%, with the fourth quarter down by just 0.1% year-on-year. This performance illustrates the effectiveness of Fnac's sales and marketing policy as well as the success of all the measures rolled out under its new "100% Customer Revolution" project. Fnac gained market share in most of its product categories during the year, boosted by the launch of new products and services. Similarly, it showcased the excellence of its offering by setting up dedicated "Espaces Passion" areas in a number of stores, where expert sales staff offer customers advice in a dedicated field.

Sales of Technical Products in France slipped 4.2% over the year as a whole but rose 0.4% during the last three months, buoyed by a robust performance from the personal computers category whose revenue decreased 1.3% over the full twelve months but climbed 4.7% in the last quarter. Sales of Books increased 2.8% for the full year, on the back of a 3.7% rise in the fourth quarter, spurred by the launch of the new Stationery sector at the end of the year. The Disks and Gaming category saw its revenue drop by 6.8% for the year as a whole, but by a more modest 5.7% in the fourth quarter, lifted by encouraging results from *"Okaz Gaming"* – a new business dedicated to sales of second-hand video games.

Fnac.com enjoyed another year of excellent growth, with revenue advancing 15.5% in the full twelve months and 25.0% in the last quarter. The *"Marketplace"* concept – which went online in May for trade specialists and in September for the general public – is rapidly gaining ground.

Sales of services climbed 26.3% over the year as a whole and 10.5% in the fourth quarter.

Outside France Fnac demonstrated its ability to drive profitable growth, with international operations accounting for 30.5% of the banner's total revenue, versus 30.3% in 2008. Belgium reported 2.9% growth in 2009, propelled by a 1.6% increase in the last three months of the year and with all product categories contributing to the revenue rise. Business was buoyant in Portugal, particularly for Technical Products, with overall sales up 6.5% in the fourth quarter and 3.7% for the year as a whole. Brazil posted a revenue increase of 4.5% on a comparable basis with a 7.5% rise in the last three months of the year. Fnac's Italian operations turned in a very satisfactory performance, with sales remaining stable over both the full year and the last quarter. In Switzerland, revenue dropped 6.7% at comparable exchange rates in the fourth quarter and 9.8% over 2009 altogether, reflecting the impact of the closure of one of the chain's stores in the country during the year. Fnac's performance in Spain continued to show signs of recovery with revenue contracting by a contained 6.6% for the full year and by just 1.2% in the final quarter.

Fnac generated online sales of €320 million in 2009, representing 7.3% of the chain's total revenue, up 15.7% on 2008, when they only accounted for 6.2% of the total.

Following the opening of a new store in both Portugal and Brazil in the fourth quarter of 2009, at the year-end the Fnac store network comprised 143 outlets.

Fnac ended the year with recurring operating income of €182 million, up 1.3% on 2008, which fuelled a rise in recurring operating margin to 4.2% from 4.0%. At the same time, EBITDA rose 0.6% to €258 million, representing 5.9% of revenue.

Gross margin widened by 30 basis points, driven by a favourable product mix effect combined with higher sales of services and further procurement efficiency gains. Thanks to effective cost-cutting programmes, Fnac was able to lower its operating costs by 1.2% compared with 2008, particularly due to significant productivity gains. Excluding the impact of new stores opened less than a year ago, recurring operating expenses were down by €30 million, or 2.7%.

In France, Fnac's recurring operating income rose sharply. At the same time gross margin was significantly higher, operating expenses lower and recent business developments made a positive contribution. Fnac.com's operating income and margins also advanced considerably during the year and the Shows & Events sector delivered a much stronger contribution.

Recurring operating income contracted in Spain, Belgium and Brazil, but improved markedly in Portugal, Switzerland and Italy. Gross margin for international operations was on a par with 2008 and operating expenses outside France were scaled back as a result of cost-cutting plans implemented and productivity gains achieved in all of Fnac's host countries.

As of December 31, 2009 Fnac's inventory levels were almost unchanged from one year earlier despite the impact of two new store openings in the fourth quarter. During the year the chain managed to significantly reduce its working capital requirement.

Fnac's gross operating investments contracted 31.5% in 2009, reflecting the slowdown in store-opening programmes and the chain's efforts to optimise store remodelling plans.

Redcats

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**3,382.2**	**3,694.5**	**-8.5%**
Recurring operating income	**114.7**	**114.6**	**+0.1%**
as a % of revenue	***3.4%***	***3.1%***	***+0.3 pt***
EBITDA	169.3	166.4	+1.7%
as a % of revenue	*5.0%*	*4.5%*	*+0.5 pt*
Gross operating investments	32.5	56.0	-42.0%
Average headcount	15,672	17,805	-12.0%

In 2009, the apparel and home furnishings markets were hit particularly hard by lower household spending and falling consumer confidence as well as being adversely affected by erratic weather conditions. However, thanks to its strong sales positions, the enviable recognition of its brands and its invaluable expertise in web-based operations, Redcats posted revenue after inter-company eliminations of €3,382 million, down 8.5% on 2008. On a comparable basis, the decrease was 8.9%.

In the fourth quarter of 2009, Redcats' revenue declined by 9.9% as reported, or by 7.1% based on comparable data, which was its best showing in the year following on from the first three quarters when revenue retreated 10.2% in the third quarter, 11.0% in the second quarter and 7.4% in the first quarter.

During the year, Redcats bolstered its leading online sales position in Fashion and Home Furnishings, with overall online sales coming in at €1,575 million, up 2.2% on a comparable basis, following a 3.8% increase in the fourth quarter. For the year as a whole, web-based sales accounted for 46.5% of the banner's total revenue and 55.3% of its home-shopping sales (versus 41.5% and 49.1% respectively in 2008).

Revenue generated by La Redoute dropped 13.7% in France, although the downward trend was curbed in the fourth quarter when the year-on-year decline was a contained 7.5% thanks to new marketing operations and the success of the new "Winter" catalogue launched in October, the bulk of which comprised new items. The Fashion category was the worst hit during the year, reporting a 13.4% revenue drop against 2008, with particularly steep declines in Men's and Children's fashions. Women's fashions fared better, however, and even posted a rise in revenue for the fourth quarter. For the year as a whole, online sales accounted for 63.2% of La Redoute's total revenue, representing an 8.3 point increase on 2008. During 2009, laredoute.fr remained the number one website for fashion and home furnishings(1) in France and was also named the top website for purchases in the Apparel & Home segments(2) as well as France's leading e-commerce website, all categories combined, in the fourth quarter of the year(3).

On a comparable basis, the Senior division registered a revenue drop of 10.9%, with the decrease in the fourth quarter representing a much more subdued 3.1%.

La Redoute International's sales fell 12.3% on a comparable basis (11.2% in the last quarter). Business was shored up by the success of the Autumn-Winter catalogue and the Christmas and Holiday Season themed catalogues launched in each host country. Russia and Italy continued down the growth track and Belgium, Greece and

(1) Source: Institut Français de la Mode (IFM).

(2) Sources: FEVAD-Médiamétrie/NetRatings survey.

(3) Sources: BtoC sites (excluding services) – Médiamétrie/NetRatings survey.

Switzerland held firm, but Spain, Portugal, Austria and the United Kingdom suffered from the extremely depressed local economies.

The Scandinavian division reported a slight 0.8% decrease in revenue for the year as a whole, with a 1.7% decline in the fourth quarter, as the gains registered by the Ellos and Jotex brands and the outstanding success of web-only sales of external brands were not sufficient to offset the impact of withdrawing the Josefssons catalogue. Buoyed by dedicated TV advertising campaigns, the division's online sales climbed 8.2% and accounted for 62.3% of the region's total revenue, versus 57.1% in 2008.

Revenue generated by the Children-Family division decreased by 9.6% on a comparable basis in the fourth quarter of 2009 and by 12.6% for the full year. Home shopping sales felt the brunt of the decline while in-store business held up better. Cyrillus proved more resilient than Somewhere and Vertbaudet, and the downward trend was less pronounced in France than for international operations.

In the United States, revenue for the Plus Size division decreased 3.1% on a comparable basis for the year as a whole and 5.6% in the last three months, reflecting the significantly adverse impact of fewer store-opening days. Home shopping business was on a par with 2008, chiefly due to a strong showing from the Woman Within brand. In-store sales for Avenue held up satisfactorily, thanks to streamlining measures carried out in the sales network, which now has 447 outlets versus 484 as of December 31, 2008. The OneStopPlus.com portal continued its high-growth trend, affirming its commercial success.

The Sport & Outdoor division in the United States registered 9.2% growth on a comparable basis in 2009, despite a 2.1% dip in revenue in the last three months of the year. Solid sales from the Outdoor and Baseball categories offset a flat performance in the Golf sector, and the proportion of online sales expanded by a further 260 basis points, representing 70.9% of the division's total revenue.

In 2009, Redcats' recurring operating income edged up to €115 million, representing 3.4% of revenue which is 30 basis points higher than in 2008. EBITDA rose 1.7% to €169 million, representing 5.0% of revenue against 4.5% in 2008.

Gross margin climbed 100 basis points during the year, reflecting further procurement gains and an optimised pricing policy. The various action plans implemented within Redcats in 2009 to restore competitiveness delivered successful results, with operating expenses down by 7.3% at actual exchange rates and 7.6% based on comparable exchange rates.

La Redoute France posted narrower operating profit and margin against 2008. Gross margin increased sharply, but the productivity gains generated during the year and the savings made on direct and indirect costs were not sufficient to offset the effect of reduced unit sales.

The Senior division's recurring operating margin was more or less the same as in 2008, thanks to significant cost-reductions achieved under the "Reconquest" plan, which offset the slight fall in trading margin.

Both operating income and profitability were higher in 2009 for La Redoute International. The division reported a robust rise in gross margin and its cost-cutting plans proved particularly effective.

The Scandinavian division's gross margin held firm and the considerable operating cost savings achieved during the year fuelled an increase in recurring operating income and a marked improvement in its recurring operating margin.

The Children-Family division saw its recurring operating margin decline during the year as its solid gross margin performance and lower distribution costs were not enough to offset the decline in revenue.

On the other hand, the Plus Size division in the US reported a sharp rise in recurring operating income as well as a significant increase in its recurring operating margin. Gross margin for the division was bolstered by procurement gains and a restrained number of promotional deals. The division rapidly implemented cost-cutting plans and realised significant productivity gains during the year.

The US Sport & Outdoor division posted solid earnings growth, with a strong increase in operating profitability despite gross margin edging down.

As of December 31, 2009, Redcats' inventories were 27.1% lower than one year earlier, with a particularly marked decrease at La Redoute and Vertbaudet. Redcats' management of working capital requirement in 2009 was excellent.

Gross operating investments were scaled back by 42.0% in 2009. In-store investments (representing 22.5% of the total in 2009 against 44.5% in 2008) were 73.0% lower than in the previous year.

Conforama

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**2,926.9**	**3,166.1**	**-7.6%**
Recurring operating income	**125.0**	**118.3**	**+5.7%**
as a % of revenue	***4.3%***	***3.7%***	***+0.6 pt***
EBITDA	197.5	183.3	+7.7%
as a % of revenue	*6.7%*	*5.8%*	*+0.9 pt*
Gross operating investments	59.2	64.5	-8.2%
Average headcount	11,805	12,852	-8.1%

Conforama's business, both in France and abroad, continued to be impacted in 2009 by the flat consumer spending levels resulting from the economic downturn and falling consumer confidence. Revenue after inter-company eliminations came in at €2,927 million, down 7.6% on 2008 as reported and 7.9% based on comparable exchange rates. However, sales trends began to improve significantly as from October 2009, and for the fourth quarter the banner posted 0.2% growth on a reported basis and a stable year-on-year performance based on comparable data. This figure follows on from comparable-basis sales declines of 10.5%, 12.3% and 9.9% for the first, second and third quarters of 2009 respectively.

In France, Conforama's revenue retreated 6.3% for the full year but rose 2.6% in the fourth quarter, with significant market gains achieved in all of the banner's product groups(1). Sales momentum picked up as the year went on, and in the fourth quarter the downward trend for in-store footfall reversed. At the same time, the average basket and selling price increased slightly throughout the course of the year. The new e-commerce website continued to gain momentum, recording 24.9% growth in 2009, having attracted new customers and generated additional sales for the vast majority of product groups. The sales performance of the 13 stores recently opened or remodelled based on a new updated format was extremely satisfactory.

Sales of Furniture by Conforama France gradually started to recover during the year. Revenue for this business dropped 7.2% over the full twelve months but rose 1.6% in the fourth quarter, led by an overhaul of the product range with a focus on the contemporary segment. In Household Appliances, revenue lost 6.5% for the year as a whole but rose 0.3% in the last three months. In Electrical Leisure Products, Conforama France consolidated its commercial positioning in 2009, reporting a 7.4% falloff in revenue for the year as a whole but a 1.1% increase in the fourth quarter. The brand also strengthened the appeal of its Home Furnishings category whose sales rose by a brisk 3.8% in the fourth quarter and were down by just 1.2% for the year as a whole.

Conforama Italy reported a 22.7% fall in revenue over the twelve months of 2009 and a 20.4% decrease in the fourth quarter. Adjusted for the impact of four store closures in the first quarter of the year, sales were down 11.9% and 7.5% respectively. In a continuing morose consumer climate, Conforama Italy began to see the early benefits of adjustments made to its sales strategy and positioning in the Furniture and Home Furnishings markets. This led to market share gains in the last three months of the year(2), driven notably by solid growth in Furniture sales.

In Switzerland, Conforama delivered an excellent fourth-quarter showing, with revenue up 10.5% based on comparable data. Full-year growth came in at 2.6% on a comparable basis. The banner notched up market share gains(3) in most of its product categories and achieved a very solid performance in German-speaking Switzerland. In addition, the new e-commerce website launched in July got off to a promising start.

Market conditions and the consumer environment were once again extremely depressed in Spain and Portugal where Conforama's revenue fell 11.3% for the year as a whole, although the fourth-quarter performance was on a par with the corresponding prior-year period. Adjusted for the impact of three store closures in the first quarter of 2009, sales were down 7.2% for the full year but increased 7.9% in the final quarter. Market share gains(4) were achieved by all product groups, proving the effectiveness of the chain's new commercial strategy.

Conforama returned to growth in 2009 in terms of recurring operating income which came in at €125 million, 5.7% higher than in 2008. The banner's recurring operating margin increased sharply to 4.3% in 2009 from 3.7% the previous year. At €198 million, EBITDA was 7.7% higher than in 2008 and the EBITDA margin jumped to 6.7% from 5.8%.

(1) Sources: IPEA (furniture) and GFK (household appliances and electrical leisure products).

(2) Source: GFK.

(3) Sources: OFS (furniture and furnishings) and GFK (household appliances and electrical leisure products).

(4) Source: GFK.

Gross margin rose 50 basis points during the year, reflecting a favourable product mix effect, further procurement gains and an optimised sales strategy. The various cost-savings measures put in place by Conforama to restore its competitive edge resulted in a 7.7% reduction in operating expenses 2009, with notable productivity gains.

In France, dampened business volumes led to a slight dip in operating profitability in 2009 but thanks to a tightly controlled promotional strategy, gross margin rose for all product categories and distribution costs were scaled back considerably. The main savings were generated in store distribution, logistics and head office costs, while communications and promotional expenditure were only moderately reduced.

Conforama Italy achieved a 2.5-fold reduction in recurring operating losses and delivered a positive EBITDA figure. The closure of four stores enabled the banner to eradicate a source of heavy losses. Gross margin for directly-operated stores climbed sharply and additional cost-cutting programmes helped to further push down operating costs.

In Switzerland, both operating income and profitability were significantly higher, thanks to a strong increase in gross margin and tight control over operating expenses.

Spain and Portugal reported a marked improvement in recurring operating income in 2009. Excluding the positive impact of three store closures, gross margin decreased only slightly, due to the effect of major investments in sales operations. Operating expenses were heavily scaled back as a result of stringently rationalising the cost base and pooling Spain and Portugal's head office services.

As of December 31, 2009, Conforama's inventories were 6.1% lower than at the previous year end. However, working capital requirement was adversely affected by non-recurring impacts on trade payables, primarily due to the shortened payment periods for suppliers based in France introduced under the French LME Act.

Conforama's gross operating investments in 2009 were more or less unchanged in France but decreased 8.2% overall compared with 2008.

Puma

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**2,451.6**	**2,509.8**	**-2.3%**
Recurring operating income	**319.5**	**349.7**	**-8.6%**
as a % of revenue	***13.0%***	***13.9%***	***-0.9 pt***
EBITDA	380.4	406.3	-6.4%
as a % of revenue	*15.5%*	*16.2%*	*-0.7 pt*
Gross operating investments	54.5	119.2	-54.3%
Average headcount	9,646	9,503	+1.5%

Puma did not escape the worldwide recession during the year and was impacted by the decline in consumer spending and lower purchasing power. Against this backdrop, after fourteen consecutive years of growth – including 8.5% on a comparable basis in 2008 – Puma focused on consolidating its commercial positioning in 2009.

Puma's contribution to PPR's consolidated revenue was €2,452 million, down 2.3% year-on-year on a reported basis and 7.6% based on comparable data. This difference is due to the combined impacts of (i) favourable changes in exchange rates (except in the fourth quarter) and (ii) the acquisition in early 2009 of Dobotex (a long-standing Dutch partner which holds the license for Puma brand socks and underwear outside the US) and Brandon, a Sweden-based company specialised in merchandising and brand promotion.

In the fourth quarter of 2009, Puma's revenue contracted 12.8% on a reported basis (13.8% based on comparable data) against the same period of 2008, when the banner reported a 7.4% comparable-basis increase versus fourth-quarter 2007.

Sales generated by Puma's directly-operated store network held up well, dipping by just 3.6% for the year as a whole and by 2.3% in the fourth quarter, based on comparable exchange rates. These sales accounted for 18.6% of the banner's consolidated revenue in 2009 versus 17.8% one year earlier.

The Fundamentals and Running sectors also held firm while the Sailing and Golf categories both reported strong growth. The Motor Sports category, however, saw its sales fall back in 2009, as did Team Sports, although this sector posted a rise in the last three months of the year. By product category and based on comparable data, Shoes (which accounted for 54.0% of total Puma sales) reported a 7.8% decrease in revenue. Apparel (34.6% of the total) retreated 7.4% and Accessories (which contributed 11.4%) dropped 7.2%. In the fourth quarter these categories saw their revenue figures trimmed by 16.8%, 10.9% and 9.6% respectively on a comparable basis.

Based on comparable data, sales in the EMEA[(1)] region – accounting for 49.5% of Puma's consolidated revenue for 2009 – were eroded

(1) Europe, Middle East and Africa.

by 11.4% for the year as a whole and by 19.1% in the fourth quarter. This decrease reflects an unfavourable basis of comparison with 2008 which saw major sporting events such as the European Football Championship and the Olympic Games. The challenging economic context resulted in difficult business conditions for Western Europe, particularly for Shoes and the Motor Sports category. Eastern Europe, the Middle East and Africa fared better, with Africa and India notably turning in a robust performance.

On a comparable basis, the Americas (representing 27.0% of Puma's total revenue) posted growth of 0.3% for the full year despite a 3.0% contraction in the fourth quarter. Sales generated by Shoes and Apparel improved slightly whereas Accessories experienced a modest decline. Puma held up well in Latin America, although performance was mixed across the region's various countries. In North America, sales to third-party distributors increased, more than offsetting the downturn in sales generated by the network of directly-operated stores.

Based on comparable data, revenue in the Asia-Pacific region (accounting for 23.5% of the total) shed 16.2% in the fourth quarter of 2009 and 7.7% for the full twelve months. The decrease was particularly marked in the Team Sports and Running categories whereas Accessories sales were on a par with 2008. Japan, China and Australia posted a year-on-year decline in revenue while Korea reported sharp growth.

In 2009, Puma contributed €320 million to recurring operating income of the PPR Group, representing 13.0% of the banner's revenue, versus €350 million and 13.9% respectively in 2008. Puma's contribution to EBITDA retreated 6.4% to €380 million and the EBITDA margin decreased by 70 basis points to 15.5%.

Gross margin was eroded by 50 basis points in 2009 as profitability was affected by an unfavourable geographic and product mix. In addition, due to the difficult operating environment the banner had to undertake inventory reduction measures and step up the number of promotional offers. Gross margin on sales to third-party distributors was on a par with 2008 but narrowed considerably for Puma's network of directly-operated stores. Gross margin held firm in the Asia-Pacific region (excluding Japan), as well as in Eastern Europe, the Middle East and Africa, but Puma's other regions saw a fall in profitability. Gross margin increased satisfactorily for Accessories, edged up for Apparel, but decreased for Shoes.

During the year, Puma undertook a number of effective cost-cutting programmes which led to a 5.9% reduction in operating expenses excluding the impact of the first-time consolidation of Dobotex and Brandon. Marketing and communication expenses were lower than in 2008 – a year that saw a host of major sporting events – but Puma pursued its investment drive aimed at enhancing the brand's appeal and energising its sales momentum. Depreciation charges rose once again in 2009, primarily due to the extension of the banner's store network completed in 2008.

Excluding the impact of the first-time consolidation of Dobotex and Brandon, Puma's inventory levels as of December 31, 2009 were 22.9% lower than one year earlier. The banner's control of other working capital items was also particularly effective in 2009.

The 54.3% decline in Puma's gross operating investments during the year was chiefly due to an overhaul of store opening and remodelling programmes, as well as to a reduction in expenses relating to the construction of Puma's new operating centre in Germany.

Luxury Goods division

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**3,388.8**	**3,379.4**	**+0.3%**
Recurring operating income	**692.1**	**731.0**	**-5.3%**
as a % of revenue	**20.4%**	**21.6%**	**-1.2 pts**
EBITDA	833.9	858.9	-2.9%
as a % of revenue	*24.6%*	*25.4%*	*-0.8 pt*
Gross operating investments	135.1	184.8	-26.9%
Average headcount	11,371	10,968	+3.7%

In 2009, PPR's Luxury Goods division faced a tough operating context in its traditional markets, combined with adverse consumer spending trends. In emerging markets, however, the division's business was boosted by ongoing strong growth and momentum in the Luxury Goods market. Against this backdrop, Gucci Group once again proved the strategic rationale of its multi-brand business model as well as the success of its diversification strategy in terms of geographic presence, distribution channels and product categories.

Revenue generated by the Luxury Goods division in 2009 totalled €3,389 million, representing a year-on-year increase of 0.3% on a reported basis but a 3.6% contraction at comparable exchange rates. In the fourth quarter, Gucci Group's revenue edged back by 0.3% on a reported basis and rose by 3.1% based on comparable data, representing a significant improvement on the first three quarters of the year when revenue slipped 3.4%, 3.9% and 10.0% respectively.

Retail sales in directly-operated stores were on a par with 2008, coming in just 0.1% lower on a comparable basis for the year as a whole, on the back of 3.9% growth in the fourth quarter. Indirect sales to third-party distributors contracted 9.3% for the full year but rose 3.0% in the last three months of 2009.

Gucci Group's sales advanced 14.7% in emerging markets, accounting for 32.8% of the Luxury Goods division's revenue versus 27.7% in 2008. The Asia-Pacific region (excluding Japan) posted another very high growth figure (20.9%), driven notably by a 46.3% increase in Continental China. Growth from emerging markets in the fourth quarter was 19.9%, spurred by a 48.0% revenue jump in Continental China.

In Gucci Group's traditional, more mature markets, revenue was down 9.9% for the full year but just 2.7% for the final quarter. In Europe, business contracted 6.4% excluding royalties for the full twelve months but rose 2.6% in the fourth quarter. In North America, which accounted for 18.0% of total revenue in 2009, sales dropped by 8.6% for the full year but by a more modest 1.9% for the fourth quarter. In parallel, Japan (which represented 15.3% of total revenue) reported a 17.4% drop in sales for the twelve months overall and 12.4% for the last quarter.

The Luxury Goods division ended the year with recurring operating income of €692 million compared with €731 million in 2008. Its recurring operating margin was 20.4%, down 120 basis points as reported and 50 basis points at comparable exchange rates. EBITDA for 2009 retreated 2.9% to €834 million and the EBITDA margin came in at 24.6% compared with 25.4% in 2008 (24.7% at comparable exchange rates).

Excluding the adverse impact of fluctuations in exchange rates, gross margin remained more or less stable year-on-year. All Gucci Group entities implemented effective measures to strictly control operating expenses, which subsequently decreased by 3.1% in 2009 based on comparable exchange rates or by 7.7% after stripping out the impact of new store openings. Gucci Group's head office expenses totalled €32 million in 2009, representing savings of 3.0% compared with 2008.

At comparable exchange rates, Gucci Group inventories were reduced by 17.9% versus December 31, 2008, despite the impact of new store openings. Gucci Group's control of other working capital items was also particularly effective in 2009.

During the year, Gucci Group continued to invest heavily in its network of directly-operated stores through (i) a major renovation and extension programme, and (ii) 49 additional net openings, including 16 in Greater China (Continental China, Hong Kong and Macao) and 16 in other emerging countries, bringing the total number of stores to 609 as of December 31, 2009. However, investments excluding stores were significantly scaled back and total gross operating investments were 26.9% lower than in 2008.

Gucci

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**2,266.4**	**2,206.4**	**+2.7%**
Recurring operating income	**617.7**	**624.8**	**-1.1%**
as a % of revenue	***27.3%***	***28.3%***	***-1.0 pt***
EBITDA	710.0	704.6	+0.8%
as a % of revenue	*31.3%*	*31.9%*	*-0.6 pt*
Gross operating investments	100.7	136.9	-26.4%
Average headcount	6,938	6,670	+4.0%

Gucci – the flagship brand of PPR's Luxury Goods division – pursued its sustained and balanced growth in 2009, with revenue of €2,266 million, up 2.7% on a reported basis but down 1.4% based on comparable exchange rates. In the fourth quarter of the year sales dipped 1.1% as reported but climbed 2.4% on a comparable basis.

Retail sales generated by Gucci in its directly-operated stores rose 1.5%, led by an extremely robust showing from Leather Goods. In the fourth quarter of the year, the growth figure for these sales was 3.0% versus 2.1% for the last three months of 2008. For the full twelve months, indirect sales to third-party distributors contracted by 8.1%, notably due to the adverse impact on the Timepieces[(1)] business of the falloff in the Watches market as a whole. However, in the fourth quarter these sales increased, led by a high level of stock replenishment orders.

In Fashion and Leather Goods, all product categories confirmed the brand's strength, as well as the hallmark quality and feel of its collections which were well received by customers, the trade press and celebrities throughout the world. Men's lines did particularly well in 2009. Leather Goods reported a robust showing, with an increase in average selling prices and a higher weighting of full-leather accessories in the product mix. This performance was driven by the success of the New Jackie, Icon Bit and New Bamboo collections as well as a good start for the Croisière collection. These figures demonstrate the appeal of the Gucci brand, which combines tradition with modernity,

(1) The Timepieces business involves the creation, manufacture and worldwide distribution of Gucci watches exclusively to third-party associates (department stores and specialised or multi-specialist networks).

is trend-setting while remaining the image of sophistication, and represents a blend of cutting-edge design and the time-honoured values of the luxury goods sector.

Gucci pursed its expansion in the fast-growing emerging markets in 2009. Sales in these markets advanced by 12.7% on a comparable basis and represented 36.1% of the brand's total revenue versus 31.7% in 2008. The Asia-Pacific region (excluding Japan) continued its upward trend with growth of 16.5% over the year. Greater China represented 18.0% of total sales and reported an increase of 18.5%. During the fourth quarter, Gucci's revenue in emerging markets rose 12.6%, with jumps of 24.4% in Greater China and 38.5% in Continental China. As of December 31, 2009, Gucci operated 30 stores in 21 cities in Continental China.

Gucci held firm in its traditional markets during the year despite the falloff in consumer spending, with these regions accounting for 63.9% of the brand's revenue in 2009 against 68.3% the previous year. Business in Western Europe – which represented 30.3% of total sales – were down by 2.2% over the year but performance swung up in the last quarter, which saw 4.3% growth. North America (19.3% of sales) posted a 1.0% contraction in the fourth quarter and a 7.1% decline for the full year, although directly-operated stores delivered a solid showing. Japan's contribution to Gucci's total revenue continued to lessen, representing 14.3% versus 17.1% in 2008, with sales in Japan decreasing 17.9% for the year as a whole and 13.0% in the last three months.

Gucci's recurring operating income totalled €618 million in 2009, representing a year-on-year decrease of just 1.1% on a reported basis and 0.7% at comparable exchange rates. The brand's recurring operating margin was 27.3%, down 100 basis points on 2008 as reported, but up 20 basis points at comparable exchange rates. EBITDA rose 0.8% to €710 million, representing 31.3% of revenue, 60 basis points lower than in 2008 as reported, but 60 basis points higher at comparable exchange rates.

Excluding the highly unfavourable impact of currency hedges, Gucci's gross margin increased in 2009 thanks partly to upstream gains achieved in procurement, manufacturing and the supply chain, as well as to the brand's upgrading strategy, which provided the basis for a more efficient pricing policy. A decrease in revenues from licences weighed on gross margin during the year. Excluding Timepieces, gross margin on indirect sales to third-party distributors widened considerably but the Timepieces category experienced gross margin erosion during the year. Gross margin on retail sales in directly-operated stores gained ground in 2009, reflecting the success of the brand's collections as well as tight control over markdown rates, which were more or less unchanged from 2008.

Gucci stepped up its cost-cutting drive in 2009 and made substantial savings in numerous areas. Consequently, even though in-store direct costs rose considerably due to the expansion of the store network, operating expenses decreased 3.3% at comparable exchange rates.

Despite the impact of new store openings, Gucci's inventories were scaled back by 22.4% from December 31, 2008 at comparable exchange rates, including a 37.6% reduction in Timepieces inventories.

As of December 31, 2009 Gucci operated 283 stores directly, including 41 in Greater China. There were 25 net store additions during the year – the same as in 2008 – including eight in Greater China and six in other emerging countries. Despite this expansion, gross operating investments were reduced by 26.4%.

Bottega Veneta

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**402.1**	**402.1**	**+0.0%**
Recurring operating income	**91.8**	**100.7**	**-8.8%**
as a % of revenue	***22.8%***	***25.0%***	***-2.2 pts***
EBITDA	103.3	111.9	-7.7%
as a % of revenue	*25.7%*	*27.8%*	*-2.1 pts*
Gross operating investments	11.5	7.3	+57.5%
Average headcount	1,371	1,274	+7.6%

Bottega Veneta posted revenue of €402 million in 2009, unchanged from 2008 on a reported basis but down 6.0% based on comparable exchange rates. This performance follows on from year-on-year growth of 11.1% in 2008, 48.7% in 2007 and 68.7% in 2006, based on comparable data.

In the fourth quarter of 2009, Bottega Veneta recovered its strong momentum with sales increasing 0.7% as reported and 5.1% on a comparable basis versus the last three months of 2008.

Retail sales generated in directly-operated stores slipped 5.7% in 2009 at comparable exchange rates, although this downward trend reversed in the fourth quarter which saw 6.3% growth thanks to a steady upturn in footfall. Indirect sales to third-party distributors retreated 8.9% for the year as a whole and 8.2% in the last three months, with the falloff in mature markets partially offset by very strong growth in emerging markets.

Bottega Veneta's appeal was boosted by strong momentum in terms of innovation and enhancement of permanent collections, as well as by the introduction of seasonal models that proved very popular with customers. In Leather Goods, the brand was buoyed by the ongoing success of its signature lines (Veneta, Cabat and Knot) and its new models such as the Hobo were very well received by customers, the trade press and celebrities.

Bottega Veneta once again turned in a strong showing in emerging markets in 2009, with revenue up 30.6% for the full year and 27.2% in the last quarter. Sales in these regions accounted for 31.8% of the brand's total revenue, up from 22.8% in 2008. The Asia-Pacific region is now Bottega Veneta's largest market, representing 27.6% of total revenue in 2009 versus 18.0% the previous year, fuelled by a 52.9% leap in the fourth quarter and 43.6% growth for the full twelve months.

Bottega Veneta's overall performance in 2009 was hit by lower unit sales in Japan, despite the fact that the country represented a lower percentage of total sales than previously (27.8% versus 33.9% in 2008). In a very depressed Luxury Goods market, the brand's revenue in Japan fell by 18.6% in the fourth quarter and 23.4% for the full year. In North America, Bottega Veneta posted a 4.2% decrease in revenue for 2009 overall, having delivered an excellent fourth quarter showing when revenue climbed 11.8%. In Europe, revenue dropped 16.1%, although once again there was an improvement in the fourth quarter when the brand reported growth of 6.6%.

Bottega Veneta's recurring operating income came to €92 million, against €101 million in 2008. Its recurring operating margin was 22.8%, down 220 basis points as reported and 180 basis points at comparable exchange rates. EBITDA totalled €103 million and the EBITDA margin was 25.7%.

Gross margin declined slightly in 2009 as a result of the unfavourable impact of unwinding currency hedges. At constant exchange rates, however, gross margin rose considerably for retail business in directly-operated stores and remained stable for sales to third-party distributors.

Operating expenses decreased by 1.6% at comparable exchange rates or by 5.4% after stripping out the impact of the store network expansion programme. However, in order to promote the brand's image, preserve its exclusivity and ensure its high visibility, communication and advertising expenses were kept stable as a proportion of revenue based on comparable exchange rates.

At comparable exchange rates, Bottega Veneta's inventories were scaled back by 11.6% versus December 31, 2008, despite the impact of new store openings.

Bottega Veneta's directly-operated store network totalled 135 units as of December 31, 2009, including 16 in Greater China. Of the 14 net store openings during the year – four more than in 2008 – five were in Greater China and six in other emerging countries. Bottega Veneta's gross operating investments increased by 57.5% in 2009.

Yves Saint Laurent

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**237.5**	**262.8**	**-9.6%**
Recurring operating income (loss)	**(9.8)**	**0.3**	**nm**
as a % of revenue	***-4.1%***	***0.1%***	***nm***
EBITDA	1.8	11.9	nm
as a % of revenue	*0.8%*	*4.5%*	*nm*
Gross operating investments	3.9	10.2	-61.8%
Average headcount	1,027	1,031	-0.4%

Yves Saint Laurent generated €238 million worth of revenue in 2009, representing a decrease of 9.6% on a reported basis and 11.8% at comparable exchange rates versus 2008. Stripping out royalties, revenue contracted 13.1% against 2008, when the brand posted 9.2% year-on-year growth based on comparable data. In the last three months of 2009, sales were down 6.9% as reported and 3.9% on a comparable basis against the same period of 2008.

Retail sales in the directly-operated store network retreated 7.9% in full-year 2009, based on comparable data, but recovered in the last quarter, propelled by a strong performance in Leather Goods and Women's lines, which fuelled 9.1% growth, with the United States leading the way. Indirect sales to third-party distributors fell 23.6% in the fourth quarter of the year, leading to a 20.7% reduction for 2009 as a whole compared with the 25.0% growth reported in 2008.

The Shoes category delivered a strong showing during the year, and the Edition 24, Edition Unisex and Edition Soir lines also did well.

The adverse operating environment in Yves Saint Laurent's traditional markets, combined with lower consumer spending in the Luxury Goods sector overall, weighed on the brand's revenue performance

in 2009, with sales falling 16.4% in Europe, 19.0% in North America and 16.9% in Japan, on a comparable basis. The falloff was much less steep in the fourth quarter however, when revenue dropped by 10.3% in Europe, 9.1% in North America and just 0.5% in Japan.

Emerging markets accounted for 24.6% of Yves Saint Laurent's revenue in 2009, representing a year-on-year increase of 440 basis points. Sales in these countries rose by 5.8% for the full twelve months and 15.2% in the fourth quarter. The Asia-Pacific region was the star performer, reporting 15.4% growth for the full year, spurred by a 41.5% jump in the last three months.

Yves Saint Laurent ended 2009 with a recurring operating loss of close to €10 million, having come in at just above break-even in 2008. EBITDA remained positive, however, at €2 million, compared with almost €12 million one year earlier.

Excluding the highly unfavourable impact of currency hedges, Yves Saint Laurent's gross margin edged back only slightly in 2009. Gross margin for sales to third-party distributors inched up, but retail sales in directly-operated stores suffered margin erosion due to an unfavourable product mix and the impact of the policy implemented to swiftly adjust inventory levels.

The brand put in place cost-cutting plans during 2009, the first benefits of which were already being seen by the year-end, with a 7.8% decrease in operating expenses at comparable exchange rates. Savings were particularly significant for overheads and administrative costs, which were cut by 15.1% on a comparable basis.

At comparable exchange rates, Yves Saint Laurent's inventories were 22.7% lower than as of December 31, 2008.

In 2009, Yves Saint Laurent closed three stores in its mature markets and opened five in emerging countries. As of December 31, 2009, the brand operated 66 stores directly, including three in Greater China. Yves Saint Laurent's gross operating investments were scaled back by 61.8% during the year.

Other brands

(in € millions)	2009	2008	Change
Revenue after inter-company eliminations	**482.8**	**508.1**	**-5.0%**
Recurring operating income	**24.8**	**38.6**	**-35.8%**
as a % of revenue	***5.1%***	***7.6%***	***-2.5 pts***
EBITDA	43.9	56.4	-22.2%
as a % of revenue	*9.1%*	*11.1%*	*-2.0 pts*
Gross operating investments	15.0	26.6	-43.6%
Average headcount	1,871	1,814	+3.1%

Having delivered robust growth of 16.7% in 2008, the other brands of the Luxury Goods division reported €483 million in revenue for 2009, down 4.8% year-on-year on a reported basis and 6.9% at comparable exchange rates. However, in the final quarter of 2009, sales climbed 6.7% as reported and 9.1% at comparable exchange rates versus the equivalent period of 2008, when sales performance had already been strong with revenue up 8.8% on the fourth quarter of 2007.

Balenciaga kept up a steady pace of growth during 2009, propelled by the brand's strong reputation, the success of its collections and sound expansion strategy. Retail sales generated in directly-operated stores rose sharply and indirect sales to third-party distributors held up well. The brand posted a very high sales increase for Leather Goods and notched up gains in all of its main markets, particularly Japan and the Asia-Pacific region.

Boucheron also turned in a resilient performance in 2009 in a Timepieces and Jewellery market that was particularly difficult, reporting sharp sales rises in all its markets except Japan. Growth was particularly strong in the fourth quarter.

Sergio Rossi booked a decline in revenue over the year, due notably to the closure of all of the brand's directly-operated stores in the United States.

Retail sales in directly-operated **Alexander McQueen** stores advanced significantly and sales to third-party distributors held up well, especially in the fourth quarter of the year.

Sales to third-party distributors by the **Stella McCartney** brand retreated in 2009 but retail sales in directly-operated stores as well as revenues from licences rose at a solid pace.

Recurring operating income for the Luxury Goods division's other brands overall totalled €25 million in 2009, against €39 million in 2008. EBITDA came to €44 million, down from the €56 million recorded one year earlier.

Balenciaga posted a significant rise in both recurring operating income and recurring operating margin, driven by the sharp increase in its gross margin. Boucheron also saw its recurring operating income and margin figures improve, reflecting the effectiveness of the large-scale cost-cutting plans put in place during the year. Recurring operating income for the other brands was lower than in 2008.

COMMENTS ON THE GROUP'S FINANCIAL POSITION

In 2009, PPR once again strengthened its statement of financial position, recording a reduction in capital employed, an increase in equity and a significant reduction in net debt.

(in € millions)	2009	2008	Change
Goodwill, brands and other intangible assets, net	15,687.3	16,351.4	(664.1)
Other non-current assets, net	522.2	420.2	+102.0
Current assets, net	(253.4)	(40.3)	(213.1)
Provisions	(559.7)	(612.7)	+53.0
Capital employed	**15,396.4**	**16,118.6**	**(722.2)**
Net assets held for sale	24.2	(9.4)	+33.6
Total equity	**11,053.3**	**10,598.8**	**+454.5**
Net debt	**4,367.3**	**5,510.4**	**(1,143.1)**

Capital employed

As of December 31, 2009, capital employed was €722 million, or 4.5%, lower than at the previous year-end.

Goodwill, brands and other intangible assets, net

As of December 31, 2009, goodwill, brands and other intangible assets, net, represented 64.1% of total assets versus 60.6% as of December 31, 2008. This item mainly comprises:

- goodwill amounting to €5,565 million, of which €2,071 million relating to the Luxury Goods division and €1,363 million relating to Puma;
- brands valued at €9,766 million, of which €6,188 million for the Luxury Goods division and €3,500 million for Puma.

The year-on-year reduction was mainly attributable to Cfao's IPO and impairment of goodwill relating to Conforama Italy and Redcats, which more than offset the increase stemming from Puma's acquisition of Dobotex.

Other non-current assets, net

(in € millions)	2009	2008	Change
Property, plant and equipment, net	1,861.5	2,253.4	(391.9)
Net deferred taxes	(2,306.0)	(2,208.2)	(97.8)
Investments in associates	705.6	74.5	+631.1
Non-current financial assets, net	249.7	283.7	(34.0)
Other	11.4	16.8	(5.4)
Other non-current assets, net	**522.2**	**420.2**	**+102.0**

Property, plant and equipment decreased by 17.4% in 2009, reflecting recurring transactions carried out during the year and particularly the impact of the Cfao IPO. As of December 31, 2009, this item comprised land and buildings valued at €786 million, including €142 million in assets held under finance leases (€876 million and €180 million respectively one year earlier).

The Group's operating infrastructure breaks down as follows:

		Owned outright	Held under finance leases	Held under operating leases	2009	2008
Sales outlets	Fnac		1	143	144	144
	Redcats			586	586	617
	Conforama	105	12	94	211	216
	Puma	3		539	542	571
	Luxury Goods division	13	4	592	609	560
Logistics units	Fnac		1	8	9	9
	Redcats	6		9	15	17
	Conforama	12	1	62	75	77
	Puma	4		36	40	31
	Luxury Goods division	4		41	45	47
Production units & other	Fnac			1	1	1
	Redcats	8		14	22	17
	Conforama	3		21	24	24
	Puma	1		3	4	3
	Luxury Goods division	6	2	12	20	15

As of December 31, 2009, investments in associates chiefly comprised the 25,834,370 Cfao shares representing PPR's residual interest in the company. These shares are measured at their fair value as of the date when PPR ceased to exercise control over Cfao (i.e. the IPO price of €26 per share) and the related investment is now accounted for by the equity method.

Current assets, net

As of December 31, 2009, net current assets represented a negative €253 million, compared with a negative €40 million at the previous year-end, and broke down as follows:

(in € millions)	2009	2008	Change
Inventories	2,351.6	3,465.5	(1,113.9)
Trade receivables	941.8	1,303.0	(361.2)
Trade payables	(2,053.5)	(2,976.5)	+923.0
Current tax receivables/liabilities	(134.2)	(223.7)	+89.5
Other current financial assets and liabilities	(28.6)	67.2	(95.8)
Other current assets and liabilities	(1,330.5)	(1,659.5)	+329.0
Working capital requirement	**(253.4)**	**(24.0)**	**(229.4)**
Interest rate hedges		(16.3)	+16.3
Current assets, net	**(253.4)**	**(40.3)**	**(213.1)**

PPR's working capital requirement improved by €229 million in 2009.

After stripping out the €762 million negative impact of the Cfao IPO, changes in inventories generated a cash inflow of €353 million during the year.

Out of the total decrease in trade receivables, €340 million reflected the impact of the Cfao IPO. Changes in trade receivables from operating activities generated a cash surplus of €50 million.

The marked decrease in trade payables compared with December 31, 2008 was due to (i) the Group ceasing to exercise control over Cfao, which trimmed €640 million from the figure, (ii) prudent measures taken to reduce purchases, and (iii) to a lesser degree and for certain French entities only (especially Conforama), the impact of the French LME Act which shortened payment periods for suppliers based in France. Movements in trade payables led to a €294 million cash outflow in 2009.

The change in current tax receivables and liabilities during the year led to a €59 million cash outflow. Fluctuations in exchange rates accounted for €88 million of the decrease in other current financial assets and liabilities. Out of the total change in other current assets and liabilities – which generated a cash outflow of €140 million – €165 million related to the loss of control over Cfao.

Provisions

(in € millions)	2009	2008	Change
Provisions for pensions and other post-employment benefits	204.2	258.4	(54.2)
Other provisions for contingencies and losses	355.5	354.3	+1.2
Provisions	**559.7**	**612.7**	**(53.0)**

The year-on-year decrease in provisions for pensions and other post-employment benefits was primarily due to (i) the €25 million impact of the loss of control over Cfao, and (ii) the effect of reductions in headcount. As of December 31, 2009, these provisions corresponded to a total obligation of €401 million covered by assets amounting to €197 million. At the same date, the portion of these provisions that will not give rise to cash outflows in the coming 12 months (recorded under non-current liabilities) amounted to €192 million versus €241 million as of December 31, 2008.

Excluding the €20 million impact of the Cfao IPO, other provisions for contingencies and losses increased by 6.3% compared with December 31, 2008, mainly reflecting a rise in restructuring provisions. Provisions covering warranty and litigation risks edged up slightly in 2009. As of December 31, 2009, the non-current portion of these provisions totalled €104 million versus €164 million as of December 31, 2008.

Equity

(in € millions)	2009	2008	Change
Equity attributable to owners of the parent	9,954.5	9,341.9	+612.6
Equity attributable to non-controlling interests	1,098.8	1,256.9	(158.1)
Total equity	**11,053.3**	**10,598.8**	**+454.5**

As of December 31, 2009, PPR's total equity was 4.3% higher than at the previous year-end.

In 2009, equity attributable to owners of the parent rose 6.6%, mainly due to the combined impacts of:

- €985 million in net income attributable to owners of the parent;
- €418 million in dividends paid by PPR;
- the remeasurement of share-based payments, corresponding to a positive €16 million, and changes in Group structure, which also gave rise to a positive €16 million;
- a negative €9 million from currency translation adjustments, a negative €20 million from actuarial losses, and a positive €43 million from movements in cash flow hedging reserves.

During the year, PPR carried out the following treasury share transactions:

- it purchased and sold 1,141,238 shares under the liquidity contract;
- it acquired 75,000 treasury shares for allocation to employees under bonus share plans;
- it allocated 64,675 shares to employees under bonus share plans set up in 2007 which expired in May 2009.

As of December 31, 2009, PPR's share capital was made up of 126,555,377 shares with a par value of €4 each. As of the same date, PPR did not hold any treasury shares in connection with the liquidity contract, as was the case as of December 31, 2008. PPR held 90,325 shares in treasury as of December 31, 2009 for the purpose of allocation to employees (compared with 80,000 as of December 31, 2008).

As of December 31, 2009, equity attributable to non-controlling interests mainly related to Puma, for a total of €1,089 million (versus €1,101 million one year earlier), and Gucci Group NV, for €10 million (€16 million as of December 31, 2008).

Net debt

The Group's net debt totalled €4,367 million as of December 31, 2009, representing a decrease of €1,143 million or 20.7% compared with the previous year-end. Gross debt was scaled back by €1,320 million (19.7%) over the year. As of December 31, 2009, PPR's net debt broke down as follows:

(in € millions)	2009	2008	Change
Bonds	3,147.8	2,544.9	+602.9
Bank borrowings	1,176.7	2,679.4	(1,502.7)
Commercial paper	213.3	784.9	(571.6)
Other borrowings	826.1	674.2	+151.9
Gross debt *	**5,363.9**	**6,683.4**	**(1,319.5)**
Fair value hedges (interest rate)	(52.1)	(56.4)	+4.3
Cash and cash equivalents	(944.5)	(1,116.6)	+172.1
Net debt	**4,367.3**	**5,510.4**	**(1,143.1)**

* *Excluding the financing of customer loans.*

As of December 31, 2009, other borrowings included €236 million concerning put options granted to minority shareholders (€108 million as of December 31, 2008).

In 2009, PPR pursued its strategy of setting or capping interest rates. Consequently, fixed-rate borrowings accounted for 69.8% of the Group's total gross debt as of December 31, 2009 (compared with 64.6% one year earlier).

As of December 31, 2009, the Group's gross debt mainly comprised euro-denominated borrowings. The proportion denominated in JPY represented 6.8% of total gross debt (6.8% as of December 31, 2008) and the proportion denominated in USD stood at 2.1% (1.4% as of December 31, 2008).

PPR minimises its exposure to debt concentration risk by diversifying its sources of financing. Therefore, non-banking debt accounted for 62.7% of gross debt as of December 31, 2009, versus 49.8% as of December 31, 2008. PPR's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2009, 77% of the confirmed credit facilities granted to PPR were provided by a total of ten banks. The Group's three leading partners represented less than 40% of the total and no single bank accounted for more than 16% of the aggregate amount of confirmed credit facilities available to the Group.

PPR only carries out borrowing and investment transactions with financial institutions that have very high credit ratings and it spreads these transactions amongst the various institutions concerned.

Solvency

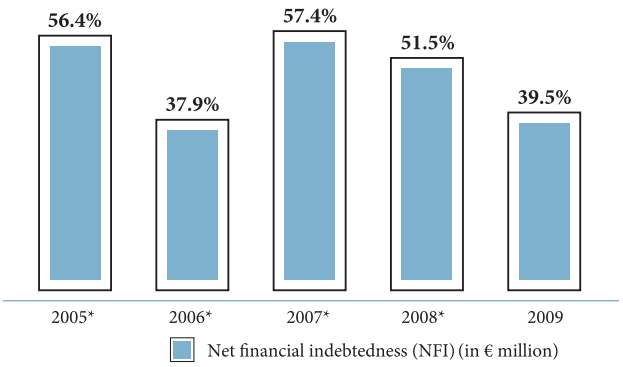
PPR's financial structure is very sound:

- its gearing ratio (net debt to equity) decreased to 39.5% as of December 31, 2009 from 51.5% as of December 31, 2008;
- its solvency ratio (net debt to EBITDA) also improved, coming in at 2.44 in 2009 versus 2.57 on a reported basis in 2008.

PPR's confirmed credit facilities are subject to just one financial covenant which provides that the solvency ratio (net debt to EBITDA, calculated once a year on a pro forma basis at the year-end) must not exceed 3.75.

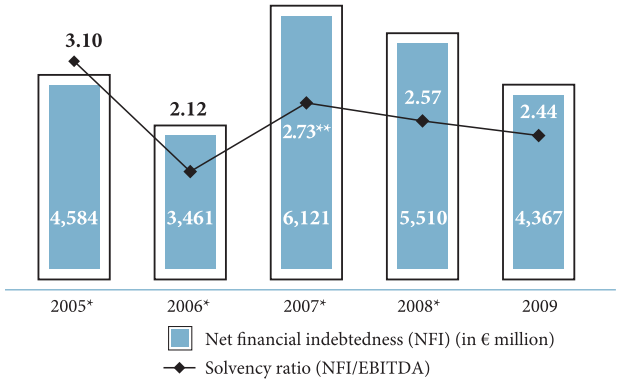
On November 30, 2009, Standard & Poor's confirmed PPR's "BBB-" rating with a stable outlook.

GEARING



* Published, not restated.

SOLVENCY RATIO

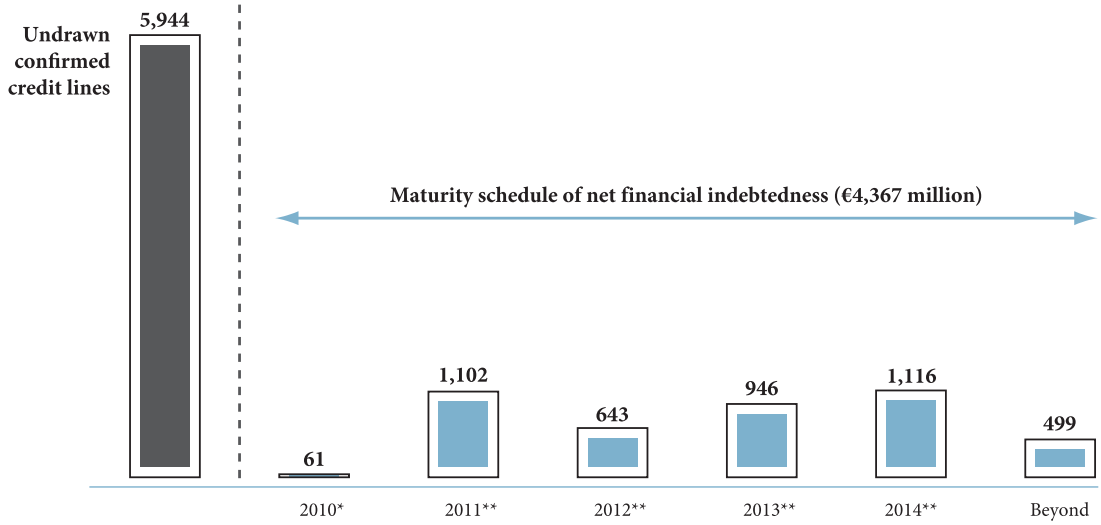


* Published, not restated.
** Pro forma.

Liquidity

As of December 31, 2009, PPR had cash and cash equivalents totalling €945 million (€1,117 million as of December 31, 2008), as well as confirmed undrawn medium-term credit facilities amounting to €5,944 million (€4,990 million as of December 31, 2008).

MATURITY SCHEDULE OF NET DEBT



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

The Group is therefore not exposed to liquidity risk.

Short-term borrowings and borrowings maturing in five years or more accounted for 21.9% and 29.0% respectively of total gross debt as of December 31, 2009 (42.3% and 30.9% respectively as of December 31, 2008).

Cash and cash equivalents exclusively comprise cash instruments and monetary UCITS that are not subject to any risk of changes in value. As of December 31, 2009, the Group also had €6,517 million in confirmed credit facilities (€6,695 million as of December 31, 2008).

The Group's borrowings and credit facilities feature standard pari passu, cross default and negative pledge clauses.

The Group's debt contracts do not include any rating trigger clauses.

Changes in net debt

Changes in net debt in 2009 and 2008 can be analysed as follows:

(in € millions)	2009	2008
Net debt as of January 1	**5,510.4**	**6,121.3**
Free cash flow from operations	(1,116.6)	(843.8)
Net interest paid and dividends received	251.4	323.4
Dividends paid	447.9	460.6
Acquisitions and disposals of securities	(740.7)	(627.8)
Other movements	14.9	76.7
Net debt as of December 31	**4,367.3**	**5,510.4**

Free cash flow from operations

The generation of free cash flow from operations is a key objective for all of the Group's teams. In 2009, the Group's free cash flow from operations totalled €1,117 million, a significant 32.3% increase on 2008.

(in € millions)	2009	2008	Change
Cash flow from operating activities before tax, dividends and interest	**1,701.8**	**1,761.7**	**-3.4%**
Change in working capital requirement (excluding tax)	(40.1)	(198.7)	-79.8%
Corporate income tax paid	(243.7)	(252.6)	-3.5%
Net cash from operating activities	**1,418.0**	**1,310.4**	**+8.2%**
Net operating investments	(301.4)	(466.6)	-35.4%
Free cash flow from operations	**1,116.6**	**843.8**	**+32.3%**

Cash flow from operating activities before tax, dividends and interest was €60 million lower than in 2008. The portion relating to recurring operations, however, only decreased by €33 million, or 1.8% year on year.

The net cash outflow from changes in working capital requirement was €159 million lower in 2009 than the previous year. This strong performance reflects the combined effect of the following factors: (i) reduced inventories for all of the Group's brands and banners (a positive €493 million impact), (ii) a reduction in trade receivables on a par with 2008, and (iii) a decrease in trade payables (a negative €214 million impact). Cash flows from changes in other operating or non-current payables and receivables were €119 million lower than in 2008.

In 2009, net operating investments included €38 million in proceeds from disposals of property, plant and equipment and intangible assets (€41 million in 2008).

Gross operating investments therefore amounted to €339 million, down 33.3% year-on-year. This figure breaks down as follows:

(in € millions)	2009	2008	Change
Redcats	32.5	56.0	-42.0%
Fnac	56.4	82.3	-31.5%
Conforama	59.2	64.5	-8.2%
Puma	54.5	119.2	-54.3%
Luxury Goods division	135.1	184.8	-26.9%
Holding companies and other	1.2	1.2	+0.0%
Gross operating investments	**338.9**	**508.0**	**-33.3%**

In 2009, these investments stemmed notably from store-opening programmes, which accounted for close to 24% of the total (28% in 2008), as well as store conversions and/or renovations, for approximately 31% (unchanged from 2008).

In 2009, just over 36% of the Group's gross operating investments were incurred in France, compared with 30% in the previous year.

Available free cash flow

In 2009, the net cash outflow relating to finance costs included €13 million in interest and dividends received (€44 million in 2008). Consequently, available cash flow for the year amounted to €865 million in 2009, representing a €345 million or 66.3% increase on 2008.

Dividends paid – Financial transactions

Dividends paid in 2009 comprised €31 million paid to minority shareholders of consolidated subsidiaries (€27 million in 2007), including €28 million for Puma and its subsidiaries (€23 million in 2008).

In 2009, net proceeds from acquisitions and disposals of securities primarily include the proceeds, net of transaction costs, from the disposal of 35,650,000 Cfao shares at the time of the company's IPO. The balance chiefly corresponds to cash outflows arising when Puma took over control of Dobotex and payments relating to the disposal of YSL Beauté.

In 2008, this item primarily included cash inflows from the disposal of YSL Beauté as well as cash outflows for the acquisition of Puma shares by PPR and Puma (€80 million and €181 million respectively) and the purchase of treasury shares by PPR (€132 million).

NET INCOME OF THE PARENT COMPANY – DIVIDEND

The parent company ended 2009 with net income of €718 million, compared with €77 million in 2008. The net non-recurring loss figure was higher in 2009 than in 2008 but the net recurring operating income improved and net financial income for the year was up sharply due to the significant increase in dividends received combined with the impact of lower finance costs.

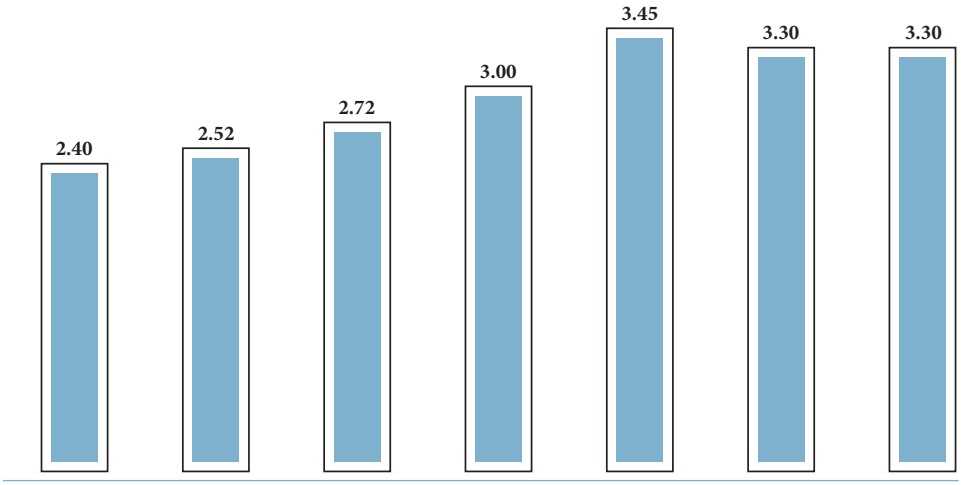
At the Annual Shareholders' Meeting scheduled for May 19, 2010, the Board of Directors will recommend a dividend payment of €3.30 per share, the same as the previous year. If this dividend is approved, the total dividend payout would amount to €418 million, unchanged from 2008.

This recommended dividend 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 owners of the parent and, on the other hand, the amount of free cash flow generated in 2009. PPR's payout ratios(1) are as follows for 2009:

- 58.6% of net income from continuing operations (excluding non-recurring items) attributable to owners of the parent, versus 47.7% in 2008;
- 48.3% of available cash flow, compared with 63.2% in 2008.

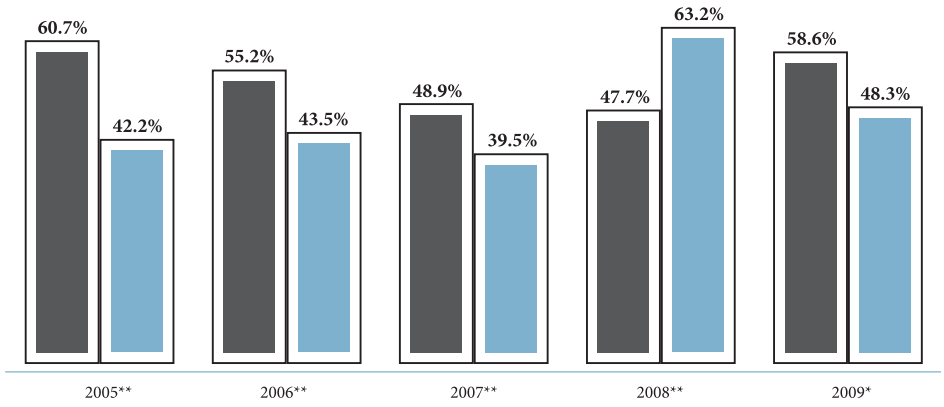
(1) For years prior to 2009, calculated based on reported accounting data (not restated for the impact of applying IFRS 5).

DIVIDEND PER SHARE (IN €)



* Subject to approval at the Annual Shareholders' Meeting on May 19, 2010.

PAYOUT RATIOS



* Subject to approval at the Annual Shareholders' Meeting on May 19, 2010.
** Published, not restated.

% of net income from continuing operations (excluding non-recurring items) attributable to owners of the parent

% free cash flow

The main transactions carried out with related parties are described in Note 35 to the consolidated financial statements.

SUBSEQUENT EVENTS

No significant subsequent events have occurred at Group level since the end of 2009.

OUTLOOK

In light of the ongoing lacklustre economic environment, the Group remains cautious about its growth prospects.

But in 2010, PPR has started the year with determination and confidence. While maintaining stringent management efforts, PPR is launching an energetic sales offensive aimed at raising its business and financial performance in 2010.

Investment policy

In 2009, PPR pressed ahead with its strategy of reinforcing 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 objective is to ensure the prosperity of each Group entity and exploit the potential for organic growth. To bolster its positions, PPR may make tactical acquisitions so as to round out its resources, brand and 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, during the year under review, PPR continued the drive on priority activities initiated in 2006.

FINANCIAL INVESTMENTS

2009

Financial investments represented net cash inflows totalling €802 million in 2009, disposals of financial assets (securities and other financial assets), interest and dividends received having largely exceeded acquisitions.

PPR launches an initial public offering for Cfao

On December 3, 2009, PPR ceased to exercise control over Cfao, following the subsidiary's floatation on Euronext Paris.

The IPO marks a further important step in PPR's process of refocusing its business on a coherent group of internationally recognised lifestyle brands in the broader Consumer and Luxury Goods markets. This underlying strategy was regularly explained in information communicated to the markets throughout the IPO process. PPR does not intend to retain a lasting involvement in Cfao's development. However, while the long-term plan is to fully withdraw from Cfao's capital, PPR does not envisage pulling out quickly at this stage, and has also given a commitment to the banks underwriting the IPO that it will not offer, sell or transfer any Cfao shares before June 7, 2010.

The floatation proved a great success, and was the largest IPO carried out on Euronext Paris in the past few years. It was oversubscribed by 2.5 times following offers received from all the leading institutional investors, with the majority representing long-term investors. The offering was priced at €26 per share, the mid-point of the indicated price range, and the over-allotment option was extremely quickly exercised. Cfao's share performance in the first few weeks of its listing was very satisfactory.

Following the floatation, PPR ceased to exercise control over Cfao, having sold to the public 35,650,000 shares in its formerly 99.9%-owned subsidiary for €927 million (excluding transaction costs). The Group has retained a 42.0% interest in Cfao's capital and voting rights and has not entered into any agreements with other shareholders which would give it over half of the voting power. It therefore now only exercises significant influence over Cfao. At the date of the IPO, 54.1% of Cfao's capital was held by institutional investors (42% French), and the combined stake of the largest 32 of these investors was higher than PPR's ownership interest.

Other changes in the Group's business portfolio

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.

On January 12, 2009, Puma announced that it had acquired Brandon AB, a Swedish firm specialising in merchandising and brand promotion.

On February 25, 2009, Gucci Group entered into a definitive agreement to sell Bédat & Co to Luxury Concepts Watches Jewellery Sdn Bhd, a company based in Malaysia.

On June 10, 2009, PPR completed the sale of Surcouf to Hugues Mulliez, the founder of Youg's, a brand specialising in the sale of IT products and services.

On January 8, 2010, Puma and Hussein Chalayan announced that on December 31, 2009 Hussein Chalayan had acquired Puma's stake in their joint venture, Chalayan LLP. Hussein Chalayan remains Creative Director at Puma, responsible for overseeing the design, creation and development of Puma's Sportlifestyle collections. Puma's Urban Mobility Collection developed by Hussein Chalayan will be available in stores for the Spring/Summer 2010 season.

2008

Financial investments represented net cash inflows of €983 million in 2008 (on a reported and unadjusted basis).

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 license, at arm's length 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.

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.

As part of the streamlining 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 in the United Kingdom. It now plans to focus 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 "plus-size", and "sports and leisure" businesses in the US.

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 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.

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 a controlling interest in Puma and the launch of a takeover bid. This transaction was finalised on July 17, 2007.

This transaction represents a new development opportunity for PPR and is at the heart of its expansion strategy, based on well-known brands and differentiating 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. This bid, fully supported and recommended by the Puma Management Board, valued 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 acceptance period of the bid, 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 buy-back programme and acquired 125,000 treasury shares. Consequently, as of December 31, 2007, Puma is fully consolidated based on a 63.6% interest.

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 United Retail. This transaction valued United Retail at USD 198.9 million.

This acquisition is part of Redcats' strategy of bolstering its leadership positions and developing effective multi-channel distribution models (catalogue, online and stores). It enabled Redcats to accelerate its growth in the United States by doubling its market share in the large-size ready-to-wear market.

Sale of Kadéos

On March 31, 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%).

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 2009, 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 outflows of €339 million in 2009, down 33% compared with 2008 on a comparable structure basis, reflecting the Group's capacity to respond and adapt to the unfavourable economic context.

Investments include openings of sales outlets, which account for roughly 24% of the total (28% in 2008 on a comparable structure basis), and conversions, extensions and/or renovations of existing stores, for roughly 31% (31% in 2008 on a comparable structure basis).

Investments outside France accounted for 64% of the total in 2009 (70% in 2008 on a comparable structure basis), highlighting the importance the Group attaches to its international expansion.

Net operating investments for 2009 take into account disposals of property, plant and equipment, and intangible fixed assets totalling €38 million (€41 million in 2008 on a comparable structure basis).

Fnac

Gross operating investments by Fnac were down 32% year-on-year to €56 million, reflecting the slowdown in store-opening programmes and efforts to optimise store remodelling plans. In 2009, Fnac opened two new stores outside of France (thirteen new stores, of which nine outside of France in 2008), and closed a further two outlets.

Store investments accounted for 82% of the banner's total investments.

Redcats

Redcats' gross operating investments totalled €32 million for the year ended December 31, 2009, representing a 42% decrease compared with 2008. Logistics projects accounted for 30% of investments. The 22% 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 online presence, which already includes more than 60 e-commerce websites.

Conforama

Gross operating investments by Conforama contracted 8% year-on-year to €59 million, reflecting fewer planned store openings and remodellings. In spring 2009, a new Conforama store concept was launched in France at Pont-Neuf, Paris. In France, 12 stores had adopted the new concept by the end of 2009.

Store investments accounted for 60% of the banner's total investments.

Puma

Puma's gross operating investments came to €55 million in 2009, a 54% decrease year-on-year. This decline was particularly due to a sharp reduction in store opening and remodelling programmes, as well as to a reduction in expenses relating to the construction of Puma's new operations centre in Germany.

Luxury Goods Division

In 2009, Gucci Group continued to invest heavily in its directly-operated store network, via a major renovation and expansion programme and 49 additional net openings, including 16 each in Greater China (Continental China, Hong Kong and Macao) and other emerging countries. This brought the total number of directly-operated stores to 609 at December 31, 2009. Non-store-related investments were cut back sharply. Gross operating investments by the Luxury Goods Division totalled €135 million in the year to December 31, 2009, down 27% year-on-year.

In 2009, Gucci opened 25 new sales outlets – i.e., as many as in 2008 – including eight in Greater China and six in other emerging countries.

In the same year, Bottega Veneta opened 14 new sales outlets – four more than in 2008 – including five in Greater China and six in other emerging countries.

During 2009, Yves Saint Laurent closed three stores in mature markets and opened five stores in emerging countries.

The other brands also pressed ahead with expansion plans via their directly-owned store networks, with a net increase of eight sales outlets overall, bringing the total number operated under the Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney brands to 125.

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 organisation and has the necessary expertise, resources (particularly technical) and information systems to carry out its tasks. It executes transactions in various financial markets with optimum efficiency and security via PPR Finance SNC, which is dedicated to cash management and financing. The Financing and Treasury Department also coordinates cash management on behalf of subsidiaries and sets out the Group's banking policy.

The financial risks identified by the Group are summarised below:

Counterparty risk

PPR minimises its exposure to counterparty risk by dealing only with first-rate companies and by spreading its exposure among its various counterparties, up to their respective exposure limits. Counterparties to derivative transactions are included in the Group's 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 be rated at least "A" by Standard & Poor's or the equivalent by Moody's.

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 as part of its share buy-back programme and in accordance with applicable regulations. PPR has also entered into an agreement with an authorised financial intermediary to make a market for its shares and ensure the stability of the share price. This agreement complies with the provisions of the code of conduct of the *Association française des marchés financiers* (French Financial Markets Association, AMAFI) as approved by the AMF.

Shares held in 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 with maturities of less than three months in order to mitigate risk. Consequently, the price risk borne by PPR is deemed not to be material.

In May 2008, PPR 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 of these bonds is indexed to changes in the price of the PPR share within the limit of a specified maximum and minimum price.

Additional information on 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 the specific requirements of each activity.

These instruments are used to hedge foreign currency trade receivables and payables, i.e., to hedge highly probable budgeted exposures and/or firm commitments. Each entity hedges the risk generated by using a currency other than its functional currency in its commercial dealings.

The retail banners primarily hedge the foreign exchange risk generated by firm purchase commitments in foreign currencies and highly probable purchase flows. Periods depend on the activity specific to each company. Hedging flows may be generated by inter-company flows through the purchasing centres.

Foreign exchange risk hedging by the Luxury Goods companies mainly covers sales made to their retail subsidiaries, and to a lesser extent purchase flows. These are essentially inter-company flows.

Future foreign exchange exposures are determined using a regularly updated budget procedure.

Hedging periods are adapted to each company's business cycle and only marginally exceed one year at each reporting date.

Foreign exchange policies and procedures are set out by each company's executive committee and are validated by PPR.

Each company hedges its own foreign exchange risks in accordance with policies 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, except where specific regulatory or operating constraints rule this out;
- the amounts and maturities of all currency hedging transactions are backed by an economic underlying to prevent any speculative dealing;
- all highly probable exposures are at least 85%-hedged where they concern budgeted amounts, or fully-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 foreign exchange exposure, notably through a monthly currency reporting procedure. PPR also conducts periodic audits at Group level.

The Group also hedges foreign exchange risk on financial assets and liabilities issued in foreign currencies by using currency swaps for refinancing purposes or by investing cash in euros or local currency.

Note 30.2 to the consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to foreign exchange risk.

PPR Finance SNC processes, controls and provides administrative support for foreign exchange transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons, as well as to ensure that derivatives contracted internally are unwound on the market. PPR Finance SNC uses market-standard techniques and information systems to price currency instruments.

Interest rate risk

Interest rate risk policy falls within PPR's remit, and is managed on a consolidated basis by PPR Finance SNC. PPR has set a 60%-fixed/40%-floating target rate mix for Group consolidated net debt.

Interest rate risk is measured based on current and projected consolidated net debt, the schedule of hedging positions and fixed-rate/floating-rate debt issuances. This enables interest-rate hedging in accordance with the Group's target fixed/floating rate mix. Appropriate hedging products are set up through PPR Finance SNC, in close liaison with PPR's Executive Management. PPR mainly uses interest rate swaps to convert all or a portion of its fixed-rate bonds and caps and collars to a floating rate in order to protect floating-rate financing against rises in interest rates.

PPR Finance SNC processes, controls and provides administrative support for all interest rate transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons. PPR Finance SNC uses market-standard techniques and information systems to price interest rate instruments.

Note 30.1 to the consolidated financial statements sets out the nature of the hedging instruments held by the Group and its 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, based on Group- and company-level financial reporting procedures.

In order to manage liquidity risk that may arise when its financial liabilities fall due, the Group's financing policy is geared towards optimising its maturity schedule and avoiding the concentration of redemptions and repayments.

The Group's active risk management policy also seeks to diversify sources of funding and limit reliance on individual lenders.

The Group had undrawn confirmed lines of credit totalling €5,944.4 million as of December 31, 2009, compared to €4,989.6 million one year earlier.

PPR has an Euro Medium Term Notes (EMTN) programme in Luxembourg for its bond issuances, representing €5 billion. Of this amount, €3,100 million had been used as of December 31, 2009. PPR carried out four bond issues under the EMTN programme in 2009, representing a total amount of €1,300 million (see Note 29.4 to the consolidated financial statements). The EMTN programme was extended on November 30, 2009 for a further one-year period.

PPR's short-term debt is rated "AAA" by Standard & Poor's while its long-term debt is rated "BBB-" with a stable outlook.

The Group's bank loans and bond issues contain the customary commitment and default clauses included in these types of agreements: pari passu ranking, negative-pledge clauses that limit the security that can be granted to other lenders, and cross-default clauses. All bonds issued in 2009 within the scope of the EMTN programme are subject to change-of-control clauses and to "step-up coupon" clauses in the event that PPR's rating is downgraded to non-investment grade (see Notes 29.4 and 29.5 to the consolidated financial statements).

Confirmed credit lines for PPR and PPR Finance SNC are subject to early repayment clauses in the event that the gearing ratio (net debt/EBITDA) is 3.75 or lower (see Note 29.5.3 to the consolidated financial statements). This ratio is calculated on a pro-forma basis.

At end-2009, PPR and PPR Finance SNC had drawn down a total of €490 million out of the €6,081 million in confirmed credit lines subject to this covenant.

Euro bond issues are not subject to any such covenants.

As of December 31, 2009, the Group complied with all of these covenants, and there was no foreseeable risk of breach at that date.

Information relating to liquidity risk is presented in Note 29 to the consolidated financial statements, including the breakdown of Group debt by maturity and currency, and in Note 30.6 to the consolidated financial statements, which describes liquidity risk in accordance with IFRS 7.39.

LEGAL RISKS

Dependence on patents, licenses and supply contracts

The Group is not significantly dependent on any patents, licenses 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 licensed 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. Provisions have been set aside by the companies 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 concerning Group companies presents a material risk for the normal operations of the Group, or for its future development. Provisions have been set aside in the 2009 consolidated financial statements to cover all of the abovementioned legal risks, including the impact of commitments given on the disposal of controlling interests. None of these risks has been qualified as arising outside the scope of the normal course of operations for Group companies.

The Group considers that effective procedures and processes for identifying and managing its industrial and environmental risks are in place in each of its subsidiaries. These procedures rely on the professional advice of duly authorised external organisations and advisors, and meet, in relevance and proportion, customary 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 sellers' warranties under the terms of disposals made over the last five years (see Note 34.2 to the 2009 consolidated financial statements, on page 251 of the Reference Document).

As regards the laws and regulations applicable to the Group's activities, PPR's businesses are subject to the same constraints and regulations as those directly applicable to its competitors on its different markets. None of its businesses is subject to specific rules or requirements.

The Company is not aware of any regulatory or legislative changes that are expected to occur in this respect.

To the best of the Company's knowledge, during the last 12 months, no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which PPR is aware) has had in the recent past or is likely to have in the future, a significant impact on the financial position or earnings of the Company or the Group.

INSURANCE RISKS

PPR's Insurance Department is responsible for identifying risks, quantifying the consequences thereof and reducing said risks. This is achieved:

- by recommending preventive measures for risks that can be eliminated or reduced; or
- by using financing arrangements, in particular by transferring any exceptional, infrequently-occurring and high-impact risks to the insurance market.

The Insurance Department reports to the Finance Department, and works alongside each company tasked with providing the information necessary to identify and quantify risks, and with taking the appropriate measures to ensure business continuity in the context of a major disruption.

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

In accordance with its regulations, the Group applies a decentralised policy of risk prevention, precaution and protection at the level of its various companies. This policy is aimed at identifying, assessing and reducing exposure to losses, as well as their frequency and severity, by means of:

- audits of the main operating sites;
- appraisals of risk valuations;
- implementation of recommendations made by security professionals;
- internal control procedures;
- staff training;
- putting in place appropriate emergency plans.

An inter-company taskforce (Risk Prevention Network) brings together risk-prevention and protection officers from each company to implement common standards for the most significant risks.

Insurance

The Group's policy of transferring significant risks to insurance companies is determined based on:

- achieving the best economic balance between risk coverage, premiums and self-insurance;
- availability of insurance capacities, insurance market constraints and local regulations.

Coverage is based on the "All risks except" approach, determined by assessing the financial consequences for the company concerned of a possible claim, especially in the area of:

- civil liability: bodily harm or property damage to third parties caused by products, fittings and equipment;
- fire, explosions, water damage, etc.;
- operating losses following direct damage.

Insurance coverage is purchased based on an assessment by site and company of the level of coverage necessary using reasonably estimated potential occurrences of diverse risks (liability and damages). This assessment takes account of the analyses of the insurers underwriting the Group's risks.

The insurance schemes now in force in the Group, which centralises most purchases of insurance policies such as property and casualty risks 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;
- 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 carried out as project owner (new buildings, renovations, restorations, etc.);
- 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", "post-delivery risk" and "risk after services rendered", due to damages caused to third parties in the course of the Group's business.

Other insurance contracts are taken out by Group companies to cover specific risks or to comply with local regulations.

Uninsured risks are exposures for which there is no insurance coverage offered on the insurance market, or for which the available insurance is priced unattractively compared to the benefits of the coverage.

The PPR Group handles known risks that are insurable based on the current scientific and medical understanding, in a manner

comparable with other French and international industrial groups with similar types of exposures. This is one of the reasons why the Group is able to place its risks with insurers ready to deal with the sudden consequences of accidents.

The levels of coverage in place for the main potential risks facing the Group as a whole as of January 1, 2009, were 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: €20 million;
- fraud and acts of malice to goods and valuables: €20 million.

The total risk financing cost for PPR includes three main items (in addition to "physical" protection and prevention expenditure):

- cost of deductibles and non-insured losses retained or self-insured by the subsidiaries in 2009: €3.81 million;
- claims covered by the Group itself through its internal reinsurance company, Printemps Réassurance, in 2009: €4.9 million.

  Taking out reinsurance through a Group subsidiary reduces insurance costs and enhances performance because frequently occurring 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 2009 budget): €23 million.

Specific additional premiums may also be taken out by certain subsidiaries in compliance with requirements in certain countries (occupational accidents, contribution to natural disaster funds, etc.). These are managed at the level of each company and/or country.

OPERATIONAL RISKS

Commercial appeal – Brand value

The Group's major operational risks are loss of commercial appeal and brand value, resulting notably from a failure to understand consumer expectations, the loss of a key partnership or market changes.

Consumer expectations

The global economic crisis has led to a contraction in virtually all of PPR's markets, and has also accelerated a shift in consumer behaviour and priorities towards values such as authenticity, tradition, craftsmanship and environmentally-aware design.

More generally, threats to our activities include the inability to anticipate changes in consumer expectations. The Group's efforts to ensure a swift response to these threats have focused on streamlining the supply cycle, and in particular cutting the lead time between the product design and launch phases. PPR also encourages its brands to strive to stay ahead of consumer trends. To this end, the various banners maintain a permanent watch over market trends via trade fairs, trend forecasting agencies, consumer surveys, and the like. They also play a major role as trend setters for consumers, through new product and service offerings.

Lastly, in response to changing consumer demand, the luxury and fashion businesses have broadened their offerings and increased the number of collections, while entering into partnerships with renowned designers such as Hussein Chalayan at Puma and Alexis Mabille at La Redoute. This is especially true in the Luxury Goods division, where the success of the collections and commercial appeal are driven by creative departments under the management of world-renowned designers, and by remaining true to the identity and fundamental values of the brand. Each year in the Luxury Goods Division's leather goods business, for example, certain product launches are catapulted to "it bag" status.

Loss of key partnerships

The partnerships built up by our banners with celebrities and sports teams play a significant role in enhancing the brand image. The risk of losing one or more of these partnerships is mitigated by renewing major contracts in advance, enlarging the partnership portfolio and paying careful attention to the quality of partner relationships.

Market changes

Recent consumer retail market changes have been characterised by falling demand for certain products such as books and publications sold by Fnac, and the acceleration of online sales. PPR's subsidiaries are responding to this major challenge by developing new goods and services, including paperless offerings, online catalogues and market places and home services.

Commercial appeal is generally underpinned by communication strategies based around the brand and the product.

In addition, store location and the design of e-commerce stores are major assets for the commercial appeal of PPR's brands.

Lastly, the Group's continued development of its activities outside of France also reinforces brand awareness while decreasing global commercial risk.

Counterfeiting and parallel distribution networks

PPR owns a large portfolio of brands, models, designs and know-how, in particular through its Gucci and Puma subsidiaries, which constitutes a strategic asset for the Group.

The holding company and subsidiaries' legal departments, which are responsible for managing the brand portfolio and intellectual property rights, closely monitor the Group's intellectual property assets. Using diversified policies, they respond vigorously to all breaches of intellectual property rights in the interests of the PPR brands and their consumers.

The Group actively opposes illicit networks selling counterfeit or copied goods, as well as parallel distribution networks, in particular by working to increase the traceability of its goods and by prohibiting where possible direct sales to these networks.

Product quality, health and safety risks

Ensuring the quality of our goods and compliance with stringent safety standards are among the main priorities of the Group and its subsidiaries.

In order to bring high-quality products to market that are compliant with these standards, the Group's subsidiaries have implemented quality control processes covering all of the stages in the product lifecycle, from design through to production and marketing. Products are classified using quality and safety standards, while suppliers are referenced based on technical audits and adherence to the PPR Code of Business Practices. Suppliers are also assessed through controls on product quality and safety carried out at all stages of the production process by quality engineers and accredited laboratories.

Procedures relating to product control are explained in greater depth in the corporate social responsibility report in Section 3 of the Reference Document, "Priority 6: Promote responsible products and usages".

Each subsidiary has a "product crisis management" unit designed to deal rapidly and efficiently with crisis events and their consequences. In the event of a known risk, the subsidiaries follow procedures ensuring that immediate and transparent information is provided to the market, and that defective products are recalled promptly.

The Group has also taken out civil liability insurance to cover defective products (see above – "Main existing insurance programmes").

Image and reputation, respect for ethical rules and integrity

The Group carefully safeguards its image and reputational assets, and consequently seeks to ensure that no incidents arise due to unethical behaviour on the part of entities or individuals under its control.

As such, all subsidiaries are equipped with crisis management units that liaise with PPR headquarters so as to minimise any impact on the Group, its brands and customers.

PPR also circulates a Code of Business Practices and closely monitors adherence by subsidiary staff to the guidelines contained therein. The Group's outsourcing contracts are conditional on adherence to the CSR Charter, which suppliers are also required to promote within their production units. The subsidiaries verify the correct application of the Charter through social audits at production sites (see the corporate social responsibility report in Section 3 of the Reference Document, "Priority 3: Integrate CSR criteria into the supplier selection process").

Key employee risk

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 foster attachment to the Group and its values by means of training programmes and profit sharing. We also aim to boost our employees' employability, to encourage internal mobility and to open up prospects for professional and personal development. This is one of the Group's seven CSR priorities, and is explained in greater detail in the corporate social responsibility report in Section 3 of the Reference Document, "Priority 1: Develop employability through skills management and training".

The Group's HR policy is described in the report of the Chairman of the Board of Directors ("Internal control and risk management procedures", on page 326 of the Reference Document).

Information systems

Most of the Group's processes rely on information systems. However, the Group's decentralised structure means that the maturity, suitability, security, deployability and functionality of subsidiaries' information systems can be varied. The Group is continuing to invest where necessary in the adaptation, security and durability of these systems. Efforts to implement business continuity and recovery plans for all of its applications are ongoing.

Risk prevention

The Group's risk prevention policy is described in the report of the Chairman of the Board of Directors ("Internal control and risk management procedures", and "Insurance risks" above, on pages 167 and 326 of the Reference Document).

Consolidated financial statements
for the year ended December 31, 2009

The comparative information for 2008 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 2.23.

CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(in € millions)	*Notes*	2009	2008
CONTINUING OPERATIONS			
Revenue	**5**	**16,524.6**	**17,207.0**
Cost of sales		(8,749.3)	(9,130.9)
Gross margin		**7,775.3**	**8,076.1**
Payroll expenses	6-7	(2,525.6)	(2,579.1)
Other recurring operating income and expenses		(3,866.3)	(4,056.3)
Recurring operating income	**8**	**1,383.4**	**1,440.7**
Other non-recurring operating income and expenses	9	(546.8)	(367.8)
Operating income		**836.6**	**1,072.9**
Finance costs, net	10	(381.4)	(352.9)
Income before tax		**455.2**	**720.0**
Corporate income tax	11	(176.7)	(268.7)
Share in earnings (losses) of associates		0.3	(2.2)
Net income from continuing operations		**278.8**	**449.1**
o/w attributable to owners of the parent		247.2	374.7
o/w attributable to non-controlling interests		31.6	74.4
DISCONTINUED OPERATIONS			
Net income from discontinued operations	**12**	**764.9**	**589.9**
o/w attributable to owners of the parent		737.4	546.4
o/w attributable to non-controlling interests		27.5	43.5
Net income of consolidated companies		**1,043.7**	**1,039.0**
Net income attributable to owners of the parent		984.6	921.1
Net income attributable to non-controlling interests		59.1	117.9
Net income attributable to owners of the parent		**984.6**	**921.1**
Earnings per share *(in €)*	13.1	7.79	7.31
Fully diluted earnings per share *(in €)*	13.1	7.79	7.31
Net income from continuing operations attributable to owners of the parent		**247.2**	**374.7**
Earnings per share *(in €)*	13.1	1.96	2.97
Fully diluted earnings per share *(in €)*	13.1	1.96	2.97
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		**712.4**	**718.0**
Earnings per share *(in €)*	13.2	5.63	5.70
Fully diluted earnings per share *(in €)*	13.2	5.63	5.70

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(in € millions)	*Notes*	2009	2008
Net income		**1,043.7**	**1,039.0**
Foreign exchange losses		(8.4)	(87.9)
Cash flow hedges [1]		35.9	(53.6)
Available-for-sale financial assets [1]		0.1	(2.5)
Unrecognised surplus of pension plan assets		(0.9)	1.3
Actuarial gains and losses [1]		(20.5)	(25.1)
Share in other comprehensive income of associates		0.0	0.0
Other comprehensive income (expense), net of tax	**14**	**6.2**	**(167.8)**
Total comprehensive income		**1,049.9**	**871.2**
o/w attributable to owners of the parent		998.9	750.2
o/w attributable to non-controlling interests		51.0	121.0

(1) Net of tax.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2009, DECEMBER 31, 2008 AND JANUARY 1, 2008

Assets

(in € millions)	*Notes*	Dec. 31, 2009	Dec. 31, 2008	Jan. 1, 2008
Goodwill	15	5,564.6	6,178.7	6,653.6
Brands and other intangible assets	16	10,122.7	10,172.7	10,135.2
Property, plant and equipment	17	1,861.5	2,253.4	2,174.3
Investments in associates	19	705.6	74.5	19.7
Non-current financial assets	20	301.8	323.8	266.1
Deferred tax assets	11.2	554.0	639.1	711.8
Other non-current assets		11.4	16.8	30.4
Non-current assets		**19,121.6**	**19,659.0**	**19,991.1**
Inventories	21	2,351.6	3,465.5	3,234.1
Trade receivables	22	941.8	1,303.0	1,503.8
Customer loans	23	214.9	189.5	235.3
Current tax receivables	11.2	77.6	101.3	105.1
Other current financial assets	24	27.9	143.1	93.5
Other current assets	23	708.9	937.6	997.3
Cash and cash equivalents	28	944.5	1,116.6	1,713.2
Current assets		**5,267.2**	**7,256.6**	**7,882.3**
Assets classified as held for sale	**12**	**74.9**	**61.6**	**283.5**
TOTAL ASSETS		**24,463.7**	**26,977.2**	**28,156.9**

Equity and liabilities

(in € millions)	*Notes*	Dec. 31, 2009	Dec. 31, 2008	Jan. 1, 2008
Share capital	25	506.3	506.2	512.3
Capital reserves		2,480.4	2,478.8	2,614.9
Treasury shares		(7.0)	(6.4)	(72.1)
Translation adjustments		(226.3)	(238.0)	(156.6)
Remeasurement of financial instruments		7.8	(35.7)	31.4
Other reserves		7,193.3	6,637.0	6,198.1
Equity attributable to owners of the parent	**25**	**9,954.5**	**9,341.9**	**9,128.0**
Non-controlling interests		1,098.8	1,256.9	1,443.3
Total equity	**25**	**11,053.3**	**10,598.8**	**10,571.3**
Non-current borrowings	29	4,357.8	3,961.3	4,670.3
Provisions for pensions and other post-employment benefits	26	192.3	241.0	250.0
Provisions	27	103.5	164.4	145.6
Deferred tax liabilities	11.2	2,860.0	2,847.3	2,878.1
Non-current liabilities		**7,513.6**	**7,214.0**	**7,944.0**
Current borrowings	29	1,006.1	2,722.1	3,184.8
Financing of customer loans	29	214.9	189.5	235.3
Other current financial liabilities	30	56.5	75.9	72.6
Trade payables	23	2,053.5	2,976.5	2,953.2
Provisions for pensions and other post-employment benefits	26	11.9	17.4	17.2
Provisions	27	252.0	189.9	95.5
Current tax liabilities	11.2	211.8	325.0	319.5
Other current liabilities	23	2,039.4	2,597.1	2,534.4
Current liabilities		**5,846.1**	**9,093.4**	**9,412.5**
Liabilities associated with assets classified as held for sale	**12**	**50.7**	**71.0**	**229.1**
TOTAL EQUITY AND LIABILITIES		**24,463.7**	**26,977.2**	**28,156.9**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

(in € millions)	*Notes*	2009	2008
Net income from continuing operations		**278.8**	**449.1**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets		407.3	379.6
Other non-cash income and expenses		562.5	326.8
Cash flow from operating activities	**33.1**	**1,248.6**	**1,155.5**
Interest paid/received		260.6	332.6
Dividends received		(0.1)	(0.3)
Net income tax payable	11.1	192.7	273.9
Cash flow from operating activities before tax, dividends and interest		**1,701.8**	**1,761.7**
Change in working capital requirement		(28.4)	(206.8)
Change in customer loans		(11.7)	8.1
Corporate income tax paid		(243.7)	(252.6)
Net cash from operating activities		**1,418.0**	**1,310.4**
Purchases of property, plant and equipment and intangible assets	33.2	(338.9)	(508.0)
Proceeds from disposals of property, plant and equipment and intangible assets		37.5	41.4
Acquisitions of subsidiaries, net of cash acquired	33.3	(62.2)	(59.9)
Proceeds from disposals of subsidiaries, net of cash transferred	33.3	866.0	1,199.4
Purchases of other financial assets		(28.2)	(37.8)
Proceeds from sales of other financial assets		13.7	(0.6)
Interest and dividends received		12.9	43.9
Net cash from investing activities		**500.8**	**678.4**
Increase/Decrease in share capital and other transactions with owners	33.4	(44.6)	(338.5)
Treasury share transactions	33.5	(4.0)	(131.7)
Dividends paid to owners of the parent company		(417.3)	(433.8)
Dividends paid to non-controlling interests		(30.5)	(26.8)
Bond issues	29-33.6	1,563.4	713.6
Bond redemptions	29-33.6	(1,322.8)	(1,321.2)
Increase/Decrease in other borrowings	29-33.6	(1,688.5)	(608.4)
Interest paid and equivalent		(264.3)	(367.3)
Net cash used in financing activities		**(2,208.6)**	**(2,514.1)**
Net cash from discontinued operations	12	85.1	59.9
Impact of exchange rate variations		(10.4)	(51.9)
Net decrease in cash and cash equivalents		**(215.1)**	**(517.3)**
Cash and cash equivalents at beginning of year	**33**	**933.5**	**1,450.8**
Cash and cash equivalents at end of year	**33**	**718.4**	**933.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Before appropriation of net income)							Other reserves and net income attributable to owners of the parent	Equity		
(in € millions)	Number of shares outstanding [1]	Share capital	Capital reserves	Treasury shares	Cumulative translation adjustments	Remeasure-ment of financial instruments		Owners of the parent	Non-controlling interests	Total equity
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**
Changes in accounting policies and methods							(90.2)	(90.2)		(90.2)
As of January 1, 2008	**127,495,439**	**512.3**	**2,614.9**	**(72.1)**	**(156.6)**	**31.4**	**6,198.1**	**9,128.0**	**1,443.3**	**10,571.3**
Total comprehensive income					**(81.4)**	**(67.1)**	**898.7**	**750.2**	**121.0**	**871.2**
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-based payment							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	**126,475,377**	**506.2**	**2,478.8**	**(6.4)**	**(238.0)**	**(35.7)**	**6,637.0**	**9,341.9**	**1,256.9**	**10,598.8**
Total comprehensive income					**(8.6)**	**43.5**	**964.0**	**998.9**	**51.0**	**1,049.9**
Share capital increase/ decrease	23,211	0.1	1.6					1.7		1.7
Treasury shares [3]	(10,325)			(0.6)			(2.2)	(2.8)		(2.8)
Valuation of share-based payment							16.4	16.4	1.6	18.0
Dividends paid							(417.3)	(417.3)	(15.7)	(433.0)
Changes in Group structure					20.3		(4.6)	15.7	(195.0)	(179.3)
As of December 31, 2009 [2]	**126,488,263**	**506.3**	**2,480.4**	**(7.0)**	**(226.3)**	**7.8**	**7,193.3**	**9,954.5**	**1,098.8**	**11,053.3**

(1) Shares with a par value of €4 each.
(2) Number of shares outstanding as of December 31, 2009: 126,578,588.
(3) Net of tax.

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for the year ended December 31, 2009

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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 stock exchange.

The consolidated financial statements for the year ended December 31, 2009 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, 2009 and authorised their publication on February 17, 2010. These consolidated financial statements will only be considered as final after their adoption by the Annual General Shareholders' Meeting of May 19, 2010.

NOTE 2 ACCOUNTING POLICIES AND METHODS

2.1. General principles and statement 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, 2009 were prepared in accordance with applicable international accounting standards adopted by the European Union and of mandatory application as of that date. The Group has also chosen to early adopt the revised IFRS 3 – *Business Combinations,* and the revised IAS 27 – *Consolidated and Separate Financial Statements*, which are not mandatorily applicable as of December 31, 2009.

These international standards comprise 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 were 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_en.htm.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2009

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1, 2009 and have been adopted by the European Union.

The following standards, amendments and interpretations have an impact on the Group's consolidated financial statements:

- revised version of IAS 1 – *Presentation of Financial Statements*;
- amendment to IFRS 7 – *Financial Instruments: Disclosures*, relating to disclosures about fair value and liquidity risk;
- amendment to IAS 16 – *Property, Plant and Equipment*, regarding the sale of assets previously held for rental (Annual Improvements to IFRS, issued in May 2008);
- amendment to IAS 38 – *Intangible Assets*, regarding advertising and promotional activities (Annual Improvements to IFRS, issued in May 2008);
- IFRIC 13 – *Customer Loyalty Programmes*.

The application of the revised IAS 1 changes the presentation of the consolidated financial statements for all periods presented. In applying this standard, the Group has elected to:

- change the name of the "balance sheet" to the "statement of financial position";
- include a "statement of comprehensive income" alongside the income statement, comprising net income for the year and income and expenses recognised in other comprehensive income. These items were previously recognised in a "consolidated statement of recognised income and expense".

Application of the amendment to IFRS 7 – *Enhanced Fair Value Disclosures* impacts the presentation of the notes to the consolidated financial statements and requires additional information about fair value measurements and liquidity risk. IFRS 7 fair value disclosures are presented by type of financial instrument in Note 31, while disclosures regarding liquidity risk are included in Note 30.6.

The application of IFRIC 13 and of the amendments to IAS 16 and IAS 38 result in changes to accounting policies that require equity as of January 1, 2008 and the comparative data presented to be restated. The nature and impact of these restatements are described in Note 2.23 to the consolidated financial statements.

The Group elected to early adopt IFRS 8 – Operating Segments for its 2008 consolidated financial statements. IFRS 8 is effective for reporting periods beginning on or after January 1, 2009 and replaces IAS 14 – *Segment Reporting*.

The other amendments to published standards and interpretations which came into force on January 1, 2009 are either not applicable to the Group or had no material impact on the consolidated financial statements as of December 31, 2009. This concerns:

- amendment to IAS 1 and IAS 32 – *Puttable Financial Instruments and Obligations Arising on Liquidation*;
- amendment to IAS 23 – *Borrowing Costs*, regarding the elimination of the option of expensing borrowing costs on a qualifying asset;
- amendment to IFRS 2 – *Share-based Payment – Vesting Conditions and Cancellations*;
- amendments to IFRIC 9 and IAS 39 – *Reassessment of Embedded Derivatives*;
- amendment to IFRIC 11 – IFRS 2 – *Group and Treasury Share Transactions*, applicable as of 2008 in accordance with the IASB and as of 2009 in accordance with the European Union;
- IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, applicable as of 2008 in accordance with the IASB and as of 2009 in accordance with the European Union;
- other amendments contained in the Annual Improvements to IFRS, issued in May 2008.

2.2.2. Early adoption of IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements

The joint revision of IFRS 3 – *Business Combinations* and IAS 27 – *Consolidated and Separate Financial Statements* amends the rules for recognising and measuring transactions affecting Group structure. The revised version of these standards was adopted by the European Union on June 3, 2009 and is mandatorily effective for the Group as of January 1, 2010.

The Group has chosen to early adopt these revised standards, which are therefore used to account for all transactions affecting Group structure in 2009. The main transactions of this type are described in Note 3.1.

As these revisions are applicable on a prospective basis, transactions carried out prior to January 1, 2009 have not been restated. However, a number of reclassifications have been made between investing and financing activities in the statement of cash flows in order to reflect the retrospective application of the amendment to IAS 7 resulting from the revision to IAS 27.

2.2.3. Standards, amendments and interpretations applicable as of January 1, 2010

The following standards, amendments and interpretations published by the IASB are effective for reporting periods beginning on or after January 1, 2010:

- amendment to IAS 39 – *Eligible Hedged Items*;
- amendment to IAS 32 – *Classification of Rights Issues*;
- amendment to IFRS 2 – *Group Cash-settled Share-based Payment Transactions*;
- IFRIC 12 – *Service Concession Arrangements* (effective 2010 in the European Union);
- IFRIC 15 – *Agreements for the Construction of Real Estate*;
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*;
- IFRIC 17 – *Distributions of Non-cash Assets to Owners*;
- IFRIC 18 – T*ransfers of Assets from Customers*;
- other amendments contained in the Annual Improvements to IFRS, issued in April 2009.

The impact of these standards, amendments and interpretations is currently being assessed.

2.2.4. Summary of options used on the first-time adoption of IFRS

The IFRS adopted by the European Union and effective as of December 31, 2005 were applied with retroactive effect from January 1, 2004 in accordance with IFRS 1, with the exception of certain exemptions provided by the standards:

- **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 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 payment**: 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 available for sale, on the transition date (January 1, 2005).

2.3. Basis of preparation of the consolidated financial statements

2.3.1. Basis of measurement

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;
- interests retained in a subsidiary or associate, which are measured at fair value at the date control or significant influence is lost;
- non-current assets held for sale, which are 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.

2.3.2. Use of estimates and judgement

The preparation of consolidated financial statements requires Group management to make estimates and assumptions that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the information disclosed in the accompanying notes. 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 may 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 occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the valuations and useful lives 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 payment, 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 2009 have been prepared taking into account the prevailing economic and financial crisis and based on the financial market inputs available at the end of the reporting period. 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 specific sections of the financial statements and particularly in the following notes:

- Note 3.1 – Changes in Group structure;
- Note 7 – Share-based payment;
- Note 11 – Income taxes;
- Note 18 – Impairment tests on non-financial assets;
- Note 26 – Employee benefits;
- Note 27 – Provisions;
- Note 30 – Exposure to interest rate, foreign exchange and equity risk;
- Note 31 – Accounting classification and market value of financial instruments.

In addition to the use of estimates, Group management uses judgement to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRS or where prevailing standards do not cover the issue at hand. This is notably the case for put options granted to minority shareholders.

Put options granted to non-controlling interests

The Group has committed to repurchase the non-controlling interests of shareholders of certain subsidiaries. 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.

The revised IAS 27 – applied by the Group in its consolidated financial statements as of January 1, 2009 – prescribes the appropriate accounting treatment for acquisitions of additional shares in a subsidiary after control is obtained. As allowed by the *Autorité des Marchés Financiers* (French financial markets regulator – AMF), the Group has decided to apply two different accounting methods to these put options, depending on whether they were granted before or after the date the revised standard first came into effect.

Put options granted before January 1, 2009: existing goodwill method retained

The Group records a financial liability in respect of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as goodwill.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, 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.

Put options granted after January 1, 2009

The revised IAS 27 states that all equity transactions with non-controlling interests which do not result in a change in control are to be recognised within equity. Consequently, the Group considers that the put options granted after the effective date of the revised IAS 27 will impact consolidated equity.

The Group records a financial liability in respect of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as a deduction from equity.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, 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 equity.

2.3.3. Statement of cash flows

The Group's statement of cash flows is prepared in accordance with IAS 7 – *Statement of Cash Flows*. The Group prepares its statement of cash flows using the indirect method.

2.4. Consolidation principles

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.

2.4.1. 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.

2.4.2. 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, except when the associates were previously controlled by the Group, in which case they are measured at fair value through the income statement as of the date control is lost.

Subsequently, the share in profits or losses of the associate attributable to owners of the parent is recognised in "Share in earnings of associates", and the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income. If the Group's share in the losses of an associate equal or exceed its investment in that 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, presented separately within "Investments in associates" in the statement of financial position.

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.

2.4.3. 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.

2.4.4. 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 consolidated statement of financial position, 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*.

2.4.5. Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognised using the purchase method.

Business combinations that took place prior to January 1, 2009 were recognised using the accounting principles used to prepare the financial statements for the year ended December 31, 2008.

Business combinations carried out after January 1, 2009 are recognised and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition cost) should be measured at the fair value, at the date of exchange of the assets transferred, equity interests issued and liabilities incurred by the acquirer. Identifiable assets and liabilities are measured at their fair value on the acquisition date. Costs directly attributable to the business combination should be recognised in expenses.

The excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity is recognised as goodwill. The Group may choose to measure any non-controlling interests resulting from a business combination at fair value. In this case, goodwill is recognised on all of the identifiable assets and liabilities (full goodwill method).

Goodwill is determined at the date control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognised on any subsequent acquisition of non-controlling interests. Acquisitions and/or disposals of non-controlling interests are recognised directly in consolidated equity.

If the consideration transferred 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.

The accounting for a business combination must be completed within 12 months of the acquisition date. This applies to the measurement of identifiable assets and liabilities, consideration transferred and non-controlling interests.

2.5. Foreign currency translation

2.5.1. 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.

2.5.2. 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 the end of each reporting period 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 section on derivative instruments in Note 2.11 – Financial assets and liabilities.

2.5.3. 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:

- items recorded in the statement of financial position, other than equity, are translated at the exchange rate at the end of the reporting period;
- income and cash flow statement items are translated at the average rate for the year;
- foreign exchange differences are recognised as cumulative translation adjustments in the statement of comprehensive income under "Other comprehensive income". These include gains and losses 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 subsequently translated at the closing exchange rate into the Group's presentation currency, and any resulting differences transferred to "Other comprehensive income" within the statement of comprehensive income.

2.5.4. 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 within the statement of comprehensive income, 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 "Other comprehensive income" within the statement of comprehensive income, and in income on disposal of the net investment.

2.6. Goodwill

Goodwill represents the excess of the consideration transferred in a business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities on the acquisition date. If the Group chooses to measure non-controlling interests in a given business combination at fair value, goodwill is calculated on all identifiable assets and liabilities.

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.

2.7. Brands and other intangible assets

Intangible assets acquired as part of a business combination, which are controlled by the Group and are separable 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 useful 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 consolidated income statement under "Other non-recurring operating income and expenses" as part of 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 projected future cash flows 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.

2.8. 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.

2.9. 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.

2.10. Asset impairment

Goodwill and intangible assets with an indefinite life, such as certain brands, and CGUs or groups of CGUs containing these items, are tested for impairment at least annually during the second half of each reporting period.

In addition, when events or circumstances indicate that goodwill, 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 value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated 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 adopted in recent transactions and stock market prices).

When the recoverable amount 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 charged first to goodwill where appropriate, 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.

2.11. Financial assets and liabilities

Derivative instruments are recognised in the statement of financial position at fair value, in assets (positive fair value) or liabilities (negative fair value).

2.11.1. 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 classified as 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 other comprehensive income 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 the end of a subsequent reporting period.

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.

2.11.2. Financial liabilities

The measurement of financial liabilities depends on their IAS 39 classification. Excluding put options granted to non-controlling interests, derivative liabilities 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.

2.11.3. Hybrid instruments

Certain financial instruments have both a standard debt component and an equity component.

For the Group, this concerns in particular 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 option converting the bonds 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 at the end of each subsequent reporting period, 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 component 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, which are prorated over each component.

2.11.4. 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 statement of financial position 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 statement of financial position, depends 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 statement of financial position 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.

2.11.5. Cash and cash equivalents

The "Cash and cash equivalents" line item recorded on the assets side of the consolidated statement of financial position 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 statement of financial position.

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 statement of cash flows and per the statement of financial position is provided in Note 33.

2.11.6. Definition of Group consolidated net debt

The concept of net debt used by the Group comprises gross debt including accrued interest receivable less net cash as defined by French National Accounting Council recommendation CNC 2009-R0.03. Net debt includes financial instruments designated as fair value hedges in the statement of financial position 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 under borrowings. Group net debt excludes the financing of customer loans by consumer credit businesses.

2.12. 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 equity. On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is recognised in shareholders' equity.

2.13. 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 equity for their initial amount. Changes in value are not recognised. The accounting treatment of financial liabilities is described in Note 2.11.

2.14. Share-based payment

Bonus share plans, share purchase plans and share 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 is determined by reference to the fair value of services rendered by the beneficiaries, assessed at the grant date. The mathematical models used in these calculations are described in Note 7.

During the rights vesting period, the fair value of options and bonus shares 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 equity.

Share appreciation rights (SARs) granted by the Group also result in the recognition of payroll expenses spread over the rights vesting period and a matching liability.

2.15. 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 statement of financial position 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 end of the reporting period.

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position within 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.

2.16. 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 end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

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 end of the reporting period. 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.

2.17. 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 in other comprehensive income 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 plan 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 statement of financial position 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.

2.18. Non-current assets (and disposal groups) held for sale

The Group applies IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. 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 consolidated statement of financial position, 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 discontinued operations are not presented on separate lines in the Group's statement of financial position.

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. Net income from these activities is presented under a separate income statement heading, "Discontinued operations", and is restated in the statement of cash flows.

2.19. 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.

Benefits granted to customers under customer loyalty programmes are considered separate from the initial sale. The income relating to these vested rights is deferred until the benefits are used by the customers.

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 end of the reporting period.

Services such as warranty extensions or services directly related to the sale of goods are recognised over the period in which such services are rendered or, if the Group company acts as an intermediary in the sale of these services, as of the date the contractual agreement is signed by the customer.

2.20. 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 intended to 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.

2.21. Earnings per share

Earnings per share is calculated by dividing net income (attributable to owners 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 owners 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 interest expense that would be saved 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 owners of the parent for non-recurring items net of taxes and non-controlling 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.

2.22. 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 – 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. At December 31, 2009, they comprised Conforama, Fnac, Redcats, 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.

2.23. Restatement of comparative information

The changes in accounting policies and methods described in Note 2.2.1 were applied retrospectively as of January 1, 2008, in accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*.

Opening equity and the comparative information presented have been restated.

In 2009, 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*. These relate to the partial disposal of Cfao and the Fnac Éveil & Jeux divestment plan, and are described in Note 12.

In accordance with IFRS 5, previously published income statements and cash flow statements were restated.

The revised IAS 27 amends IAS 7 – *Statement of Cash Flows* in terms of the presentation of acquisitions and disposals of interests in a subsidiary that do not result in a loss of control. These transactions are now classified as financing activities. The statement of cash flows for 2008 has been modified accordingly.

2.23.1. Nature of changes in accounting policies

IFRIC 13 deals with the recognition of loyalty award credits granted to customers as part of loyalty programmes. These awards are granted on the sale of goods or services and can be redeemed in the future against free or discounted goods or services.

Under IFRIC 13, credits granted to a customer are considered as a separately identifiable component of the sale transaction. The consideration received in respect of the sale transaction is allocated between:

- the initial sale of goods or supply of services, for which the corresponding revenue is recognised immediately in income; and
- credits awarded and redeemable in the future, for which the corresponding revenue is deferred until the customer redeems the awards and the entity fulfils its obligations to supply the awards (or if the award is provided by a third party, until such party is obliged to supply the awards).

The consideration allocated to the award credits must be measured by reference to fair value, i.e., the amount for which the award credits could be sold separately.

The Group has applied IFRIC 13 to all of the customer loyalty programmes managed by its different banners.

The amendment to IAS 16 sets out the recognition method for the sale of assets that were previously held for rental, where entities routinely carry out this type of transaction in the course of their ordinary activities. At the end of the lease, the asset sold must be transferred to inventories and the proceeds from the sale recorded in revenue. IAS 7 – *Statement of Cash Flows* was amended to specify that all cash flows arising on such transactions are to be classified as cash flows from operating activities.

Proceeds from the sale of vehicles that were previously held for rental and that were recognised by the Group as a deduction from cost of sales, are now recorded in revenue.

The amendment to IAS 38 requires all expenditure for advertising and promotional activities to be expensed when incurred. An expense must be recognised when entities have a right to access the goods or, in the case of the supply of services, as soon as the services have been provided. Costs relating to the production of mail order catalogues are explicitly classified as expenditure for advertising and promotional activities, and therefore fall within the standard's scope of application.

Expenditure incurred in creating, producing and preparing mail order catalogues was previously expensed as of the date the catalogues were sent to customers, and costs for catalogues not yet sent were recognised in prepaid expenses until such date.

Accordingly, these costs together with expenditure for advertising and promotional activities have been reclassified to the periods in which they were incurred, in accordance with the amended standard.

2.23.2. Restatement of financial statements

The impacts of the restatements made as a result of changes in accounting policies and "operations discontinued, sold or to be sold" are shown below:

Statement of financial position as of January 1, 2008

Assets

(in € millions)	Dec. 31, 2007 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38	Jan. 1, 2008 restated
Goodwill	6,653.6				6,653.6
Brands and other intangible assets	10,135.2				10,135.2
Property, plant and equipment	2,174.3				2,174.3
Investments in associates	19.7				19.7
Non-current financial assets	266.1				266.1
Deferred tax assets	701.7	2.6		7.5	711.8
Other non-current assets	30.4				30.4
Non-current assets	**19,981.0**	**2.6**		**7.5**	**19,991.1**
Inventories	3,234.1				3,234.1
Trade receivables	1,503.8				1,503.8
Customer loans	235.3				235.3
Current tax receivables	105.1				105.1
Other current financial assets	93.5				93.5
Other current assets	1,062.6	(0.8)		(64.5)	997.3
Cash and cash equivalents	1,713.2				1,713.2
Current assets	**7,947.6**	**(0.8)**		**(64.5)**	**7,882.3**
Assets classified as held for sale	**283.5**				**283.5**
TOTAL ASSETS	**28,212.1**	**1.8**		**(57.0)**	**28,156.9**

Equity and liabilities

(in € millions)	Dec. 31, 2007 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38	Jan. 1, 2008 restated
Share capital	512.3				512.3
Capital reserves	2,614.9				2,614.9
Treasury shares	(72.1)				(72.1)
Translation adjustments	(156.6)				(156.6)
Remeasurement of financial instruments	31.4				31.4
Other reserves	6,288.3	(23.2)		(67.0)	6,198.1
Equity attributable to owners of the parent	**9,218.2**	**(23.2)**		**(67.0)**	**9,128.0**
Non-controlling interests	1,443.3				1,443.3
Total equity	**10,661.5**	**(23.2)**		**(67.0)**	**10,571.3**
Non-current borrowings	4,670.3				4,670.3
Provisions for pensions and other post-employment benefits	250.0				250.0
Provisions	145.6				145.6
Deferred tax liabilities	2,879.0			(0.9)	2,878.1
Non-current liabilities	**7,944.9**			**(0.9)**	**7,944.0**
Current borrowings	3,184.8				3,184.8
Financing of customer loans	235.3				235.3
Other current financial liabilities	72.6				72.6
Trade payables	2,942.6			10.6	2,953.2
Provisions for pensions and other post-employment benefits	17.2				17.2
Provisions	95.5				95.5
Current tax liabilities	319.5				319.5
Other current liabilities	2,509.1	25.0		0.3	2,534.4
Current liabilities	**9,376.6**	**25.0**		**10.9**	**9,412.5**
Liabilities associated with assets classified as held for sale	**229.1**				**229.1**
TOTAL EQUITY AND LIABILITIES	**28,212.1**	**1.8**		**(57.0)**	**28,156.9**

Income statement for the year ended December 31, 2008

(in € millions)	2008 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38	IFRS 5	2008 restated
CONTINUING OPERATIONS						
Revenue	**20,201.2**	**(0.3)**	**10.7**		**(3,004.6)**	**17,207.0**
Cost of sales	(11,385.9)		(10.7)		2,265.7	(9,130.9)
Gross margin	**8,815.3**	**(0.3)**			**(738.9)**	**8,076.1**
Payroll expenses	(2,803.0)				223.9	(2,579.1)
Other recurring operating income and expenses	(4,291.1)	(4.4)		0.6	238.6	(4,056.3)
Recurring operating income	**1,721.2**	**(4.7)**		**0.6**	**(276.4)**	**1,440.7**
Other non-recurring operating income and expenses	(361.0)				(6.8)	(367.8)
Operating income	**1,360.2**	**(4.7)**		**0.6**	**(283.2)**	**1,072.9**
Finance costs, net	(372.7)				19.8	(352.9)
Income before tax	**987.5**	**(4.7)**		**0.6**	**(263.4)**	**720.0**
Corporate income tax	(334.5)	1.5		(0.5)	64.8	(268.7)
Share in earnings (losses) of associates	1.4				(3.6)	(2.2)
Net income from continuing operations	**654.4**	**(3.2)**		**0.1**	**(202.2)**	**449.1**
o/w attributable to owners of the parent	537.4	(3.2)		0.1	(159.6)	374.7
o/w attributable to non-controlling interests	117.0				(42.6)	74.4
DISCONTINUED OPERATIONS						
Net income from discontinued operations	**387.7**				**202.2**	**589.9**
o/w attributable to owners of the parent	386.8				159.6	546.4
o/w attributable to non-controlling interests	0.9				42.6	43.5
Net income of consolidated companies	**1,042.1**	**(3.2)**		**0.1**		**1,039.0**
Net income attributable to owners of the parent	924.2	(3.2)		0.1		921.1
Net income attributable to non-controlling interests	117.9					117.9
Net income attributable to owners of the parent	**924.2**	**(3.2)**		**0.1**		**921.1**
Earnings per share *(in €)*	7.33					7.31
Fully diluted earnings per share *(in €)*	7.33					7.31
Net income from continuing operations attributable to owners of the parent	**537.4**	**(3.2)**		**0.1**	**(159.6)**	**374.7**
Earnings per share *(in €)*	4.26					2.97
Fully diluted earnings per share *(in €)*	4.26					2.97
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	**875.2**	**(3.2)**		**0.1**	**(154.1)**	**718.0**
Earnings per share *(in €)*	6.95					5.70
Fully diluted earnings per share *(in €)*	6.94					5.70

Statement of financial position as of December 31, 2008

Assets

(in € millions)	Dec. 31, 2008 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38	Dec. 31, 2008 restated
Goodwill	6,178.7				6,178.7
Brands and other intangible assets	10,172.7				10,172.7
Property, plant and equipment	2,253.4				2,253.4
Investments in associates	74.5				74.5
Non-current financial assets	323.8				323.8
Deferred tax assets	628.0	4.0		7.1	639.1
Other non-current assets	16.8				16.8
Non-current assets	**19,647.9**	**4.0**		**7.1**	**19,659.0**
Inventories	3,465.5				3,465.5
Trade receivables	1,303.0				1,303.0
Customer loans	189.5				189.5
Current tax receivables	101.3				101.3
Other current financial assets	143.1				143.1
Other current assets	999.2	(0.1)		(61.5)	937.6
Cash and cash equivalents	1,116.6				1,116.6
Current assets	**7,318.2**	**(0.1)**		**(61.5)**	**7,256.6**
Assets classified as held for sale	**61.6**				**61.6**
TOTAL ASSETS	**27,027.7**	**3.9**		**(54.4)**	**26,977.2**

Equity and liabilities

(in € millions)	Dec. 31, 2008 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38	Dec. 31, 2008 restated
Share capital	506.2				506.2
Capital reserves	2,478.8				2,478.8
Treasury shares	(6.4)				(6.4)
Translation adjustments	(239.0)			1.0	(238.0)
Remeasurement of financial instruments	(35.7)				(35.7)
Other reserves	6,730.3	(26.6)		(66.7)	6,637.0
Equity attributable to owners of the parent	**9,434.2**	**(26.6)**		**(65.7)**	**9,341.9**
Non-controlling interests	1,256.9				1,256.9
Total equity	**10,691.1**	**(26.6)**		**(65.7)**	**10,598.8**
Non-current borrowings	3,961.3				3,961.3
Provisions for pensions and other post-employment benefits	241.0				241.0
Provisions	164.4				164.4
Deferred tax liabilities	2,847.8			(0.5)	2,847.3
Non-current liabilities	**7,214.5**			**(0.5)**	**7,214.0**
Current borrowings	2,722.1				2,722.1
Financing of customer loans	189.5				189.5
Other current financial liabilities	75.9				75.9
Trade payables	2,966.0			10.5	2,976.5
Provisions for pensions and other post-employment benefits	17.4				17.4
Provisions	189.9				189.9
Current tax liabilities	325.0				325.0
Other current liabilities	2,565.3	30.5		1.3	2,597.1
Current liabilities	**9,051.1**	**30.5**		**11.8**	**9,093.4**
Liabilities associated with assets classified as held for sale	**71.0**				**71.0**
TOTAL EQUITY AND LIABILITIES	**27,027.7**	**3.9**		**(54.4)**	**26,977.2**

Consolidated statement of cash flows for the year ended December 31, 2008

(in € millions)	2008 reported (Feb. 2009)	IFRIC 13	IAS 16	IAS 38
Net income from continuing operations	**654.4**	**(3.2)**		**0.1**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	419.4			
Other non-cash income and expenses	314.2	(1.4)	10.7	0.5
Cash flow from operating activities	**1,388.0**	**(4.6)**	**10.7**	**0.6**
Interest paid/received	354.3			
Dividends received	(1.4)			
Net income tax payable	337.4			
Cash flow from operating activities before tax, dividends and interest	**2,078.3**	**(4.6)**	**10.7**	**0.6**
Change in working capital requirement	(232.4)	4.6		(0.6)
Change in customer loans	8.1			
Corporate income tax paid	(322.6)			
Net cash from operating activities	**1,531.4**		**10.7**	
Purchases of property, plant and equipment and intangible assets	(592.7)			
Proceeds from disposals of property, plant and equipment and intangible assets	65.7		(10.7)	
Acquisitions of subsidiaries, net of cash acquired	(222.1)			
Proceeds from disposals of subsidiaries, net of cash transferred	1,202.2			
Purchases of other financial assets	(55.2)			
Proceeds from sales of other financial assets	10.8			
Interest and dividends received	47.2			
Net cash from investing activities	**455.9**		**(10.7)**	
Share capital increase/decrease	(174.4)			
Treasury share transactions	(131.7)			
Dividends paid to owners of the parent company	(433.8)			
Dividends paid to non-controlling interests	(58.9)			
Bond issues	723.0			
Bond redemptions	(1,325.7)			
Increase/Decrease in other borrowings	(639.2)			
Interest paid and equivalent	(390.4)			
Net cash used in financing activities	**(2,431.1)**			
Net cash from discontinued operations	(21.1)			
Impact of exchange rate variations	(52.4)			
Net decrease in cash and cash equivalents	**(517.3)**			
Cash and cash equivalents at beginning of year	**1,450.8**			
Cash and cash equivalents at end of year	**933.5**			

IFRS 5	IAS 7	2008 restated	*(in € millions)*
(202.2)		**449.1**	**Net income from continuing operations**
(39.8)		379.6	Net recurring charges to depreciation, amortisation and provisions on non-current operating assets
2.8		326.8	Other non-cash income and expenses
(239.2)		**1,155.5**	**Cash flow from operating activities**
(21.7)		332.6	Interest paid/received
1.1		(0.3)	Dividends received
(63.5)		273.9	Net income tax payable
(323.3)		**1,761.7**	**Cash flow from operating activities before tax, dividends and interest**
21.6		(206.8)	Change in working capital requirement
		8.1	Change in customer loans
70.0		(252.6)	Corporate income tax paid
(231.7)		**1,310.4**	**Net cash from operating activities**
84.7		(508.0)	Purchases of property, plant and equipment and intangible assets
(13.6)		41.4	Proceeds from disposals of property, plant and equipment and intangible assets
2.0	160.2	(59.9)	Acquisitions of subsidiaries, net of cash acquired
(2.8)		1,199.4	Proceeds from disposals of subsidiaries, net of cash transferred
17.4		(37.8)	Purchases of other financial assets
(11.4)		(0.6)	Proceeds from sales of other financial assets
(3.3)		43.9	Interest and dividends received
73.0	**160.2**	**678.4**	**Net cash from investing activities**
(3.9)	(160.2)	(338.5)	Increase/decrease in share capital and other transactions with owners
		(131.7)	Treasury share transactions
		(433.8)	Dividends paid to owners of the parent company
32.1		(26.8)	Dividends paid to non-controlling interests
(9.4)		713.6	Bond issues
4.5		(1,321.2)	Bond redemptions
30.8		(608.4)	Increase/decrease in other borrowings
23.1		(367.3)	Interest paid and equivalent
77.2	**(160.2)**	**(2,514.1)**	**Net cash used in financing activities**
81.0		59.9	Net cash used in discontinued operations
0.5		(51.9)	Impact of exchange rate variations
		(517.3)	**Net decrease in cash and cash equivalents**
		1,450.8	**Cash and cash equivalents at beginning of year**
		933.5	**Cash and cash equivalents at end of year**

NOTE 3 HIGHLIGHTS

3.1. Changes in Group structure

The PPR Group consolidated financial statements for the year ended December 31, 2009 include the financial statements of the companies listed in Note 37.

3.1.1. PPR launches an initial public offering for Cfao

On December 3, 2009, PPR ceased to exercise control over Cfao, following the subsidiary's floatation on Euronext Paris, marking a further step in PPR's process of refocusing its business on a coherent group of internationally recognised sportlifestyle and luxury brands. PPR does not intend to retain a lasting involvement in Cfao's development. However, while the long-term plan is to fully withdraw from Cfao's capital, PPR does not envisage relinquishing its involvement at this stage, and has given a commitment to the banks underwriting the IPO that it will not offer, sell or transfer any Cfao shares before June 7, 2010.

Following the floatation, PPR ceased to exercise control over Cfao, having sold to the public 35,650,000 shares in its formerly 99.9%-owned subsidiary for €927 million (excluding transaction costs). The Group has retained a 42.0% interest in Cfao's capital and voting rights and has not entered into any agreements with other shareholders which would give it over half of the voting power. It therefore now only exercises significant influence over Cfao. At the date of the IPO, 54.1% of Cfao's capital was held by institutional investors (42% French), and the combined stake of the largest 32 of these investors was higher than PPR's ownership interest.

Cfao's governance structure is such that PPR cannot exercise de facto control, as the three members of Cfao's Management Board are salaried employees who are no longer bound to the PPR Group under an employment contract or management services agreement and the Management Board has the full power to manage the company and govern its financial and operating policies. In addition, as a result of the structure of Cfao's Supervisory Board and its modus operandi, PPR cannot hold the majority of the votes within either the Supervisory Board or the Nominations Committee. PPR therefore does not have the power to appoint new members of Cfao's Management Board or remove them from office.

Since it was floated, Cfao has become totally financially independent from PPR. Cfao repaid the amounts it owed to the Group under its inter-company current account and now has its own external bank financing arrangements. There are no longer any management, consulting, assistance, agency or joint-venture agreements in place between PPR and Cfao. Likewise there are no longer any shared assets or significant business relations between the two groups, except for certain administrative and technical facilities which the groups have agreed that PPR will continue to provide on a temporary basis, as in the past and at arm's length prices. Since December 3, 2009, Cfao has no longer been included in PPR's systems or processes, particularly concerning financial control.

The disposal has been accounted for in accordance with IFRS 5, with Cfao's consolidated net income up until November 30, 2009 and the net gain arising on the sale of the 35,650,000 shares presented on a separate line of the income statement entitled "Net income from discontinued operations". Income statement and cash flow items from the prior year have been restated accordingly. As PPR continues to exercise significant influence over Cfao, its residual interest in the company has been accounted for by the equity method in the Group's consolidated financial statements for the year ended December 31, 2009, with Cfao's estimated results for December [(1)] recorded under "Share in earnings of associates" and the Cfao shares held by PPR recognised under "Investments in associates" in the statement of financial position. Furthermore, as the Group decided to early adopt the revised versions of IAS 27 and IFRS 3 from January 1, 2009, the 25,834,370 shares representing PPR's residual interest in Cfao have been remeasured at fair value, representing €26 per share[(2)], with the impact of these fair value adjustments recorded in the income statement under "Other non-recurring operating income and expenses".

3.1.2. Other changes in the Group's business portfolio

On January 1, 2009, Puma took a majority stake in the Dutch firm Dobotex International BV, a long-standing partner that owns the licence for Puma socks and underwear outside the US. The Group has recognised this business combination by applying the full goodwill method.

On January 12, 2009, Puma announced that it had acquired Brandon AB, a Swedish firm specialising in merchandising and brand promotion.

On February 25, 2009, Gucci Group entered into a definitive agreement to sell Bédat & Co to Luxury Concepts Watches Jewellery Sdn Bhd, a company based in Malaysia.

On June 10, 2009, PPR completed the sale of Surcouf to Hugues Mulliez, the founder of Youg's, a brand specialising in the sale of IT products and services.

On January 8, 2010, Puma and Hussein Chalayan announced that on December 31, 2009 Hussein Chalayan had acquired Puma's stake in their joint venture, Chalayan LLP. Hussein Chalayan remains Creative Director at Puma, responsible for overseeing the design, creation and development of Puma's Sportlifestyle collections.

The other changes in the Group's structure did not have a material impact on the financial statements for the period.

(1) As Cfao's results for 2009 were not available at the balance sheet date, PPR's share of Cfao's net income for December 2009 is based on estimated data. At each balance sheet date, PPR will estimate its share of income based on the most recent interim earnings figures released by Cfao.

(2) Equivalent to Cfao's floatation price.

3.2. Other highlights

3.2.1. Business recovery, competitiveness and cost-cutting plans

On February 18, 2009, Fnac unveiled a plan aimed at reinvigorating its sales momentum within and outside France. It also announced measures for generating full-year cost savings of €35 million across all aspects of the business, including productivity, overheads, communication and rent. Fnac ceased operations at its Basel store in Switzerland in March 2009 and the La Bastille store in Paris – which specialised in music – was closed at the end of the year.

In 2009, Redcats continued to implement its competitiveness plans launched in 2008, with additional measures undertaken during the year. On November 25, 2009 it presented a plan involving the purchase of its subsidiary La maison de Valérie, by Conforama. This business combination is in line with Conforama's multi-channel business development strategy, as it combines the strengths of each brand (La maison de Valérie's recognised expertise in home shopping and Conforama's powerful name) while enabling both brands to leverage their strategic fit and expertise in the home furnishings and furniture market.

On February 18, 2009, Conforama presented a cost-cutting plan intended to achieve full-year savings of €50 million, in a bid to restore its competitiveness. This plan includes a €25 million payroll cut based on improved store productivity and organisational adjustments to accommodate centralised back-office functions. It also targets a reduction of €10 million in logistics costs, €9 million in head office costs, €3 million in real estate costs and €3 million in markdowns. In the first quarter of 2009, Conforama closed three stores in Spain and Portugal and four in Italy.

On May 8, 2009, Puma announced the outlines of a cost-cutting plan targeting cost savings (compared to the budget) of up to €150 million on an annual basis through to 2011. The plan is designed to allow Puma to optimise its network of directly-operated stores, its overall organisational structure and its operating processes. In the second half of the year, Puma launched "Project Relay" – a new cost-savings plan aimed at lowering the fixed-cost base and increasing operating efficiency.

The Luxury Goods Division also tightened its cost control measures in 2009, rolling out plans to optimise headcount and payroll with a view to further improving the efficiency of its supply chain, particularly for sourcing and indirect purchases. In addition, all of the division's brands adopted a "do more with less" strategy during the year, especially concerning marketing and advertising expenditure as well as in-store operating investments.

3.2.2. Enhanced financial strength

In 2009, PPR further enhanced its financial strength by extending the average maturity of its debt and diversifying its sources of financing.

As part of this strategy the Group carried out a €152.5 million issue of bonds maturing in June 2014.

PPR also carried out four other bond issues under its EMTN programme, consisting of:

- €800 million maturing in April 2014, issued in two equal tranches paying interest at 8.625%;
- €150 million maturing in June 2014, placed with retail investors in Benelux and paying interest at 7.75%;
- €150 million maturing in June 2017, placed with private investors and paying interest at 6.50%;
- €200 million maturing in November 2017, placed with private investors and paying interest at 6.50%.

NOTE 4 OPERATING SEGMENTS

The policies applied to determine the operating segments presented are set out in Note 2.22.

Information provided on operating segments is prepared in accordance with the same accounting rules as for the consolidated financial statements and set out in the notes thereto.

The performance of each operating segment is measured based on recurring operating income, which is the method used by the Group's chief operating decision maker.

Net recurring charges to depreciation, amortisation and provisions on non-current operating assets reflect 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 purchases of assets under finance leases.

Non-current segment assets are comprised of goodwill, brands and other intangible assets, property, plant and equipment and other non-current assets.

Segment 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, the financing of customer loans, trade payables and other current liabilities.

4.1. Information by company

(in € millions)	Gucci	Bottega Veneta	Yves Saint Laurent	Other
As of December 31, 2009				
Revenue	2,266.4	402.1	237.5	484.3
• non-Group	2,266.4	402.1	237.5	482.8
• Group				1.5
Recurring operating income and expenses	**617.7**	**91.8**	**(9.8)**	**(7.6)**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	92.3	11.5	11.6	26.4
Other non-cash recurring operating income and expenses	(6.0)		(1.1)	
Purchases of property, plant and equipment and intangible assets, gross	100.7	11.5	3.9	19.0
Segment assets	**7,415.9**	**473.9**	**1,116.2**	**1,171.9**
Segment liabilities	**1,578.3**	**80.8**	**482.7**	**288.5**
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	**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**

Luxury Goods division	Fnac	Redcats	Conforama	Cfao	Puma	Eliminations and other	Total
3,390.3	4,375.1	3,386.4	2,928.0		2,460.7	(15.9)	**16,524.6**
3,388.8	4,375.1	3,382.2	2,926.9		2,451.6		**16,524.6**
1.5		4.2	1.1		9.1	(15.9)	
692.1	**182.1**	**114.7**	**125.0**		**319.5**	**(50.0)**	**1,383.4**
141.8	76.0	54.6	72.5		60.9	1.5	**407.3**
(7.1)	(9.3)	1.0	(9.1)		1.3	(1.7)	**(24.9)**
135.1	56.4	32.5	59.2		54.5	1.2	**338.9**
10,177.9	**1,520.7**	**1,796.4**	**2,243.0**		**5,989.3**	**50.1**	**21,777.4**
2,430.3	**1,171.0**	**913.6**	**899.1**		**1,429.8**	**67.8**	**6,911.6**
3,379.9	4,457.2	3,698.6	3,167.9		2,524.2	(20.8)	**17,207.0**
3,379.4	4,457.2	3,694.5	3,166.1		2,509.8		**17,207.0**
0.5		4.1	1.8		14.4	(20.8)	
731.0	**179.8**	**114.6**	**118.3**		**349.7**	**(52.7)**	**1,440.7**
127.9	76.7	51.8	65.0		56.6	1.6	**379.6**
(16.8)	1.2	**(8.6)**	**(4.0)**		**6.7**	**(0.5)**	**(22.0)**
184.8	82.3	56.0	64.5		119.2	1.2	**508.0**
10,379.5	**1,620.4**	**2,515.9**	**2,458.5**	**1,621.7**	**5,892.9**	**28.3**	**24,517.2**
2,655.4	**1,188.2**	**1,012.1**	**1,068.7**	**911.5**	**1,480.8**	**51.3**	**8,368.0**

4.2. Information by geographical area

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 € millions)	France	Europe excl. France	Americas	Africa	Oceania	Asia	Total
As of December 31, 2009							
Revenue	7,124.2	4,571.8	2,609.0	143.9	79.2	1,996.5	**16,524.6**
Non-current assets	3,424.7	13,045.9	900.1	0.9	9.5	179.1	**17,560.2**
As of December 31, 2008							
Revenue	7,610.9	4,955.4	2,575.6	137.0	83.8	1,844.3	**17,207.0**
Non-current assets	4,086.2	13,056.9	985.8	294.4	30.8	167.5	**18,621.6**

4.3. Reconciliation of segment assets and liabilities

The reconciliation of total segment assets and non-current segment assets with total Group assets is as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Goodwill	5,564.6	6,178.7
Brands and other intangible assets	10,122.7	10,172.7
Property, plant and equipment	1,861.5	2,253.4
Other non-current assets	11.4	16.8
Non-current assets	**17,560.2**	**18,621.6**
Inventories	2,351.6	3,465.5
Trade receivables	941.8	1,303.0
Customer loans	214.9	189.5
Other current assets	708.9	937.6
Segment assets	**21,777.4**	**24,517.2**
Investments in associates	705.6	74.5
Non-current financial assets	301.8	323.8
Deferred tax assets	554.0	639.1
Current tax receivables	77.6	101.3
Other current financial assets	27.9	143.1
Cash and cash equivalents	944.5	1,116.6
Assets classified as held for sale	74.9	61.6
TOTAL ASSETS	**24,463.7**	**26,977.2**

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Deferred tax liabilities on brands	2,603.8	2,604.9
Financing of customer loans	214.9	189.5
Trade payables	2,053.5	2,976.5
Other current liabilities	2,039.4	2,597.1
Segment liabilities	**6,911.6**	**8,368.0**
Total equity	11,053.3	10,598.8
Non-current borrowings	4,357.8	3,961.3
Non-current provisions for pensions and other post-employment benefits	192.3	241.0
Non-current provisions	103.5	164.4
Other deferred tax liabilities	256.2	242.4
Current borrowings	1,006.1	2,722.1
Other current financial liabilities	56.5	75.9
Current provisions for pensions and other post-employment benefits	11.9	17.4
Current provisions	252.0	189.9
Current tax liabilities	211.8	325.0
Liabilities associated with assets classified as held for sale	50.7	71.0
TOTAL EQUITY AND LIABILITIES	**24,463.7**	**26,977.2**

NOTE 5 REVENUE

(in € millions)	2009	2008
Net sales of goods	15,720.1	16,418.1
Net sales of services	370.3	326.0
Revenue from concessions and licenses	102.2	106.3
Other revenue	332.0	356.6
TOTAL	**16,524.6**	**17,207.0**

NOTE 6 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 (see Note 7) and those relating to employee benefits recognised in recurring operating income (see Note 26).

(in € millions)	2009	2008
Fnac	(596.9)	(599.7)
Redcats	(570.2)	(633.6)
Conforama	(474.7)	(495.4)
Puma	(320.2)	(306.4)
Luxury Goods division	(532.9)	(508.8)
Holding companies and other	(30.7)	(35.2)
TOTAL	**(2,525.6)**	**(2,579.1)**

Payroll expenses recorded under "Holding companies and other" include a €9.2 million charge in 2009 (€8.8 million in 2008) relating to the application of IFRS 2 to all transactions based on PPR shares (see Note 7.1).

The average headcount of continuing Group businesses, on a full-time equivalent basis, breaks down as follows:

	2009	2008
Fnac	14,632	14,888
Redcats	15,672	17,805
Conforama	11,805	12,852
Puma	9,646	9,503
Luxury Goods division	11,371	10,968
Holding companies and other	172	198
TOTAL	**63,298**	**66,214**

The total headcount of continuing Group businesses is as follows:

	2009	2008
Fnac	18,278	18,806
Redcats	18,069	20,031
Conforama	13,424	14,697
Puma	11,438	11,645
Luxury Goods division	11,883	11,484
Holding companies and other	153	201
TOTAL	**73,245**	**76,864**

NOTE 7 SHARE-BASED PAYMENT

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, or by the Board of Directors of PPR 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.

7.1. 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:

	1999/1 Plan	1999/2 Plan	1999/3 Plan	2000/1 Plan	2000/2 Plan	2001/1 Plan	2001/2 Plan	2002/1 Plan	2002/2 Plan
Share option and bonus share plans	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Purchase options	Subs-cription options	Subs-cription options
Grant date	1/20/1999	5/21/1999	12/8/1999	1/26/2000	5/23/2000	1/17/2001	5/18/2001	5/3/2002	5/3/2002
Expiry date	3/31/2009	6/30/2009	12/26/2009	2/28/2010	6/30/2010	1/31/2011	5/31/2011	5/2/2012	5/2/2012
Number of beneficiaries	36	44	560	26	125	722	206	1,074	1,053
Number initially granted	27,495	25,455	412,350	12,100	93,100	340,240	87,260	438,296	410,271
Number outstanding as of Jan. 1, 2009	5,350	5,620	156,950	2,300	23,500	147,460	37,540	199,701	197,406
Number forfeited in 2009		850	16,350		1,400	16,630	18,070	25,025	25,025
Number exercised in 2009									
Number expired in 2009	5,350	4,770	140,600						
Number outstanding as of Dec. 31, 2009				2,300	22,100	130,830	19,470	174,676	172,381
Number exercisable as of Dec. 31, 2009				2,300	22,100	130,830	19,470	174,676	172,381
Strike price *(in €)*	154.58	144.83	189.19	227.15	202.91	225.01	225.01	128.10	140.50
Weighted average price of options exercised/shares issued *(in €)*									

The nature and key characteristics of **eligible plans** are presented 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	2005/3 Plan Subscription options	2005/4 Plan Subscription options	2006/1 Plan Purchase options
Grant date	7/9/2003	7/9/2003	5/25/2004	7/7/2004	1/3/2005	5/19/2005	5/19/2005	7/6/2005	5/23/2006
Expiry date	7/8/2013	7/8/2013	5/24/2014	7/6/2014	1/2/2015	5/18/2015	5/18/2015	7/5/2015	5/22/2014
Vesting of rights	(a)	(a)	(a)	(a)	(a)	(b)	(b)	(b)	(b)
Number of beneficiaries	721	18	846	1	13	458	22	15	450
Number initially granted	528,690	5,430	540,970	25,000	25,530	333,750	39,960	20,520	403,417
Number outstanding as of Jan. 1, 2009	194,839	1,250	393,496	25,000	25,468	279,905	35,480	13,810	347,425
Number forfeited in 2009	24,721		123,742		400	16,517			27,685
Number exercised in 2009	6,050	250			10,000	6,911			
Number of shares issued									
Number expired in 2009									
Number outstanding as of Dec. 31, 2009	164,068	1,000	269,754	25,000	15,068	256,477	35,480	13,810	319,740
Number exercisable as of Dec. 31, 2009	164,068	1,000	269,754	25,000	15,068	256,477	35,480	13,810	
Strike price *(in €)*	66.00	67.50	85.57	84.17	75.29	78.01	78.97	85.05	101.83
Fair value at measurement date *(in €)*	15.37	15.06	15.75	22.03	11.61	11.19	10.98	12.38	13.62
Weighted average price of options exercised/ shares issued *(in €)*	84.79	84.13			91.05	84.28			

Share option and bonus share plans	2007/1 Plan Purchase options	2007/2 Plan Purchase options	2007 Plan Bonus shares	2008/1 Plan Bonus shares	2008/2 Plan Bonus shares	2008/3 Plan Bonus shares	2009/1 Plan Bonus shares	2009/2 Plan Bonus shares
Grant date	5/14/2007	9/17/2007	5/14/2007	6/9/2008	10/22/2008	10/22/2008	5/7/2009	5/7/2009
Expiry date	5/13/2015	9/16/2015	N/A	N/A	N/A	N/A	N/A	N/A
Vesting of rights	(b)	(b)	(c)	(c)	(c)	(d)	(c)	(d)
Number of beneficiaries	248	14	304	269	46	194	302	161
Number initially granted	355,500	51,300	78,234	86,530	49,210	53,755	130,843	46,505
Number outstanding as of Jan. 1, 2009	327,350	47,600	74,504	85,870	47,210	53,755		
Number forfeited in 2009	25,020		9,829	3,400	2,160	1,260	9,315	2,435
Number exercised in 2009								
Number of shares issued			64,675					
Number expired in 2009								
Number outstanding as of Dec. 31, 2009	302,330	47,600		82,470	45,050	52,495	121,528	44,070
Number exercisable as of Dec. 31, 2009								
Strike price *(in €)*	127.58	127.58	N/A	N/A	N/A	N/A	N/A	N/A
Fair value at measurement date *(in €)*	20.99	24.74	95.68	61.02	26.45	21.39	41.15	32.21
Weighted average price of options exercised/ shares issued *(in €)*			54.22					

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

(a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest 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 (when rights vest in full) and resignation (when all rights are 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 (when all rights are lost). The total number of shares granted is subject to stock market performance conditions. The vesting period is followed by a two-year non-transferability period.

(d) Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The total number of shares granted is subject to stock market performance conditions. These options are not subject to a non-transferability period.

The value of services rendered by beneficiaries is determined on the grant date of the plans:

- for share purchase and subscription plans, by using a Black & Scholes model with a trinomial algorithm and exercise thresholds, which takes into account the number of potentially exercisable options at the end of the vesting period;
- for bonus share plans, by using a Black & Scholes 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 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	2005/3 Plan Subscription options
Volatility	33.25%	33.25%	25.65%	25.65%	23.75%	21.00%	21.00%
Risk-free interest rate	4.08%	4.08%	4.45%	4.37%	3.83%	3.49%	3.49%

Share option and bonus share plans	2005/4 Plan Subscription options	2006/1 Plan Purchase options	2007/1 Plan Purchase options	2007/2 Plan Purchase options	2007 Plan Bonus shares	2008/1 Plan Bonus shares	2008/2 Plan Bonus shares
Volatility	20.50%	23.00%	23.00%	24.50%	25.00%	32.00%	45.00%
Risk-free interest rate	3.38%	4.08%	4.49%	4.47%	4.44%	5.46%	3.85%

Share option and bonus share plans	2008/3 Plan Bonus shares	2009/1 Plan Bonus shares	2009/2 Plan Bonus shares
Volatility	42.00%	42.00%	40.00%
Risk-free interest rate	4.06%	1.78%	4.06%

The above volatilities represent the expected volatilities of each plan based on the 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 rates correspond to the one-to-ten year interest rate curve for interbank swaps at the grant date.

The total charge recognised in 2009 in respect of stock option and bonus share plans was €12.9 million (€10.4 million in 2008).

7.2. Share-based payment transactions settled in equity instruments of subsidiaries

Puma set up share subscription option plans based on its own shares for certain employees. The characteristics of the plans still in effect as of December 31, 2009 and their movements during the year are as follows:

	2004 Plan	2008/I Plan	2008/II Plan
	Subscription options	Subscription options	Subscription options
Grant date	3/31/2004	7/21/2008	4/14/2009
Expiry date	3/30/2009	7/20/2013	4/13/2014
Number initially granted	459,000	113,000	139,002
Number outstanding as of Jan. 1, 2009	14,250	113,000	
Number exercised in 2009			
Number forfeited in 2009	14,250	14,000	1,500
Number outstanding as of Dec. 31, 2009		99,000	137,502
Number exercisable as of Dec. 31, 2009			
Strike price *(in €)*	206.20	*	*
Weighted average price of options exercised *(in €)*			

* Characteristics of the 2008 Plan
The number of shares attributed to beneficiaries is determined based on the share price at the exercise date and the number of options exercised. The exercise of options under both tranches of the 2008 Plan is subject to a Puma share performance condition.

Rights vest after a two-year period.

The value of services rendered by beneficiaries at the grant date is primarily determined on the basis of the following assumptions:

	2004 Plan	2008/I Plan	2008/II Plan
Volatility	30.00%	29.10%	47.70%
Risk-free interest rate	2.19% - 2.26%	4.60%	1.97%

In 2009, Puma recognised €5.1 million in expenses for tranches I and II of the 2008 Plan (€1.2 million in 2008).

7.3. 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.

7.3.1. Characteristics of SARs granted by Gucci Group

SAR plans have a term of six to ten years from their grant date.

SARs vest at a rate of 20% per full year of presence in the Group, 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 2009, Gucci Group recognised recurring operating income of €8.3 million in respect of the SARs (€2.0 million in 2008).

For the SARs outstanding as of December 31, 2009, the strike price is between €36.1 and €103.9 and the weighted average remaining contractual term is 4.8 years (5.8 years in 2008).

The carrying amount of the liability relating to Gucci Group SARs was €5.7 million as of December 31, 2009, with an intrinsic value of €5.4 million (€26.7 million and €27.4 million, respectively, as of December 31, 2008).

Plan movements	2009	2008
SARs outstanding as of January 1	547,204	584,504
Weighted average strike price (in €)	*49.56*	*47.03*
SARs granted during the year	25,000	25,000
Weighted average strike price (in €)	*80.11*	*94.85*
SARs exercised during the year	318,300	47,800
Weighted average strike price (in €)	*45.48*	*44.07*
SARs expired/forfeited during the year	4,000	14,500
Weighted average strike price (in €)	*40.18*	*43.88*
SARs outstanding as of December 31	249,904	547,204
Weighted average strike price (in €)	*57.97*	*49.56*
SARs exercisable as of December 31	31,800	5,400
Weighted average strike price (in €)	*71.72*	*101.28*

7.3.2. Characteristics of SARs granted by Puma

The following plans were still in effect as of December 31, 2009:

- 2004 SARs Plan – Tranche III (2006/2011):

  This 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):

  This 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.

Puma recognised recurring operating expense of €1.0 million in respect of the SARs (income of €3.0 million in 2008).

The strike price of SARs outstanding as of December 31, 2009 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 €1.9 million as of December 31, 2009 (€1.0 million as of December 31, 2008).

Plan movements in 2009	2004/III	2006/I
SARs outstanding as of January 1, 2009	150,000	60,000
SARs granted during the year		
SARs exercised during the year		
SARs expired/forfeited during the year		17,250
SARs outstanding as of December 31, 2009	150,000	42,750
SARs exercisable as of December 31, 2009	150,000	32,063

NOTE 8 RECURRING OPERATING INCOME

Recurring operating income is the primary indicator of the Group's operating performance, and breaks down as follows:

(in € millions)	2009	2008
Fnac	182.1	179.8
Redcats	114.7	114.6
Conforama	125.0	118.3
Puma	319.5	349.7
Luxury Goods division	692.1	731.0
Holding companies and other	(50.0)	(52.7)
TOTAL	**1,383.4**	**1,440.7**

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €407.3 million in 2009 (€379.6 million in 2008). Other net non-cash operating expenses amounted to €24.9 million in 2009 (€22.0 million in 2008).

NOTE 9 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2009	2008
Non-recurring operating expenses	**(1,053.4)**	**(404.8)**
Restructuring costs	(320.9)	(126.3)
Asset impairment	(654.5)	(236.1)
Capital losses on divestments	(14.1)	
Other	(63.9)	(42.4)
Non-recurring operating income	**506.6**	**37.0**
Capital gains on divestments	499.3	13.0
Other	7.3	24.0
TOTAL	**(546.8)**	**(367.8)**

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each division's economic performance. The net balance of this caption was an expense of €546.8 million in 2009 and included the following items:

- restructuring costs of €320.9 million concerning Puma (reorganisation and store closures), Redcats (the La Redoute recovery plan in France), Conforama (restructuring of operations in France and completion of the organisational streamlining in Spain and Portugal), Fnac (restructuring plan in France) and Gucci Group (store closures and organisational streamlining);
- asset impairment in the amount of €654.5 million, primarily concerning La Redoute goodwill for €425.0 million, Redcats Children-Family division goodwill for €75.0 million, Conforama Italy goodwill for €124.0 million and the interest in Sowind Group for €28.0 million;
- net proceeds from the disposal of assets of €485.2 million, primarily concerning the remeasurement of the residual interest in Cfao at the date of the loss of control;
- other income and expenses primarily relating to claims and litigation in relation to third parties.

This line item amounted to an expense of €367.8 million in 2008 and included the following items:

- restructuring costs of €126.3 million, primarily relating to Redcats (the La Redoute recovery plan in France and cost-cutting plans at the Scandinavian division and in the US), Conforama (restructuring of operations in Italy, organisational streamlining in Spain and Portugal and the restructuring plan 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 store closures);

- asset impairment in the amount of €236.1 million primarily relating to Conforama Italy goodwill (€122.0 million), Redcats USA goodwill (€82.3 million) and intangible assets and property, plant and equipment (€31.8 million);
- net proceeds from the disposal of operating assets of €13.0 million, primarily at Fnac;
- other income and expenses primarily relating to claims and litigation relating to third parties as well as an acquisition gain of €10.7 million stemming from the acquisition of Puma stock by the Group in the second half of the year.

NOTE 10 FINANCE COSTS (NET)

This caption breaks down as follows:

(in € millions)	2009	2008
Cost of net debt	**(236.1)**	**(342.6)**
Income from cash and cash equivalents	8.7	40.3
Finance costs at amortised cost	(235.2)	(351.4)
Finance costs on financial liabilities at fair value through income	(25.9)	(16.3)
Gains and losses on borrowings hedged by fair value hedges	(5.3)	(35.7)
Gains and losses on fair value hedge derivatives	21.6	20.5
Other financial income and expenses	**(145.3)**	**(10.3)**
Net gains on available-for-sale financial assets	1.5	(3.7)
Gains and losses on financial liabilities at fair value through income	(49.4)	9.4
Foreign exchange gains and losses	(0.2)	1.2
Ineffective portion of cash flow hedges	(33.5)	12.0
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate)	(46.0)	4.8
Impact of discounting assets and liabilities	1.1	(12.3)
Other finance costs	(18.8)	(21.7)
TOTAL	**(381.4)**	**(352.9)**

NOTE 11 INCOME TAXES

11.1. Analysis of the income tax expense in respect of continuing operations

11.1.1. Income tax expense

(in € millions)	2009	2008
Income before tax	**455.2**	**720.0**
Taxes paid out of operating income	(192.7)	(273.9)
Other taxes payable not impacting operating cash flow	81.5	(16.1)
Income tax payable	(111.2)	(290.0)
Deferred tax income/(expense)	(65.5)	21.3
Total tax charge	**(176.7)**	**(268.7)**
Effective tax rate	**38.82%**	**37.32%**

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)	2009
Tax rate applicable in France	**34.43 %**
Impact of taxation of foreign subsidiaries	-7.81 %
Theoretical tax rate	**26.62 %**
Effect of items taxed at reduced rates	0.12 %
Effect of permanent differences	7.23 %
Effect of unrecognised temporary differences	-0.45 %
Effect of unrecognised tax losses carried forward	11.28 %
Effect of changes in tax rates	0.93 %
Other	-6.91 %
Effective tax rate	**38.82 %**

The income tax rate applicable in France is the standard rate of 33.33% subject to the social surtax of 3.3%, bringing the total to 34.43%.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

(in € millions)	2009	2008
Income before tax	455.2	720.0
Non-recurring items	(546.8)	(367.8)
Recurring income before tax	**1,002.0**	**1,087.8**
Total tax charge	(176.7)	(268.7)
Tax on non-recurring items	55.1	18.9
Current tax charge	**(231.8)**	**(287.6)**
Recurring tax rate	**23.13%**	**26.44%**

11.2. Movement in statement of financial position headings

11.2.1. Net current tax liabilities

(in € millions)	2008	Net income	Cash outflows relating to operating activities	Cash outflows relating to investing activities	Assets classified as held for sale, operations sold or to be sold	Changes in Group structure	Other components of comprehensive income	2009
Current tax receivables	101.3							77.6
Current tax liabilities	(325.0)							(211.8)
Net current tax liabilities	**(223.7)**	**(192.7)**	**243.7**	**7.9**	**26.5**	**(1.2)**	**5.3**	**(134.2)**

11.2.2. Deferred tax

(in € millions)	2008	Net income	Assets classified as held for sale, operations sold or to be sold	Changes in Group structure	Other components of comprehensive income	2009
Deferred tax assets	639.1					554.0
Deferred tax liabilities	(2,847.3)					(2,860.0)
Deferred tax	**(2,208.2)**	**(65.5)**	**(26.1)**	**0.0**	**(6.2)**	**(2,306.0)**

(in € millions)	2008	Net income	Assets classified as held for sale, operations sold or to be sold	Changes in Group structure	Other components of comprehensive income	2009
Intangible assets	(2,628.7)	15.5	(0.1)		(14.2)	(2,627.5)
Property, plant and equipment	(3.8)	12.5	(0.4)		12.0	20.3
Other non-current assets	(1.1)	(8.5)	2.1		(2.0)	(9.5)
Other current assets	245.4	(86.5)	(13.1)		(14.3)	131.5
Total equity	(24.3)	(1.5)	0.7			(25.1)
Borrowings	(5.8)	14.3			0.2	8.7
Provisions for pensions and other post-employment benefits	40.3	(14.4)	(3.4)		3.7	26.2
Provisions	41.2	9.3	(2.5)		(4.3)	43.7
Other current liabilities	41.5	20.8	(9.4)		15.4	68.3
Recognised tax losses and tax credits	87.1	(27.0)			(2.7)	57.4
Net deferred tax liabilities	**(2,208.2)**	**(65.5)**	**(26.1)**	**0.0**	**(6.2)**	**(2,306.0)**
Deferred tax assets	639.1					554.0
Deferred tax liabilities	(2,847.3)					(2,860.0)
Deferred tax	**(2,208.2)**	**(65.5)**	**(26.1)**	**0.0**	**(6.2)**	**(2,306.0)**

11.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €1,844.8 million as of December 31, 2009 (€1,205.5 million as of December 31, 2008).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

(in € millions)	
As of January 1, 2008	**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**
Losses generated during the year	732.8
Losses utilised and time barred during the year	(60.7)
Effect of changes in Group structure and exchange rate adjustments	(32.8)
As of December 31, 2009	**1,844.8**

Ordinary tax loss carry-forwards	**538.5**
Expiring in less than five years	245.3
Expiring in more than five years	293.2
Indefinite tax loss carry-forwards	**1,306.3**
TOTAL	**1,844.8**

Deductible temporary differences for which no deferred tax asset was recognised as of December 31, 2009 amounted to €1.1 million (€78.5 million as of December 31, 2008).

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2009.

NOTE 12 ASSETS CLASSIFIED AS HELD FOR SALE, OPERATIONS DISCONTINUED, SOLD OR TO BE SOLD

On December 3, 2009, PPR ceased to exercise control over its subsidiary Cfao following its floatation on Euronext Paris (see Note 3.1.1.).

At end-December 2009, Fnac decided to begin the process of selling its subsidiary Fnac Éveil & Jeux, specialised in educational games and toys, books and multimedia products as well as nursery accessories and furnishings items for children up to the age of 12. At its current stage of development, Fnac Éveil & Jeux needs to collaborate with a powerful partner in its niche market in order to speed up and boost growth both internationally and on the Internet.

Accordingly, the Group decided to classify these assets as "Operations discontinued, sold or to be sold", from December 3, 2009 and December 31, 2009, respectively.

For all periods presented, operations discontinued, sold or to be sold are comprised of the business activities of Fnac Éveil & Jeux, Cfao, Bédat, YSL Beauté, the Redcats UK Empire Stores brand, the Redcats USA "Missy" Division brands, Surcouf, Conforama Poland, Fnac Service as well as the disposal gains and losses relating to Cfao, Surcouf, YSL Beauté, Conforama Poland, Printemps and Rexel.

In accordance with IFRS 5, depreciation is no longer charged against disposal groups and related assets as from the date they are classified as "Operations discontinued, sold or to be sold".

For all published periods, the net income (loss) from these activities is presented on a separate line of the income statement ("Discontinued operations"), and restated in the statement of cash flows.

The assets and liabilities relating to "Operations sold or to be sold" are presented on separate lines in the Group's statement of financial position, without restatement for previous periods.

Assets and liabilities relating to "Discontinued operations" are not presented on separate lines in the Group's statement of financial position.

Impact on the financial statements

The income statement and statement of cash flows for operations discontinued, sold or to be sold are as follows:

(in € millions)	2009	2008
Revenue	**2,565.2**	**3,752.8**
Cost of sales	(1,954.8)	(2,632.7)
Gross margin	**610.4**	**1,120.1**
Payroll expenses	(208.7)	(350.3)
Other recurring operating income and expenses	(215.1)	(511.6)
Recurring operating income	**186.6**	**258.2**
Other non-recurring operating income and expenses	(25.4)	(88.3)
Operating income	**161.2**	**169.9**
Finance costs (net)	(26.6)	(28.1)
Income before tax	**134.6**	**141.8**
Corporate income tax	(57.5)	(43.6)
Share in earnings of associates	2.1	3.6
Net income on the disposal of discontinued operations	685.7	488.1
Net income	**764.9**	**589.9**
o/w attributable to owners of the parent	737.4	546.4
o/w attributable to non-controlling interests	27.5	43.5

(in € millions)	2009	2008
Net cash from operating activities	129.6	204.4
Net cash used in investing activities	(44.0)	(87.6)
Net cash used in financing activities	(41.9)	(83.4)
Impact of exchange rate variations	3.6	(0.5)
Net increase in cash and cash equivalents	**47.3**	**32.9**
Opening cash and changes in intra-Group cash flows	37.8	27.0
Net cash from discontinued operations (1)	**85.1**	**59.9**

(1) Line item in the consolidated statement of cash flows.

The impact of operations sold or to be sold on the Group's consolidated statement of financial position was as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Assets classified as held for sale	**74.9**	**61.6**
Liabilities associated with assets classified as held for sale	**50.7**	**71.0**

Assets classified as held for sale solely concerned Fnac Éveil & Jeux, as of December 31, 2009, and Surcouf and Bédat, as of December 31, 2008.

NOTE 13 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, on convertible and exchangeable instruments.

13.1. Earnings per share

Earnings per share as of December 31, 2009

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**984.6**	**247.2**	**737.4**
Weighted average number of ordinary shares outstanding	126,559,397	126,559,397	126,559,397
Weighted average number of treasury shares	(97,882)	(97,882)	(97,882)
Weighted average number of ordinary shares	**126,461,515**	**126,461,515**	**126,461,515**
Basic earnings per share *(in €)*	**7.79**	**1.96**	**5.83**
Net income attributable to ordinary shareholders	**984.6**	**247.2**	**737.4**
Share subscription options			
Diluted net income attributable to owners of the parent	**984.6**	**247.2**	**737.4**
Weighted average number of ordinary shares	126,461,515	126,461,515	126,461,515
Share subscription options	0	0	0
Weighted average number of diluted ordinary shares	**126,461,515**	**126,461,515**	**126,461,515**
Fully diluted earnings per share *(in €)*	**7.79**	**1.96**	**5.83**

Earnings per share as of December 31, 2008

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**921.1**	**374.7**	**546.4**
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 €)*	**7.31**	**2.97**	**4.34**
Net income attributable to ordinary shareholders	**921.1**	**374.7**	**546.4**
Share subscription options			
Diluted net income attributable to owners of the parent	**921.1**	**374.7**	**546.4**
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 €)*	**7.31**	**2.97**	**4.34**

13.2. Earnings per share from continuing operations excluding non-recurring items

Non-recurring items consist of the income statement line "Other non-recurring operating income and expenses" reported net of tax, and non-controlling interests.

(in € millions)	2009	2008
Net income attributable to ordinary shareholders	**247.2**	**374.7**
Other non-recurring operating income and expenses	(546.8)	(367.8)
Income tax on other non-recurring operating income and expenses	55.1	18.9
Non-controlling interests in other non-recurring operating income and expenses	26.5	5.6
Net income excluding non-recurring items	**712.4**	**718.0**
Weighted average number of ordinary shares outstanding	126,559,397	127,243,003
Weighted average number of treasury shares	(97,882)	(1,236,713)
Weighted average number of ordinary shares	**126,461,515**	**126,006,290**
Basic earnings per share excluding non-recurring items *(in €)*	**5.63**	**5.70**
Net income excluding non-recurring items	**712.4**	**718.0**
Share subscription options		
Diluted net income attributable to owners of the parent	**712.4**	**718.0**
Weighted average number of ordinary shares	126,461,515	126,006,290
Share subscription options	0	16,714
Weighted average number of diluted ordinary shares	**126,461,515**	**126,023,004**
Fully diluted earnings per share *(in €)*	**5.63**	**5.70**

NOTE 14 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income include:

- gains and losses arising from translating the financial statements of foreign operations;
- the effective portion of gains and losses on hedging instruments in a cash flow hedge;
- gains and losses on remeasuring available-for-sale financial assets and other financial instruments;
- components relating to the measurement of employee benefit obligations: unrecognised surplus of pension plan assets and actuarial gains and losses on defined benefit plans.

The amounts of these components before and after the related tax effects, together with reclassification adjustments taken to income, are shown in the table below:

(in € millions)	Gross	Income tax	Net
Currency translation adjustments	(87.9)		(87.9)
Cash flow hedges	(26.3)	(27.3)	(53.6)
- change in fair value	*(7.6)*		
- gains and losses transferred to income	*(18.7)*		
Available-for-sale assets	(3.8)	1.3	(2.5)
- change in fair value	*(3.8)*		
- gains and losses transferred to income			
Unrecognised surplus of pension plan assets	1.3		1.3
Actuarial gains and losses	(31.2)	6.1	(25.1)
Share in other comprehensive income of associates			
Other comprehensive income (expense) as of December 31, 2008	**(147.9)**	**(19.9)**	**(167.8)**

(in € millions)	Gross	Income tax	Net
Currency translation adjustments	(8.4)		(8.4)
Cash flow hedges	15.8	20.1	35.9
- change in fair value	*(6.3)*		
- gains and losses transferred to income	*22.1*		
Available-for-sale assets	0.2	(0.1)	0.1
- change in fair value	*0.2*		
- gains and losses transferred to income			
Unrecognised surplus of pension plan assets	(0.9)		(0.9)
Actuarial gains and losses	(25.1)	4.6	(20.5)
Share in other comprehensive income of associates			
Other comprehensive income (expense) as of December 31, 2009	**(18.4)**	**24.6**	**6.2**

A negative amount on the "Gains and losses transferred to income" line item corresponds to a gain recognised 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, net.

NOTE 15 GOODWILL

(in € millions)	Gross	Impairment losses	Net
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, operations sold or to be sold	(236.4)	14.9	(221.5)
Impairment losses		(204.3)	(204.3)
Put options granted to minority shareholders	(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**
Acquisitions	147.8		147.8
Assets classified as held for sale, operations sold or to be sold	(171.3)		(171.3)
Impairment losses (see Note 18)		(624.0)	(624.0)
Put options granted to minority shareholders	42.6		42.6
Translation adjustments	(16.6)	7.4	(9.2)
Other movements	(1.7)	1.7	
Goodwill as of December 31, 2009	**6,678.3**	**(1,113.7)**	**5,564.6**

All goodwill recognised in 2009 was allocated to cash-generating units at year end.

The breakdown of the net amount of goodwill by company is as follows:

(in € millions)	2009	2008
Fnac	431.4	458.3
Redcats	639.0	1,147.6
Conforama	1,060.2	1,183.9
Cfao		140.0
Puma	1,362.7	1,164.7
Luxury Goods division	2,071.3	2,084.2
TOTAL	**5,564.6**	**6,178.7**

NOTE 16 BRANDS AND OTHER INTANGIBLE ASSETS

(in € millions)	Brands	Other intangible assets	Total
Gross amount as of 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, 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 amount as of December 31, 2008	**9,805.3**	**913.2**	**10,718.5**
Accumulated amortisation and impairment 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, operations sold or to be sold		34.2	34.2
Other disposals		23.1	23.1
Amortisation		(75.9)	(75.9)
Impairment losses	(2.0)	(9.8)	(11.8)
Translation adjustments	0.4	(3.0)	(2.6)
Other movements		0.6	0.6
Accumulated amortisation and impairment 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, 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	(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**

(in € millions)	Brands	Other intangible assets	Total
Gross amount as of December 31, 2008	**9,805.3**	**913.2**	**10,718.5**
Changes in Group structure		0.7	0.7
Acquisitions		69.7	69.7
Assets classified as held for sale, operations sold or to be sold	(5.4)	(36.7)	(42.1)
Other disposals		(20.4)	(20.4)
Translation adjustments	(2.7)	(0.7)	(3.4)
Other movements		1.6	1.6
Gross amount as of December 31, 2009	**9,797.2**	**927.4**	**10,724.6**
Accumulated amortisation and impairment as of December 31, 2008	**(29.3)**	**(516.5)**	**(545.8)**
Changes in Group structure		(0.5)	(0.5)
Assets classified as held for sale, operations sold or to be sold	0.2	13.1	13.3
Other disposals		19.0	19.0
Amortisation		(92.7)	(92.7)
Impairment losses (see Note 18)	(2.6)		(2.6)
Translation adjustments		0.4	0.4
Other movements		7.0	7.0
Accumulated amortisation and impairment as of December 31, 2009	**(31.7)**	**(570.2)**	**(601.9)**
Net carrying amount as of December 31, 2008	**9,776.0**	**396.7**	**10,172.7**
Changes in Group structure		0.2	0.2
Acquisitions		69.7	69.7
Assets classified as held for sale, operations sold or to be sold	(5.2)	(23.6)	(28.8)
Other disposals		(1.4)	(1.4)
Amortisation		(92.7)	(92.7)
Impairment losses (see Note 18)	(2.6)		(2.6)
Translation adjustments	(2.7)	(0.3)	(3.0)
Other movements		8.6	8.6
Net carrying amount as of December 31, 2009	**9,765.5**	**357.2**	**10,122.7**

The breakdown of net brand value by company is as follows:

(in € millions)	2009	2008
Redcats	77.3	80.6
Cfao		5.2
Puma	3,500.0	3,500.0
Luxury Goods division	6,188.2	6,190.2
TOTAL	**9,765.5**	**9,776.0**

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land and buildings	Plant and equipment	Other PP&E	Total
Gross 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, 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 amount as of December 31, 2008	**1,487.8**	**2,946.6**	**446.9**	**4,881.3**
Accumulated 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, 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		(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)
Accumulated 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, 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		(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**

(in € millions)	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2008	**1,487.8**	**2,946.6**	**446.9**	**4,881.3**
Changes in Group structure		5.1	1.0	6.1
Acquisitions	5.6	161.4	73.2	240.2
Assets classified as held for sale, operations sold or to be sold	(135.5)	(259.5)	(101.8)	(496.8)
Disposals	(33.7)	(100.6)	(16.7)	(151.0)
Translation adjustments	0.3	(7.2)	2.9	(4.0)
Other movements	65.6	36.7	(96.7)	5.6
Gross amount as of December 31, 2009	**1,390.1**	**2,782.5**	**308.8**	**4,481.4**
Accumulated depreciation and impairment as of December 31, 2008	**(612.2)**	**(1,803.1)**	**(212.6)**	**(2,627.9)**
Changes in Group structure		(2.4)	(0.5)	(2.9)
Assets classified as held for sale, operations sold or to be sold	48.8	148.6	36.3	233.7
Disposals	14.6	59.5	15.8	89.9
Depreciation	(55.7)	(229.7)	(29.2)	(314.6)
Impairment losses (see Note 18)				
Translation adjustments	0.7	5.0	(3.2)	2.5
Other movements	(0.6)	(2.1)	2.1	(0.6)
Accumulated depreciation and impairment as of December 31, 2009	**(604.4)**	**(1,824.2)**	**(191.3)**	**(2,619.9)**
Net carrying amount as of December 31, 2008	**875.6**	**1,143.5**	**234.3**	**2,253.4**
Changes in Group structure		2.7	0.5	3.2
Acquisitions	5.6	161.4	73.2	240.2
Assets classified as held for sale, operations sold or to be sold	(86.7)	(110.9)	(65.5)	(263.1)
Disposals	(19.1)	(41.1)	(0.9)	(61.1)
Depreciation	(55.7)	(229.7)	(29.2)	(314.6)
Impairment losses (see Note 18)				
Translation adjustments	1.0	(2.2)	(0.3)	(1.5)
Other movements	65.0	34.6	(94.6)	5.0
Net carrying amount as of December 31, 2009	**785.7**	**958.3**	**117.5**	**1,861.5**
o/w assets owned outright	643.3	958.3	109.9	**1,711.5**
o/w assets held under finance leases	142.4		7.6	**150.0**

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 2.10.

The main items of goodwill, brands and other 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 retained by the Group are as follows:

	Discount rate		Perpetual growth rate	
	2009	2008	2009	2008
Luxury Goods division	9.0% - 10.9%	8.8% - 12.5%	3.5%	3.0% - 3.5%
Retail division	9.0% - 14.3%	9.1% - 12.4%	0.5% - 4.0%	0.5% - 2.5%

18.2. Impairment tests on 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. Value in use is determined with respect to projected estimated future cash flows, taking into account the time value and specific risks associated with the CGU. Estimated future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow 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 9.3%.

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% perpetual growth rate and a 9.8% pre-tax discount rate.

In the case of the Puma CGU, which includes the Puma goodwill, the recoverable amount of the CGU was calculated on the basis of its value in use. Value in use is determined with respect to projected estimated future cash flows, taking into account the time value and specific risks associated with the CGU. Estimated future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow 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 10.1%.

In the case of the Puma 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 8.0%, a 2.5% perpetual growth rate and a 10.0% pre-tax discount rate.

The impairment sensitivity analyses did not provide evidence of a probable situation whereby the carrying amount would exceed the recoverable amount.

18.3. Impairment losses recognised during the period

The impairment tests carried out in 2009 led the Group to recognise:

- a €124.0 million permanent impairment loss on the goodwill of the Conforama Italy CGU. This loss stems from the difference between the carrying amount of the CGU asset and its recoverable amount. Value in use was calculated using a pre-tax discount rate of 9.0% and a perpetual growth rate of 0.5%;
- a €425.0 million permanent impairment loss on the goodwill of the La Redoute CGU. This loss stems from the difference between the carrying amount of the CGU asset and its recoverable amount. Value in use was calculated using a pre-tax discount rate of 10.7% and a perpetual growth rate of 0.5%;
- a €75.0 million permanent impairment loss on the goodwill of the Redcats Children-Family division 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 10.2% and a perpetual growth rate of 0.5%;

- impairment losses on other intangible assets allocated to the Luxury Goods division and Redcats, in the amount of €2.0 million and €0.6 million, respectively.

All these impairment losses were recognised in the income statement under "Other non-recurring operating income and expenses".

The impairment tests carried out in 2009 did not identify any impairment losses in respect of intangible assets, property, plant and equipment or goodwill, other than those described above.

NOTE 19 INVESTMENTS IN ASSOCIATES

(in € millions)	2009	2008
Investments in associates	705.6	74.5

As of December 31, 2009, investments in associates mainly included the investment in Cfao and the interest in Sowind Group.

At the date the Group ceased to exercise control, i.e., December 3, 2009 and in accordance with IAS 27 - *Consolidated and Separate Financial Statements*, the residual stake in Cfao (42.0%) was remeasured at fair value, i.e., €26 per share (see Note 3.1.1).

The impairment tests carried out in 2009 led the Group to recognise a €28.0 million impairment loss on its interest in Sowind Group. This loss stems from the difference between the carrying amount of the investment and its recoverable amount. Value in use was calculated using a pre-tax discount rate of 9.0% and a perpetual growth rate of 3.5%. The impairment loss is recognised in the income statement under "Other non-recurring operating income and expenses".

NOTE 20 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

(in € millions)	2009	2008
Non-consolidated investments	37.1	34.9
Derivative financial instruments (see Note 30)	55.4	40.3
Available-for-sale financial assets	2.3	2.1
Loans and receivables due from non-consolidated investments	59.5	92.8
Deposits and guarantees	109.2	103.4
Other	38.3	50.3
TOTAL	**301.8**	**323.8**

NOTE 21 INVENTORIES

(in € millions)	2009	2008
Commercial inventories	2,586.5	3,682.3
Industrial inventories	227.5	291.7
Gross amount	**2,814.0**	**3,974.0**
Allowances	(462.4)	(508.5)
Net carrying amount	**2,351.6**	**3,465.5**

Movements in allowances	
As of December 31, 2008	(508.5)
Net reversals	9.8
Changes in Group structure	(2.2)
Assets classified as held for sale, operations sold or to be sold	38.1
Translation adjustments	0.4
As of December 31, 2009	**(462.4)**

The carrying amount of inventories pledged to secure liabilities was €63.9 million as of December 31, 2009 (€85.1 million as of December 31, 2008).

NOTE 22 TRADE RECEIVABLES

(in € millions)	2009	2008
Trade receivables	1,054.6	1,505.8
Allowances	(112.8)	(202.8)
Net carrying amount	**941.8**	**1,303.0**

Movements in allowances	
As of December 31, 2008	(202.8)
Net charges	(18.2)
Changes in Group structure	(0.3)
Assets classified as held for sale, operations sold or to be sold	108.9
Translation adjustments	(0.4)
As of December 31, 2009	**(112.8)**

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

(in € millions)	2009	2008
Not past due	751.3	968.4
Less than one month past due	109.7	221.5
One to six months past due	111.5	167.5
More than six months past due	82.1	148.4
Allowance for doubtful receivables	(112.8)	(202.8)
Net carrying amount	**941.8**	**1,303.0**

NOTE 23 OTHER CURRENT ASSETS AND LIABILITIES

(in € millions)	2008	Working capital cash flows	Other cash flows	Assets classified as held for sale, operations sold or to be sold	Changes in Group structure	Translation adjustments and other	2009
Inventories	3,465.5	(352.6)		(761.7)	17.3	(16.9)	2,351.6
Trade receivables	1,303.0	(49.8)		(339.9)	14.6	13.9	941.8
Other current financial assets and liabilities	67.2	(1.2)	3.0	(8.4)	(1.1)	(88.1)	(28.6)
Current tax receivables/payables	(223.7)		58.9	26.5	(1.2)	5.3	(134.2)
Trade payables	(2,976.5)	294.3		639.6	(9.8)	(1.1)	(2,053.5)
Other current assets and liabilities	(1,659.5)	137.7	2.6	165.3	(3.2)	26.6	(1,330.5)
Working capital requirement	**(24.0)**	**28.4**	**64.5**	**(278.6)**	**16.6**	**(60.3)**	**(253.4)**
Customer loans	189.5	11.7				13.7	214.9

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 (see Note 30).

NOTE 25 EQUITY

Share capital amounted to €506,314,352 as of December 31, 2009, comprising 126,578,588 fully paid-up shares with a par value of €4 each (126,555,377 shares with a par value of €4 each as of December 31, 2008).

25.1. PPR treasury shares and options on PPR shares

In 2009, the Group made a net acquisition of 10,325 treasury shares, resulting from the following transactions:

- acquisition of 1,141,238 shares under the liquidity agreement;
- sale of 1,141,238 shares under the liquidity agreement;
- acquisition of 64,675 shares allotted to employees as part of the 2007 bonus share plan expiring in May 2009;
- acquisition of 10,325 shares intended for employees within the scope of bonus share plans.

As a result of the various share subscription options exercised in 2009, the share capital rose by 23,211 shares, bringing PPR's share capital to 126,578,588 shares as of December 31, 2009.

During 2009, the Group did not buy any call options on its own shares. The call options which expired in 2009 were not exercised.

As of December 31, 2009, the Group held 1,040,055 call options on its own shares, primarily intended to cover share purchase and share subscription option plans.

On May 26, 2004, PPR signed an agreement with a financial broker in order to ensure the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the *Association Française des Marchés Financiers* (French Association of Financial Markets – AMAFI) and approved by the French Market Authority (*Autorité des Marchés Financiers/AMF*). The agreement was initially endowed with €40 million, half of which was provided in cash and half in PPR shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

As of December 31, 2009, PPR did not hold any treasury shares in connection with the liquidity agreement. Outside the scope of the liquidity agreement, PPR holds 90,325 treasury shares intended for employees under the 2008 bonus share plan maturing in 2010 (80,000 treasury shares held as of December 31, 2008).

25.2. Appropriation of 2009 net income

At the Ordinary General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2009, the Board of Directors will recommend a dividend of €3.30 per share in respect of 2009, representing a total of €417.7 million.

The dividend paid in respect of 2008 was also €3.30 per share.

NOTE 26 EMPLOYEE BENEFITS

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

Changes in the present value of the obligation in respect of defined benefit plans are shown below:

(in € millions)	2009	2008
Present value of obligation as of January 1	**462.8**	**563.3**
Current service cost	15.7	19.8
Contributions paid by beneficiaries	3.9	4.1
Interest cost	19.7	25.6
Benefits paid	(44.0)	(33.0)
Past service cost		1.5
Actuarial gains and losses	31.1	(8.3)
Curtailments and settlements	(24.3)	(12.6)
Changes in Group structure		11.2
Assets classified as held for sale, operations sold or to be sold	(72.7)	(69.7)
Exchange differences	8.4	(39.1)
Present value of obligation as of December 31	**400.6**	**462.8**

As of December 31, 2009, the present value of the obligation amounted to €400.6 million, breaking down as:

- €108.7 million in respect of wholly unfunded plans (€131.1 million as of end-2008);
- €291.9 million in respect of fully or partially funded plans (€331.7 million as of end-2008).

The breakdown in the present value of the obligation by type of plan and country as of December 31, 2009 was as follows:

(in € millions)	2009	2008
Retirement gratuities – France	100.8	119.4
Long-service awards – France	1.9	4.8
Statutory termination indemnities ("TFR") – Italy	31.4	35.7
Supplementary plans – United Kingdom	123.7	136.9
Supplementary plans ("LPP") – Switzerland	66.6	66.7
Other	76.2	99.3
Present value of obligation as of December 31	**400.6**	**462.8**

Changes in the fair value of defined benefit plan assets are shown below:

(in € millions)	2009	2008
Fair value of defined benefit plan assets as of January 1	**204.1**	**296.0**
Contributions paid by employer	32.5	29.8
Contributions paid by beneficiaries	3.9	4.1
Expected return on plan assets	8.5	13.5
Benefits paid	(44.0)	(33.0)
Actuarial gains and losses	6.0	(38.7)
Settlements	(0.5)	(0.7)
Changes in Group structure		3.2
Assets classified as held for sale, operations sold or to be sold	(19.9)	(36.1)
Exchange differences	6.1	(34.0)
Fair value of defined benefit plan assets as of December 31	**196.7**	**204.1**

The Group expects to pay an estimated €16.6 million in contributions in 2010.

Funded defined benefit plan assets break down as follows:

- insurance policies account for 22.3% of the total fair value of plan assets (41.8% as of end-2008);
- equity instruments account for 24.7% (18.6% as of end-2008);
- debt instruments account for 45.2% (24.8% as of end-2008);
- other assets account for 7.8% (14.8% as of end-2008).

The reconciliation of statement of financial position data with the projected benefit obligation in respect of defined benefit plans breaks down as follows:

(in € millions)	2009	2008	2007	2006	2005
Present value of obligation	400.6	462.8	563.3	551.7	538.5
Fair value of defined benefit plan assets	(196.7)	(204.1)	(296.0)	(281.2)	(248.6)
Funding shortfall/(excess)	**203.9**	**258.7**	**267.3**	**270.5**	**289.9**
Unrecognised past service cost	(2.1)	(7.0)	(8.4)	(9.8)	(10.5)
Amount not recognised in assets	0.9	5.4	8.3		
Fair value of redemption rights	1.5	1.5			
Provisions (net assets) recognised in the balance sheet	**204.2**	**258.6**	**267.2**	**260.7**	**279.4**
o/w provisions - continuing operations	204.2	258.4	267.2	260.7	279.4
o/w provisions - discontinued operations		0.2			
o/w net assets					
Experience adjustments on plan liabilities	1.6%	0.1%	0.9%	4.5%	5.9%
Experience adjustments on plan assets	3.1%	13.1%	1.0%	1.7%	5.6%

26.2. Expenses recognised

The total expense of €7.3 million recognised in respect of defined benefit plans breaks down as follows:

(in € millions)		2009	2008
Current service cost		15.7	19.8
Interest cost		19.7	25.6
Expected return on plan assets		(8.5)	(13.5)
Actuarial gains/losses recognised in net income			(0.8)
Past service cost taken to net income		1.0	2.1
Curtailments and settlements		(20.6)	(11.2)
Total charge		**7.3**	**22.0**
o/w recognised	in operating expenses	5.8	6.6
	in finance costs, net	(1.1)	12.4
	in discontinued operations	2.6	3.0

In accordance with the option provided under IAS 19 as revised in December 2004, the Group recognises actuarial gains and losses on defined benefit plans in other comprehensive income for the period.

In 2009, a total of €25.1 million was recognised in respect of actuarial gains and losses on defined benefit plans.

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €81.8 million as of December 31, 2009.

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Discount rate	5.00%	5.50%	3.25%	3.00%	5.00%	5.50%	5.50%	6.20%	4.42%	4.94%
Expected return on plan assets	4.75%	4.75%	4.66%	4.68%			6.47%	6.28%	4.23%	4.57%
Expected rate of increase in salaries	2.79%	2.86%	2.27%	2.27%	3.64%	3.60%	0.74%	2.53%	2.26%	2.15%

The expected return on plan assets is determined for each fund on the basis of historical 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 in the allocation of funds under management and changes in long-term market expectations for each asset class managed.

NOTE 27 PROVISIONS

(in € millions)	2008	Charge	Reversal (utilised provision)	Reversal (surplus provision)	Translation adjustments	Other	2009
Provisions for restructuring costs	23.0	16.1	(2.7)		0.2	(7.5)	29.1
Provisions for claims and litigation	68.6	10.2	(8.0)	(0.3)		(3.2)	67.3
Other non-current provisions	72.8	4.7	(0.1)	(69.6)		(0.7)	7.1
Non-current provisions	**164.4**	**31.0**	**(10.8)**	**(69.9)**	**0.2**	**(11.4)**	**103.5**
Provisions for restructuring costs	69.3	170.5	(92.2)	(5.9)	(0.1)	4.2	145.8
Provisions for claims and litigation	81.9	57.9	(33.4)	(21.5)		1.3	86.2
Other current provisions	38.7	3.7	(4.3)	(5.9)		(12.2)	20.0
Current provisions	**189.9**	**232.1**	**(129.9)**	**(33.3)**	**(0.1)**	**(6.7)**	**252.0**
TOTAL	**354.3**	**263.1**	**(140.7)**	**(103.2)**	**0.1**	**(18.1)**	**355.5**
Impact on income		**(263.1)**		**103.2**			**(159.9)**
- Impact on recurring operating income		(24.5)		6.8			(17.7)
- Impact on other non-recurring operating income and expenses		(238.5)		6.0			(232.5)
- Impact on net finance costs		(0.1)					(0.1)
- Impact on income taxes				82.8			82.8
- Impact on income (loss) from discontinued operations				7.6			7.6

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 € millions)	2009	2008
Cash	807.9	842.7
Cash equivalents	136.6	273.9
TOTAL	**944.5**	**1,116.6**

As of December 31, 2009, cash equivalents include UCITS, certificates of deposit and term deposits with a maturity of less than three months.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in March 2008.

In particular, cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7. As of December 31, 2009, no reclassifications were made as a result of these reviews.

28.2. Breakdown by currency

(in € millions)	2009	%	2008	%
EUR	418.5	44.3%	473.5	42.4%
USD	138.8	14.7%	181.2	16.2%
GBP	64.2	6.8%	59.6	5.3%
JPY	63.7	6.7%	60.8	5.5%
CHF	53.2	5.6%	82.8	7.4%
HKD	40.1	4.3%	32.0	2.9%
Other currencies	166.0	17.6%	226.7	20.3%
TOTAL	**944.5**		**1,116.6**	

NOTE 29 BORROWINGS

29.1. Breakdown of borrowings by maturity

(in € millions)	2009	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	**4,357.8**		**1,146.7**	**643.1**	**946.2**	**1,122.8**	**499.0**
Bonds	3,147.8		817.9	219.8	812.7	949.1	348.3
Confirmed lines of credit	490.0		100.0	290.0	100.0		
Other bank borrowings	430.1		186.6	42.2	15.9	162.1	23.3
Obligations under finance leases	75.9		6.2	4.2	6.3	7.7	51.5
Employee profit-sharing	20.2		4.3	4.4	7.6	3.9	
Other borrowings	193.8		31.7	82.5	3.7		75.9
Current borrowings	**1,221.0**	**1,221.0**					
Bonds							
Confirmed lines of credit	46.3	46.3					
Drawdowns on unconfirmed lines of credit	321.2	321.2					
Other bank borrowings	210.3	210.3					
Obligations under finance leases	12.1	12.1					
Employee profit-sharing	7.1	7.1					
Bank overdrafts	226.1	226.1					
Commercial paper	213.3	213.3					
Other borrowings	184.6	184.6					
TOTAL	**5,578.8**	**1,221.0**	**1,146.7**	**643.1**	**946.2**	**1,122.8**	**499.0**
%		**21.9%**	**20.6%**	**11.5%**	**17.0%**	**20.1%**	**8.9%**

(in € millions)	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					
Drawdowns 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%**

As of December 31, 2009, all gross borrowings are recognised at amortised cost based on an effective interest rate determined after taking into account any identified issue costs and redemption or issue premiums relating to each liability. However, the May 2008 bond issues indexed to changes in the PPR share price are recognised at fair value through income.

As of December 31, 2009, a fair value adjustment of €19.8 million (€14.5 million as of December 31, 2008) was recognised in respect of borrowings – mainly bond issues – partially or fully hedged in a fair value hedging relationship.

Bond issues represented 56.4% of gross borrowings as of December 31, 2009 (37.0% of gross borrowings as of end-2008).

Borrowings with a maturity of more than one year represented 78.1% of total gross borrowings as of December 31, 2009 (57.7% as of December 31, 2008).

The total amount of confirmed lines of credit stood at €6,517.5 million at the end of reporting period, including €536.3 million in the form of credit-line drawdowns and €36.8 million in the form of short-term loans.

Short-term drawdowns on facilities backed by confirmed lines of credit maturing in more than one year are included in non-current borrowings.

Accrued interest is recorded in "Other borrowings".

The financing of customer loans contributed €214.9 million to gross borrowings as of December 31, 2009.

29.2. Breakdown by repayment currency

(in € millions)	2009	Non-current borrowings	Current borrowings	%	2008	%
EUR	4,921.4	4,095.4	826.0	88.2%	5,912.8	86.0%
JPY	381.5	146.8	234.7	6.8%	465.9	6.8%
USD	118.9	64.4	54.5	2.1%	95.1	1.4%
CHF	59.8	20.1	39.7	1.1%	121.5	1.8%
HKD	51.9	19.5	32.4	0.9%	18.4	0.3%
GBP	13.4	6.4	7.0	0.3%	13.6	0.2%
Other currencies	31.9	5.2	26.7	0.6%	245.6	3.5%
TOTAL	**5,578.8**	**4,357.8**	**1,221.0**		**6,872.9**	

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 down as follows:

(in € millions)	2009	2008
Bonds	3,147.8	2,544.9
Other bank borrowings	640.4	1,023.9
Confirmed lines of credit	536.3	1,655.5
Drawdowns on unconfirmed lines of credit	321.2	320.8
Commercial paper	213.3	784.9
Obligations under finance leases	88.0	101.3
Employee profit-sharing	27.3	32.3
Bank overdrafts	226.1	183.1
Other borrowings	378.4	226.2
TOTAL	**5,578.8**	**6,872.9**

Group borrowings primarily consist of bonds, bank borrowings, drawdowns on confirmed lines of credit and commercial paper issues, which account for 88.1% of gross borrowings as of December 31, 2009 (90.7% as of end-2008).

As of December 31, 2009, other borrowings include €236 million in respect of put options granted to non-controlling interests (see Note 2.3.2).

29.4. Bond issues

PPR bond issues

The Group has a Euro Medium Term Notes (EMTN) programme capped at €5,000 million as of December 31, 2009.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier* – CSSF) on November 30, 2009. The programme existing as of December 31, 2009 expires on November 30, 2010.

As of December 31, 2009, bonds issued under this programme totalled €3,100 million.

All borrowings benefit from the rating awarded to the PPR Group by Standard & Poor's ("BBB-" with a stable outlook) and are not subject to any financial covenants.

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/non-documented hedge	Maturity	2009	2008
750.0 (1)	5.00% fixed	5.20%	07/23/2003	Euribor 3-month floating rate swap for €500 million Documented under IFRS	01/23/2009		749.9
800.0 (2)	5.25% fixed	5.34%	03/29/2004	Euribor 3-month floating rate swap for €650 million Documented under IFRS	03/29/2011	**817.9**	812.4
600.0 (3)	4.00% fixed	4.08% & 4.79%	06/29/2005 & 06/19/2006	-	01/29/2013	**592.5**	590.4
200.0 (4)	6.405% fixed	-	05/16/2008	-	11/16/2012	**219.8**	196.3
200.0 (5)	6.536% fixed	-	05/16/2008	-	05/16/2013	**220.2**	194.3
800.0 (6)	8.625% fixed	8.86% & 7.86%	04/03/2009	-	04/03/2014	**799.6**	
150.0 (7)	7.75% fixed	7.94%	06/03/2009	Euribor 6-month floating rate swap for €150 million Documented under IFRS	06/03/2014	**149.5**	
150.0 (8)	6.50% fixed	6.57%	06/29/2009	-	06/29/2017	**149.3**	
200.0 (9)	6.50% fixed	6.57%	11/06/2009	-	11/06/2017	**199.0**	

(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 PPR shares, issued on May 16, 2008 under the EMTN programme, comprised of 2,362,907 bonds with a par value of €84.64 each.
Redemption: the redemption price is indexed to changes in the PPR share price, and represents a maximum of €236.9 million and a minimum of €136.9 million, maturing on November 16, 2012.

(5) Issue price: bond issue indexed to PPR shares, issued on May 16, 2008 under the EMTN programme, comprised of 2,362,907 bonds with a par value of €84.64 each.
Redemption: the redemption price is indexed to changes in the PPR share price, and represents a maximum of €238.2 million and a minimum of €138.2 million, maturing on May 16, 2013.

(6) Issue price: bond issue, comprised of 800,000 bonds with a par value of €1,000 each under the EMTN programme, with 600,000 bonds issued on April 3, 2009 and 200,000 additional bonds issued on May 13, 2009, thereby raising the issue to 800,000 bonds.
Redemption: in full on April 3, 2014.

(7) Issue price: bond issue on June 3, 2009, comprised of 150,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on June 3, 2014.

(8) Issue price: bond issue on June 29, 2009, comprised of 3,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on June 29, 2017.

(9) Issue price: bond issue on November 6, 2009, comprised of 4,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on November 6, 2017.

All bonds issued in 2009 within the scope of the EMTN programme are subject to a change-of-control clause and to a "step-up coupon" clause in the event PPR's rating is downgraded to non-investment grade.

The corresponding amounts are recognised in the statement of financial position at amortised cost based on the effective interest rate and taking account of the fair value adjustment resulting from the hedging relationship documented in accordance with IAS 39. However, the May 2008 bond issues indexed to changes in the PPR share price are recognised at fair value through income.

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 € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2009	2008
500.0	Floating Euribor +0.375%	-	7/18/2007	-	4/3/2009		500.0
83.0	Floating 3-month Euribor +3.09%	-	6/24/2009	3-month Euribor floating rate swap for the full amount Not documented under IFRS	6/24/2014	**83.0**	
69.5	Floating 3-month Euribor +3.30%	-	6/24/2009	3-month Euribor floating rate swap for the full amount Not documented under IFRS	6/24/2014	**69.5**	

Long- and medium-term borrowings contracted by PPR Finance SNC

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2009	2008
52.6	Floating 3-month Euribor +0.40%	-	6/16/1998	3-month Euribor floating rate swap for the full amount Not documented under IFRS	6/16/2010	**52.6**	52.6
50.0	Floating 3-month Euribor +0.20%	-	12/15/2006	-	12/15/2011	**50.0**	50.0

Long- and medium-term borrowings contracted by Gucci Group

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2009	2008
34.7 (1)	Floating USD Libor +1.00%	-	8/8/2003	-	8/15/2013	**13.9**	18.0
35.0 (2)	Floating Euribor +0.70%	-	3/29/2004	-	6/30/2014	**20.6**	24.9
63.8 (3)	Floating JPY Tibor +0.35%	-	9/15/2006	-	9/15/2011	**44.7**	53.9
33.8 (4)	Floating JPY Tibor +0.25%	-	11/8/2007	-	11/8/2010	**33.8**	35.7
30.0 (5)	1.26% fixed	-	3/31/2008	-	3/31/2011	**21.0**	28.5
56.3 (6)	1.536% fixed	-	4/30/2008	-	4/28/2011	**50.7**	57.5

(1) Redeemable loan contracted by Gucci America Inc. for US$ 50 million (€34.7 million). The outstanding balance on this loan was US$ 20 million (€13.9 million) as of December 31, 2009.
(2) Loan redeemable as of 2006 initially contracted for €35 million.
(3) Redeemable loan contracted in December 2006 for JPY 8,500 million (€63.8 million).
(4) Loan contracted in November 2007 for JPY 4,500 million (€33.8 million).
(5) Loan contracted in March 2008 for JPY 4,000 million (€30 million).
(6) Loan contracted in April 2008 for JPY 7,500 million (€56.3 million).

29.5.2. Confirmed lines of credit

As of December 31, 2009, the Group had access to confirmed lines of credit totalling €6,517.5 million, compared to €6,694.8 million as of December 31, 2008.

The undrawn balance on these confirmed lines of credit as of December 31, 2009 was €5,944.4 million (€4,989.6 million as of December 31, 2008).

The unused confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €213.3 million remained outstanding as of December 31, 2009 (€784.9 million as of December 31, 2008).

29.5.3. Breakdown of confirmed lines of credit

PPR and PPR Finance SNC: €6,081 million breaking down by maturity as follows:

(in € millions)	2009	Less than one year	One to five years	More than five years	2008
Confirmed lines of credit	**6,081.0**	190.0	5,891.0		6,136.0

The confirmed credit lines include the syndicated revolving loans set up in March 2005 for €2,750 million and the €1,500 facility set up for the friendly takeover bid for Puma AG in 2007. The maturity of the €2,750 million syndicated facility following the exercise of the maturity extension option is as follows: €2,605 million now falls due in March 2012, €70 million falls due in March 2011 and €75 million falls due as initially agreed in March 2010. Maturity was also extended for the €1,500 syndicated revolving loan: €384.4 million now falls due in June 2012 and €1,115.6 million in June 2013.

As of December 31, 2009, an amount of €390 million had been drawn on these two syndicated revolving loans and €100 million had been drawn on bilateral credit facilities.

As of December 31, 2009, total confirmed undrawn credit lines available to PPR and PPR Finance amounted to €5,591 million.

Other confirmed lines of credit: €436.5 million breaking down by maturity as follows:

(in € millions)	2009	Less than one year	One to five years	More than five years	2008
Redcats (1)	**137.7**	68.3	69.4		136.3
Gucci Group NV (2)	**37.5**	37.5			155.0
Puma (3)	**261.3**	261.3			267.5
	436.5	367.1	69.4		558.8

(1) Redcats: including US$ 100 million (€69.4 million) and SEK 700 million (€68.3 million).
(2) Gucci Group NV: JPY 5,000 million (€37.5 million).
(3) Puma: including €36.8 million drawn in the form of bank borrowings at the end of December 2009.

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 comply with the following financial covenant: Consolidated net debt/Consolidated EBITDA less than or equal to 3.75. This ratio is calculated based on pro forma data.

PPR and PPR Finance had used a total of €490 million of the €6,081 million in confirmed credit lines subject to this covenant.

The Group was in compliance with all these covenants as of December 31, 2009 and there is no foreseeable risk of breach.

NOTE 30 EXPOSURE TO INTEREST RATE, FOREIGN EXCHANGE AND EQUITY RISK

The Group uses derivative financial instruments to manage its exposure to market risks.

The following derivatives were used by the Group as of December 31, 2009:

30.1. Exposure to interest rate risk

To manage interest rate risk on its financial assets and liabilities, and particularly on its borrowings, the PPR Group uses instruments with the following outstanding notional amounts:

(in € millions)	2009	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond	2008
Swaps: fixed-rate lender	899.7	99.7	650.0			150.0		1,333.1
Swaps: fixed-rate borrower	45.4	45.4						401.8
Purchases of collars	850.0	550.0	300.0					850.0
Purchases of caps	400.0	400.0						1,100.0
Other interest rate instruments (1)	305.1	152.6				152.5		152.6
TOTAL	**2,500.2**	**1,247.7**	**950.0**			**302.5**		**3,837.5**

(1) Including floating/floating rate swaps.

As part of the Group's interest rate hedging strategy, these instruments are primarily designed to:

- convert fixed-rate bonds into floating-rate debt: the Group has entered into interest rate swaps as a fixed-rate lender in an amount of €800 million to hedge PPR bond issues;
- convert fixed-rate negotiable debt securities, loans and credit-line drawdowns to floating-rate debt: the Group has entered

into interest rate swaps as a fixed-rate lender in an amount of €99.7 million;

- fix the rate of floating-rate borrowings: the Group has entered into interest rate swaps as a fixed-rate borrower in an amount of €45.4 million;
- manage interest rate risk on borrowings using options: the Group has entered into options in an amount of €1,250 million.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2009, documented and non-documented financial instruments can be analysed as follows:

(in € millions)	2009	Fair value hedge	Cash flow hedge	Non-documented hedge
Swaps: fixed-rate lender	899.7	800.0		99.7
Swaps: fixed-rate borrower	45.4		45.4	
Purchases of collars	850.0			850.0
Purchases of caps	400.0			400.0
Other interest rate instruments	305.1			305.1
TOTAL	**2,500.2**	**800.0**	**45.4**	**1,654.8**

These interest rate derivatives are recognised in the statement of financial position at their market value as of the end of the reporting period.

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 derivatives designated as fair value hedges, fair value movements are recognised in net income for the period, fully or partly offsetting symmetrical changes in the fair value of the hedged debt. The ineffective portion impacts net finance costs for the period.

As of December 31, 2009, fair value hedges concerned fixed-rate bonds issued by the Group in March 2004 and June 2009, hedged by interest rate swaps for a nominal amount of €650 million and €150 million, respectively.

In the case of interest rate derivatives designated as cash flow hedges, the effective portion of changes in fair value is initially recognised in other comprehensive income and taken to income when the hedged position itself affects income. The ineffective portion impacts net finance costs for the period.

As of December 31, 2009, cash flow hedges concerned debt issued in Japanese yen and hedged in an amount of JPY 6,040 million (€45.4 million).

Movements in the fair value of non-documented derivative instruments are recognised directly in income, with an impact on net finance costs for the period.

As of December 31, 2009, derivative instruments that did not qualify for hedge accounting under IAS 39 primarily comprised options in the form of caps and collars intended to hedge revolving financing issued at floating rates.

The Group's exposure to interest rate risk **before the impact of hedging** is presented below, with a distinction made between:

- Fixed-rate financial assets and liabilities, exposed to a price risk before hedging:

		2009 maturities			
(in € millions)	2009	Less than one year	One to five years	More than five years	2008
Fixed-rate financial assets	**105.5**	**76.2**	**27.5**	**1.8**	**214.5**
Bonds	3,147.8		2,799.5	348.3	2,544.9
Commercial paper	189.8	189.8			620.9
Other borrowings	80.8	11.3	69.5		166.0
Fixed-rate financial liabilities	**3,418.4**	201.1	2,869.0	348.3	**3,331.8**

- Floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

(in € millions)	2009	2009 maturities			2008
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	**944.3**	894.6	37.5	12.2	**1,027.9**
Bonds					
Commercial paper	23.5	23.5			164.0
Other borrowings	2,136.9	996.5	989.7	150.7	3,377.1
Floating-rate financial liabilities	**2,160.4**	1,020.0	989.7	150.7	**3,541.1**

The Group's exposure to interest rate risk **after the impact of hedging** is presented below, with a distinction made between:

- Fixed-rate financial assets and liabilities, exposed to a price risk after hedging:

(in € millions)	2009	2009 maturities			2008
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	**105.5**	76.2	27.5	1.8	**214.5**
Bonds	2,630.4		2,282.1	348.3	1,932.6
Commercial paper	190.1	190.1			737.8
Other borrowings	1,076.1	1,006.6	69.5		1,767.8
Fixed-rate financial liabilities	**3,896.6**	1,196.7	2,351.6	348.3	**4,438.2**

- Floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

(in € millions)	2009	2009 maturities			2008
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	**944.3**	894.6	37.5	12.2	**1,027.9**
Bonds	517.4		517.4		612.3
Commercial paper	23.2	23.2			47.1
Other borrowings	1,141.6	1.1	989.8	150.7	1,775.3
Floating-rate financial liabilities	**1,682.2**	24.3	1,507.2	150.7	**2,434.7**

Financial assets and liabilities consist of interest-bearing items recorded in the statement of financial position.

The breakdown of gross borrowings by type of interest rate before and after hedging transactions is as follows:

(in € millions)	2009	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	**5,578.8**	**3,418.4**	**2,160.4**	**3,896.6**	**1,682.2**
%		61.3%	38.7%	69.8%	30.2%

(in € millions)	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%

Analysis of sensitivity to interest rate risk

Based on the fixed/floating rate mix after hedging, a sudden 50 basis point increase or decrease in interest rates would have a full-year impact of €8.5 million on pre-tax consolidated net income excluding fair value adjustments relating to derivative instruments not eligible for hedge accounting and financial liabilities carried at fair value through income as of December 31, 2009. As of December 31, 2008, the impact of a sudden 100 basis point increase or decrease in interest rates was estimated at €29.1 million (assumption consistent with relative interest rate levels observed at the end of the reporting period).

Based on market data at the end of the reporting period, and the particularly low benchmark interest rates for the Group, the impact of interest rate derivatives and financial liabilities carried at fair value through income was determined assuming a sudden increase or decrease of 50 basis points in the euro yield curve as of December 31, 2009.

(in € millions)	Impact on reserves	Impact on income
As of December 31, 2009		
Increase of 50 basis points		9.0
Decrease of 50 basis points		(9.8)
As of December 31, 2008		
Increase of 100 basis points		29.9
Decrease of 100 basis points		(30.4)

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on equity is generated by interest rate instruments eligible for cash flow hedge accounting.

The impact on net finance costs arises from interest rate instruments not eligible for hedge accounting and from financial liabilities carried at fair value through income.

The impact of interest rate derivatives denominated in a currency other than the Group's functional currency was not material at the end of the reporting period.

These amounts are shown before tax.

As of December 31, 2009, interest rate derivatives qualifying for cash flow hedge accounting with a remaining maturity of less than one year totalled €45.4 million. These instruments are for terms similar to the terms of the borrowings they are intended to hedge and therefore impact the same reporting period as the risk hedged. The sensitivity of the value of these cash flow derivatives to a change in the JPY yield curve was not material at the end of the reporting period.

30.2. Exposure to foreign exchange risk

The outstanding notional amounts of instruments used by the PPR Group to manage its foreign exchange risk are shown below:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Currency forwards and currency swaps	(112.6)	(187.2)
Currency options – export tunnels	(329.2)	(385.1)
Currency options purchased	168.4	210.7
Currency options sold	(10.4)	(19.3)
TOTAL	**(283.8)**	**(380.9)**

The Group primarily uses forward currency contracts and/or currency swaps to hedge commercial import/export risks and to hedge the financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.

The Group may also implement plain vanilla options strategies (purchases of options or tunnels) to hedge future exposures.

These derivative financial instruments were analysed with respect to IAS 39 hedge accounting eligibility criteria. The Group has no derivatives eligible for net investment hedge accounting.

As of December 31, 2009, documented and non-documented derivative instruments were as follows:

(in € millions)	2009	EUR	USD	JPY	GBP
Cash flow hedges					
Forward purchases and forward purchase swaps	**824.2**	26.9	786.7		
Forward sales and forward sale swaps	**(783.0)**	(8.6)	(246.9)		(97.9)
Currency options – purchases of export tunnels	**(329.2)**		(100.3)	(228.9)	
Fair value hedges					
Forward purchases and forward purchase swaps	**199.8**	10.1	68.6	28.1	17.1
Forward sales and forward sale swaps	**(519.5)**	(11.5)	(119.0)	(45.4)	(92.9)
Not documented					
Forward purchases and forward purchase swaps	**710.0**		555.5	123.4	2.3
Forward sales and forward sale swaps	**(544.1)**	(25.7)	(290.8)	(123.3)	(20.8)
Currency options – purchases	**168.4**	8.8	121.2		12.8
Currency options – sales	**(10.4)**		(5.2)		(1.4)
Maturity					
Less than one year					
Forward purchases and forward purchase swaps	**1,728.3**	37.0	1,405.2	151.5	19.4
Forward sales and forward sale swaps	**(1,819.9)**	(45.8)	(656.7)	(168.7)	(208.5)
Currency options – purchases of export tunnels	**(280.6)**		(78.4)	(202.2)	
Currency options – purchases	**168.4**	8.8	121.2		12.8
Currency options – sales	**(10.4)**		(5.2)		(1.4)
More than one year					
Forward purchases and forward purchase swaps	**5.7**		5.6		
Forward sales and forward sale swaps	**(26.7)**				(3.1)
Currency options – purchases of export tunnels	**(48.6)**		(21.9)	(26.7)	
Currency options – purchases					
Currency options – sales					

Foreign exchange derivatives are recognised in the statement of financial position at their market value as of the end of the reporting period.

Derivatives qualifying as cash flow hedges are used to hedge highly probable future cash flows (not yet recognised) based on a budget for the current budget period (season or catalogue, quarter, half-year, etc.) or certain future cash flows not yet recognised (firm orders).

As of December 31, 2009, the majority of foreign exchange derivatives qualifying as cash flow hedges had a residual maturity of less than one year and are used to hedge cash flows expected to be realised and recorded in the accounts in the coming reporting period.

Derivatives qualifying as fair value hedges are used to hedge items recognised in the consolidated statement of financial position at the end of the reporting period, or certain future cash flows not yet recognised (firm orders). Hedges of items recognised in the statement of financial position chiefly concern Luxury brands.

Certain foreign exchange derivatives treated as hedges for management purposes are not documented in accordance with IAS 39 hedge accounting and are therefore recorded as derivatives, with any changes in their fair value impacting net finance costs.

These derivatives mainly hedge items recorded in the statement of financial position and future cash flows which do not satisfy the "highly probable" criteria required by IAS 39.

PPR also contracted forward currency hedges on behalf of Cfao as part of a service agreement signed at the time of Cfao's initial public offering. As of December 31, 2009, a total of €155.5 million remained outstanding under export hedges and €204.9 million under import hedges. Symmetrical hedges to these foreign currency instruments have been taken out with leading bank counterparties.

CHF	NOK	HKD	CNY	KRW	Other	2008
		4.3			6.3	**841.5**
(24.5)	(35.1)	(103.7)	(101.2)	(82.2)	(82.9)	**(929.2)**
						(385.1)
26.5		17.3	6.4	12.9	12.8	**629.9**
(129.5)		(31.2)	(14.9)	(38.3)	(36.8)	**(887.7)**
24.3		1.2			3.3	**332.1**
(18.9)	(38.9)	(0.2)			(25.5)	**(173.8)**
11.3	6.7	0.4			7.2	**210.7**
(1.6)		(0.4)			(1.8)	**(19.3)**
50.8		22.8	6.4	12.9	22.3	**1,773.2**
(171.0)	(72.7)	(135.0)	(107.8)	(113.5)	(140.2)	**(1,934.1)**
						(264.0)
11.3	6.7	0.4			7.2	**200.5**
(1.6)		(0.4)			(1.8)	**(19.3)**
					0.1	**30.3**
(1.9)	(1.3)	(0.1)	(8.3)	(7.0)	(5.0)	**(56.6)**
						(121.1)
						10.2

As of December 31, 2009, the exposure to foreign exchange risk on the statement of financial position is as follows:

(in € millions)	Dec. 31, 2009	EUR	USD	JPY	GBP
Money-market assets	**1,278.3**	16.3	304.0	120.5	145.3
Money-market liabilities	**1,204.6**	13.7	530.1	386.0	33.1
Gross exposure in the balance sheet	73.7	2.6	(226.1)	(265.5)	112.2
Forecast gross exposure	237.0	(16.5)	(513.4)	228.6	99.7
Gross exposure before hedging	**310.7**	**(13.9)**	**(739.5)**	**(36.9)**	**211.9**
Hedging instruments	(383.8)	8.1	664.2	(245.7)	(185.1)
Gross exposure after hedging	**(73.1)**	**(5.8)**	**(75.3)**	**(282.6)**	**26.8**

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.

Most of these monetary items are denominated in the functional currency in which the subsidiary operates or are converted into the Group's functional currency using foreign exchange derivatives 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 measurement of the balance sheet foreign exchange position not considered material at the end of the reporting period.

Based on market data at the end of the reporting period, the impact of foreign exchange derivative instruments in the event of a sudden 10% increase or decrease in the EUR exchange rate against the principal currencies to which the Group is exposed (USD and JPY) would be as follows:

As of December 31, 2009	Impact on reserves		Impact on income	
(in € millions)	10% increase	10% decrease	10% increase	10% decrease
USD	(39.7)	49.0	(3.9)	8.3
JPY	20.7	(24.9)	(0.2)	(0.1)

As of December 31, 2008	Impact on reserves		Impact on income	
(in € millions)	10% increase	10% decrease	10% increase	10% decrease
USD	(30.8)	37.7	(14.6)	20.8
JPY	29.6	(36.0)	(0.3)	0.2

All other market variables were assumed to remain unchanged for the purpose 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 arises from foreign exchange instruments not qualifying for cash flow hedge accounting and from the change in the ineffective portion of cash flow hedges.

These amounts are shown before tax.

CHF	NOK	HKD	CNY	KRW	Other	2008
180.2	7.5	56.7	8.5	49.4	389.9	**1,697.5**
90.0	10.7	55.0	0.0	0.2	85.8	**2,000.2**
90.2	(3.2)	1.7	8.5	49.2	304.1	(302.7)
29.0	41.0	99.3	101.2	82.1	86.0	233.7
119.2	**37.8**	**101.0**	**109.7**	**131.3**	**390.1**	**(69.0)**
(132.3)	(41.8)	(112.3)	(109.7)	(107.5)	(121.7)	(435.0)
(13.1)	**(4.0)**	**(11.3)**	0.0	**23.8**	**268.4**	**(504.0)**

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.

As of December 31, 2009, no equity risk hedging transaction had been recognised as a derivative instrument in accordance with IAS 39.

Bonds issued in May 2008 are indexed to the price of the PPR share. The redemption price of these bonds is indexed to changes in the price of the PPR share within the limit of a specified maximum and minimum price.

Based on market data at the end of the reporting period, a 10% increase in the PPR share price would have a positive full-year impact of €11.9 million on the Group's pre-tax consolidated income and would result in an €11.9 million decrease in the value of bond debt on the statement of financial position. Similarly, a 10% decrease in the PPR share price would have a negative full-year impact of €11.8 million on the Group's pre-tax consolidated income and would result in an €11.8 million increase in the value of bond debt on the statement of financial position.

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 indexed bonds issued in May 2008 are recognised at fair value through income. Changes in fair value recorded in income include changes in PPR's issuer spread. As of December 31, 2009, the value of indexed bond issues includes an adjustment of €4.5 million related to changes in PPR's issuer spread since the issuing date. Changes in the issuer spread were calculated based on prices for PPR credit default swaps (CDS) on references and maturities consistent with the indexed bonds issued. Based on market conditions at the end of the reporting period, a decrease of 10% in PPR's issuer spread would increase the market value of indexed bond issues by €1.5 million and increase the finance cost for the year by the same amount. Similarly, an increase of 10% in PPR's issuer spread would reduce the market value of indexed bond issues by €1.4 million and reduce the finance cost for the year by the same amount.

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, 2009, and in accordance with IAS 39, the market value of derivative financial instruments is recognised in assets under the headings "Non-current financial assets" and "Other current financial assets", and in 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 € millions)	2009	Interest rate risk	Foreign exchange risk	Other market risks	2008
Derivative assets	**75.8**	**56.3**	**19.5**		**175.8**
Non-current	55.4	55.4			**40.3**
At fair value through income	3.3	3.3			0.2
Cash flow hedges					
Fair value hedges	**52.1**	52.1			40.1
Current	**20.4**	0.9	19.5		**135.5**
At fair value through income	7.6	0.9	6.7		31.6
Cash flow hedges	12.8		12.8		65.8
Fair value hedges					38.1
Derivative liabilities	**56.2**	**15.8**	**40.4**		**69.3**
Non-current					
At fair value through income					
Cash flow hedges					
Fair value hedges					
Current	**56.2**	15.8	40.4		**69.3**
At fair value through income	19.2	15.5	3.7		12.8
Cash flow hedges	35.5	0.3	35.2		45.4
Fair value hedges	**1.5**		1.5		11.1
TOTAL	**19.6**	**40.5**	**(20.9)**		**106.5**

Derivatives qualifying for fair value hedge accounting mainly hedge debt issued in the form of bonds. They are presented in assets for an amount of €52.1 million as of December 31, 2009 and €56.4 million as of December 31, 2008.

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2009 are presented in Note 14.

30.6. Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by PPR within the scope of Group financial reporting procedures.

In order to guarantee its liquidity, the Group holds confirmed lines of credit totalling €6,517.5 million, including €5,944.4 million not yet drawn and available cash of €944.5 million as of December 31, 2009.

The table below shows contractual commitments relating to borrowings and trade payables. It includes accrued interest payable and excludes the impact of netting agreements. The table also includes Group commitments relating to derivative instruments recorded in assets or liabilities.

Forecast cash flows relating to interest payable are included in "Other borrowings" and calculated up to the contractual maturity of the borrowings to which they relate. Future floating-rate interest is set based on the last coupon for the current period, based on fixings applicable at the end of the reporting period for flows associated with subsequent maturities.

The future cash flows presented have not been discounted.

Based on data available at the end of the reporting period, the Group does not expect the cash flows indicated to materialise before the scheduled date or that the amounts concerned will differ significantly from those set out in the maturity schedule.

This analysis excludes non-derivative financial assets in the statement of financial position and in particular, the cash and cash equivalents and trade receivables (including customer loans) captions, which amounted to €944.5 million and €1,156.7 million, respectively, as of December 31, 2009.

(in € millions)	2009 Carrying amount	2009 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,147.8	(3,100.0)		(2,750.0)	(350.0)
Commercial paper	213.3	(213.5)	(213.5)		
Other borrowings	2,217.7	(3,071.3)	(1,085.7)	(1,741.4)	(244.2)
Trade payables	2,053.5	(2,053.5)	(2,053.5)		
Derivative financial instruments					
Interest rate hedges	(40.5)				
Interest rate swaps		69.5	20.6	48.9	
Other interest rate instruments		(19.8)	(14.2)	(5.6)	
Foreign exchange hedges	20.9				
Currency forwards and currency swaps					
Outflows		(3,261.3)	(3,246.7)	(14.6)	
Inflows		3,214.9	3,200.5	14.4	
Other foreign exchange instruments					
Outflows		(381.3)	(332.8)	(48.5)	
Inflows		398.7	350.0	48.7	
TOTAL	**7,612.7**	**(8,417.6)**	**(3,375.3)**	**(4,448.1)**	**(594.2)**

(in € millions)	2008 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	2,976.5	(2,976.5)	(2,976.5)		
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	**9,742.9**	**(10,408.8)**	**(5,920.8)**	**(4,274.0)**	**(214.0)**

NOTE 31 ACCOUNTING CLASSIFICATION AND MARKET VALUE OF FINANCIAL INSTRUMENTS

The basis of measurement for financial instruments and the market value of these instruments as of December 31, 2009 are presented below:

	2009		Breakdown by accounting classification					
(in € millions)	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	301.8	301.8		39.4	207		52.1	3.3
Current assets								
Trade receivables	941.8	941.8				941.8		
Customer loans	214.9	214.9				214.9		
Other current financial assets	27.9	27.9			7.5		12.8	7.6
Cash and cash equivalents	944.5	944.5	136.6			807.9		
Non-current liabilities								
Non-current borrowings	4,357.8	4,596.1	440.0			3,917.8		
Current liabilities								
Current borrowings	1,006.1	1,006.1				1,006.1		
Financing of customer loans	214.9	214.9				214.9		
Other current financial liabilities	56.5	56.5				0.3	37.0	19.2
Trade payables	2,053.5	2,053.5				2,053.5		

(in € millions)	2008		Breakdown by accounting classification					
	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	2,976.5	2,976.5				2,976.5		

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 market price as of December 31, 2009.

The following methods were adopted:

- Financial instruments other than derivatives recorded in assets

Carrying amounts are based on reasonable estimates of market value, with the exception of 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, 2009 for the listed securities. Non-current financial assets are described in Note 20.

- Financial instruments other than derivatives recorded in liabilities

The market value of listed bonds was determined on the basis of the last stock market price at the end of the reporting period.

The market value of other borrowings was calculated using other valuation techniques such as discounted cash flows, taking into account the Group's credit risk and interest rate conditions at the end of the reporting period, the PPR share price and volatility assumptions for indexed bond issues.

- Derivative financial instruments

The market value of financial instruments was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that factor in market conditions as of the end of the reporting period.

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognised in the statement of financial position at fair value through income at the end of the reporting period:

- **level 1**: financial instruments quoted on an active market;
- **level 2**: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;
- **level 3**: financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs (inputs whose value does not result from the price of observable market transactions for the same instrument or from observable market data available at the end of the reporting period) or inputs which are only partly observable.

The table below shows the fair value hierarchy by financial instrument category as of December 31, 2009:

	Fair value hierarchy			
(in € millions)	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	2009
Non-current assets				
Non-current financial assets	2.3	55.4		57.7
Current assets				
Trade receivables				
Customer loans				
Other current financial assets		20.4		20.4
Cash and cash equivalents	53.4	83.2		136.6
Non-current liabilities				
Non-current borrowings		440.0		440.0
Current liabilities				
Current borrowings				
Financing of customer loans				
Other current financial liabilities		56.2		56.2
Trade payables				

NOTE 32 NET DEBT

Group net debt breaks down as follows:

(in € millions)	2009	2008
Gross borrowings excluding the financing of customer loans	5,363.9	6,683.4
Fair value hedges (interest rate)	(52.1)	(56.4)
Cash and cash equivalents	(944.5)	(1,116.6)
Net debt	**4,367.3**	**5,510.4**

NOTE 33 STATEMENT OF CASH FLOWS

Cash and cash equivalents net of bank overdrafts amounted to €718.4 million as of December 31, 2009, reflecting total cash and cash equivalents presented in the statement of cash flows.

(in € millions)	2009	2008
Cash and cash equivalents as reported in the balance sheet	**944.5**	**1,116.6**
Bank overdrafts	(226.1)	(183.1)
Cash and cash equivalents as reported in the statement of cash flows	**718.4**	**933.5**

33.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

(in € millions)	2009	2008
Net income from continuing operations	**278.8**	**449.1**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	407.3	379.6
Expenses relating to share-based payment	14.3	10.0
Impairment losses on non-current operating assets	654.5	236.1
Gains/(losses) on asset disposals, net of tax	(499.3)	(13.0)
Income/(expenses) in respect of fair value movements	69.8	(7.1)
Deferred tax	65.5	(21.3)
Share in earnings (losses) of associates	(0.3)	2.2
Dividends received from associates	0.4	0.4
Other non-cash income and expenses	257.6	119.5
Cash flow from operating activities	**1,248.6**	**1,155.5**

33.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €338.9 million in 2009 (€508.0 million in 2008).

Purchases of property, plant and equipment under finance leases totalled €0.7 million in 2009 (€7.8 million in 2008).

33.3. Acquisitions and disposals of subsidiaries

(in € millions)	2009	2008
Acquisitions of subsidiaries, net of cash acquired	(62.2)	(59.9)
Proceeds from disposals of subsidiaries, net of cash transferred	866.0	1,199.4
TOTAL	**803.8**	**1,139.5**

In 2009, acquisitions of subsidiaries primarily concerned Dobotex International BV and Brandon AB (see Note 3.1.2). Sales of subsidiaries related mainly to the sale of the controlling interest in Cfao (see Note 3.1.1).

In 2008, acquisitions of subsidiaries mainly consisted of the interest acquired in Sowind Group (Girard-Perregaux). Disposals of subsidiaries mainly involved the sale of YSL Beauté and Conforama Poland.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 is shown on the line "Net cash from (used in) discontinued operations".

33.4. Increase/decrease in share capital and other transactions with owners

The revised IAS 27, applied by the Group as of January 1, 2009, retrospectively amends IAS 7 – *Statement of Cash Flows* (see Note 2.2.2). All cash flows resulting from changes in ownership interests held in a subsidiary that do not result from a loss of control must now be classified within "Net cash from (used in) financing activities".

In 2009, transactions with owners chiefly concern (i) the acquisition of additional shares in Gucci, bringing the Group's interest to 99.93% as of December 31, 2009; and (ii) Puma's acquisition of additional shares in its subsidiaries.

In 2008, transactions with owners mainly concerned (i) Puma's acquisition of 825,000 of its own shares for €181.4 million; and (ii) the acquisition of additional shares in Gucci and Puma.

33.5. Treasury share transactions

In 2009, the impact of acquisitions and disposals of treasury shares resulted from (see Note 25.1):

- the acquisition of 1,141,238 shares and the disposal of 1,141,238 shares held under the liquidity agreement for a net amount of €0.4 million;
- the acquisition of 64,675 shares allotted to employees as part of the 2007 bonus share plan maturing in May 2009, for €3.8 million;
- the acquisition of 10,325 shares intended for employees within the scope of the Group's bonus share plans, for €0.6 million.

In 2008, the impact of acquisitions and disposals of treasury shares resulted from:

- the acquisition of 1,552,810 shares cancelled further to a decision of the Board of Directors for €143.9 million;
- the net disposal of 586,500 shares under the liquidity agreement for €20.2 million;
- the acquisition of 18,690 shares allotted to employees under the 2006 bonus share plan maturing in May 2008, for €1.6 million;
- the acquisition of 80,000 shares for allotment to employees under the 2008 bonus share plan maturing in June 2010, for €6.4 million.

33.6. Debt issues and redemptions

(in € millions)	2009	2008
Bond issues	1,563.4	713.6
Bond redemptions	(1,322.8)	(1,321.2)
Increase/decrease in other borrowings	(1,688.5)	(608.4)
TOTAL	**(1,447.9)**	**(1,216.0)**

The debt issues primarily concern four bond issues carried out in 2009 for a total of €1,300 million, including €950 million maturing in 2014 and €350 million maturing in 2017 (see note 29.4).

Redemptions primarily relate to the remaining balance of the bonds issued in 2007 to finance part of the friendly takeover bid for Puma AG (€500 million), and to the €750 million bond issue carried out in July 2003 and maturing in January 2009.

NOTE 34 CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS NOT RECOGNISED AND OTHER CONTINGENCIES

34.1. Compulsory buy-out of Gucci shares

Following the delisting of Gucci Group NV shares from the New York Stock Exchange on June 14, 2004 and from Euronext Amsterdam on July 1, 2004, the Group launched a compulsory buy-out procedure for the ordinary Gucci shares that it did not already own, and at the same time purchased the shares tendered to the public offer. As of December 31, 2009, 0.07% of issued capital had not yet been voluntarily tendered to the offer.

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-03	
Sale of Guilbert Contract to Office Depot	Tax warranties covering periods not yet time barred. Arbitration proceedings in progress regarding the vendor's obligations to pay into the Guilbert UK pension fund.
Jun-03	
Sale of Pinault Bois & Matériaux to Wolseley	The warranty granted by Sapardis 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.
Dec-04	
Sale of Rexel	Tax warranties covering periods not yet time barred.
Jul-06	
Sale of Orcanta	Tax warranties covering periods not yet time barred.
Jun-08	
Sale of YSL Beauté	Standard vendor warranty 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.
Jun-09	
Sale of Surcouf	Standard vendor warranty expiring on December 10, 2010, with warranties covering tax-related or similar claims expiring on January 31, 2013.

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 previous notes.

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	Dec. 31, 2009	Dec. 31, 2008
Non-current borrowings (see note 29)		3,858.8	499.0	4,357.8	3,961.3
Operating lease agreements	583.0	1,366.0	754.9	2,703.9	3,031.0
Binding purchase commitments	61.4	32.2		93.6	277.1
Total commitments given	**644.4**	**5,257.0**	**1,253.9**	**7,155.3**	**7,269.4**
Total commitments received					

Operating leases

The amount of contractual obligations presented on the line "Operating leases" represents minimum future lease payments under operating lease agreements for the period, they cannot be cancelled by the lessee. These mainly include non-cancellable rental payments in respect of stores, logistic hubs and other buildings (head offices and administrative offices).

As of December 31, 2009, total minimum future lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €9.7 million (€3.1 million as of December 31, 2008).

The 2009 rental charge in respect of minimum lease payments amounted to €634.9 million (€605.8 million in 2008) and the charge for contingent payments was €185.7 million (€189.3 million in 2008), based on actual revenue.

Sub-lease revenue totalled €3.0 million in 2009 (€2.4 million in 2008).

Finance leases

The present value of future lease payments included in "Borrowings" and relating to capitalised assets meeting the definition of a finance lease set out in IAS 17 is as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Less than one year	14.4	13.5
One to five years	34.2	41.7
More than five years	75.0	84.6
	123.6	**139.8**
Finance costs included	(35.6)	(38.5)
Present value of minimum future lease payments	**88.0**	**101.3**

As of December 31, 2009, total minimum future lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €20.4 million.

34.3.2. Guarantees and other collateral

Guarantees and other collateral granted by the Group break down as follows:

(in € millions)	Pledge start date	Pledge expiry date	Amount of assets pledged at Dec. 31, 2009	Balance sheet total (carrying amount)	Corresponding %	Amount of assets pledged at Dec. 31, 2008
Intangible assets				10,122.7	0.0%	
Property, plant and equipment	2/23/2004	10/4/2016	232.9	1,861.5	12.5%	246.4
Non-current financial assets				301.8	0.0%	
Total non-current assets pledged as collateral			**232.9**	**12,286.0**	**1.9 %**	**246.4**

34.3.3. Individual training entitlement

Pursuant to French 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 accumulated 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 total unused cumulative training entitlement accrued by employees represented 2.1 million training hours as of December 31, 2009 (1.8 million hours as of December 31, 2008).

34.3.4. Other commitments

Other commitments break down as follows:

(in € millions)	Payments due by period			2009	2008
	Less than one year	One to five years	More than five years		
Confirmed lines of credit (see note 29)	557.1	5,960.4		6,517.5	6,694.8
Letters of credit	0.9	20.6		21.5	51.6
Other guarantees received	1.8	0.4	0.1	2.3	33.3
Total commitments received	**559.8**	**5,981.4**	**0.1**	**6,541.3**	**6,779.7**
Guarantees given to banks responsible for cash pooling arrangements	11.3			11.3	39.9
Rent guarantees, property guarantees	60.4	12.5	13.1	86.0	114.1
Sponsoring and advertising commitments	69.7	157.6	3.5	230.8	265.2
Other commitments	68.2	9.8	42.2	120.2	210.4
Total commitments given	**209.6**	**179.9**	**58.8**	**448.3**	**629.6**

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. Dependence on patents, licenses and supply contracts

The Group is not significantly dependent on any patents, licenses or supply contracts.

34.5. Litigation

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social welfare and customs authorities. Provisions 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, earnings or financial position that is not adequately covered by provisions recorded at the end of the reporting period.

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 or earnings of the Company or the Group.

NOTE 35 TRANSACTIONS WITH RELATED PARTIES

35.1. Related parties controlling the Group

PPR is controlled by Artémis, which in turn is wholly owned by Société Financière Pinault. As of December 31, 2009, the Artémis group held 40.8% of PPR's share capital and 55.4% of its voting rights.

The main transactions carried out between PPR's consolidated companies and Artémis in 2009 were as follows:

- payment of the 2008 dividend totalling €170.3 million (€178.1 million in 2007);
- recognition of fees totalling €6.1 million (€6.6 million in 2008) for (i) business development consulting services and complex transaction support, and (ii) the supply of development opportunities, new business and cost reduction solutions. The fees are governed by an agreement reviewed by the Audit Committee and approved 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 € millions)	Dec. 31, 2009	Dec. 31, 2008
Non-current loans and receivables due from non-consolidated investments		0.6
Trade receivables	1.5	11.1
Other current assets		
Other current liabilities	4.3	0.4
Sales of goods and services	7.6	46.6
Other operating income and expenses	(5.3)	

35.3. Management remuneration

The table below shows remuneration paid to members of the Board of Directors and the Group's Executive Committee:

(in € millions)	2009	2008
Short-term benefits	12.4	26.0
Post-employment benefits	1.8	1.8
Other long-term benefits		0.5
Termination indemnities	1.3	0.8
Share-based payment	7.1	4.5
TOTAL	22.6	33.6

Short-term benefits and termination benefits correspond to amounts paid during the year; post-employment benefits, other long-term benefits and share-based payment correspond to the amounts recognised as expenses.

A list of the members of the Board of Directors and Executive Committee is provided in the "Corporate Governance" section of the Reference Document.

NOTE 36 SUBSEQUENT EVENTS

No events with a material impact on the Group as a whole have occurred since December 31, 2009.

NOTE 37 LIST OF CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2009

The list of Group subsidiaries is as follows:

Consolidation by full consolidation: F
Consolidation by equity method: E

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
PPR			**Parent company**	
GUCCI				
GUCCI GROUP NV (Netherlands)	F	99.93	F	99.84
France				
BALENCIAGA SA	F	91.00	F	91.00
BOTTEGA VENETA France HOLDING SAS		Merged	F	100.00
BOTTEGA VENETA France SAS	F	100.00	F	100.00
BOUCHERON HOLDING SA	F	100.00	F	100.00
BOUCHERON PARFUM SAS	F	100.00		Creation
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 SAS	F	100.00	F	100.00
GG FRANCE 11 SAS	F	100.00	F	100.00
GG FRANCE 13 SAS	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
STELLA McCARTNEY FRANCE SAS	F	50.00	F	50.00
YSL BEAUTÉ CONSULTING SAS	F	100.00	F	100.00
YSL VENTES PRIVEES France SAS	F	100.00	F	100.00
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	F	100.00	F	100.00
TRADEMA DEUTSCHLAND GmbH	E	23.00	E	23.00
YVES SAINT LAURENT GERMANY GmbH	F	100.00	F	100.00
Austria				
GUCCI AUSTRIA GmbH	F	100.00	F	100.00
Belgium				
GUCCI BELGIUM SA	F	100.00	F	100.00
LA MERIDIANA FASHION SA	F	100.00	F	100.00
SERGIO ROSSI BELGIUM SPRL	F	100.00		Creation
YVES SAINT LAURENT BELGIUM SPRL	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 ESPANA SL (formerly SERGIO ROSSI SPAIN, SL)	F	100.00	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 UK 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
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	E	23.00
STELLA McCARTNEY Limited	F	50.00	F	50.00
YVES SAINT LAURENT UK LTD	F	100.00	F	100.00
Hungary				
GUCCI Hungary KFT	F	100.00	F	100.00
Ireland				
GUCCI IRELAND LIMITED	F	100.00	F	100.00
Italy				
B.V ITALIA Srl	F	100.00	F	100.00
B.V. Outlets Srl	F	100.00	F	100.00
B.V. SERVIZI Srl	F	100.00	F	100.00
BARUFFI Srl	F	100.00	F	100.00
BLU TONIC S.p.A. (formerly CONCERIA BLU TONIC SpA)	F	51.00	F	51.00
BOTTEGA VENETA Srl	F	100.00	F	100.00
CAPRI GROUP Srl	F	75.00	F	75.00
CARAVEL PELLI PREGIATE SpA	F	100.00	F	100.00
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

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
GGW ITALIA Srl	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
GUCCIO GUCCI SpA	F	100.00	F	100.00
GUCCI VENEZIA SpA		Merged	F	100.00
GT Srl	F	51.00		Creation
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	F	100.00
TIGER FLEX Srl	F	75.00	F	75.00
YVES SAINT LAURENT DEVELOPMENT Srl (formerly ANFIO SpA)	F	100.00	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
YVES SAINT LAURENT OF MONACO SAM	F	100.00	F	100.00
Netherlands				
BOTTEGA VENETA ASIAN TRADE BV	F	100.00	F	100.00
BOTTEGA VENETA BV		Liquidation	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 BV	F	100.00	F	100.00
GUCCI PARTICIPATION BV	F	100.00	F	100.00
OLIMA BV	F	100.00	F	100.00
Czech Republic				
LUXURY GOODS CZECH REPUBLIC SRO	F	100.00	F	100.00
Switzerland				
ATELIERS BAUTTE SA	E	23.00	E	23.00
BEDAT & Co SA		Disposal	F	100.00
BOUCHERON INTERNATIONAL SA	F	100.00	F	100.00
BOUCHERON SUISSE	F	100.00	F	100.00
GIRARD-PERREGAUX SA	E	23.00	E	23.00
JEANRICHARD SA	E	23.00	E	23.00
LUXURY GOODS INTERNATIONAL SA	F	100.00	F	100.00
LUXURY GOODS LOGISTIC SA	F	51.00	F	51.00
LUXURY GOODS OPERATIONS (L.G.O.) SA	F	51.00	F	51.00
LUXURY TIMEPIECES DESIGN SA	F	100.00	F	100.00
LUXURY TIMEPIECES INTERNATIONAL SA	F	100.00	F	100.00
SOWIND GROUP SA	E	23.00	E	23.00
SOWIND MANUFACTURES SA	E	23.00	E	23.00
SOWIND SERVICES SA	E	23.00	E	23.00
Sweden				
GUCCI SWEDEN AB	F	100.00	F	100.00
Brazil				
GUCCI BRAZIL IMPORTACAO E EXPORTACAO Ltda	F	100.00	F	100.00
Canada				
GUCCI BOUTIQUES, Inc.	F	100.00	F	100.00
GUCCI SHOPS OF CANADA Inc.	F	100.00		Creation
LUXURY TIMEPIECES (Canada) Inc.	F	100.00	F	100.00
United States				
BALENCIAGA AMERICA Inc.	F	91.00	F	91.00
BEDAT & Co USA LLC		Disposal	F	100.00
BOTTEGA VENETA Inc. Limited	F	100.00	F	100.00
BOUCHERON JOAILLERIE (USA) Inc.	F	100.00	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	E	23.00
YVES SAINT LAURENT AMERICA HOLDING Inc.	F	100.00	F	100.00
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	F	100.00	F	100.00
Australia				
GUCCI AUSTRALIA PTY Limited	F	100.00	F	100.00
New Zealand				
GUCCI NEW ZEALAND LTD	F	100.00	F	100.00
China				
BALENCIAGA FASHION SHANGAI CO., LTD	F	100.00		Creation
BOTTEGA VENETA HONG KONG LIMITED	F	100.00	F	100.00
BOTTEGA VENETA (CHINA) TRADING LTD	F	100.00	F	100.00
BOTTEGA VENETA MACAU LTD	F	100.00	F	100.00
GUCCI (CHINA) TRADING LTD	F	100.00	F	100.00
GUCCI GROUP (HONG KONG) LIMITED	F	100.00	F	100.00

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
GUCCI MACAU LIMITED	F	100.00	F	100.00
LUXURY TIMEPIECES (HONG KONG) LIMITED	F	100.00	F	100.00
LUXURY TIMEPIECES (HONG KONG) LIMITED SHANGAI REPRESENTATIVE OFFICE	F	100.00		Creation
Korea				
BOTTEGA VENETA KOREA LTD	F	100.00	F	100.00
GUCCI GROUP KOREA LTD	F	100.00	F	100.00
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	F	100.00
BOTTEGA VENETA JAPAN LIMITED	F	100.00	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
SOWIND JAPON KK	E	23.00	E	23.00
YUGEN KAISHA GUCCI	F	100.00	F	100.00
YVES SAINT LAURENT FASHION JAPAN LTD		Liquidation	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
Taiwan				
BOUCHERON TAIWAN CO LTD	F	89.40	F	89.40
GUCCI GROUP WATCHES TAIWAN LIMITED	F	100.00	F	100.00
Thailand				
GUCCI THAILAND CO LTD	F	100.00	F	100.00
CONFORAMA				
CONFORAMA	F	99.98	F	99.95
France				
COGEDEM		Merged	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
IHTM INTERNATIONAL	F	100.00		Creation
RABINEAU		Merged	F	100.00
SODICE EXPANSION	F	100.00	F	100.00
Croatia				
FLIBA DOO	F	100.00	F	100.00
Spain				
CONFORAMA ESPANA	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				
IHTM POLOGNE	F	100.00	F	100.00
Portugal				
CONFORAMA Portugal	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
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
BILLETEL		Merged	F	100.00
BILLETTERIE DISTRIBUTION		Merged	F	100.00
BILLETTERIE HOLDING	F	100.00	F	100.00
FNAC DIRECT	F	100.00	F	100.00
FNAC EVEIL ET JEUX	F	100.00	F	100.00
FNAC GLOBAL SERVICE	F	100.00		Creation
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	100.00
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		Merged	F	100.00
SURCOUF		Disposal	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	31.00	E	50.00

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
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 VALERIE	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		Merged	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	F	100.00	F	100.00
Belgium				
CYRILLUS BENELUX	F	100.00	F	100.00
MOVITEX BELGIQUE		Liquidation	F	100.00
REDOUTE CATALOGUE BENELUX	F	100.00	F	100.00
Denmark				
ELLOS AS	F	100.00	F	100.00
Spain				
REDCATS ESPANA	F	100.00	F	100.00
Estonia				
ELLOS EESTI OU	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	F	100.00	F	100.00
REDCATS UK 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
Norway				
ELLOS HOLDING AS	F	100.00	F	100.00
REDCATS AS	F	100.00	F	100.00
REDOUTE NORWAY AS	F	100.00	F	100.00
Netherlands				
REDCATS INT. HOLDING BV	F	100.00	F	100.00
Portugal				
REDCATS Portugal	F	100.00	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	F	100.00	F	100.00
REDOUTE SVERIGE AB	F	100.00	F	100.00
Switzerland				
CYRILLUS SUISSE SA	F	100.00	F	100.00
REDCATS SUISSE SA	F	100.00	F	100.00

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
Brazil				
REDCATS DO BRASIL	F	100.00	F	100.00
United States				
AVENUE GIFT CARDS, Inc.	F	100.00	F	100.00
AVENUE, Inc.	Liquidation		F	100.00
BNY SERVICE CORPORATION	F	100.00	F	100.00
CLOUDWALKER	Liquidation		F	100.00
GUIDE OUTDOOR.COM.INC	Liquidation		F	100.00
JESSICA LONDON Inc.	F	100.00	F	100.00
REDCATS USA DROP SHIP	F	100.00	F	100.00
REDCATS USA GIFT CARDS	F	100.00	F	100.00
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	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	F	100.00
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	E	41.99	F	99.94
France				
ALIOS FINANCE *	E	24.27	E	24.27
CIDER-ACDM *	E	35.00	F	99.68
CONTINENTAL PHARMACEUTIQUE *	F	72.68	F	72.68
COTAFI *	F	100.00	F	100.00
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
HOLDINTER *	F	100.00	F	100.00
HOLDINTER AND CIE *	F	100.00	F	100.00
PROMOTION DT *	E	35.00	F	99.68
PROPHARMED FRANCE *	E	35.00	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				
EURALAB *	F	99.66	F	99.66
PROPHARMED INTERNATIONAL *	E	35.00	F	99.63
French overseas departments and territories				
ALMAMETO (New Caledonia) *	E	50.00	F	50.00
ANTILLES PHARM (French Antilles) *	E	35.00	F	75.97
CMM (Réunion) *	F	98.02	F	98.02
CMM UD (Réunion) *	Disposal		E	45.00
EPDEP (French Antilles) *	F	72.68	F	72.68
INTERMOTORS (New Caledonia) *	F	99.80	F	99.80
LABOREX SAINT MARTIN (French Antilles) *	F	73.89	F	73.89
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
OCDP (New Caledonia) *	E	33.11	E	33.11
PRESTIGE MOTORS (New Caledonia) *	F	99.97	F	99.97
RP PHARM (Réunion) *	E	35.00	F	69.82
SEIGNEURIE OCEAN INDIEN (Réunion) *	E	49.00	E	49.00
SOCIETE PHARMACEUTIQUE DES CARAIBES (French Antilles) *	F	81.74	F	81.74
SOREDIP (Réunion) *	F	67.16	F	67.16
SPA (French Antilles) *	F	46.50	F	46.50
SPG (Guiana) *	F	55.61	F	55.61
TAHITI PHARM (French Polynesia) *	F	88.43	F	88.43
Algeria				
ALBM/CFAO TECHNO *	F	99.84	F	99.84
ASIAN HALL ALGERIE *	F	99.99	F	99.99
BAVARIA MOTORS ALGERIE *	F	100.00	F	100.00
DIAMAL *	F	60.00	F	60.00
PHARMA ALGERIE *	F	59.81	F	59.81

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
Angola				
PHARMA ANGOLA *	F	89.21	F	89.21
Benin				
CFAO MOTORS BENIN *	F	99.27	F	99.27
PROMOPHARMA *	F	52.78	F	52.78
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	86.88
SIFA *	F	58.71	F	58.71
Cameroon				
CAMI *	F	67.41	F	67.41
CEP *	E	24.19	E	24.19
CFAO TECHNOLOGIES CAMEROUN *	F	85.06	F	85.06
COMETAL *	E	50.00	E	50.00
ICRAFON *	F	52.01	F	52.01
LABOREX CAMEROUN *	F	64.68	F	64.68
SOCADA *	F	100.00	F	100.00
SPLV CAMEROUN *	F	99.99	F	99.99
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	73.57
Côte d'Ivoire				
CFAO COTE D' IVOIRE *	F	96.38	F	96.38
CFAO TECHNOLOGIES CI LTD *	F	96.38	F	96.38
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	100.00
Egypt				
SICEP *	E	30.77	E	30.77
Gabon				
CFAO MOTORS GABON *	F	96.87	F	96.87
CFAO TECHNOLOGIES GABON *	F	99.99	F	99.99
PHARMAGABON *	F	50.11	F	50.11
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	F	54.83
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 *	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	F	54.83
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
Malawi				
CFAO MALAWI LIMITED *	F	100.00	F	100.00
Mali				
CFAO MOTORS MALI *	F	90.00	F	90.00
CFAO TECHNOLOGIES MALI *	F	99.99	F	99.99
IMACY *	F	100.00	F	100.00
LABOREX MALI *	F	56.11	F	55.19
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 *		Merged	F	100.00
DIMAC *	F	100.00	F	100.00
FANTASIA *	F	84.19	F	84.19
MUSSY BOIS *	F	84.19	F	84.19
SUD PARTICIPATIONS *	F	84.20	F	84.20
Mauritania				
CFAO MOTORS MAURITANIE *	F	100.00	F	100.00
LABOREX MAURITANIE *	F	98.67	F	98.67

Companies	% interest Dec. 31, 2009	Dec. 31, 2008
Niger		
CFAO MOTORS NIGER *	F 99.85	F 99.85
LABOREX NIGER *	F 67.52	F 66.45
Nigeria		
ALLIANCE AUTO NIGERIA *	F 99.99	F 99.99
ASIAN HALL CICA NIGERIEA *	F 97.58	F 97.58
GROUPE CFAO NIGERIA *	F 100.00	F 100.00
Uganda		
LABOREX OUGANDA *	F 99.68	F 99.68
Democratic Republic of Congo		
CFAO MOTORS RDC *	F 100.00	F 100.00
Sao Tomé		
LUSITANA LDA *	F 100.00	F 100.00
Senegal		
CFAO SENEGAL *	F 84.95	F 84.95
CFAO TECHNOLOGIES SENEGAL *	F 100.00	F 100.00
LABOREX SENEGAL *	F 61.47	F 61.47
PM II *	F 99.96	F 99.96
Tanzania		
DT DOBIE TANZANIA *	F 100.00	F 100.00
LABOREX TANZANIE *	F 99.63	F 99.63
Chad		
CFAO MOTORS TCHAD *	F 97.71	F 97.71
LABOREX TCHAD *	F 60.22	F 60.22
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 69.36
France		
DOBOTEX FRANCE SAS	F 100.00	Acquistion
PUMA FRANCE SAS	F 100.00	F 100.00
PUMA SPEEDCAT SAS	F 100.00	F 100.00
Germany		
DOBOTEX DEUTSCHLAND GmbH	F 100.00	Acquistion
PERFORMANCE MERCHANDISE GmbH	F 100.00	Acquistion
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
DOBOTEX ÖSTERREICH GmbH	F 100.00	Acquistion
Bulgaria		
PUMA BULGARIA LTD	F 100.00	F 100.00
Cyprus		
PUMA CYPRUS LTD	F 100.00	F 100.00
Croatia		
PUMA SPORT HRVATSKA DOO	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		
BRANDON OY	F 100.00	Acquistion
PUMA FINLAND OY	F 100.00	F 100.00
TRETORN FINLAND OY	F 100.00	F 100.00
United Kingdom		
CHALAYAN LLP	Disposal	F 60.00
PERFORMANCE MERCHANDISE LTD	F 100.00	Acquistion
PUMA PREMIER LTD	F 100.00	F 100.00
PUMA UNITED KINGDOM LTD	F 100.00	F 100.00
Greece		
PUMA HELLAS SA	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
Italy		
DOBOTEX ITALIA Srl	F 100.00	Acquistion
PUMA ITALIA Srl	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		
BRANDON AS	F 100.00	Acquistion
PUMA NORWAY AS	F 100.00	F 100.00
Netherlands		
DOBO LOGIC BV	F 100.00	Acquistion
DOBO NEXTH BV	F 100.00	Acquistion
DOBOTEX BV	F 100.00	Acquistion
DOBOTEX INTERNATIONAL BV	F 100.00	Acquistion
PUMA BENELUX BV	F 100.00	F 100.00

Companies	% interest Dec. 31, 2009		% interest Dec. 31, 2008	
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 SRO	F	100.00	F	100.00
Romania				
PUMA SPORT ROMANIA Srl	F	100.00	F	100.00
Russia				
PUMA–RUS GmbH	F	100.00	F	100.00
Slovakia				
PUMA SLOVAKIA SRO	F	100.00	F	100.00
Slovenia				
PUMA LJUBLJANA, TRGOVINA, DOO	F	100.00	F	100.00
Sweden				
BRANDON AB	F	100.00	Acquistion	
BRANDON COMPANY AB	F	100.00	Acquistion	
BRANDON LIVE AB	F	51.20	Acquistion	
BRANDON LOGISTICS AB	F	100.00	Acquistion	
BRANDON STOCKHOLM AB	F	100.00	Acquistion	
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
2EXPRESSIONS MERCHANDISE SVENSKA AB	F	100.00	Acquistion	
Switzerland				
DOBOTEX SWITZERLAND GmbH	F	100.00	Acquistion	
MOUNT PUMA AG (SWITZERLAND)	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	100.00
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	F	100.00
United States				
PUMA NORTH AMERICA, Inc.	F	100.00	F	100.00
PUMA SUEDE HOLDING, Inc.	F	100.00	F	100.00
SC COMMUNICATION Inc.	F	100.00	Acquistion	
British Virgin Islands				
LIBERTY CHINA HOLDING LTD	F	100.00	F	100.00
Mexico				
PUMA MEXICO SPORT SA DE CV	F	100.00	F	100.00
SERVICIOS PROFESIONALES RDS SA DE CV	F	100.00	F	100.00
Peru				
DISTRUIBUIDORA DEPORTIVA PUMA SAC	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 AS	F	100.00	F	100.00
China				
DOBOTEX CHINA LTD	F	100.00	Acquistion	
PUMA CHINA LTD	F	100.00	F	100.00
Hong Kong				
BRANDON ASIA LTD	F	100.00	Acquistion	
DEVELOPMENT SERVICES LTD	F	100.00	F	100.00
DOBO CAT LTD	F	100.00	Acquistion	
DOBOTEX LTD	F	100.00	Acquistion	
PUMA ASIA PACIFIC LTD	F	100.00	F	100.00
PUMA HONG KONG LTD	F	100.00	F	100.00
UNIBRAND ASIA LTD	F	100.00	Acquistion	
WORLD CAT LTD	F	100.00	F	100.00
India				
PUMA SPORTS INDIA PVT LTD	F	100.00	F	100.00
WORLD CAT SOURCING INDIA LTD	F	100.00	F	100.00
Japan				
PUMA APPAREL JAPAN KK	F	100.00	F	100.00
PUMA JAPAN KK	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

Companies	% interest Dec. 31, 2009	Dec. 31, 2008
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	F 100.00
HOLDING COMPANIES AND OTHER		
France		
BUYCO	F 100.00	F 100.00
CAUMARTIN PARTICIPATIONS	F 100.00	F 100.00
CFP	F 100.00	F 100.00
CONSEIL ET ASSISTANCE	F 100.00	F 100.00
DISCODIS	F 100.00	F 100.00
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	Merged	F 100.00
Luxembourg		
PPR INTERNATIONAL	F 100.00	F 100.00
PRINTEMPS REASSURANCE	F 100.00	F 100.00
Netherlands		
SCHOLEFIELD GOODMAN BV	F 100.00	F 100.00
Switzerland		
PPR MARKETING SERVICES	F 100.00	F 100.00

* *Entities consolidated by Cfao and accounted for by PPR under the equity method based on a 41.99 % interest.*

Statutory Auditors' report

on the consolidated financial statements for the year ended December 31, 2009

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying consolidated financial statements of PPR;
- the justification of our assessments;
- the specific verification required by law.

These 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 about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2009 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matters set out in Note 2.2.1. "Standards, amendments and interpretations effective as of January 1, 2009", Note 2.2.2. "Early adoption of IFRS 3 (revised) – *Business Combinations* and IAS 27 (revised) – *Consolidated and Separate Financial Statements*" and Note 2.23 "Restatement of comparative information" to the consolidated financial statements, which describe the changes in accounting methods applied during the year as well as the resulting restatement of comparative information.

II. Justification of our assessments

The accounting estimates used to prepare the financial statements for the year ended December 31, 2009 have been applied in a context in which it is difficult to assess the economic outlook. These conditions are described in Note 2.3.2 "Use of estimates and judgement" to the consolidated financial statements.

It is in this context that, in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matters:

During the second half of the year, your Company systematically tests goodwill and assets with indefinite useful lives for impairment, and also assesses whether there is an indication of impairment of long-term assets, in accordance with the methods described in Note 2.7. and on the basis of the assumptions set out in Note 2.3.2. to the consolidated financial statements. We examined the methods used to implement these impairment tests as well as the cash flow projections and assumptions used.

Your Company sets aside provisions, as described in Note 2.16. to the consolidated financial statements. Our work mainly consisted in assessing the data and assumptions on the which estimates were made, verifying the calculations made by the Company using sampling techniques, and reviewing the approval procedures of these estimates by Management. On the basis of these procedures, we assessed the reasonableness of the estimates.

Note 2.17. to the consolidated financial statements sets out the methods used to measure long-term employee benefit obligations. These obligations were valued by external actuaries. Our work consisted in examining the data used, assessing the underlying assumptions and verifying that Note 26 to the consolidated financial statements provides the appropriate disclosures.

As indicated in the first part of this report, Notes 2.2.1. and 2.2.2. to the consolidated financial statements describe the changes in accounting methods applied during the year. In accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, the information presented in the consolidated financial statements was adjusted in order to reflect the retroactive application of standards. Consequently, the comparative information is different from that reported in the consolidated financial statements for the year ended December 31, 2008.

In the context of our assessment of the accounting principles followed by the Company, we examined the correct restatement of the financial statements for the year ended December 31, 2008 and the related disclosures in the notes to the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 16, 2010
The Statutory Auditors

KPMG Audit	Deloitte & Associés
Division of KPMG SA	
Patrick-Hubert Petit	Jean-Paul Picard

Parent company financial statements

BALANCE SHEET ASSETS AS OF DECEMBER 31, 2009 AND 2008

Assets *(in € millions)*	Notes	2009	2008
Non-current assets			
Investments in operating companies:			
Gucci Group NV		2,556.6	2,548.2
Redcats		1,406.0	1,232.5
Conforama Holding		617.7	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
Discodis		299.7	299.7
Other		123.9	130.9
Other long-term investments [1]		1.9	2.5
Provisions for impairment		(344.0)	(16.0)
	3	11,113.9	11,471.1
Intangible assets and property, plant and equipment		15.3	14.4
Depreciation, amortisation and impairment		(11.9)	(10.6)
	4	3.4	3.8
Non-current assets		**11,117.3**	**11,474.9**
Current assets			
Receivables [2] [3]	5	106.0	246.1
Marketable securities	6	62.7	61.0
Cash [3]	6	0.3	0.6
Current assets		**169.0**	**307.7**
TOTAL ASSETS		**11,286.3**	**11,782.6**
(1) o/w due within less than one year		*-*	*-*
(2) o/w due in more than one year		*26.0*	*25.6*
(3) o/w concerning associates		*15.2*	*136.4*

BALANCE SHEET SHAREHOLDERS' EQUITY AND LIABILITIES AS OF DECEMBER 31, 2009 AND 2008

Shareholders' equity and liabilities *(in € millions)*	Notes	2009	2008
Shareholders' equity			
Share capital		506.3	506.2
Additional paid-in capital		2,104.4	2,102.8
Reserves	7	1,589.2	1,588.9
Retained earnings		1,283.8	1,624.7
Net income for the year		717.6	76.5
Shareholders' equity		**6,201.3**	**5,899.1**
Provisions	**8**	**151.5**	**180.2**
Liabilities			
Bonds (1)	9.1	3,100.0	2,550.0
Other borrowings (1) (3)	9.1	1,710.3	2,955.6
Other liabilities (2) (3)	10	123.2	197.7
		4,933.5	5,703.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**11,286.3**	**11,782.6**
(1) o/w due in more than one year		*3,352.5*	*3,300.0*
(2) o/w due in more than one year		*1.0*	*1.0*
(3) o/w concerning associates		*1,351.5*	*1,388.6*

INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

(in € millions)	Notes	2009	2008
Operating income		53.1	61.5
Operating expenses		(53.7)	(78.8)
Net operating loss	**12**	**(0.6)**	**(17.3)**
Dividends		1,158.0	377.3
Other financial income and expenses		(215.6)	(299.2)
Net financial income	**13**	**942.4**	**78.1**
Recurring income before tax		**941.8**	**60.8**
Net non-recurring expense	14	(333.9)	(85.1)
Employee profit-sharing		(1.5)	(1.8)
Income tax	15	111.2	102.6
Net income for the year		**717.6**	**76.5**

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND DECEMBER 31, 2008

(in € millions)	2009	2008
Dividends received	1,158.0	377.3
Interest on borrowings	(181.2)	(176.7)
Income tax paid	162.3	75.9
Other	(34.9)	(120.7)
Change in cash resulting from operating activities	**1,104.2**	**155.8**
(Acquisitions)/disposals of operating assets	(1.0)	(1.2)
Change in long-term investments	5.8	(147.0)
Change in cash resulting from investing activities	**4.8**	**(148.2)**
Net change in borrowings	(691.9)	447.5
Share capital increases	1.7	1.5
Dividends paid by PPR	(417.3)	(433.8)
Change in cash resulting from financing activities	**(1,107.5)**	**15.2**
Change in cash and cash equivalents	**1.5**	**22.8**
Cash and cash equivalents at beginning of year	**61.6**	**38.8**
Cash and cash equivalents at end of year	**63.1**	**61.6**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions) *(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, 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)	-
Dividends 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 tax-driven 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**
Appropriation of 2008 net income				76.5	(76.5)	-
Dividends paid				(417.3)		(417.3)
Exercise of stock options	23,211	0.1	1.6			1.7
Changes in tax-driven provisions				0.2		0.2
2009 net income					717.6	717.6
As of December 31, 2009	**126,578,588**	**506.3**	**2,104.4**	**2,873.0**	**717.6**	**6,201.3**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. 2009 highlights

On January 23, 2009, the Company redeemed its July 2003 bond issue for €750 million.

The Company carried out a number of bond issues during the year for a total amount of €1,300 million. Of these issues, €950 million is redeemable in 2014 and €350 million in 2017.

The Company also redeemed confirmed credit lines totalling €1,400 million.

In December 2009, the Company received €447 million in interim dividends from Discodis, the parent company of Cfao, following the stock market listing of more than the majority of the shares held.

The financial statements for 2009 have been prepared taking into account the prevailing economic and financial crisis and based on the financial market inputs available at the end of the reporting period. The immediate impacts of the crisis are reflected in the measurement of assets. The value of assets is determined each year based on the long-term economic outlook and management's best estimate of future cash flows in a context of limited visibility.

2. Accounting policies and methods

The annual financial statements are prepared in accordance with the provisions of CRC (*Comité de la réglementation comptable* – French accounting standard setter) Regulation No. 99.03 of April 29, 1999 on the revision of the 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.

2.1. Long-term investments

Investments

Securities classified as "Investments" are those considered necessary for the Company's activities, particularly because they provide the Company with influence over, or control of, the issuer.

Pursuant to Notice No. 2007-C issued by the CNC's Emerging Issues Taskforce on June 15, 2007, the Company has elected to recognise acquisition fees as part of the cost of investments.

As of the end of the reporting period, the gross amount of equity investments is compared to their value in use to the Company, determined with reference to the subsidiary's estimated economic value and taking into consideration the purpose of the original transaction. Value in use is determined using a multi-criteria approach based on future cash flow projections, the revised asset amount, and the share of consolidated or revalued shareholders' equity. Other methods are used where necessary.

An impairment loss is recorded when value in use falls below the gross carrying amount.

Other long-term investments

Other long-term investments include other investments and certain treasury shares.

Other investments (excluding treasury shares)

Other investments are investments that the Company plans or is required to hold on a long-term basis, but which are not deemed necessary for the Company's activities.

The gross amount of such investments is equal to the acquisition cost plus any related acquisition fees.

An impairment loss is recognised based on the value in use of these securities to the Company.

Treasury shares

Treasury shares acquired under a liquidity agreement are recorded under "Other long-term investments". These shares are written down where necessary to reflect the average share price over the last 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". These shares are not written down to reflect 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 and free share plans are recorded under "Marketable securities". No impairment is recognised on treasury shares to reflect the share price.

Other shares

Shares are recorded at their acquisition cost. An impairment loss is recognised when their closing price falls below their carrying amount.

Bonds

Bonds are recorded on the acquisition date at their par value adjusted by the premium or discount. Accrued interest as of the acquisition date and as of the end of the reporting period is recorded in an accrued interest account.

As of the end of the reporting period, the cost of the bonds is compared to the market value of the principal over the last month of the year, excluding accrued interest. An impairment loss is recorded when this market value is below the gross carrying amount.

Mutual funds (Sicav)

Shares in mutual funds are recorded at their acquisition cost excluding subscription fees, and their net asset value is estimated as of the end of the reporting period. A provision for impairment is recorded in respect of any unrealised capital losses. No unrealised capital gains are recognised.

Negotiable certificates of deposit, certificates of deposit and notes issued by financing companies

These negotiable debt instruments are subscribed on the primary market or purchased on the secondary market. They are recorded at acquisition cost less accrued interest as of the acquisition date when purchased on the secondary market.

Prepaid interest is recognised as financial 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 transactions 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 recognised.

2.4. Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their euro-equivalent value on the transaction date. Borrowings, receivables and liquidity positions denominated in foreign currencies are translated at the closing exchange rate. In the case of foreign currency hedging, borrowings and receivables are translated at the hedging rate.

Any translation differences stemming from the valuation of foreign currency borrowings and receivables are recorded in accrual accounts, as an asset for unrealised losses and as a liability for unrealised gains. A contingency provision is recorded to cover any unhedged unrealised losses. Where 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 as of 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 is recognised over the term of the bond, in accordance with the benchmark accounting treatment.

In the case of an indexed bond issue, a contingency provision must be recorded in respect of redemption when the estimated amount

required to redeem the bonds as of the end of the reporting period exceeds the amount of the issue. This provision is calculated on a proportional basis over the term of the bond.

2.6. Provisions

Provisions are recognised in accordance with CNC (*Conseil National de la Comptabilité* – French Accounting Standards Council) Regulation No. 2000.06 and include pension and other employee benefit obligations pursuant to recommendation 2003.R.01 of July 22, 2004.

Obligations under defined benefit plans 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 benefit obligations are assessed by independent actuaries on an annual basis for the biggest 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.

PPR applies the notice relating to Regulation No. 2008-15 of December 4, 2008 on the accounting treatment of share subscription and purchase option plans and employee free share plans.

2.7. Tax consolidation

PPR has set up 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 generated 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)	As of Dec. 31, 2008	Increase	Decrease	Reclassification	As of Dec. 31, 2009
Gross carrying amount					
Investments in operating companies:	**4,033.1**	**181.9**		**365.3**	**4,580.3**
Gucci Group NV	2,548.2	8.4			2,556.6
Redcats	1,232.5	173.5 (2)			1,406.0
Conforama Holding	252.4			365.3 (4)	617.7
Investments in intermediary holding companies:	**7,451.5**	**26.8**	**(237.9)**	**(364.7)**	**6,875.7**
Financière Marothi	4,648.1				4,648.1
Sapardis	1,804.0				1,804.0
Saprodis	568.8		(203.5) (3)	(365.3) (4)	
Discodis	299.7				299.7
Caumartin Participations	82.4				82.4
PPR Luxembourg	14.4				14.4
Printemps Réassurance	10.2				10.2
Club de développement	9.1	19.2 (2)	(28.3)		
Conseil et Assistance		7.1 (2)		0.6	7.7
Other	14.8	0.5	(6.1)		9.2
Other long-term investments	**2.5**	**78.9**	**(78.9)**	**(0.6)**	**1.9**
Treasury shares (liquidity agreement) (1)		78.9	(78.9)		
Other investments	0.8			(0.6)	0.2
Loans	0.6				0.6
Deposits and guarantees	1.1				1.1
Gross carrying amount	**11,487.1**	**287.6**	**(316.8)**	**0.0**	**11,457.9**
Impairment losses					
Investments in operating companies:		**(332.0)**			**(332.0)**
Redcats		(332.0)			(332.0)
Investments in intermediary holding companies:	**(15.3)**	**(4.9)**	**8.9**	**(0.6)**	**(11.9)**
PPR Luxembourg	(3.9)		0.3		(3.6)
Club de développement	(8.6)		8.6		
Conseil et Assistance		(4.6)		(0.6)	(5.2)
Other	(2.8)	(0.3)			(3.1)
Other long-term investments	**(0.7)**			**0.6**	**(0.1)**
Other investments	(0.7)			0.6	(0.1)
Impairment losses	**(16.0)**	**(336.9)**	**8.9**	**0.0**	**(344.0)**
NET CARRYING AMOUNT	**11,471.1**				**11,113.9**

(1) The amount corresponding to treasury shares is unavailable and recognised in tax-driven reserves.
(2) Capital increase.
(3) Capital decrease.
(4) Merger of Saprodis into Conforama Holding on December 28, 2009.

Treasury share transactions

In 2009, the Company made a net acquisition of 10,325 treasury shares, resulting from the following transactions:

- the acquisition of 1,141,238 shares under the liquidity agreement;
- the sale of 1,141,238 shares under the liquidity agreement;
- the acquisition of 75,000 shares, including 64,675 shares allotted to employees as part of the 2007 free share plan maturing in May 2009.

As a result of the various share subscription options exercised in 2009, share capital rose by 23,211 shares, bringing PPR's total share capital to 126,578,588 shares as of December 31, 2009.

The Company did not buy any call options on its own shares during the year. The call options which expired in 2009 were not exercised.

As of December 31, 2009, the Company held 1,040,055 PPR share purchase options, primarily intended to cover share subscription and purchase option plans.

On May 26, 2004, PPR signed an agreement with a financial broker in order to ensure the liquidity of the Company's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the *Association Française des Entreprises d'Investissement* (French Association of Investment Firms – AFEI).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in PPR shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

As of December 31, 2009, PPR did not hold any treasury shares in connection with the liquidity agreement. Outside the scope of the liquidity agreement, PPR holds 90,325 shares intended for employees under the 2008 free share plan maturing in 2010. As of December 31, 2008, 80,000 treasury shares were held outside the scope of the liquidity agreement.

4. Intangible assets and property, plant and equipment

Movements in intangible assets and property, plant and equipment break down as follows:

(in € millions)	Land and buildings	Plant and equipment	Other	Total
Gross carrying amount				
December 31, 2008	2.6	0.2	11.6	14.4
Acquisitions			1.1	1.1
Disposals			(0.2)	(0.2)
December 31, 2009	**2.6**	**0.2**	**12.5**	**15.3**
Depreciation, amortisation and provisions				
December 31, 2008	(1.5)	(0.2)	(8.9)	(10.6)
Additions	(0.2)		(1.3)	(1.5)
Reversals on disposals			0.2	0.2
December 31, 2009	**(1.7)**	**(0.2)**	**(10.0)**	**(11.9)**
Net carrying amount				
December 31, 2008	1.1		2.7	3.8
December 31, 2009	**0.9**		**2.5**	**3.4**

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)	Dec. 31, 2009	Dec. 31, 2008
Tax consolidation current accounts	9.8	126.9
Swap suspense account	31.9	42.5
Receivable in respect of the sale of France Printemps	26.0	25.6
Group customers	5.2	9.5
Bond issue premiums	3.1	8.3
Other	8.6	9.4
Prepaid expenses	21.4	23.9
TOTAL	**106.0**	**246.1**
o/w concerning associates	15.1	136.4

Prepaid expenses mainly relate to call purchase premiums totalling €16.8 million (€17.0 million as of December 31, 2008).

6. Marketable securities and cash

These line items break down as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Treasury shares pending employee grants	7.0	6.4
Listed securities	59.2	58.3
Impairment of listed securities	(3.5)	(3.7)
Marketable securities	**62.7**	**61.0**
Bank deposits and fund transfers	0.2	0.6
Cash current accounts	0.1	-
Cash	**0.3**	**0.6**
CASH AND CASH EQUIVALENTS	**63.0**	**61.6**
o/w concerning associates	0.1	-

Listed securities are mainly comprised of mutual funds (Sicav) for €53.4 million (€52.5 million as of December 31, 2008).

7. Reserves

The Company's reserves before the appropriation of net income break down as follows:

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
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	-	-
Tax-driven provisions	3.9	3.6
TOTAL	**1,589.2**	**1,588.9**

8. Provisions

(in € millions)	Dec. 31, 2008	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Dec. 31, 2009
Disputes	134.0	51.0	2.0	71.1	111.9
Subsidiary risks	3.0		0.2	2.8	
Pension and other employee benefit obligations	25.3	3.0	7.5	10.0	10.8
Call purchase premiums	7.9	4.1		0.2	11.8
Bond redemption risk	10.0	4.0			14.0
Other contingencies		3.0			3.0
TOTAL	**180.2**	**65.1**	**9.7**	**84.1**	**151.5**
o/w:					
operating items		0.1	7.5	9.5	
financial items		11.0		0.7	
non-recurring items		54.0	2.2	73.9	

The main actuarial assumptions used to determine pension and other employee benefit obligations are:

- discount rate: 5.00% (5.50% in 2008);
- expected return on plan assets: 4.75% (as in 2008);
- salary increase rate: 3.00% (as in 2008).

9. Borrowings

Bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2009	Dec. 31, 2008
Bond issue [1]	5.00% fixed	07/23/2003	Euribor 3-month floating rate swap for €500 million	01/23/2009		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	200.0
Bond issue [5]	6.536% fixed	05/16/2008	-	05/16/2013	200.0	200.0
Bond issue [6]	8.625% fixed	04/03/2009	-	04/03/2014	800.0	
Bond issue [7]	7.75% fixed	06/03/2009	Euribor 6-month floating rate swap for €150 million	06/03/2014	150.0	
Bond issue [8]	6.50% fixed	06/29/2009	-	06/29/2017	150.0	
Bond issue [9]	6.50% fixed	11/06/2009	-	11/06/2017	200.0	

(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 changes in the PPR share price, 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 to changes in the PPR share price, and represents a maximum amount of €236.9 million and a minimum amount of €136.9 million, maturing on November 16, 2012.
As of December 31, 2009, a contingency provision was recorded in respect of a possible redemption expense. The provision was determined based on the difference between the redemption amount estimated as of the end of the reporting period and the par value of the issue.

(5) Issue price: bond issue indexed to changes in the PPR share price, 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 to changes in the PPR share price, and represents a maximum amount of €238.2 million and a minimum amount of €138.2 million, maturing on May 16, 2013.
As of December 31, 2009, a contingency provision was recorded in respect of a possible redemption expense. The provision was determined based on the difference between the redemption amount estimated as of the end of the reporting period and the par value of the issue.

(6) Issue price: bond issue, comprised of 800,000 bonds with a par value of €1,000 each under the EMTN programme, with 600,000 bonds issued on April 3, 2009 and 200,000 additional bonds issued on May 13, 2009, thereby raising the issue to 800,000 bonds.
Redemption: in full on April 3, 2014.

(7) Issue price: bond issue on June 3, 2009, comprised of 150,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on June 3, 2014.

(8) Issue price: bond issue on June 29, 2009, comprised of 3,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on June 29, 2017.

(9) Issue price: bond issue on November 6, 2009, comprised of 4,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on November 6, 2017.

All bonds issued in 2009 within the scope of the EMTN programme are subject to change-of-control and "step-up coupon" clauses in the event PPR's rating is downgraded to non-investment grade.

9.1. Breakdown by type of liability

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Bonds	**3,100.0**	**2,550.0**
Interest on bond issues	135.8	105.7
Long- and medium-term borrowings	152.5	-
Interest on long- and medium-term borrowings	0.1	-
Confirmed credit lines	100.0	1,500.0
Interest on confirmed credit lines	-	6.8
Current bank loans	2.3	0.1
Cash current accounts	1,318.4	1,339.9
Interest on cash current accounts	1.2	3.1
Other liabilities	**1,710.3**	**2,955.6**
TOTAL	**4,810.3**	**5,505.6**
o/w concerning associates	1,319.6	1,343.0

As of December 31, 2009 and 2008, no liabilities were secured by collateral.

9.2. Breakdown by maturity

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Less than one year	1,457.8	2,205.6
One to five years	3,002.5	3,300.0
More than five years	350.0	-
TOTAL	**4,810.3**	**5,505.6**

9.3. Net debt

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Borrowings	4,810.3	5,505.6
Marketable securities	(62.7)	(61.0)
Cash	(0.3)	(0.6)
NET DEBT	**4,747.3**	**5,444.0**

9.4. Information on interest rates

	Dec. 31, 2009	Dec. 31, 2008
Average interest rate over the year	3.50%	5.00%
% average debt at fixed rates	36%	24%
% average debt at floating rates	64%	76%

10. Other liabilities

(in € millions)	Dec. 31, 2009	Dec. 31, 2008
Tax consolidation current accounts	23.7	30.7
Tax losses owed to subsidiaries (tax consolidation)	68.5	128.9
Tax and employee-related liabilities	11.6	10.0
Other	19.4	28.1
TOTAL	**123.2**	**197.7**
o/w concerning associates	31.9	45.6

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:

	Dec. 31, 2009	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5	Dec. 31, 2008
Purchase of PPR call options								
Number of shares	1,040,055	391,950	648,105					1,308,193
PPR maximum commitment *(in € millions)*	156.1	44.4	111.7					206.0

As of December 31, 2009, these call option commitments broke down into 1,040,055 call options, including 340,055 options set up in September 2004, 350,000 options set up in June 2006 and 350,000 options purchased in June 2007 for allocation to employee share purchase option plans.

As of the end of the reporting period, share options had a market value of €0.9 million based on PPR share price trends.

11.2. Interest rate hedging instruments

(in € millions)	Dec. 31, 2009	Y+1	Y+2	Y+3	Y+4	Y+5	> Y+5	Dec. 31, 2008
Swaps: fixed-rate lender	800.0		650.0			150.0		1,150.0
Other interest rate instruments [(1)]	152.5					152.5		

(1) o/w floating-for-floating rate swaps.

As part of the Group's policy of hedging interest rate risk, PPR set up interest rate swaps in connection with the following fixed-rate bond issues:

- bond issue maturing in March 2011, of which €650 million was swapped against 3-month Euribor;
- bond issue maturing in June 2014, which was swapped in full against 6-month Euribor for €150 million.

PPR also entered into floating-for-floating rate swaps on a nominal amount of €152.5 million maturing in June 2014.

All other transactions designed to hedge interest rate risk were set up by PPR Finance.

11.3. Share subscription and purchase option plans and free share plans.

The nature and main characteristics of the plans are indicated in the following tables:

Share option and free share plans	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	01/20/1999	05/21/1999	12/08/1999	01/26/2000	05/23/2000
Expiry date	03/31/2009	06/30/2009	12/26/2009	02/28/2010	06/30/2010
Number of beneficiaries	36	44	560	26	125
Number initially granted	27,495	25,455	412,350	12,100	93,100
Number outstanding at as of 01/01/2009	5,350	5,620	156,950	2,300	23,500
Number forfeited in 2009		850	16,350		1,400
Number exercised in 2009					
Number expired in 2009	5,350	4,770	140,600		
Number outstanding as of 12/31/2009				2,300	22,100
Number exercisable as of 12/31/2009				2,300	22,100
Strike price *(in €)*	154.58	144.83	189.19	227.15	202.91

Share option and free share plans	2001/1 Plan Purchase options	2001/2 Plan Purchase options	2002/1 Plan Subscription options	2002/2 Plan Subscription options
Grant date	01/17/2001	05/18/2001	05/03/2002	05/03/2002
Expiry date	01/31/2011	05/31/2011	05/02/2012	05/02/2012
Number of beneficiaries	722	206	1,074	1,053
Number initially granted	340,240	87,260	438,296	410,271
Number outstanding as of 01/01/2009	147,460	37,540	199,701	197,406
Number forfeited in 2009	16,630	18,070	25,025	25,025
Number exercised in 2009				
Number expired in 2009				
Number outstanding as of 12/31/2009	130,830	19,470	174,676	172,381
Number exercisable as of 12/31/2009	130,830	19,470	174,676	172,381
Strike price *(in €)*	225.01	225.01	128.10	140.50

Share option and free 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
Grant date	07/09/2003	07/09/2003	05/25/2004	07/07/2004	01/03/2005	05/19/2005
Expiry date	07/08/2013	07/08/2013	05/24/2014	07/06/2014	01/02/2015	05/18/2015
Vesting of rights	(a)	(a)	(a)	(a)	(a)	(b)
Number of beneficiaries	721	18	846	1	13	458
Number initially granted	528,690	5,430	540,970	25,000	25,530	333,750
Number outstanding at 01/01/2009	194,839	1,250	393,496	25,000	25,468	279,905
Number forfeited in 2009	24,721		123,742		400	16,517
Number exercised in 2009	6,050	250			10,000	6,911
Number of shares issued						
Number expired in 2009						
Number outstanding as of 12/31/2009	164,068	1,000	269,754	25,000	15,068	256,477
Number exercisable as of 12/31/2009	164,068	1,000	269,754	25,000	15,068	256,477
Strike price *(in €)*	66.00	67.50	85.57	84.17	75.29	78.01

Share option and free share plans	2005/3 Plan Subscription options	2005/4 Plan Subscription options	2006/1 Plan Purchase options	2007/1 Plan Purchase options	2007/2 Plan Purchase options	2007 Plan Free shares
Grant date	05/19/2005	07/06/2005	05/23/2006	05/14/2007	09/17/2007	05/14/2007
Expiry date	05/18/2015	07/05/2015	05/22/2014	05/13/2015	09/16/2015	N/A
Vesting of rights	(b)	(b)	(b)	(b)	(b)	(c)
Number of beneficiaries	22	15	450	248	14	304
Number initially granted	39,960	20,520	403,417	355,500	51,300	78,234
Number outstanding as of 01/01/2009	35,480	13,810	347,425	327,350	47,600	74,504
Number forfeited in 2009			27,685	25,020		9,829
Number exercised in 2009						
Number of shares issued						64,675
Number expired in 2009						
Number outstanding as of 12/31/2009	35,480	13,810	319,740	302,330	47,600	
Number exercisable as of 12/31/2009	35,480	13,810				
Strike price *(in €)*	78.97	85.05	101.83	127.58	127.58	N/A

Stock option and free share plans	2008/1 Plan Free shares	2008/2 Plan Free shares	2008/3 Plan Free shares	2009/1 Plan Free shares	2009/2 Plan Free shares
Grant date	06/09/2008	10/22/2008	10/22/2008	05/07/2009	05/07/2009
Expiry date	N/A	N/A	N/A	N/A	N/A
Vesting of rights	(c)	(c)	(d)	(c)	(d)
Number of beneficiaries	269	46	194	302	161
Number initially granted	86,530	49,210	53,755	130,843	46,505
Number outstanding as of 01/01/2009	85,870	47,210	53,755		
Number forfeited in 2009	3,400	2,160	1,260	9,315	2,435
Number exercised in 2009					
Number of shares issued					
Number expired in 2009					
Number outstanding as of 12/31/2009	82,470	45,050	52,495	121,528	44,070
Number exercisable as of 12/31/2009					
Strike price *(in €)*	N/A	N/A	N/A	N/A	N/A

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

(a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest 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 (when rights vest in full) and resignation (when 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 (when all rights are lost). The total number of shares granted is subject to stock market performance conditions. The vesting period is followed by a two-year non-transferability period.

(d) Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The total number of shares granted is subject to stock market performance conditions. These shares are not subject to a non-transferability period.

11.4. Other off-balance sheet commitments

(in € millions)		Dec. 31, 2009	Dec. 31, 2008
Endorsements and guarantees in favour of:			
associates		-	-
third parties outside the Group		0.9	1.0
Endorsements and guarantees		**0.9**	**1.0**
Collateral:	**in favour of subsidiaries**	**-**	**-**
	in favour of third parties	**-**	**-**

12. Net operating loss

Net operating loss breaks down as follows:

(in € millions)	2009	2008
Group management fees	39.6	42.4
Property rental income	7.5	7.3
Payroll expenses	(26.7)	(22.5)
External purchases and expenses, taxes	(39.3)	(46.4)
Depreciation, amortisation and provisions	15.4	(0.9)
Other income and expenses	2.9	2.8
TOTAL	**(0.6)**	**(17.3)**

13. Net financial income

Net financial income breaks down as follows:

(in € millions)	2009	2008
Net interest expense	**(215.6)**	**(299.2)**
Expenses and interest on non-group debt	(200.5)	(228.4)
Interest on group current accounts	(15.1)	(70.8)
Income and expenses on long-term investments	**1,158.0**	**377.3**
Dividends	1,158.0	377.3
TOTAL	**942.4**	**78.1**
o/w concerning associates		
Interest on inter-company current accounts	(15.1)	(70.8)
Dividends	1,158.0	377.3

14. Net non-recurring expense

Net non-recurring expense breaks down as follows:

(in € millions)	2009	2008
Net proceeds from the sale of securities, impairment losses and related transactions	(342.1)	(44.5)
Cost of disputes, litigation and restructuring	13.5	(34.1)
Other non-recurring income/ (expenses)	(5.3)	(6.5)
TOTAL	**(333.9)**	**(85.1)**

In 2009, net proceeds from the sale of securities, impairment losses and related transactions chiefly concern impairment losses taken on Redcats shares. In 2008, this caption related mainly to proceeds from the sale of PPR shares within the scope of the liquidity agreement.

15. Income tax

This line item breaks down as follows:

(in € millions)	2009	2008
Tax consolidation benefit	50.6	184.3
Tax losses owed to subsidiaries (tax consolidation)	60.4	(83.0)
Other	0.2	1.3
TOTAL	**111.2**	**102.6**

Under a tax consolidation agreement that came into effect on January 1, 1988, PPR pays the tax due by members of the tax consolidation group and fulfils all relevant tax obligations.

The tax consolidation group comprised 99 companies in 2008 and 2009.

If no tax consolidation arrangement had existed, the Company would not have paid any income tax.

16. Other information

16.1. Average number of employees

The Company had an average of 110 employees in 2009 compared to 111 in 2008.

As of December 31, 2009, the number of unused training hours vested by employees under the individual training entitlement ("DIF") was 7,925 (7,253 as of December 31, 2008).

16.2. Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

	KPMG Audit		Deloitte & Associés	
(in € thousands)	2009	2008	2009	2008
Statutory audit, certification, review of parent company and consolidated financial statements	292	283	323	314
Other audit-related services	69	19	72	127
Other services provided	-	-	-	-
TOTAL	**361**	**302**	**395**	**441**

16.3. Consolidating company

PPR is controlled by Artémis, which holds 40.78% of its share capital.

Artémis is wholly owned by Financière Pinault.

17. Subsequent events

No material events occurred after the end of the reporting period.

SUBSIDIARIES AND INVESTMENTS AS OF DECEMBER 31, 2009

(in € thousands)		Share capital	Shareholders' equity excl. share capital and net income	% of capital held
I – Detailed information				
A – Subsidiaries (more than 50%-owned and representing over 1% of share capital)				
Caumartin Participations	France	6,132	364,584	99.98
Conforama Holding	France	133,906	836,297	88.05
Conseil et Assistance	France	2,010	2,643	90.00
Discodis	France	153,567	(323,769)	99.99
Financière Marothi	France	2,351,188	1,951,546	99.99
Redcats	France	234,781	463,006	99.99
Sapardis	France	1,799,936	(147,116)	100.00
Printemps Réassurance	Luxembourg	9,945	0	100.00
PPR Luxembourg	Luxembourg	15,500	(5,016)	100.00
B – Investments (less than 50%-owned and representing over 1% of share capital)				
Gucci Group NV	Netherlands	108,246	2,792,833	33.40
II - SUMMARY INFORMATION				
A - Subsidiaries not listed in I				
French subsidiaries				
Non-French subsidiaries				
B – Investments not listed in I				
French associates				
Non-French associates				

(1) including €447,903 in interim dividends.

Financial information							
Carrying amount of shares							
Gross	Net	Outstanding loans granted by the Company	Endorsements and guarantees given by the Company	Last published revenue excl. VAT	Last published net income (loss)	Dividends received by the Company during the year	Observations
82,359	82,359				(12,753)		
617,694	617,694			11,520	(196,286)	105,153	
7,724	2,521				(1,851)		
299,735	299,735				908,100	543,882 [1]	
4,648,062	4,648,062				508		
1,405,994	1,073,994			17,076	(14,782)		
1,804,000	1,804,000				(2,652)		
10,188	10,188						
14,416	10,822				338		Financial statements as of Dec. 31, 2008
2,556,625	2,556,625			40,744	443,271	502,108	
6,510	5,321					4,829	
1,968	0						
7	0						
754	754					1,981	
11,456,036	**11,112,075**						

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 revenue 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 17, 2010 to discuss the financial statements for the year and the appropriation of net income.

Financial activity

On January 23, 2009 the Company repaid €750 million of the bonds issued in July 2003.

The Company carried out several bond issues in 2009:

- €800 million bond issue, with a fixed rate of 8.625%, maturing on April 3, 2014;
- €150 million bond issue, with a fixed rate of 7.75%, maturing on June 3, 2014;
- €150 million bond issue, with a fixed rate of 6.50%, maturing on June 29, 2017;
- €200 million bond issue, with a fixed rate of 6.50%, maturing on November 6, 2017.

The Company also repaid confirmed lines of credit for an amount of €1,400 million.

Highlights of the year

The highlights of the year are set out on pages 135, 136, 196 and 197.

Risk management

Information on risk management is set out on pages 164 *et seq*.

Change in accounting method during the year

There was no change in accounting method during the year.

Trade payables - Payment terms

Trade payables amounting to €1,872 thousands as of December 31, 2009 (€2,343 thousands as of December 31, 2008) are due in less than 60 days.

Net income

The parent company posted an operating loss of €0.6 million in 2009 compared to a loss of €17.3 million in 2008.

Net financial income amounted to €942.4 million compared to €78.1 million the previous year. This includes dividends and interim dividends received from subsidiaries and debt service charges outside the Group.

Non-recurring loss represented €333.9 million compared to a loss of €85.1 million in 2008.

The Company, which is the parent company of a tax consolidation group comprising some of the Group's French subsidiaries, recorded a tax consolidation benefit of €111.2 million compared to €102.6 million the previous year.

Overall, the Company reported net income for the year of €717.6 million compared to €76.5 million in 2008.

Net income appropriation

At its meeting of February 17, 2010, the Board of Directors recorded and resolved to propose the following income appropriation to the Ordinary Shareholders' Meeting:

(in euros)	
Source	
Retained earnings	1,283,839,520.46
Net income for the year	717,633,942.46
Total for appropriation	2,001,473,462.92
Appropriation	
Legal reserve (1)	-
Dividend (2)	417,709,340.40
Retained earnings	1,583,764,122.52
Total appropriation	2,001,473,462.92

(1) No new charge to the legal reserve is being proposed since it stood at €51,534,910 at December 31, 2009, 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 26, 2010.

Dividends paid out over the past three fiscal years:

Year of payment	Net dividend	Qualifying for a tax credit of
2009	€3.30	40%
2008	€3.45	40%
2007	€3.00	40%

SHARE CAPITAL TRANSACTIONS

The Company's share capital at December 31, 2009 was €506,314,352 divided into 126,578,588 fully paid-up €4 shares.

At that date, the Company and Group employees held 180,980 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 83,365 free shares that are still locked-in and represent 0.07% of capital. In addition, Company employees held 21,051 shares via an employee investment fund, representing some 0.02% of the capital.

Current authorisations granted by the General Shareholders' Meeting to the Board of Directors

Pursuant to the decisions of the Extraordinary Shareholders' Meeting, the Board of Directors has the following authorisations:

Description of authorisation	Date of General Shareholders' Meeting (resolution no.)	Term of authorisation (Expiry date)	Maximum par value authorised	Amount used
Share capital increase				
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	May 7, 2009 (7th)	26 months (July 2011)	€200 million (1) €6 billion (2)	Unused
Share capital increase via the issue (s), with waiver of pre-emptive subscription rights, by public offering or via private placement 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	May 7, 2009 (8th)	26 months (July 2011)	€200 million (1) €6 billion (2)	Unused
Increase in the number of shares or securities issued to increase the capital, with or without pre-emptive subscription rights in the event of excess demand	May 7, 2009 (11th)	26 months (July 2011)	15% of initial issue amount charged against the overall cap of €200 million	Unused
Authorisation to set the issue price for an increase to the capital, without pre-emptive subscription rights via public offering or private placement, limited to 10% of the share capital per year.	May 7, 2009 (10th) (related to the 8th resolution)	26 months (July 2011)	€50.6 million per year charged against the overall cap of €200 million	Unused
Share capital increase via the capitalisation of reserves, earnings or additional paid-in capital	May 7, 2009 (9th)	26 months (July 2011)	€200 million (1) €6 billion (2)	Unused
Share capital increase for the purposes of compensating in-kind contributions up to a maximum of 10% of the share capital	May 7, 2009 (13th)	26 months (July 2011)	€50.6 million	Unused
Share issues reserved for Group employees	May 7, 2009 (14th)	26 months (July 2011)	€5.06 million	Unused
Reduction of share capital by cancelling shares				
Authorisation to reduce the share capital by cancelling shares	May 7, 2009 (6th)	26 months (July 2011)	10% of share capital per period of 24 months	Unused
Stock options and free share plans				
Share subscription or purchase option plans for a total of 2,500,000 shares	May 14, 2007 (15th)	38 months (July 2010)	€10 million	406,800 purchase options used in 2007
Granting of free shares, whether existing or to be issued, reserved for employees and corporate officers	May 14, 2007 (16th)	38 months (July 2010)	0.5% of share capital at the time of allocation	Used in 2007 with regard to 78,234 shares. Used in 2008 with regard to 189,495 shares. Used in 2009 with regard to 177,348 shares.

(1) Overall cap for the issue of shares or securities giving access to capital.
(2) Overall cap for the issue of debt securities.

As indicated in the above table, the Extraordinary Shareholders' Meeting of May 14, 2007 authorised the Board of Directors to grant share subscription and purchase options and free shares to employees and corporate officers. The authorisations that were used in 2007, 2008 and 2009 will expire in 2010. Shareholders are asked to give the Board of Directors new authorisations to grant share subscription and purchase options and to grant free shares to employees of the Company and executive corporate officers.

A breakdown of the share capital as of December 31, 2009 and movements over the past three years is set out on page 304.

Share capital movements

Year	Transaction description	Additional paid-in capital	Par value of capital changes	Successive amounts of Company capital (at December 31)	Aggregate number of ordinary €4 shares
2009	Exercise of options	€1,615,358	€92,844		23,211
		€1,615,358	**€92,844**	**€506,314,352**	**126,578,588**
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 OCEANE 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**	**122,406,980**

On January 6, 2009, the CEO using the authorisation that had been granted to him by the Board of Directors at its meeting on October 22, 2008, pursuant to the new provisions of Article L. 225-178 of the French Commercial Code, recognised the capital increase at 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.

On January 22, 2010 the Board of Directors recognised the capital increase at December 31, 2009, resulting from the share subscription options exercised in 2009, thereby raising the capital to €506,314,352 divided into 126,578,588 shares of €4 par value per share.

At December 31, 2009, the share capital is likely to be increased by 1,127,714 shares (0.89% of the capital) via the exercise of share subscription options under current option plans.

Share pledges

At December 31, 2009, 9,600,005 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]	2,600,000	2.05%
Artémis	Calyon	04/08/2008	Unspecified	[1]	7,000,000	5.53%

(1) Full reimbursement or payment of the receivable.
(2) Based on the share capital at December 31, 2009 comprising 126,578,588 shares of €4 par value per share.

Share buy-back programme

On May 26, 2004, PPR entered into an agreement with an authorised financial intermediary to make a market for its shares and ensure the stability of the share price. This agreement complies with the provisions of the code of conduct of the *Association française des marchés financiers* (French Financial Markets Association, AMAFI) as approved by the French Financial Markets Authority (AMF).

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.

The General Shareholders' Meeting of June 9, 2008 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 buy-back programme filed with the AMF, with a maximum purchase price of €175 per share, and the number of shares purchased not to exceed 10% of the share capital.

The General Shareholders' Meeting of May 7, 2009 authorised the Board of Directors to trade in Company shares for a period of 18 months, on the same terms and conditions, with a maximum purchase price of €125 per share.

On May 19, 2010, the General Shareholders' Meeting will be asked to approve an authorisation to trade in Company shares with the establishment of a new buy-back programme.

Buy-backs and sales of shares during 2009 – Trading costs – Number of treasury shares held at December 31, 2009

Buy-backs

- 311,903 shares were bought back by the Company as part of the authorisation granted by the General Shareholders' Meeting of June 9, 2008, at an average price of €49.85;
- 904,335 shares were bought back as part of the authorisation granted by the General Shareholders' Meeting of May 7, 2009, at an average price of €74.90.

Thus, in 2009, PPR bought back a total of 1,216,238 shares at an average price of €68.48, for the following purposes:

- 64,675 shares to be granted to employees as part of the 2007 free share plan expiring in May 2009;
- 10,325 shares intended for employees as part of other free share plans;
- 1,141,238 under the liquidity contract.

Sales

In 2009, PPR sold 1,141,238 shares at an average price of €69.47, under the aforementioned liquidity contract.

Trading costs

Total share trading costs amounted to €0.4 million in 2009.

Share cancellations in 2009

No share cancellations were carried out in 2009.

At year-end, the Company held no treasury shares under the liquidity contract, and 90,325 shares directly with a par value of €4 per share and a carrying amount of €7,015,663, representing 0.07% of the share capital.

Buy-backs and sales of PPR shares effected between January 1 and March 15, 2010

Since January 1, 2010, as part of the liquidity contract, the Company has acquired 182,997 shares at an average price of €85.66 and has sold 182,997 shares at an average price of €86.06.

At March 15, 2010, the Company held no shares under this contract, as was the case at December 31, 2009.

Outside the liquidity contract, the Company has acquired no treasury shares during this period.

Therefore, the total number of treasury shares held by PPR at March 15, 2010 amount to 90,325 shares with a par value of €4 per share and a carrying amount of €7,015,633.

Use of derivatives in 2009

PPR did not buy any PPR call options in 2009.

The call options which expired in 2009 were not exercised.

At December 31 2009, PPR held 1,040,055 call options mainly intended to hedge share subscription and purchase option plans.

Special report on share subscription and purchase options and free share grants

The policy governing the granting of share subscription and purchase options and free shares forms part of the Group's 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 free 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 retail chain, 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 2008 and 2009, no employees benefitted from stock options, and 506 and 463 employees respectively received free share grants recognised as performance shares (see page 294).

Jean-François Palus, Deputy Chief Executive Officer, was granted performance shares in 2009. The breakdown of performance share grants is set out in the "Corporate Governance" section on page 321.

Share subscription and purchase option plans

Grants are in principle made annually. However, in 2009 as in 2008, no share subscription or purchase option plan was introduced.

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. Since 2005, if a beneficiary resigns, he or she loses all rights vested 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.

At December 31, 2009, the number of options outstanding was 1,972,084, including 1,127,714 subscription options and 844,370 purchase options.

PPR STOCK OPTION PLANS AT 12/31/2009

	2000/1 Plan	2000/2 Plan	2001/1 Plan
	Purchase options	Purchase options	Purchase options
Date of General Shareholders' Meeting	June 5, 1997	June 5, 1997	June 5, 1997
Date of Executive Board/Board of Directors' meeting	Jan. 26, 2000	May 23, 2000	Jan. 17, 2001
Number of beneficiaries	26	125	722
Number of options initially granted	12,100	93,100	340,240
o/w: to members of the Executive Board (1)/corporate officers	-	-	52,000
François-Henri Pinault			
Jean-François Palus		*1,500*	
o/w to the top ten employee beneficiaries			22,970
Number of options exercised at 12/31/2009	0	0	0
Cancelled options (at 12/31/2009)	9,800	71,000	209,410
Number of outstanding options at 12/31/2009	2,300	22,100	130,830
Plan start date	March 1, 2000	July 1, 2000	Feb. 1, 2001
Plan expiry date	Feb. 28, 2010	June 30, 2010	Jan. 31, 2011
Exercise price	€227.15	€202.91	€225.01

	2004/1 Plan	2004/2 Plan	2005/1 Plan
	Subscription options	Subscription options	Subscription options
Date of General Shareholders' Meeting	May 21, 2002	May 21, 2002	May 21, 2002
Date of Executive Board/Board of Directors' meeting	May 25, 2004	July 7, 2004	Jan. 3, 2005
Number of beneficiaries	846	1	13
Number of options initially granted	540,970	25,000	25,530
o/w: to members of the Executive Board (1)/corporate officers	90,000	25,000	-
François-Henri Pinault			
Jean-François Palus			
o/w to the top ten employee beneficiaries	36,305		-
Number of options exercised at 12/31/2009	200	0	10,000
Cancelled options (at 12/31/2009)	271,016	0	462
Number of outstanding options at 12/31/2009	269,754	25,000	15,068
Plan start date	May 25, 2004	July 7, 2004	Jan. 3, 2005
Plan expiry date	May 24, 2014	July 6, 2014	Jan. 2, 2015
Exercise price	€85.57	€84.17	€75.29

NB: each option confers entitlement to one share.
(1) Membership at May 19, 2005.

2001/2 Plan	2002/1 Plan	2002/2 Plan	2003/1 Plan	2003/2 Plan
Purchase options	Subscription options	Subscription options	Subscription options	Subscription options
May 18, 2001	May 18, 2001	May 18, 2001	May 21, 2002	May 21, 2002
May 18, 2001	May 3, 2002	May 3, 2002	July 9, 2003	July 9, 2003
206	1,074	1,053	721	18
87,260	438,296	410,271	528,690	5,430
-	45,000	45,000	109,000	-
14,000	24,320	24,320	37,855	
0	3,675	0	199,130	1,535
67,790	259,945	237,890	165,492	2,895
19,470	174,676	172,381	164,068	1,000
June 1, 2001	May 3, 2002	May 3, 2002	July 9, 2003	July 9, 2003
May 31, 2011	May 2, 2012	May 2, 2012	July 8, 2013	July 8, 2013
€225.01	€128.10	€140.50	€66.00	€67.50

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
May 19, 2005	May 19, 2005	May 19, 2005	May 19, 2005	May 14, 2007	May 14, 2007
May 19, 2005	May 19, 2005	July 6, 2005	May 23, 2006	May 14, 2007	Sep. 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	-
6,911	0	0	0	0	0
70,362	4,480	6,710	83,677	53,170	3,700
256,477	35,480	13,810	319,740	302,330	47,600
May 19, 2005	May 19, 2005	July 6, 2005	May 23, 2006	May 14, 2007	Sep. 17, 2007
May 18, 2015	May 18, 2015	July 5, 2015	May 22, 2014	May 13, 2015	Sep. 16, 2015
€78.01	€78.97	€85.05	€101.83	€127.58	€127.58

SHARE SUBSCRIPTION AND PURCHASE OPTIONS GRANTED TO THE TOP TEN EMPLOYEE BENEFICIARIES (EXCLUDING CORPORATE OFFICERS) AND OPTIONS EXERCISED BY THEM

Share subscription and purchase options granted to the top ten employee beneficiaries (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.	0	-

Performance share plans

Two free share plans involving 177,348 existing shares were granted on May 7, 2009.

There were 463 performance share beneficiaries in 2009.

6,030 performance shares were granted to an executive corporate officer.

124,813 performance shares were granted to senior managers.

46,505 performance shares were granted to senior managers residing outside France.

A free 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, grants made before 2009 are subject to a performance condition, whereby should the PPR share 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.

The grants carried out in 2009 are subject to a performance condition, whereby should the PPR stock price underperform compared to an index of share values of European listed companies that is representative of the Luxury Goods and Retail sectors, during the two-year vesting period (four years for foreign residents), the number of shares definitively granted is adjusted downwards pro rata to this underperformance.

Lastly, 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 free share grants at 12/31/2009	2008-I Plan	2008-II and III Plans	2009-I and II Plans
Date of General Shareholders' Meeting	05/14/2007	05/14/2007	05/14/2007
Date of Board Meeting	06/09/2008	10/22/2008	05/07/2009
Number of shares initially granted	86,530	102,965	177,348
to the top ten employee beneficiaries	3,700	8,030	12,232
Shares cancelled (at 12/31/2009)	4,060	5,420	11,750
Number of remaining shares at 12/31/2009	82,470	97,545	165,598
Number of beneficiaries	269	240	463
Definitive grant date	06/09/2010	10/22/2010 (1)	05/07/2011 (2)
Date on which shares may be sold	06/09/2012	10/22/2012	05/07/2013

(1) 10/22/2012 without any additional holding obligation for non-French residents.
(2) 05/07/2013 without any additional holding obligation for non-French residents.

Performance shares granted to the top ten employee beneficiaries (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.	12,232

Employee profit-sharing (compulsory and optional agreements)

The compulsory 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: €1,119,536 in 2004, €1,158,439 in 2005, €1,252,255 in 2006, €1,408,271 in 2007, €1,634,543 in 2008 and €1,658,724 in 2009.

There are no optional profit-sharing agreements.

Subsidiaries and investments

As a holding company, the Company carried out various transactions with its subsidiaries: reclassifications of investments and acquisitions or disposals of securities.

Information on the activities and results of subsidiaries and investments, acquisitions of controlling interests and changes in percentage interests in Group companies is set out in the Activity Report in this section and in the notes to the consolidated financial statements (see the list of consolidated companies on pages 255-263).

Subsequent events

No significant subsequent events have occurred since the end of 2009.

FIVE-YEAR FINANCIAL SUMMARY

	2009	2008	2007	2006	2005
Share capital at year-end					
Share capital *(in euros)*	506,314,352	506,221,508	512,327,756	513,549,096	481,792,920
Number of ordinary shares outstanding	126,578,588	126,555,377	128,081,939	128,387,274	120,448,230
Maximum number of potential shares to be issued	1,127,714	1,366,355	1,530,613	1,982,752	15,465,873
By conversion of bonds					13,418,225
By exercise of share subscription options	1,127,714	1,366,355	1,530,613	1,982,752	2,047,648
Operations and results for the year *(in thousands of euros)*					
Income from operating activities	39,644	42,429	42,339	42,271	39,943
Net income before tax, employee profit-sharing, depreciation, amortisation and provisions	910,418	4,550	678,235	827,471	124,309
Income tax expense/ (benefit)	111,193	102,620	67,544	78,893	136,640
Employee profit-sharing for the year	1,501	1,804	1,966	1,417	1,255
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	717,634	76,521	742,871	840,673	506,841
Dividend distribution	417,709 (1)	417,633	441,883	385,162	327,281
Data per share *(in euros)*					
Net income after tax and employee profit-sharing but before depreciation, amortisation and provisions	8.06	0.83	5.81	7.05	2.16
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	5.67	0.60	5.80	6.55	4.21
Dividend:					
Net dividend per share (2)	3.30 (1)	3.30	3.45	3.00	2.72
Employee data					
Average number of employees during the year	110	111	112	109	119
Total annual payroll *(in thousands of euros)*	13,111	15,836	11,019	9,993	11,436
Total employee benefits paid during the year (social security, social works, etc.) *(in thousands of euros)*	13,549	6,654	4,742	4,373	4,887

(1) Subject to approval by the Ordinary Shareholders' Meeting of May 19, 2010.

(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 40% tax credit provided for under Article 158-3 2° of the French General Tax Code.

Statutory Auditors' report

on the financial statements (year ended December 31, 2009)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby report to you for the year ended December 31, 2009 on:

- the audit of the accompanying financial statements of PPR;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

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 about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2009 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

The accounting estimates used to prepare the financial statements for the year ended December 31, 2009 have been applied in a context in which it is difficult to assess the Company's economic outlook. These conditions are described in Note 1 «Highlights of the year» in the notes to the financial statements.

It is in this context that, in accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*), we bring to your attention the following matter:

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 their proper application.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of shareholders and holders of the voting rights has been properly disclosed in the management report.

Paris La Défense and Neuilly-sur-Seine, March 19, 2010
The Statutory Auditors

KPMG Audit	Deloitte & Associés
Division of KPMG SA	Jean-Paul Picard
Patrick-Hubert Petit	

Statutory Auditors' special report

on related-party agreements and commitments (year ended December 31, 2009)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of PPR, we hereby report to you on related-party agreements and commitments.

Agreements and commitments authorised during 2009

In accordance with Article L. 225-40 of the French Commercial Code (*Code de commerce*), we were informed of the following agreements and commitments authorised by the Board of Directors during 2009.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of Article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We performed the procedures we deemed necessary in accordance with French professional standards applicable to such engagements. These standards require us to perform procedures to verify that the information given to us is consistent with the underlying documents.

I. Agency agreement and underwriting agreement in the context of Cfao's flotation

Directors concerned: François-Henri Pinault, Jean-François Palus and Baudouin Prot.

An agency agreement was entered into between PPR, Discodis and Cfao, on the one hand, and the banks participating in Cfao's flotation, including BNP Paribas, on the other hand.

Subject to the same parties subsequently signing an underwriting agreement, the agency agreement provides for payment by Discodis, backed by PPR, to the banks participating in the flotation, of a commission amounting to 2.25% of the gross revenue from the sale of Cfao shares during the flotation, plus, where appropriate, a success fee of up to 0.75% of the gross revenue from the sale of these shares.

The agency agreement was approved by PPR's Board of Directors on October 20, 2009.

The underwriting agreement of Cfao's shares was authorised by the Board of Directors on November 16, 2009. The Board confirmed the terms of the abovementioned agency agreement and, in particular, the payment by PPR to the banks participating in the flotation, of a commission amounting to 2.25% of the gross revenue from the sale of Cfao shares, as well as a success fee of up to 0.75% of the gross revenue from the sale of these shares.

In 2009, no amount was recorded by PPR under this agreement, the corresponding sums having been paid by Cfao's parent company, Discodis.

II. Agreement to pay a portion of banking fees in relation to the syndicated multicurrency loans between Cfao and certain banks

Directors concerned: François-Henri Pinault, Jean-François Palus and Baudouin Prot.

On November 16, 2009, the Board of Directors authorised the agreement under which PPR would be responsible for the payment of 10 basis points of the consideration due by Cfao under the syndicated multicurrency loan agreement for an amount of €300 million, with an initial term of three years, to be signed between Cfao and BNP Paribas, Calyon and Société Générale Corporate & Investment Banking and other banks.

In 2009, PPR paid €300,000 to the abovementioned banks under this agreement.

III. Agreement to pay half of the overall cost of exceptional bonuses awarded by Cfao to certain executives and senior managers of the Cfao Group

Directors concerned: François-Henri Pinault and Jean-François Palus.

On November 16, 2009, the Board of Directors authorised the agreement between PPR SA, Discodis and Cfao pursuant to which Discodis, backed by PPR SA, undertakes to pay half of the overall cost of the exceptional bonuses awarded by Cfao to executives and senior managers of the Cfao Group, within the limits of an overall cost of these bonuses totalling €9 million. These bonuses are awarded by Cfao to its executives and senior managers if they achieve the objective of ensuring the sustainability of the Cfao Group's development on a stand-alone basis in terms of ownership and structure.

In 2009, no amount was recorded by PPR under this agreement, the corresponding sums having been paid by Cfao's parent company, Discodis.

Agreements and commitments authorised in previous years and which remained in force during 2009

In accordance with the French Commercial Code, we were informed that the following agreement, authorised in a prior year, remained in force in 2009.

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 February 15, 2010, noted that PPR had continued to benefit, during 2009, 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 last point notably dealt with the disposal of Cfao on December 3, 2009.

At its February 17, 2010 meeting, the Board of Directors recorded remuneration of €5,203,000 under this agreement (excluding VAT) in respect of 2009, it being specified that no costs were reimbursed in 2009 and that the revenue of the Puma group is excluded from the calculation of this fee, as was the case in 2007 and 2008.

Paris La Défense and Neuilly-sur-Seine, March 19, 2010
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Patrick-Hubert Petit

Deloitte & Associés
Jean-Paul Picard

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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 Shareholders' Meeting of May 26, 1967, except in the case of an early dissolution or of an extension approved by the Extraordinary 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 establishments, stores or warehouses, by all means and using all existing or future techniques, for the retail sale or whole sale 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 or other businesses, the acquisition of participating interests by all means, subscription, acquisition, contribution, merger or otherwise of such concerns and businesses 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 or other businesses 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 favour the creation or development thereof.

(Article 5 of the Articles of Association)

Trade and Companies Registry

552 075 020 RCS Paris

APE code: 741 J

Consultation of official legal documents

The Articles of Association, the minutes of General Shareholders' Meetings and other corporate documents may be consulted at the 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 Shareholders' 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 determined by the General Shareholders' Meeting.

The balance, if any, shall be allocated among the shareholders.

The General Shareholders' Meeting 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 over the last three fiscal 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 an 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 in accordance with 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 in accordance with 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 that they have been registered for at least two years in the name of the same shareholder. Said double voting right which existed in the articles of association of Pinault SA prior to its merger with Printemps SA, was restated at the time of the 1992 merger of said companies.

This double voting right may be withdrawn outright at any time pursuant to a decision of the Extraordinary Shareholders' 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 that, in the event of a free allocation of registered shares to a shareholder in respect of old shares for which he/she had a double voting right, the new shares shall also be entitled to a double voting right.

Pursuant to the relevant legislation, double voting rights are cancelled for any share converted to a bearer share 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) with legal inheritance rights.

Voting rights are not limited under the Articles of Association.

The legal and regulatory provisions relating to the crossing of thresholds by shareholders apply. The Company's Articles of Association do 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 those provided for by law.

Share capital

The Company is authorised 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, profits after deduction of the withdrawals provided for by law and the Articles of Association, and liquidating dividend.

In order for all the shares to receive the same net amount, without distinction, and to be listed on the same line, the Company shall, unless prohibited by law, pay the amount of any proportional tax that may be owed by certain shares only, in particular upon a winding up

of the Company or capital reduction; 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 holdings in the capital.

(Article 24 of the Articles of Association)

Any changes in the share capital and the rights attached to shares comprised in the share capital are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organisation, decisions by the CEO relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital.

At December 31, 2009, the share capital amounted to €506,314,352 and was divided into 126,578,588 shares with a par value of €4 each (all of the same class), all fully paid up. The number of voting rights at the same date totalled 173,199,389 (less the number of treasury shares which are deprived of voting rights).

At the same date, to the best of the Company's knowledge:

- the Directors directly held 0.018% of the share capital, representing 0.017% of the voting rights;
- the Company did not hold any treasury shares under the liquidity contract and directly held 90,325 shares; none of the Company's shares were held by controlled companies.

On the issue date of this document, the share capital stands at €506,314,352; it is divided into 126,578,588 shares with a par value of €4 each, which have been fully paid up.

Arrangements and agreements

To the Company's knowledge, there are no contractual provisions involving shares or voting rights of the Company that should have been disclosed to the French stock market authority (*Autorité des marchés financiers* - AMF) pursuant to Article L. 233-11 of the French Commercial Code.

SHAREHOLDING/STOCK MARKET

Change in shareholding and voting rights at December 31, 2009

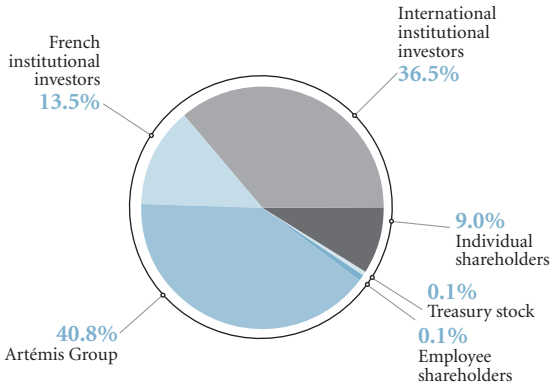
	2009			2008			2007		
	Number of shares	% of share capital	% of voting rights (1)	Number of shares	% of share capital	% of voting rights (1)	Number of shares	% of share capital	% of voting rights (1)
Artémis Group	51,616,666	40.8	55.4	51,616,666	40.8	55.3	51,617,666	40.3	55.7
PPR	90,325	0.1	0.0	80,000	0.1	0.0	586,500	0.5	0.0
Employees	180,980	0.1	0.1	177,505	0.1	0.1	126,073	0.1	0.1
Public	74,690,617	59.0	44.5	74,681,206	59.0	44.6	75,751,700	59.1	44.2
TOTAL	**126,578,588**	**100**	**100**	**126,555,377**	**100**	**100**	**128,081,939**	**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 page 303).

Artémis is wholly owned by Société Financière Pinault, itself controlled by the Pinault family. Artémis holds 55.4% of the Company's voting rights and exercises a right of control over the Company within the meaning of Article L. 233-3-I of the French Commercial Code.

To the Company's knowledge, there are no other shareholders who directly, indirectly or in concert hold 5% or more of the share capital or voting rights.

BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2009



Regarding the majority shareholder's control of the Company, the organisation and operating rules of the Board and of its specialised committees, the number of independent Directors (forming the majority of the Board, which oversees the prevention of conflicts of interests and regularly carries out its self-assessment, two thirds of the Audit Committee, and the majority of the Remuneration Committee, it being specified that no executive corporate officer is a member of these committees), general compliance with current rules, Internal Rules and good governance practices all contribute to maintaining a balanced control (see section 6 «Corporate Governance»).

As of December 31, 2009, individual shareholders held 9.0% of the Group's share capital (compared to 11.0% at the end of 2008).

Institutional investors owned 50% of the share capital. Of this, 13.5% was held by French companies and 36.5% by non-French residents. Among the international institutional investors, the United States represented 11.7% of the share capital. Continental European investors (excluding France) represented 10.1% of the share capital, and included Germany (2.7%), Switzerland (2.4%) and Norway (1.7%). UK shareholders held 12.1% of the share capital.

The main changes in the 2009 shareholding breakdown compared with last year are a 7.3 point drop in the percentage held by French institutional investors and a 9.3 point increase in international institutional investors, most of which were UK shareholders (up 4.4 points) and investors in Continental Europe (excluding France) (up 3.6 points).

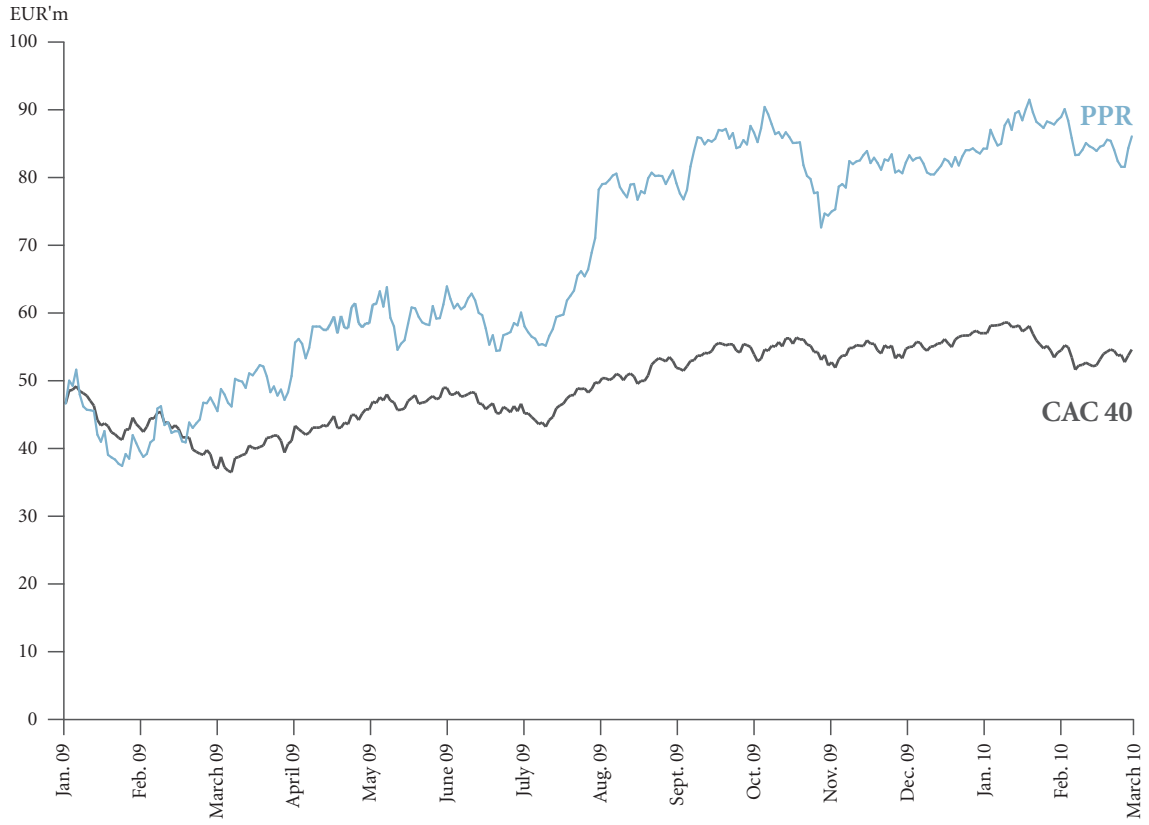
Source: Identifiable Bearer Security (*Titre au Porteur Indentifiable*) as of December 31, 2009.

Stock market information

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
	February 9, 1995 in the CAC 40
Number of shares	126,578,588 at December 31, 2009
Codes	ISIN: FR 0000121485
	Reuters: PRTP.PA
	Bloomberg: PPFP

Change in the price of the PPR share compared to the CAC 40 index since January 1, 2009



Source: Euronext.

Market price and trading volume of the PPR share

	2009	2008	2007	2006	2005
Highest price *(in €)*	93.3	112.8	141.5	122.0	95.6
Lowest price *(in €)*	36.3	31.1	107.1	87.9	73.1
Price at December 31 *(in €)*	84.2	46.6	110.0	113.2	95.2
Stock exchange capitalisation at December 31 *(in € million)*	**10,663**	**5,897**	**14,089**	**14,533**	**11,461**
Daily average volume	660,071	1,116,420	692,022	578,586	557,451
NUMBER OF SHARES AT DECEMBER 31	**126,578,588**	**126,555,377**	**128,081,939**	**128,387,274**	**120,448,230**

Source: Euronext.

Listed securities of the Group at December 31, 2009

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 6.405% November 2012	FR 00 10 616 375
PPR 6.536% May 2013	FR 00 10 616 383

Stock market statistics

PPR share

	Price *(in €)*				Volume		
						Shares traded	
2008	Average	Highest	Lowest	Monthly change	Average daily	*(€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**

	Price *(in €)*				Volume		
						Shares traded	
2009	Average	Highest	Lowest	Monthly change	Average daily	*(€)* [1]	(number of shares)
January	42.79	52.75	36.25	-20.74%	970,570	872,149,435	20,381,972
February	43.22	48.45	37.95	+22.60%	913,836	789,988,246	18,276,717
March	49.02	53.72	44.85	+3.73%	923,100	995,480,173	20,308,198
April	57.29	61.61	47.54	+15.34%	998,879	1,144,635,939	19,977,589
May	59.37	64.98	54.04	-3.27%	589,324	699,816,179	11,786,477
June	59.23	64.91	53.34	-5.03%	509,172	663,543,063	11,201,789
July	61.56	78.40	55.12	+30.21%	566,890	802,631,083	13,038,468
August	79.21	82.15	75.50	+2.54%	574,686	955,938,202	12,068,403
September	84.10	88.50	76.75	+10.68%	500,767	926,503,324	11,016,865
October	83.28	93.25	72.51	-14.13%	642,731	1,177,650,552	14,140,085
November	81.04	84.26	72.90	+7.51%	449,721	765,358,494	9,444,151
December	82.48	85.28	79.87	+2.51%	281,178	510,203,599	6,185,922
2009 AVERAGE	**65.45**	**93.25**	**36.25**	**+68.48%**	**660,071**	**915,315,444**	**13,985,553**

(1) Average price multiplied by the number of shares traded.
Source: Euronext.

	Price *(in €)*				Volume		
						Shares traded	
2010	Average	Highest	Lowest	Monthly change	Average daily	(€)	(number of shares)
January	88.01	92.04	83.54	+1.64%	409,159	720,200,792	8,183,170
February	84.78	90.49	81.00	-5.20%	514,276	872,042,046	10,285,516
2010 AVERAGE	**86.40**	**92.04**	**81.00**	**-3.14%**	**461,717**	**797,817,224**	**9,234,343**

(1) Average price multiplied by the number of shares traded.
Source: Euronext.

Financial communications policy

The Group's financial communications policy endeavours to disseminate accurate and reliable information. Its actions are targeted and customised to offer different audiences, individual shareholders and the financial community, messages suited to their respective expectations while complying with the principle of equal access to information.

Towards individual shareholders

Individual shareholders have access to numerous media an tools to keep themselves informed on the Group and on the life of the security. These include the twice-yearly Letter to the shareholders, a dedicated space on the PPR website (www.ppr.com), the shareholders' hotline in France (0810 009 108), the email address (actionnaire@ppr.com), the financial notices in the press and on the Internet, and the annual report, all of which are available to them. Site visits are also proposed.

Towards the financial community

The Group maintains close relationships 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-year 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 roadshows held in the major financial centres around the world. In addition, the Group meets with individual investors and analysts upon request and maintains proactive relationships in terms of reporting to the French stock market authority, the AMF.

Procedures for communicating regulated information

Pursuant to obligations to disclose regulatory information resulting from the implementation of the Transparency Directive in the AMF's General Regulations 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, PPR's Financial Communications Department has chosen to call on a professional communications agency satisfying 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 2009 and 2010 under the provisions of Article 222-7 of the AMF's General Regulations

Press releases are available on the Company's website: www.ppr.com, in the Finance/Publications/Regulated Information section and/or on the website of the French Official Journals Department *(Direction des Journaux officiels)*: www.info-financiere.fr

Date	Press release
January 5, 2009	Half-yearly achievement report on PPR share quotations liquidity mandate at December 31, 2008
February 11, 2009	Jean-Michel Noir appointed Chairman and CEO of Redcats Group
February 18, 2009	Conforama announces a €50 million cost-savings programme aimed at restoring its competitiveness
February 18, 2009	Fnac announces a cost-reduction plan to secure its commercial success
February 19, 2009	PPR: 2008 results - Another improvement in operating and financial performances
February 19, 2009	PPR: 2008 financial document available
March 26, 2009	PPR: €600 million bond issue
March 30, 2009	Notice to attend the Shareholders Meeting (French version only)
April 20, 2009	Convening notice to the 2009 Shareholders' Meeting (French version only)
April 20, 2009	Combined General Meeting of May 7, 2009 - Availability of information relating to the Combined General Meeting to be held on Thursday, 7 May 2009 and of the 2008 Reference Document
April 21, 2009	First quarter 2009 sales
April 22, 2009	PPR denies disposal and acquisition rumours
May 7, 2009	Description of the share buyback programme authorised by the General Shareholders' Meeting of May 7, 2009 (French version only)
May 15, 2009	Information relating to the remuneration of the Chairman and CEO and of the deputy CEO
May 20, 2009	Statement of transactions carried out directly by the issuer as part of the Company's share buyback programme, approved by the Ordinary Shareholders' Meeting of May 7, 2009 and implemented since May 8, 2009 (French version only)
July 2, 2009	Half-yearly achievement report on PPR share quotations liquidity mandate at June 30, 2009
July 31, 2009	PPR 2009 Half Year Results - Solid results: PPR benefits from the early impact of its action plans
July 31, 2009	Availability of the Interim financial report for the period ended 30 June 2009
August 10, 2009	Remuneration of the Deputy Chief Executive Officer
October 7, 2009	PPR pursues its strategy through planned flotation of Cfao
October 8, 2009	Cfao files its Document de Base with the French Autorité des marchés financiers (AMF)
October 20, 2009	2009 Third Quarter Sales
November 17, 2008	Cfao launches its initial public offering on Euronext Paris
December 2, 2009	Cfao Announces the Successful Results of its IPO. Offering price €26.00 per share
December 2, 2009	Great success for PPR through flotation of Cfao
December 4, 2009	Exercise in full of the over-allotment option. Total offering size increased to €926.9 million
January 6, 2010	Half-yearly achievement report on PPR share quotations liquidity mandate at December 31, 2009
February 18, 2010	PPR announced its 2009 results – Rebound in activity in the fourth quarter and highly satisfactory annual 2009 full-year results
February 18, 2010	2009 Annual financial document available

Other ongoing or periodic information is available on the Company's website: www.ppr.com in the Finance/Publications/Regulated Information section and/or on the AMF website: www.amf-france.org and/or on the website of the French Official Journals Department: www.info-financiere.fr

Date	
January 20, 2009	Statement of the number of voting rights and the total number of shares making up share capital at January 15, 2009
February 19, 2009	Statement of the number of voting rights and the total number of shares making up share capital at February 15, 2009
March 19, 2009	Statement of the number of voting rights and the total number of shares making up share capital at March 15, 2009
April 20, 2009	Statement of the number of voting rights and the total number of shares making up share capital at April 15, 2009
May 19, 2009	Statement of the number of voting rights and the total number of shares making up share capital at May 15, 2009
June 19, 2009	Statement of the number of voting rights and the total number of shares making up share capital at June 15, 2009
July 21, 2009	Statement of the number of voting rights and the total number of shares making up share capital at July 15, 2009
August 21, 2009	Statement of the number of voting rights and the total number of shares making up share capital at August 15, 2009
September 22, 2009	Statement of the number of voting rights and the total number of shares making up share capital at September 15, 2009
October 20, 2009	Statement of the number of voting rights and the total number of shares making up share capital at October 15, 2009
November 20, 2009	Statement of the number of voting rights and the total number of shares making up share capital at November 15, 2009
December 21, 2009	Statement of the number of voting rights and the total number of shares making up share capital at December 15, 2009
January 21, 2010	Statement of the number of voting rights and the total number of shares making up share capital at January 15, 2010
February 19, 2010	Statement of the number of voting rights and the total number of shares making up share capital at February 15, 2010

Information published (in French) in the French bulletin of legal announcements (*Bulletin des Annonces Légales Obligatoires* - BALO) is available on the website: www.journal-officiel.gouv.fr

Date	Type of information	Support
March 30, 2009	Notice of a meeting of the shareholders and stakeholders	(No 38)
April 20, 2009	Convening notice to the 2009 Shareholders' Meeting	(No 47)
June 1, 2009	Approval by the General Shareholders' Meeting of the financial statements at December 31, 2008	(No 65)

Publications made in legal gazettes (in French)

Date	Type of information	Support
January 16, 2009	Capital increase	Petites Affiches (No 12)
April 20, 2009	Convening notice to the General Shareholders' Meeting of May 7, 2009	Petites Affiches (No 78)
August 7, 2009	Change of Directors	Petites Affiches (No 157)
February 1, 2010	Capital increase	Petites Affiches (No 22)

Information filed (in French) with the Office of the Clerk of the Paris Commercial Court (www.infogreffe.fr)

Date	Type of information	Filing date
January 6, 2009	Updated Articles of Association	January 27, 2009
January 6, 2009	Capital increase - Amendments to Articles of Association	January 27, 2009
May 7, 2009	Updated Articles of Association	August 28, 2009
May 7, 2009	Renewal of the Chairman's term of office	August 28, 2009
May 7, 2009	Change of a Director	August 28, 2009
January 22, 2010	Updated Articles of Association	February 12, 2010
January 22, 2010	Capital increase - Amendments to Articles of Association	February 12, 2010

2010 calendar

- **April 28, 2010** 2010 first quarter sales
- **May 19, 2010** Ordinary and Extraordinary Shareholders' Meeting
- **July 30, 2010** 2010 half-year results
- **October 27, 2010** 2010 third quarter sales

6 Corporate governance

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Corporate governance

At the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2005, the shareholders adopted the new Articles of Association of PPR establishing a system of management with a Board of Directors instead of a Supervisory Board and an Executive Board. François-Henri Pinault is Chairman of the Board of Directors and Chief Executive Officer of the Company.

The Board opted to combine the office of Chairman of the Board and Chief Executive Officer and has retained this option following the renewal by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 of the term of office of François-Henri Pinault who is both related to the controlling shareholder and very involved in conducting the business of the Group of which he has a particularly strong in-depth knowledge and experience.

The Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 appointed Jean-François Palus, Deputy Chief Executive Officer and Chief Financial Officer of PPR, as a Director for a four-year term.

The Company refers to the "Corporate Governance Code of Listed Corporations" resulting from the consolidation of the October 2003 AFEP and MEDEF report and the January 2007 and October 2008 AFEP and MEDEF recommendations on the remuneration of directors and executive corporate officers ("the Consolidated AFEP-MEDEF Code"). The Board of Directors has members from around the world with eleven members of French, Italian, American and Indian nationalities. Six of the eleven Directors are independent with regards to the criteria presented in the Consolidated AFEP-MEDEF Code.

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 the specialised Committees provided for in those Rules (see Chairman's report hereinafter).

The provisions of the Company's Articles of Association regarding Directors 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 (no more than two-thirds of the Directors may be over 70) and the number of shares that each Director must own (500).

In order to avoid having to reappoint all Board members at the same time and to streamline the reappointment process, the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 amended the Company's Articles of Association in order to implement a staggered renewal of the Board of Directors.

The Directors' duties and individual remuneration are described below.

INFORMATION ON DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

At December 31, 2009, the Board of Directors was comprised of eleven members, six of whom were independent Directors.

There are no employee-elected Directors.

List of members of 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;
- corporate offices, directorships and functions held in 2009;
- other corporate offices and directorships held in the last five years.

Among PPR's Directors and executive corporate officers, only François-Henri Pinault, Jean-François Palus and Patricia Barbizet hold corporate offices or directorships in the Group's main subsidiaries.

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, in 1988 he set up said Company's purchasing group for which he was responsible until 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, when he returned to Pinault Distribution to become Chairman. In 1993, his responsibilities were widened upon his appointment as Chairman of Cfao and as member of the Executive Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and CEO of Fnac, a position he held until February 2000. He was then appointed Deputy Chief Executive Officer of Pinault Printemps Redoute with responsibility for the Group's Internet activities. François-Henri Pinault has been a member of the Board of Directors of Bouygues SA since December 1998. He became the co-manager of Financière Pinault in 2000 and was appointed Chairman of the Artémis Group in 2003. In 2005, he was appointed Chairman of the Executive Board and then Chairman and CEO of PPR.

After holding the offices of 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), and member of the Supervisory Board (from January 17, 2001), François-Henri Pinault has been the Chairman and CEO of PPR since May 19, 2005. Following the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, the Board of Directors renewed his term of office as Chairman and CEO for the duration of his directorship which will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

- *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).

Member of the Management Board of Château Latour (since June 1998).

Board Member of Christie's International Plc (United Kingdom – since May 2003).

- *in the PPR Group:*

Chairman of the Supervisory Board of Puma AG (since June 2007, term of office expires in 2012).

Chairman of the Supervisory Board of Gucci Group NV (since October 2005, term of office expires in 2010).

Vice-Chairman of the Supervisory Board of Boucheron Holding (since May 2005, term of office expires in 2010).

Director of 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 2012).

Director of Sapardis (since May 2008, term of office expires in 2014).

- *outside the PPR Group:*

Director of Bouygues (since December 2005, term of office expires in 2010).

Director of Soft Computing (since June 2001, term of office expires in 2014).

Vice-Chairman of the Supervisory Board of Cfao (since October 2009, term of office expires in 2013).

Vice-Chairman of the Board of Directors of Sowind Group (Switzerland) (since June 2008).

Other corporate offices, directorships and positions held in the last five years:

Permanent representative of Financière Pinault on 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).

Chairman and CEO of Redcats (from December 2008 to April 2009).

Director of Tennessee (from 2001 to November 2009).

Number of shares held: 500

François-Henri Pinault is managing partner of Financière Pinault which directly and indirectly held 51,616,666 PPR shares at December 31, 2009.

Patricia Barbizet

Born on April 17, 1955

Artémis: 12, rue François 1er, 75008 Paris

Vice-Chair of the Board of Directors

A graduate from the *École supérieure de commerce de Paris*, Patricia Barbizet began her career within the Renault Group as treasurer of Renault Véhicules Industriels then as Chief Financial Officer of Renault Crédit International. She joined the Pinault Group in 1989 as Chief Financial Officer. She is the CEO of Financière Pinault and Director and CEO of Artémis. She is Vice-Chair of the Board of Directors of PPR, Chair of Christie's and member of the Boards of various companies.

After holding the offices of Chair of the Supervisory Board of PPR (from December 2001 to May 2005) and member of the Supervisory Board of PPR (from December 1992), Patricia Barbizet has been Vice-Chair of the Board of Directors of PPR since May 19, 2005. Her term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

- *at the level of 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).

Deputy Director of Palazzo Grassi (Italy) (since September 2005).

Chair of the Board of Christie's International Plc (United Kingdom) (since March 2003).

Member of the Supervisory Board of Financière Pinault (since June 2004, term of office expires in 2015).

Director of the Société Nouvelle du Théâtre Marigny (since February 2000, term of office expires in 2012).

Permanent representative of Artémis on the Board 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 2015).

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 SAS (since June 2003, term of office expires in 2012).

- *outside the PPR Group:*

Member 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 2011).

Other corporate offices, directorships and positions held in the last five years:

Director of Afipa (Switzerland) (from June 2005 to October 2006).

Chair of the Board of Directors of the Société Nouvelle du Théâtre Marigny (from February 2000 to June 2005).

Permanent representative of Artémis on the Board of Bouygues (from December 1998 to December 2005).

Chair and Chief Executive Officer of Piasa (from December 2001 to April 2007) then Chair (from April 2007 to May 2008).

Director of Piasa (from April 2007 to January 2009).

Number of shares held: 1,040

Jean-François Palus

Born on October 28, 1961

PPR: 10, avenue Hoche, 75008 Paris

Director

Deputy Chief Executive Officer

Graduate of HEC (class of 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 corporate officer and Director, he spent ten years within the PPR Group, holding successively the positions of Deputy 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 (from 1997 to 1998) and lastly Corporate Secretary and member of the Executive Board of Conforama (from 1998 to 2001).

Since March 2005, Jean-François Palus has been in charge of mergers and acquisitions at PPR, reporting to François-Henri Pinault, Chairman and CEO of the Group.

He has been Chief Financial Officer of the PPR Group since December 13, 2005 and Deputy CEO of PPR since February 26, 2008. Following the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, the Board of Directors renewed his term of office as Deputy CEO for a term of four years.

Jean-François Palus has been a Director of PPR since May 7, 2009. His term of office will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

- *in the PPR Group:*

Director of Conforama Holding (since April 2006, term of office expires in 2013).

Director of Fnac (since November 2007, term of office expires in 2013).

Director of Caumartin Participations (since June 2008, term of office expires in 2010).

Director of PPR Luxembourg (Luxembourg) (since April 2006, term of office expires in 2010).

Member of the Supervisory Board of Gucci Group NV (the Netherlands) (since May 2006, term of office expires in 2010).

Member of the Supervisory Board of Puma AG (Germany) (since June 2007, term of office expires in 2012).

Representative of PPR on the Board of Directors of Redcats (since April 2006, term of office expires in 2012).

Representative of Sapardis vis-à-vis the management of Société Civile Zinnia (since December 2009).

- *outside the PPR Group:*

Member of the Supervisory Board of Cfao (since October 2009, term of office expires in 2012).

Other corporate offices, directorships and positions held in the last five years:

Chairman and Chief Executive Officer of Sapardis (from March 2007 to January 2008).

Chief Executive Officer of Sapardis (from January to February 2008).

Representative of Sapardis vis-à-vis the management of Conseil et Assistance (from December 2007 to December 2008).

Chairman and Chief Executive Officer of the PPR Club de Développement (since June 2006, term of office expires in 2009).

Representative of Saprodis vis-à-vis the management of Société Civile Zinnia (from February 2008 to December 2009).

Number of shares held: 12,350

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 Sodexo, worldwide leader in the food service industry. Sodexo was set up in Marseille in 1966 and forty-two years later, under the leadership of Pierre Bellon, it has 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, has been listed on the Paris Stock Exchange since 1983. It was floated on the New York Stock Exchange in April 2002. Pierre Bellon is a Commander of the Legion of Honour, a Commander of the French Order of Merit and of the Brazilian Order of Rio Branco, and a Knight of the French Order of Agricultural Merit. He was a member of the French Economic and Social Council from 1969 to 1979. Former national Chairman of the *Centre des jeunes dirigeants d'entreprises* (French young business leaders organisation), Pierre Bellon founded the *Association Progrès du Management* (Progress of Management Association) in 1986. He was also Vice-Chairman of the MEDEF from 1981 to 2005.

After holding the office of member of the Supervisory Board of PPR from December 19, 2001 to May 19, 2005, Pierre Bellon has been a Director of PPR since May 19, 2005. His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2010.

Other corporate offices, directorships and positions held:

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 in France and internationally.

Director of CMA CGM.

Director of the *Association nationale des sociétés par actions* – ANSA.

Director of APM.

Other directorships and positions held in the last five years:

Chief Executive Officer of Sodexo (until 2005).

Director of several subsidiaries of Sodexo in France and internationally.

Vice-Chairman of the MEDEF (until 2005).

Member of the Supervisory Board of Air Liquide.

Number of shares held: 2,170

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 represented various countries, commercial companies, banks and insurance companies. Before joining Compass Advisers as a New York-based partner in 2002, Allan Chapin was the Managing Director of Lazard Frères & Co. LLC.

After holding the office of member of the Supervisory Board of PPR (from May 21, 2002 to May 19, 2005), Allan Chapin has been a Director since May 19, 2005. His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2010.

Other corporate offices, directorships and positions held:

Shareholder of Compass Advisers LLC.

Director of Scor, CIFG and Inbev.

Director of the 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 corporate offices, directorships and positions held in the last five 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

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 the world championships 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, which manages the press activities of the Fiat Group, including the daily newspaper, La Stampa. In 1984, he was appointed Chairman and CEO 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 has been Chairman of Ferrari SpA, of which he was also the Chief Executive Officer until 2006. He is a Commander of the Legion of Honour.

After holding the office of member of the Supervisory Board (from December 19, 2001 to May 19, 2005), Luca Cordero di Montezemolo has been a Director of PPR since May 19, 2005. His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2011.

Other corporate offices, directorships and positions held:

Chairman of Ferrari since 1991, Fiat since 2004, Montezemolo & Partners since 2007, Charme Management Srl since May 2007, NTV (Nuovo Trasporto Viaggiatori) since 2008.

Director of Telethon (Italy) since January 2009, Citigroup since October 2004, Le Monde since November 2005, Poltrona Frau since December 2003 and Tod's since April 2001.

Other corporate offices, directorships and positions held in the last five years:

Chairman of Confidustria (from 2004 to 2008), Bologna Congressi (from 2000 to 2008) and Bologna Fiere (from 1998 to 2008).

Chief Executive Officer of Ferrari SpA (since October 2006) and of Maserati (from 1997 to 2005).

Director of Bologna Football Club 1909 (until November 2005), Editrice La Stampa, Indesit Company (from 2002 to May 2007) and Davide Campari Milano (from 2004 to June 2005).

Number of shares held: 500

Jean-Pierre Denis

Born on July 7, 1960

ARKEA Group: 29808 Brest Cedex 09

Independent Director

Jean-Pierre Denis is a General Inspector *(inspecteur des finances)* and a graduate of HEC and of ENA. In particular, he held the office of Chairman and Chief Executive Officer of the Oséo Group from 2005 to 2007, member of the Executive Board of Vivendi Environnement which became Veolia Environnement (from 2000 to 2003), Chairman of Dalkia (Vivendi Group then Veolia Environnement) (from 1999 to 2003), Advisor to the Chair of CGE which became Vivendi (from 1997 to 1999) and Deputy General Secretary of the French President's cabinet (from 1995 to 1997). He is currently Chairman of Crédit Mutuel de Bretagne and of Crédit Mutuel Arkéa.

Jean-Pierre Denis has been a Director of PPR since June 9, 2008. His term of office will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2011.

Other corporate offices, directorships and positions held:

Chairman of Crédit Mutuel de Bretagne and of Crédit Mutuel Arkéa (comprising the Crédit Mutuel subsidiaries of Brittany, the South West of France and the Central Massif).

Director of Altrad Group.

Director and general treasurer of the French professional football league.

Member of the Supervisory Board of OSEO Bretagne.

Director of SOPROL.

Other corporate offices, directorships and positions held in the last five years:

Chairman and Chief Executive officer of the Oséo Group (merger between Anvar and BDPME) from 2005 to 2007, Chairman of Sofaris (from 2003 to 2005).

Chairman and Chief Executive Officer of Anvar (from 2004 to 2005).

Chairman of the Executive Board of BDPME (from 2003 to 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 was then Vice-Chairman of JP Morgan in EMEA from September 2008 to January 2010. He began his career within the French Ministry of Finance in 1970. In 1974, he joined the Treasury Department of the French Ministry of Economy and Finance and was appointed Deputy Director of that Department in 1980. He became Cabinet Director of the Minister of Economy and Finance in 1981, then joined the Bank of France in 1984 as Deputy Governor. Appointed Chief Executive Officer of Caisse des Dépôts et Consignations in 1992, he held this position until December 1997. Philippe Lagayette is also Chairman of the *Institut des Hautes Études Scientifiques*, where he researches in mathematics and theoretical physics, Chairman of the French Committee of the French American Foundation, and Chairman of the *Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer*, specialised in research into Alzheimer's disease. He is an Officer of the Legion of Honour and a Commander of the National Order of Merit.

Philippe Lagayette has been a Director of PPR since May 19, 2005, after holding the office of member of the Supervisory Board from January 20, 1999 to May 19, 2005. His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2011.

Other corporate offices, directorships and positions held:

Director of Fimalac (since May 2003).

Director of Renault (since May 2007).

Other corporate offices, directorships and positions held in the last five years:

Vice-Chairman of JP Morgan in EMEA (from September 2008 to January 2010).

Managing Director and Chairman of the Paris Management Committee of JP Morgan Chase Bank (from 1998 to 2008).

Chairman and Chief Executive Officer of JP Morgan & Cie SA (from July 1998 to August 2008).

Director of La Poste (from December 2000 to December 2005).

Number of shares held: 500

Aditya Mittal

Born on January 22, 1976

Arcelor Mittal: 7th floor, Berkeley Square House, Berkeley Square, London W1J 6DA, United Kingdom

Independent Director

After graduating from the Wharton Business School in Pennsylvania (USA), Aditya Mittal worked as an investment banker at CSFB before joining the Mittal Steel Group in 1997 where he held a number of positions including Head of Mergers and Acquisitions. In this role, he pushed forward a growth strategy 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 producers. In 2004, he became Chief Financial Officer of Mittal Steel and successfully concluded the merger with Arcelor.

Aditya Mittal has been a Director of PPR since May 7, 2009. His term of office will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

Chief Financial Officer and Group Management Board member of Arcelor Mittal.

Number of shares held: 500

Baudouin Prot

Born on May 24, 1951

BNP Paribas: 3, rue d'Antin, 75002 Paris

Director

After graduating from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he spent four years before holding the office of Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of Banque Nationale de Paris Intercontinentale, before becoming the Director for Europe in 1985. He joined the Central Networks department in 1987 and was promoted to Central Director in 1990 then Deputy Chief Executive Officer of BNP in charge of networks in 1992. He became Chief Executive Officer of BNP in 1996 and Deputy Chief Executive Officer of BNP Paribas in 1999. In May 2000, he was appointed Director and Deputy Chief Executive officer of BNP Paribas then Director and Chief Executive Officer of BNP Paribas in May 2003. He is an Officer of the National Order of Merit and a Knight of the Legion of Honour.

Baudouin Prot has been a Director of PPR since May 19, 2005, after holding the office of member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

Director and Chief Executive Officer of BNP Paribas (since June 2003, term of office expires in 2011).

Director of Veolia Environnement (since April 2003, term of office expires in 2013).

Director of Erbe (Belgium) (since June 2004, term of office expires in 2010).

Director of Pargesa Holding SA (Switzerland) (since May 2004, term of office expires in 2010).

Other corporate offices, directorships and positions held in the last five 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 on the Supervisory Board of Accor (from 1992 to January 2006).

Number of shares held: 600

Jean-Philippe Thierry

Born on October 16, 1948

AGF: 87, rue de Richelieu, 75002 Paris

Independent Director

A graduate from the *Institut d'études politiques* of Paris with a degree in economic science, Jean-Philippe Thierry joined GPA Assurances in 1978, which he chaired from 1989 to 2000. In 1989 he joined Worms & Cie as Managing Partner, becoming Chairman of the Executive Board in 1997. At the same time, he was Chairman of Athéna Assurances. In 1998, he joined Generali France Group, of which he was appointed Chairman in 1999. In 1996, he was appointed Chairman of the FFSAA and Vice-Chairman of the FFSA. From June 2001 to December 2009, he was Chairman and Chief Executive Office of AGF. From January 1, 2006 to December 31, 2009, he was also a member of the Executive Board of Allianz SE. Jean-Philippe Thierry is a Commander of the National Order of Merit, an Officer of the Legion of Honour, a Knight of Agricultural Merit and an honorary member of the Institute of French Actuaries. His is also a Foreign Trade Advisor of France and since March 7, 2010 he has been Vice-Chairman of the *Autorité de contrôle prudentiel* (insurance and bank control authority).

Jean-Philippe Thierry joined the Board of Directors of PPR on September 6, 2006; he was coopted to replace Anthony Hamilton. The General Shareholders' Meeting approved this cooptation on May 14, 2007. His term of office was renewed by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and will expire at the General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2012.

Other corporate offices, directorships and positions held:

Director of Société Financière Foncière et de Participations-FFP (since September 2005, term of office expires in 2011), Atos Origin (since February 2009) and Tocqueville Finance SA.

Member of the Supervisory Board of Euler Hermès (since January 2010, term of office expires in 2011).

Vice-Chairman of the *Autorité de contrôle prudentiel* (since March 2010).

Other corporate offices, directorships and positions held in the last five years:

Chairman of the Board of Directors of Allianz France – previously AGF SA (from June 2001 to December 2009).

Chairman of the Board of Directors of Tocqueville Finance (from September 2007 to November 2009).

Chairman of Allianz Holding France SAS (from September 2007 to November 2009) and of Tocqueville Finance Holding SAS (from 2008 to November 2009).

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).

Member of the Executive Board of Allianz SE (Germany) (from January 2006 to December 2009).

Chairman and Chief Executive Officer of AGF Holding (from May 2002 to November 2007).

Chairman of the Board of Directors of AGF IART and of AGF Vie (until 2008).

Chairman of the Supervisory Board of GIE AGF Informatique (until 2006), Euler Hermès (from 2001 to December 2009), Mondial Assistance AG (Switzerland) (from December 2005 to November 2009) and Atos Origin (from July 2008 to February 2009).

Member of the Supervisory Board of Allianz Nederland Groep (the Netherlands) (from January 2006 to May 2007) and of Allianz Global Corporate & Specialty AG (Germany) (from March 2006 to May 2007).

Member of the Supervisory Board of Taittinger Group (until 2005).

Director of Allianz Seguros y Reaseguros (Spain) (from May 2001 to July 2007), AGF RAS Holding (the Netherlands) (until 2006) and AGF International (from May 2001 to March 2009).

Number of shares held: 3,050, of which 2,550 are held without usufruct.

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 establishes the rules for setting such remuneration each year based on the recommendations issued by the Remuneration Committee.

The amounts payable, which are shown in the two tables below, correspond to remuneration granted 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 remuneration received by the executive corporate officer during each of the fiscal years shown.

Gross amounts *(in euros)*	**FY 2009**		**FY 2008**	
François-Henri Pinault Chairman and Chief Executive Officer	**Amounts payable for the year**	**Amounts paid during the year**	**Amounts payable for the year**	**Amounts paid during the year**
Fixed remuneration	999,996	999,996	999,996	999,996
Variable remuneration	1,548,600	0	0	1,380,000 (1)
Exceptional remuneration	0	0	0	0
Directors' fees (PPR + subsidiaries)	162,193	120,000	163,527	120,000
Benefits in kind	9,751	9,751	6,218	6,218
TOTAL	**2,720,540**	**1,129,747**	**1,169,741**	**2,506,214**

(1) For 2007.

Gross amounts *(in euros)*	**FY 2009**		**FY 2008**	
Jean-François Palus Deputy Chief Executive Officer	**Amounts payable for the year**	**Amounts paid during the year**	**Amounts payable for the year**	**Amounts paid during the year**
Fixed remuneration	612,937	612,937	600,000	600,000
Variable remuneration	800,110	91,660	105,000	317,430 (1)
Exceptional remuneration	0	0	0	0
Directors' fees (subsidiaries)	115,907 (2)	90,000	90,000	90,000
Benefits in kind	4,785	4,785	4,785	4,785
TOTAL	**1,533,739**	**799,382**	**799,785**	**1,012,215**

(1) Mainly for 2007.
(2) Including PPR directors' fees.

Variable remuneration payable for 2008 was paid during the first quarter of 2009 and that payable for 2009 was paid during April 2010.

For 2009, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer on the basis of the recommendations of the Remuneration Committee, the structure of remuneration – amount of the fixed portion and the rate of the variable portion – is decided based on an analysis of market practices observed for senior managers of CAC 40 companies.

The variable remuneration of the Chairman and Chief Executive Officer is based on the achievement of predefined targets, assessed on the basis of the Group's results after the closing of the fiscal year concerned. For 2008 and 2009, the variable portion is equal to 120% of the fixed portion when targets are exactly met, and up to 180% of the fixed portion when they are exceeded. In 2008, there were two targets, each accounting for 50% of the variable portion of remuneration, i.e., (i) operating income and return on capital employed and (ii) free cash flow from operations after finance costs. Exceptional performances may also be factored into this calculation.

Pursuant to these criteria, no variable remuneration was paid to the Chairman and Chief Executive Officer for 2008.

Upon the renewal of the term of office of the Chairman and Chief Executive Officer on May 7, 2009, the Board decided that his variable remuneration would be set on the basis of two defined targets, as follows: 50% would be based on the Group's operating margin and 50% on changes in the Group's consolidated cash flow (change in working capital requirement, net operating investments, after tax and finance costs), excluding any qualitative criteria. Pursuant to said criteria, a variable remuneration of €1,548,600 was paid to the Chairman and Chief Executive Officer for 2009.

For the Deputy Chief Executive Officer, the variable portion is equal to 50% of the fixed portion for 2008 and 100% for 2009 when targets are exactly met, and up to 150% of the fixed portion when targets are exceeded, with the fixed portion set at €620,000 for 2009 and €600,000 for 2008.

In 2008, the variable portion depended for 60% on the achievement of quantitative targets (operating income, return on capital employed and free cash flow from operations, after finance costs for the Group) and for 40% on the achievement of qualitative targets set by the Chairman and Chief Executive Officer.

On the recommendation of the Remuneration Committee, on July 30, 2009 the Board of Directors decided to raise Jean-François Palus's variable remuneration to 100% (from the 80% which had previously been approved upon the renewal of the term of office of the Deputy Chief Executive Officer). This variable portion is subject to the same exclusively quantitative criteria as those applied to the variable remuneration of the Chairman and Chief Executive Officer. Pursuant to these criteria, a variable remuneration of €800,110 was paid to the Deputy Chief Executive Officer for 2009.

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.

No indemnity is payable to the Chairman and Chief Executive Officer or the Deputy Chief Executive Officer in the event of the termination of their duties as corporate officers.

There are no special pension plans for the Chairman and Chief Executive Officer.

	Employment contract		Supplementary pension plan		Indemnities or benefits owed or that may be payable on the termination 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 Chairman and Chief Executive Officer Term of office began on: May 19, 2005 Term of office expires: AGM 2013		X		X		X		X
Jean-François Palus Deputy Chief Executive Officer Term of office began on: February 26, 2008 Term of office expires: AGM 2013		X (1)	X (2)			X		X

(1) Following his appointment as a Director by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, and in accordance with the AFEP-MEDEF recommendations, the Deputy Chief Executive Officer's sole employment contract with a Group subsidiary has been terminated by mutual agreement.

(2) In December 2009, it was decided to end the Group defined benefit pension plan.

Moreover, at the beginning of 2010 the Board of Directors authorised the implementation of an additional pension plan specifically for Jean-François Palus, Group member for 19 years. This plan takes the form of a transfer of an amount of €3.568 million to a management fund entitling him to payment of a full supplementary pension (with a right of reversion) from the legal retirement age, with no condition of still being with the Group at that time. However, to benefit from the plan, Jean-François Palus must not leave the Group for personal reasons before December 31, 2014 and the performance criteria currently in place for entitlement to the variable portion of his remuneration must be fulfilled for his current term of office as Director.

This amount would finance a target pension annuity, of a non-guaranteed amount, currently set at approximately 25% of his annual remuneration paid in 2009.

Other information and commitments

No stock options were granted to executive corporate officers in 2009.

No stock options were exercised by executive corporate officers in 2009.

Historical details of the stock options previously granted to François-Henri Pinault and Jean-François Palus are shown on pages 292 to 293. To the Company's knowledge, there are no hedges on the executive corporate officers' stock options.

PERFORMANCE SHARES ALLOCATED TO EACH EXECUTIVE CORPORATE OFFICER IN 2009

	Number and date of the plan	Number of shares allocated	Value of shares based on the method used for the consolidated financial statements (IFRS 2)	Purchase date	Availability date	Terms of performance
Jean-François Palus	2009-I Plan May 7, 2009	6,030	€248,105	May 7, 2011	May 7, 2013	Condition of a performance at least equivalent to the price of the PPR share compared to an index of share values of European listed companies that is representative of the Luxury Goods and Retail sectors, between the granting and final allocation of said shares (2 years), and an additional condition of a minimum increase in net profit of 5% on the PPR share during 2009 and 2010, the number of shares vesting being reduced in proportion to any underperformance of the PPR share and any short fall in the minimum increase in net earnings per share.
TOTAL		**6,030**	**€248,105**			

The Board of Directors' meeting of May 7, 2009 decided, in agreement with François-Henri Pinault, not to allocate him any performance shares in 2009 for reasons linked to the current economic environment, irrespective of the Group's results and business activities.

However, the Remuneration Committee recommended that the Board of Directors allocate 6,030 performance shares to Jean-François Palus, the full vesting of which would be subject to an additional performance condition of a minimum increase in net earnings per PPR share in 2009 and 2010.

The Board of Directors decided that at least 30% of the amount, after tax and social security deductions (at the standard rate, as if the shares were sold immediately), of the acquisition gain resulting from the sale of performance shares should be kept by Jean-François Palus, in the form of an equivalent number of shares thus allocated (valued at the date of sale) up to the termination of his duties as director and executive corporate officer of PPR, unless the Board of Directors decides otherwise, thus releasing him from this restriction within the limit that it would then set.

The Board of Directors also decided, on the recommendation of the Consolidated AFEP-MEDEF Code, to set the purchase obligation, when the performance shares become available, at 10% of the initial number of performance shares allocated to Jean-François Palus.

PERFORMANCE SHARES THAT BECAME AVAILABLE DURING 2009 FOR EACH EXECUTIVE CORPORATE OFFICER

	Number and date of the plan	Number of shares that became available during the year	Vesting conditions
Jean-François Palus	2007 Plan May 14, 2007	8,291 (1)	No requirement to purchase shares during the availability period
TOTAL		**8,291**	

(1) Definitive number of shares allocated in 2009 and available as of May 14, 2011.

Summary of remuneration, options and performance shares allocated to each executive corporate officer

Gross amounts *(in euros)* **François-Henri Pinault** **Chairman and Chief Executive Officer**	**Amounts for 2009**	**Amounts for 2008**
Remuneration payable	2,720,540	1,169,741
Value of options granted during the year [1]		
Value of performance shares granted during the year [1]		915,300
TOTAL	**2,720,540**	**2,085,041**

(1) This value corresponds to the value of options and financial instruments upon their allocation as measured in accordance with IFRS 2 after taking into account, in particular, a possible discount related to performance criteria and probability of presence in the Company at the end of the vesting period, but prior to the spreading of the expense over the vesting period in accordance with IFRS 2.

Gross amounts *(in euros)* **Jean-François Palus** **Deputy Chief Executive Officer**	**Amounts for 2009**	**Amounts for 2008**
Remuneration payable	1,533,739	799,785
Value of options granted during the year [1]		
Value of performance shares granted during the year [1]	248,105	682,938
TOTAL	**1,781,844**	**1,482,723**

(1) This value corresponds to the value of options and financial instruments upon their allocation as measured in accordance with IFRS 2 after taking into account, in particular, a possible discount related to performance criteria and probability of presence in the Company at the end of the vesting period, but prior to the spreading of the expense over the vesting period in accordance with IFRS 2.

REMUNERATION OF NON-EXECUTIVE CORPORATE OFFICERS AND DIRECTORS - DIRECTORS' FEES

The General Shareholders' Meeting of May 7, 2009 increased the total amount of directors' fees to be allocated to the members of the Board of Directors for 2009 from €610,000 to €660,000, due to the appointment of another Director.

Based on the recommendations of the Remuneration Committee, the Board of Directors' meeting of January 22, 2010 decided to allocate directors' fees based on the actual presence of members at meetings of the Board and of specialised Committees held during 2009.

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-Chair (€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 a coefficient of 1 by Board membership, increased by 0.5 per Committee;

b) a variable portion, allocated with a coefficient of 1 per presence at each meeting of the Board and 0.5 for each attendance at a Committee meeting.

For 2009, a total amount of €561,841 was paid to the Directors, allocated as follows:

- €114,000 for the special portion;
- €222,506 for the fixed portion;
- €225,335 for the variable portion.

The table below shows directors' fees paid in 2008 and 2009 for the fiscal years 2007 and 2008:

Members of the Board of Directors other than the Chairman and Chief Executive Officer	Directors' fees paid during the year (in euros)	
	2009	2008
Patricia Barbizet	209,354 (1)	204,815 (1)
René Barbier de la Serre	84,836	82,183
Pierre Bellon	56,136	49,334
Allan Chapin	56,136	54,962
Luca Cordera di Montezemolo	25,218	24,667
Jean-Pierre Denis	19,460	
Philippe Lagayette	81,036	76,555
Baudoin Prot	30,227	38,406
Jean-Philippe Thierry	43,527	42,629
TOTAL	**605,930**	**573,551**

(1) Directors' fees paid by PPR and Gucci Group.

Neither the Company, nor any company controlled by it, has made any commitment vis-à-vis its directors and executive corporate officers arising from the commencement, termination or change in their duties or subsequent thereto.

No director or executive corporate officer benefits from any particular benefit or specific pension plan. There is no conditional or deferred remuneration.

REGULATORY INFORMATION ON DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

To the Company's knowledge:

- none of the directors and executive corporate officers has been convicted for fraud in the last five years;
- none of the directors and executive corporate officers has been associated with bankruptcy, receivership or liquidation proceedings as a member of an administrative, management or supervisory body or as Chief Executive Officer;
- no court order has been entered over the last five years against any of the directors and executive corporate officers that prohibits them from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or running of the business of an issuer;
- no incrimination and/or official public penalty has been entered against any of the directors and executive corporate officers by statutory or regulatory authorities (including named professional bodies);
- none of the directors and executive corporate officers has been given a commitment by the Company or any of its subsidiaries corresponding to items of remuneration, indemnities or benefits payable or potentially payable on account of the commencement, termination or change of his or her duties or subsequent thereto;
- none of the directors and executive corporate officers has received any remuneration from Artémis (which directly controls PPR) during the year;
- none of the directors and executive corporate officers has indicated the existence of an agreement with a main shareholder, customer or supplier of the Company pursuant to which he or she was designated as director or executive corporate officer.

Moreover, no service contract providing for the granting of benefits binds the Directors with the PPR Group.

No assets belonging directly or indirectly to the members of the Company's management are used in Group operations.

In general, to the Company's knowledge, none of the directors and executive corporate officers is in a position of potential conflicts of interest between their duties with regards to the Company and their private interests or other duties or has existing family ties with another director or executive corporate officer 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 in its meeting of May 7, 2009, which followed the Ordinary and Extraordinary Shareholders' Meeting, decided to confirm Mr. François Pinault, founder of the PPR Group, as Honorary Chairman of the Board of Directors. In this capacity, Mr. François Pinault is invited to participate in the meetings of the Board of Directors and of the Strategy and Development Committee on a consultative basis.

Vice-Chair of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, the Board of Directors in its meeting of May 7, 2009, which followed the Ordinary and Extraordinary Shareholders' Meeting, renewed Patricia Barbizet's term of office as Vice-Chair of the Board of Directors for the same duration as her term of office as Director. In this capacity, Patricia Barbizet prepares and coordinates the work of the Board of Directors and may chair Board meetings when the Chairman is absent.

Non-voting Directors

In its meeting of May 7, 2009, which followed the Ordinary and Extraordinary Shareholders' Meeting, the Board of Directors renewed the terms of office of the following members of the Group's management as non-voting Directors:

- Robert Polet, Chairman of the Management Board and Chief Executive Officer of Gucci Group NV;
- Christophe Cuvillier, Chairman and Chief Executive Officer of Fnac;
- Jochen Zeitz, Chairman of the Executive Board of Puma AG;
- Thierry Guibert, Chairman and Chief Executive Officer of Conforama Holding;
- Jean-Michel Noir, Chairman and Chief Executive Officer of Redcats SA.

Alain Viry, Chairman and Chief Executive Officer of Cfao, was also appointed in this capacity by the Board of Directors. He resigned as non-voting Director on December 7, 2009 due to PPR's loss of control of Cfao at the time of its initial public offering.

The main role of non-voting Directors is to attend Strategic and Development Committee meetings and, as required, Board of Directors' meetings, to provide the necessary information, expertise and knowledge of the Group's various businesses. They serve on a consultative basis. In May 2007, the General Shareholders' Meeting deemed appropriate that the Board be allowed to decide on the number of non-voting Directors and amended Article 18 of the PPR's Articles of Association accordingly.

GROUP MANAGEMENT

Group Management is comprised of the Group Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Deputy Chief Executive Officer.

Executive Committee

The Executive Committee meets each month, with the Chairmen of the Group's various Subsidiaries and the main operational directors of PPR. The Executive Committee, which is the Group's operational authority and which specifically reflects on the Group's businesses, and focuses on the co-ordination and sharing of inter-company initiatives and the monitoring of 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 of Conforama then Chairman and Chief Executive Officer of Fnac (since March 2008);

- Philippe Decressac (since November 2008), Group Human Resources Director;
- Thierry Guibert (since June 2008), Chairman and Chief Executive Officer of Conforama;
- Jean-Michel Noir (since April 2009), Chairman and Chief Executive Officer of Redcats;
- Robert Polet (since July 2004), Chairman and Chief Executive Officer of Gucci Group NV;
- Jochen Zeitz (since September 2007), Chairman of the Executive Board of Puma AG.

Monthly activity and budget review meetings

PPR's Executive Management holds monthly meetings with the Chairmen and Corporate Secretaries of the Subsidiaries to assess the activity 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 strategic, operational and financial aspects, that includes, amongst other items, the matters identified by the Strategy and Development Committee in its annual guideline letter intended for each Subsidiary. Strategic planning covers the long-term development of the businesses, the growth outlook for the key markets and the positioning of competitors. The operational plan is the result of the translation of strategic planning into a limited number of 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 in-depth consideration 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.

Insider good practices Committee

Comprised of the Deputy Chief Executive Officer and the General Counsel of the Group, the Insider good practices Committee draws up the timetable of black-out periods relating to the trading of PPR securities, lists of insiders, letters of information and follow up relating to rules on insider dealing, which are sent to the relevant executives and senior managers of the Group as well as to occasional and permanent insiders, in accordance with the General Regulations of the French stock market authority (AMF). The members of the Group's Executive Committee are required to consult the Insider good practices Committee before trading in Company shares or similar financial instruments.

Pursuant to the provisions of Article 223-26 of the General Regulation of the AMF, to the Company's knowledge, the transactions carried out by the individuals referred to in Article L. 621-18-2 of the French Monetary and Financial Code on PPR's financial instruments during 2009 and from January 1 to March 15, 2010, are as follows:

- Sale of 300 PPR shares by Baudouin Prot, Director, March 24, 2009;
- Acquisition of 500 PPR shares by Aditya Mittal, Director, July 13, 2009;
- Acquisition of 1,000 PPR shares by Pierre Bellon, Director, February 18, 2010;
- Acquisition of 150 PPR shares by Baudouin Prot, Director, February 18, 2010.

Ethics and Corporate Social Responsibility Committee (ECSRC)

Reporting to the Executive Committee, the Ethics and Corporate Social Responsibility Committee is comprised of executives of the Company and its Subsidiaries, who contribute their experience in various areas: strategy, human resources, sustainable development, legal issues and company management. The Committee also comprises a member from outside the Group who is a business ethics specialist.

The Committee has three assignments:

- Monitor the proper distribution and implementation of the Code of Business Practices and the principles by which the Committee stands;
- Answer questions from Group employees, whether they relate to simple day-to-day requests for clarification on the interpretation of the Code and its usage, or to claims sent to the Committee for suspected non-compliance with any of the Group's business ethics principles;
- Initiate and promote proposals for the development of Group policies and actions relating to Corporate Social Responsibility.

REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE CONDITIONS OF PREPARATION AND ORGANISATION OF THE WORK PERFORMED BY THE BOARD, AND ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

Pursuant to Article L. 225-37 para. 6 of the French Commercial Code (*Code de commerce*), amended by Act No. 2008-649 of July 3, 2008, the conditions of preparation and organisation of the work performed by the Board of Directors and the internal control and risk management procedures set up by the Company are reported to you hereinafter. This report specifies, in particular, the procedures relating to the preparation and processing of accounting and financial information for the consolidated financial statements and the parent company financial statements; the first part of this report was presented to the Appointments Committee on February 15, 2010 and the Company's Audit Committee discussed the second part on January 19, 2010.

The Board of Directors approved the entire report at its meeting of February 17, 2010 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

1. Membership of the Board of Directors

1 – Current membership of the Board

The Board is comprised of Directors with wide and diversified experience, in particular, in relation to company strategy, finance, insurance, the retail sector, industry, accounting, management and control of commercial and financial corporations. The Articles of Association provide for a renewable four-year term of office for Directors.

In order to avoid the election of the entire Board as a block and to favour the smooth renewal of Directors, the Ordinary and Extraordinary Shareholders Meeting of May 7, 2009 adopted an amendment to Article 10 of the Company's Articles of Association in order to implement a staggered renewal of the Board of Directors.

The Board is currently made up of eleven Directors:

				Participation on a committee						
Name	Position	Age	Independent Director [1]	Audit	Remuneration	Appointments	Strat. & Dev.	Start 1st term of office	End of current term of office	Nationality
François-Henri Pinault	Chairman and Chief Executive Officer	47					✓	2005	2013	French
Patricia Barbizet	Vice-Chair	54		✓	✓	✓	✓	2001 [2]	2013	French
Jean-François Palus	Deputy Chief Executive Officer	48					✓	2009	2013	French
Pierre Bellon	Director	80	✓		✓		✓	2001 [2]	2011	French
Allan Chapin	Director	68	✓		✓	✓		2002 [2]	2011	American
Luca Cordero di Montezemolo	Director	62	✓					2001 [2]	2012	Italian
Jean-Pierre Denis	Director	49	✓	✓	✓			2008	2012	French
Philippe Lagayette	Director	66			✓		✓	1999 [2]	2012	French
Aditya Mittal	Director	34	✓					2009	2013	Indian
Baudouin Prot	Director	58				✓		1998 [2]	2013	French
Jean-Philippe Thierry	Director	61	✓	✓				2006	2013	French

(1) As regards the criteria of the AFEP-MEDEF Consolidated Code set out in paragraph II-5 below.
(2) Initial term of office as a member of the Supervisory Board.

Five non-voting Directors appointed by the Board of Directors on May 7, 2009 for a term of four years pursuant to Article 18 of the Company's Articles of Association attend meetings of the Board of Directors, as required, on a consultative basis.

The Board has set up four committees responsible for assisting it in performing its role: the Audit Committee, the Remuneration Committee, the Appointments Committee and the Strategy and Development Committee.

A detailed list of the Directors and the non-voting Directors is set out on pages 313-318 of this Reference Document.

2 – Changes in the Membership of the Board of Directors

The term of office of René Barbier de la Serre expired at the close of the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 and was not renewed.

The Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 appointed two new Directors, Jean-François Palus and Aditya Mittal, and renewed the terms of office of the other Directors except for Jean-Pierre Denis who had been appointed by the Ordinary and Extraordinary Shareholders' Meeting of June 9, 2008 for a four-year term.

II. Conditions of preparation and organisation of the work of the Board of Directors

1 – Internal rules of the Board

The Board of Directors performs the duties and exercises the powers granted to it by law and the Articles of Association.

It determines and assesses the strategy, objectives and performance of the Company and ensures their implementation. Subject to the powers expressly granted to General Shareholders' Meetings and within the limit of the corporate purpose, it is called upon to handle any question relating to the smooth running of the Company and settles the questions within its remit through its decisions.

The Board carries out the controls and verifications it deems appropriate.

The conditions of 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 has established internal rules for each Committee.

Pursuant to its internal rules and the law, the Board of Directors meets at least four times a year. To help Directors prepare in the best possible way for the subjects to be examined during the meeting, a complete file is first sent to them in due time; it includes, per subject addressed, the necessary information on all items on the agenda.

In line with the relevant regulatory requirements, the internal rules, which were amended to take account of the new requirements relating to financial disclosure and the consolidation of Puma AG, a subsidiary listed in Germany, also set the rules binding on Directors in relation to restrictions on trading the securities of the Company or more generally the Group, by establishing "black-out periods":

- the Directors must refrain from trading directly or indirectly in 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 sales and ending after the publication of the relevant official press release. In no way does this closed period replace the legal and regulatory provisions regarding insider trading with which each member of the Board must comply at the time that he/she decides to trade, no matter when this might occur outside the defined closed periods;
- the same obligations apply to each Director insofar as the Director has 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 videoconference and/or conference call.

They also establish the principle of regular assessment of the functioning of the Board and set the terms and conditions by which Directors' fees are allocated.

In order to reinforce its methods of functioning and in the interest of good governance, the internal rules of the Board of Directors set forth and formally lay down the rules governing the organisation and methods of functioning 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 – Executive management

After the Ordinary and Extraordinary Shareholders' Meeting of May 19, 2005 adopted PPR's new Articles of Association introducing governance by a Board of Directors, the Board of Directors opted to have the duties of Chairman and Chief Executive Officer held by one person, and maintained this option in May 2009. This choice has proven to be an efficient corporate governance factor in light of the organisation of the PPR Group: François-Henri Pinault is the Chairman and Chief Executive Officer of PPR, the Group's parent company. He is related to the controlling shareholder and is closely involved in conducting the Group's business and has in-depth knowledge and experience of this business. His role does not extend to executive management of the operating Subsidiaries, the responsibility for which is entrusted to the management of the Group's main subsidiaries, who are all members of the Executive Committee and attend Board of Directors' meetings as non-voting Directors. They are able to provide the necessary information, their expertise and their knowledge of the different businesses particularly when executive management reports to the non-executive Directors.

On the proposal of the Chairman and Chief Executive Officer, the Board of Directors' meeting of February 26, 2008 appointed a Deputy Chief Executive Officer whose term of office was renewed on May 7, 2009 and who has the same powers with regard to third parties as the Chief Executive Officer. The Deputy Chief Executive Officer was appointed as Director by the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009 for a term of four years.

The Chairman and Chief Executive Officer and the Deputy Chief Executive Officer both take part, on an equal level, in the work of the Board of Directors which is primarily made up of independent Directors and whose proper operating is ensured by the frequency of its meetings, the regular attendance of its members and the assistance of its specialised Committees, as described below.

3 - 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 of determining the strategy of the Company and ensuring its implementation, and subject to the legal provisions governing the authorisations that the Board is required to grant (related-party agreements, endorsements, suretyships and guarantees, divestments of shareholdings or sale of real property, etc.), the Company's Articles of Association provide that certain decisions of the Chief Executive Officer and Deputy Chief Executive Officer, 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 Shareholders' Meeting, issues of securities, regardless of the nature thereof, that are liable to cause a change in the share capital;

(c) the following transactions by the Company or any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors (€500 million in 2009):

- 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 real property.

These transactions are regularly submitted to the Board of Directors which examines them carefully.

4 – Compliance with a Code of Corporate Governance

On October 22, 2008, the Board of Directors announced that it had examined and adopted as a reference framework for corporate governance the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of executive corporate officers of listed companies and deemed that the corporate governance policies already implemented by the Company complied with all the aforementioned recommendations, and would be specified in the 2008 Reference Document.

Accordingly, 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 recommendations of January 2007 and October 2008 ("the AFEP-MEDEF Consolidated Code"), and has done so, in particular, for the preparation of this report. The AFEP-MEDEF Consolidated Code can be consulted on the Medef's website at: www.medef.fr, under the "Corporate Governance" section.

5 – 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 AFEP-MEDEF Consolidated Code, whereby a Director cannot:

- be an employee or director or executive corporate officer of the Company, employee or Director of its parent company or a consolidated company or have been an employee or director or executive corporate officer thereof over the previous five years;
- be a director or executive corporate officer of a company in which the Company holds, directly or indirectly, a Directorship or in which an employee so designated or a director or executive corporate officer of the Company (a current Board member or a Board member within the previous five years) holds a Directorship;
- be a significant customer, supplier, investment banker, or financing bank of the Company or its Group, or a company for which the Company or its Group represents a significant portion of the activity;
- have any close family tie with a director or executive corporate officer;
- have been the auditor of the Company during the previous five years;
- have been a Director of the Company for over twelve years.

Upon analysing the situation of each Director with regard to these criteria and following review by the Appointments Committee on January 20, 2009, the Board of Directors classified as independent Directors, without prejudging the independence of the other Directors, the following members: Pierre Bellon, Allan Chapin, Luca Cordero di Montezemolo, Jean-Pierre Denis, Aditya Mittal and Jean-Philippe Thierry (the latter's situation was reviewed in light of the portion of premiums that the PPR Group paid to Allianz-AGF and the independence criteria were considered to have been fully satisfied).

Regarding Baudouin Prot and Philippe Lagayette, the Board noted that although the PPR Group maintains ordinary and normal relations with the BNP group, on the one hand, and the JP Morgan group, on the other hand, these groups declared that their activities for the PPR Group did not put them respectively in a position of influencing the independence of these two Directors with regard to PPR.

During its meeting of February 15, 2010, the Appointments Committee again reviewed the situation of each of the Directors with regard to the independence criteria of the AFEP-MEDEF Consolidated Code. On its proposal, as there was no new information liable to change its past assessment of the situation, the Board, following review, considered that its earlier assessments were still applicable, it being noted that Philippe Lagayette has not held any operational duties at the JP Morgan Bank since January 31, 2010.

Accordingly, six Directors out of the eleven Directors on the Board are classified as independent Directors, it being noted that the AFEP-MEDEF Consolidated Code recommends that companies with a controlling shareholder, which is the case of PPR, comply with the rule that at least one third of the Board members should be independent Directors.

6 – Activity of the Board and its specialised committees

Activity of the Board of Directors in 2009 and until February 17, 2010

Activity of the Board of Directors in 2009

During 2009, the Board met seven times with an average attendance rate of 95%; the Chairman of the Board chaired all Board meetings.

Dates	Directors present (attendance rate)
January 23	9/10 (90%)
February 18	9/10 (90%)
May 7 (before the Ordinary and Extraordinary Shareholders' Meeting)	10/10 (100%)
May 7 (after the Ordinary and Extraordinary Shareholders' Meeting)	11/11 (100%)
July 30	11/11 (100%)
October 20	10/11 (90.9%)
November 16	10/11 (90.9%)

The work of the Board of Directors mainly involved reviewing the annual and half-year financial statements, the Group's business activity and strategic issues.

During its meeting of January 23, 2009 where 9 Directors out of 10 were present and in the presence of the 6 non-voting Directors, the Board reviewed the work of the Audit Committee and presented it with the Group's sales for the 4th quarter of 2008 and the 2009 budget. It granted and allocated the 2008 Directors' fees in accordance with the terms and conditions of its internal rules and the recommendations of the Remuneration Committee.

On February 18, 2009, following review by the Audit Committee which met the day before, the Board of Directors approved the 2008 financial statements and reports in view of the General Shareholders' Meeting, for which it prepared the agenda and draft resolutions. It adopted the draft management report by the Board to the General Shareholders' Meeting and approved the Chairman's report on corporate governance and internal control. On the recommendation of the Appointments Committee, it decided to put to the vote of the General Shareholders' Meeting of May 7, 2009, firstly, the renewal of the terms of office of all the Directors which expired at the close of General Meeting except for René Barbier de la Serre who did not wish to continue to hold his duties for personal reasons, said renewals being made according to a principle of rotation determined by the Appointments Committee and, secondly, the appointment of Mr. Jean-François Palus, Deputy Chief Executive Officer, as well as Aditya Mittal as Directors, after assessing the latter's independence. The Board reviewed the situation of each Director with regard to the independence criteria of the AFEP-MEDEF report and concluded that, as membership of the Board currently stood, six Directors out of ten were independent; the Appointments Committee proposed to the Board that it be assisted by a firm specialising in self-assessment of the Board which it agreed to, starting from the 2010 fiscal year. The Board appointed as a new non-voting Director Jean-Michel Noir who was taking up the duties of Chairman and Chief Executive Officer of Redcats. On the recommendation of the Remuneration Committee, the Board determined the remuneration components for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer; it then reviewed and accepted the recommendations of the Remuneration Committee to propose to the General Shareholders' Meeting an increase in the total amount of Directors' fees in view of the appointment of an eleventh Director.

On May 7, 2009, the Board met prior to the General Shareholders' Meeting held on the same day. The Board heard a presentation on the work of the Remuneration Committee concerning the proposed policy for 2009 with regard to the long-term remuneration of the Group's senior management, and it approved the rules and regulations regarding two plans for the granting of free shares, the first for French residents and the second for non-French residents, such share grant plans being subject to a condition relating to the performance of the PPR share as compared to a basket of composite stocks. Within this framework, it decided on the principle of granting performance shares to the Deputy Chief Executive Officer (on the Remuneration Committee's recommendation) with an additional performance condition and the obligation to purchase shares when the performance shares become available, in accordance with the AFEP-MEDEF recommendations.

At the close of the General Shareholders' Meeting of May 7, 2009, the Board held a meeting in its new composition in order to renew the terms of office of the Chairman and Chief Executive Officer, the Vice-Chair of the Board, the Deputy Chief Executive Officer and the Honorary Chairman and to appoint non-voting Directors to the Board. It decided to maintain the remuneration amounts for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer that had been decided by the Board on February 18, 2009 after noting the termination of the employment contract of the Deputy Chief Executive Officer following his appointment as a Director. The Board then set at €500 million the amount of the authorisation given to the Chief Executive Officer, with the power to delegate, in order to carry out certain transactions, in particular those referred to in Article 15-II of the Company's Articles of Association, and approved the implementation of the share buy-back programme authorised by the General Shareholders' Meeting on the same day.

On July 30, 2009, the Board reviewed the proceedings of the Audit Committee which had met the previous day, interviewed the Statutory Auditors, drew up the half-year financial statements and heard a report on business activity for the first half of 2009. It also approved the proposal made by the Remuneration Committee and the Chief Executive Officer to assess the variable remuneration of the Deputy Chief Executive Officer in the same way as for the Chief Executive Officer and to have it subject to the same, solely quantitative, criteria.

A report was made to the meeting of October 20, 2009 on the Group's business activities, in particular the 2009 third quarter sales and the outlook for the Subsidiaries. The Board heard a presentation on the initial public offering of Cfao and, in this connection, authorised as a related-party agreement, an agency agreement entered into with BNP Paribas, one of the banks acting as bookrunner. The Board then approved the choice of the outside firm selected by the Appointments Committee to provide assistance to the Board in its annual and triennial self-assessment process.

On November 16, 2009, the Board held a meeting prior to the announcement of launch of the initial public offering of Cfao, and most of its discussions concerned this issue. The Executive Management explained to the Board the strategic nature of the divestment of Cfao and the valuation items providing the basis for the contemplated price range to be offered to the market. The Chairman of the Supervisory Board of Cfao described the new governance structure of Cfao, following which the Board approved the decision to launch the initial public offering under the conditions that had been presented to it and authorised the Chief Executive Officer and the Deputy Chief Executive Officer to define the final conditions of the initial public offering and to enter into the previously presented related-party agreements with Cfao and BNP Paribas.

Activity of the Board of Directors in 2010 until February 17, 2010

Between January 1, 2010 and February 17, 2010, the Board of Directors met twice.

During its meeting of January 22, 2010 attended by 10 out of 11 Directors and in the presence of five non-voting Directors, the Board reviewed the works of the Audit Committee on audit and internal control activities within the Group and heard a presentation of the key priorities and the major focuses of the Group's corporate social responsibility policy; the Board authorised the setting up of a specific additional pension plan for the Deputy Chief Executive Officer and granted and allocated the Directors' fees for 2009 in accordance with the terms and conditions of its internal rules after approving the recommendations of the Remuneration Committee.

This February 17, 2010, the Board of Directors met to approve the 2009 annual financial statements and reports and to approve this corporate governance 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. At least once every three years, an independent Director or third party expert appointed by the Board assesses and reports on its members and activity.

In 2007, based on the recommendations of the Appointments Committee, an independent Director was appointed to conduct the triennial assessment provided for in the internal rules.

The results of this assessment, which was carried out, in particular, through direct interviews with each of the Directors, were reviewed at the Board meeting of February 2008. This thorough assessment made it possible to verify that issues considered to be of importance were effectively studied, handled and discussed under satisfactory conditions during meetings and to evaluate the actual contribution of each member to the work of the Committees and the Board.

The Appointments Committee, at its meeting of January 20, 2009, confirmed that the conclusions in respect of 2008 still applied and recommended that a specialist firm should be tasked with assisting the Board in its annual and triennial self-assessment process.

On October 20, 2009, the Board of Directors approved the choice of the specialist firm and the Appointments Committee held a meeting on November 25, 2009 in order to discuss the Board's self-assessment process and the conduct of the assignment entrusted to the specialist firm for the first formal triennial assessment.

The results of the above-mentioned assignment will be presented at a future Board meeting to be held during the first half of 2010.

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-year financial statements, to verify the relevance, continuity and reliability of accounting methods applied within the Company and the main subsidiaries and 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 and to listen to and question the Statutory Auditors. The Committee is notified of the main problems identified by the PPR Group's Internal Audit Department.

The Audit Committee reports to the Board on a regular basis and provides it with its opinions or recommendations on all matters within its scope of duties. Meetings of the Audit Committee give rise to a written and approved report.

The Committee may call on external experts and hear any person.

Each year it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Audit Committee also considers potential Statutory Auditors for appointment. Close to the expiry of the term of office of a principal Statutory Auditor and its substitute 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 May 2010.

The PPR Audit Committee is made up of three Directors: Jean-Philippe Thierry, Chairman of the Committee, and Jean-Pierre Denis, who are both independent Directors, and Patricia Barbizet. Before the Ordinary and Extraordinary Shareholders' Meeting on May 7, 2009, the Committee consisted of: René Barbier de la Serre, Chairman of the Committee, and Jean-Philippe Thierry, both independent Directors, and Patricia Barbizet.

The Audit Committee members all have recognised financial or accounting skills, combining their expertise in executive and operational management of insurance companies, banks and businesses as confirmed by their professional careers (see pages 313 to 318 of the Reference Document)

In accordance with the AFEP-MEDEF Consolidated Code, two-thirds of the members of the Committee are independent Directors.

Activities of the Audit Committee in 2009 and up to February 17, 2010

In 2009, the Committee met four times, with an attendance rate of 100%.

On January 20, the Head of the Internal Audit department presented to the Committee a report on the audit and internal control activities in the Group in 2008; the Committee reviewed the annual audit plan for 2009 and the services provided by Artémis in 2008. It then reported and made its recommendations to the Board of Directors. The Committee discussed the goals, organisation and appropriate means of complying with 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

consideration of this issue. The Committee was also informed of the services provided to PPR by Artémis during 2008 under an ongoing advisory and assistance agreement between the two companies, then approved the amount of the contractual fee for 2008. For the sake of good corporate governance, Ms. Barbizet did not take part in the Committee's assessment of this matter.

On February 17, 2009, the Committee met before the meeting of the Board held to approve the 2008 financial statements, a topic to which the Committee devoted most of its work. The Committee heard the Statutory Auditors in relation to their reports on the financial statements and the Chief Financial Officer's presentation of risks and off-balance sheet commitments. It reviewed the terms of financing, the statement of outstanding amounts and the Group's cash position and assessed the absence of any liquidity risk.

On June 8, 2009, the Committee held a meeting in its new composition. The audit assignments in respect of PPR Holding and the 2008-2009 action plans in the Group were presented to it as well as the situation with regard to financing and cash management activities during first half 2009. The Committee then discussed its future organisation and in particular the holding of Committee meetings during the two days prior to Board meetings and Committee meetings devoted to the major options with regard to the financial statements in order to make it easier for the Committees to concentrate on the annual and half-year financial statements before the Board meetings called to approve these financial statements.

With a view to the meeting of the Board of July 30, 2009 to approve the half-year financial statements, the Committee met the day before to review the financial statements.

Since the beginning of 2010, the Audit Committee has met twice with all of its members. On January 19, the Head of the Internal Audit Department reported to the Committee on the audit and internal control activities within the Group in 2009, the Committee reviewed the issues in respect of the 2009 financial statements and considered the renewal of the term of office of a Statutory Auditor. The Committee was also presented with the results of the study on internal control systems which had been conducted with the help of a consulting firm. Lastly, it made a report and recommendations to the Board of Directors.

On February 15, 2010, the Committee met before the meeting of the Board held to approve the financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements and the Chief Financial Officers' presentation of risks and off-balance sheet commitments. It also reviewed the services provided by Artémis in 2009.

On February 17, the Committee informed the Board of its work and recommendations.

Remuneration Committee

The Remuneration Committee's role is to review and make proposals to the Board of Directors on all items and terms of remuneration of the Chairman and Chief Executive Officer and Deputy Chief Executive Officer (as explained above in the section "Remuneration of Executive Corporate Officers") and the method of allocating Directors' fees granted to the Board by the General Shareholders' Meeting. It reviews and assesses the remuneration policy for senior management as well as the remuneration and benefits received or deferred, stock options, granting of free shares and/or similar benefits including retirement benefits and any other benefits granted to members of the PPR Group Executive Committee.

At the beginning of 2009, the PPR Group set up a Remuneration Committee in each of its Subsidiaries for the purpose of assessing, with regard to market practices, the remuneration of the members of the Subsidiaries' Executive Committees, and of the main Heads of departments; a report on these Committee meetings is made to PPR's Remuneration Committee.

On February 17, 2010, the Remuneration Committee was comprised of five Directors: Philippe Lagayette, Chairman of the Committee, Patricia Barbizet, and Pierre Bellon, Allan Chapin and Jean-Pierre Denis, all three of whom are independent Directors. Accordingly, with regard to the criteria of the AFEP-MEDEF Consolidated Code, independent Directors represented the majority of the Remuneration Committee's members.

Before the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009, the Committee was made up of: Philippe Lagayette, Chairman of the Committee, Patricia Barbizet and René Barbier de la Serre, Pierre Bellon and Allan Chapin, all three of whom are independent Directors.

Activities of the Remuneration Committee in 2009 and up to February 17, 2010

In 2009, the Committee met five times, with an attendance rate of 100%.

In particular, it met on the subject of the remuneration of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and the members of the Executive Committee and on the topic of the redefinition of Directors' fees in the event that the General Shareholders' Meeting appointed a new Director in May 2009.

Its meetings in April 2009 were devoted to the granting of free shares within the Group. The Committee gave its opinion on the proposed grant policy, in particular as regards the Deputy Chief Executive Officer, recommending for the Deputy Chief Executive Officer, an additional performance condition as well as an obligation to retain the shares in accordance with the recommendations of the AFEP-MEDEF Code. The Committee also reviewed the conditions with regard to the new status of the Deputy Chief Executive Officer, in connection with his appointment as a Director by the General Shareholders' Meeting of May 2009 after termination of his employment contract. A report was also made to the Committee on the activities of the Subsidiary remuneration committees set up at the beginning of 2009 at Executive Management's request in order to assess the remuneration of the members of the Subsidiaries' executive committees as well as the highest levels of remuneration.

At its meeting of July 30, 2009, the Committee reviewed the new criteria for determining the variable remuneration of the Deputy Chief Executive Officer and proposed that these be aligned with the criteria used to determine the variable remuneration of the Chairman and Chief Executive Officer.

On December 16, 2009, the Committee approved the decision by Executive Management to close, at the end of December 2009, the

group supplementary defined-benefit pension scheme for the benefit of senior management in the Group's retail sector. The Committee was then consulted and recommended granting a pension benefit to the Deputy Chief Executive Officer, who was a Group employee for 19 years, through the setting aside of a fixed capital sum of €3.568 million to finance a supplementary pension as from his legal retirement age with full pension rights.

In 2010, the Committee met on February 15 to review the variable remuneration for 2009 and the fixed remuneration of Executive Committee members, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

The Remuneration Committee reported on its proceedings and proposals to the Board of Directors.

Appointments Committee

Set up in March 2003, the Appointments Committee reviews the proposed appointments of Directors as well as their situation with regard to the independence criteria defined by the Board. This review must be carried out prior to each appointment and may be carried out at any time that the Committee deems useful. It provides its opinions or recommendations in these matters to the Board.

The Committee was comprised of three Directors as of February 17, 2010: Patricia Barbizet, Chair, Allan Chapin, independent Director, and Baudouin Prot. The Committee's membership was the same prior to the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009.

Activities of the Appointments Committee in 2009 and up to February 17, 2010

On January 20, 2009, the Committee met and reviewed a possible succession plan covering the members of the Group's Executive Management, the assessment of Directors' independence and the assessment of the quality of its work by the Board of Directors. In addition it examined – and accepted - the principle of a staggered renewal of the terms of office of Directors expiring at the close of the General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2008 (i.e. all Directors, apart from Jean-Pierre Denis) and the proposal of two new Directors, of which one independent Director with regard to the AFEP-MEDEF report's criteria, to replace René Barbier de la Serre, an independent Director who did not wish his term of office to be renewed, for personal reasons.

At its second meeting in November 2009, the Committee examined the Board of Directors' self-assessment process and the conduct of the assignment entrusted to the outside firm.

In February 2010, the Committee met in the presence of all its members to discuss the succession plan for the Group's Executive Management, the assessment of the independence of Directors and the Board's membership. In addition, it heard a report on the various milestones in the self-assessment assignment and reviewed the section of this draft report dealing with corporate governance.

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's role is to identify, analyse and provide assistance with the PPR Group's development strategy initiatives.

At February 17, 2010, this Committee was comprised of five Directors: Patricia Barbizet, Chair of the Committee, François-Henri Pinault, Pierre Bellon, independent Director, Philippe Lagayette and Jean-François Palus who joined the Committee following his appointment by the Board of Directors at its meeting held after the Ordinary and Extraordinary Shareholders' Meeting of May 7, 2009.

Activities of the Strategy and Development Committee in 2009 and up to February 17, 2010

The Committee met twice in 2009, in the presence of all of its members with a view to presenting the Group's strategic priorities and the medium-term plans of the Group's Subsidiaries.

7 – Shareholders attendance

All shareholders are entitled to attend General Shareholders' Meetings 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 303 of the Reference Document.

8 – Information likely to have an impact in the event of a public offer

No element other than *i)* that related to the current shareholding structure (Artémis being the majority shareholder, with 40.8% of the capital and 55.4% of the voting rights of PPR), *ii)* the double voting right provided for under the Articles of Association, and *iii)* the share buy-back 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 can 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.

9 – Remuneration policy with regard to directors and executive corporate officers

Directors' fees paid to the members of the Board of Directors

The General Shareholders' Meeting determines the total amount of Directors' fees allocated to members of the Board of Directors.

On the basis of the recommendations of the Remuneration Committee, the Board of Directors allocates Directors' fees on the basis of the actual presence of members at meetings of the Board and of specialised Committees held during the relevant fiscal year.

Out of the total amount set by the General Shareholders' Meeting, the rule followed by the Board is to make special allocations of €114,000: to the Vice-Chair (€45,000) and to the Chairmen of the Audit and Remuneration Committees, respectively (€23,000 each); the balance being divided into two potentially equal portions:

(a) a fixed portion, allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;

(b) a variable portion, allocated with a coefficient of 1 per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

In respect of 2009, PPR paid the members of its Board of Directors €629,938 in Directors' fees.

Other remuneration

The remuneration and benefits granted to executive corporate officers primarily depend on the level of responsibilities attached to their functions, the Group's results and achievement of the targets pursued. They also take into account the remuneration paid by companies that are comparable in terms of size, business sector and international presence.

The variable portion of the remuneration paid to executive corporate officers is exclusively based on achievement of financial targets. The financial criteria adopted by the Board of Directors for 2009 are the change in the sum of working capital requirements and net operating investments after tax and financial costs and the Group's operating margin, each of these elements accounting for one half. The variable portion is capped at 180% of fixed remuneration of the Chairman and Chief Executive Officer and at 150% of that of the Deputy Chief Executive Officer.

None of PPR's executive corporate officers benefits from provisions granting them a specific indemnity in the event of leaving the Group.

The individual remuneration of the Directors and executive corporate officers of PPR is detailed on pages 319 to 323 of the Reference Document.

10 – Report on the Group's Corporate Social Responsibility efforts in 2009

2009 was marked by:

1 the worldwide release of the film HOME by Yann Arthus-Bertrand, on June 5, 2009;

2 the acceleration, based on PPR's seven key strategic priorities in the area of CSR, of the initiatives and projects integrated into the Group's activities (social audits, Green toolbox, etc.);

3 the official launch in January 2009 and the first year of activity of PPR's Foundation for Women's Dignity and Rights;

4 the distribution during the first half of 2009 to all Group employees of PPR's updated Code of Business Practices;

5 the entry into force on October 1, 2009 of a third agreement signed with Agefiph (a French association promoting job placement) for the professional integration of disabled persons;

6 the Group's first "Communication On Progress" (COP) to the United Nations in relation with PPR's adherence to the Global Compact;

7 the continued extension of the scope of environmental reporting with the integration of the Yves Saint Laurent, Alexander McQueen and Stella McCartney brands.

The year 2009 was marked by the worldwide release of the documentary HOME, directed by Yann Arthus-Bertrand, co-produced by EuropaCorp and Elzévir Films and financed by PPR, for an amount of €10 million invested over the three years during which the project lasted. Unique due to its aerial shots in over 50 countries all over the world, original due to its deliberate educational approach intended for the general public, avant-garde due to the desire to change the media chronology by making it available free-of-charge and on all media (Internet, DVD, television, cinema…) everywhere in the world on June 5, 2009, World Environment Day, HOME has already been viewed by over 150 million people the world over. It also made it possible to capitalise on the Group's brands for promoting the film and to mobilise PPR's employees on a large scale: each of the 88,000 employees in the Group at the date of release of the film received a DVD of HOME offered by François-Henri Pinault and were all able to take part in a special HOME competition organised within the Group. Beyond individual mobilisation, HOME also helped to accelerate the pace of adherence to sustainable development policies by the Group's brands and Subsidiaries, thus making possible a large number of commitments and projects in this area.

As a logical follow-on to HOME and on the basis of PPR's conviction that extending the Group's commitment to Corporate Social Responsibility relies on the talents and entrepreneurial spirit of its employees, PPR is launching the first edition of the Innovation and Sustainable Development Awards in 2010.

In addition, the Group's Code of Business Practices, which was updated following the work by PPR's Ethics and Corporate Social Responsibility Committee (ECSRC) in 2008, was redistributed to all the Group's employees in 2009. Available in the Group's 14 most commonly spoken languages, its recirculation was backed by a communication campaign rolled out throughout the Group to enhance knowledge and adherence to the ethical principles it defends.

The seven key strategic priorities in the area of CSR defined at the end of 2007 for the entire Group remain the cornerstone of the initiative and continue to structure the Subsidiaries' commitments and policies around their main action drivers:

1) enhance employability through skills management and training;

2) train each manager on 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 infrastructures;

6) promote responsible products and usages;

7) implement solidarity programmes related to companies' business activities.

This common point of reference throughout the entire Group made it possible to implement a large number of initiatives and pick up the pace of commitments in 2009. One example is the preparation and publication of PPR's Green toolbox, thanks to the collaborative efforts of the sustainable development and assets and real estate teams of both the Subsidiaries and PPR. Designed as a veritable environmental management tool for the Group's more than 2,000 stores, it is intended to reduce the environmental footprint of the Group's sites and to optimise the match between economic efficiency and ecological requirements.

In 2009, the Subsidiaries also devoted efforts to setting quantitative targets for each of its seven key strategic priorities; these targets will be published in 2010. In direct relation with the framework provided by the seven key strategic priorities, 2009 witnessed a large number of initiatives taken with regard to the Group's brands and its Subsidiaries, which are described in detail in the Reference Document on pages 57 to 130. At the PPR level, the following are particularly noteworthy:

- the fifth edition of the in-house opinion survey: "What's the weather like where you are?", a real social barometer making it possible to measure employee perception of issues affecting their life in the company. The study also represents a decision-making tool with regard to setting priorities. At 77% the response rate to this fifth edition was the highest ever; the results will be available at the beginning of 2010;
- the renewal of the PPR European Works Council (EWC) which made it possible to include Puma and additional countries. The EWC now consists of 26 full members and two observers, with the newly appointed Council meeting for the first time in November 2009 to elect a new core Committee as well as a new Works Council secretary;
- the implementation of a prevention programme in the Subsidiaries and the holding company to deal with the threat of a H1N1 virus pandemic and to enable the circulation of information to all employees, the purchase of prevention masks and the preparation of formal business continuation plans in the Subsidiaries;
- reassertion of the Group's social responsibility through the action of PPR's Job Coordination programme which took on particular importance in 2009 due to the depressed economic context resulting in a number of cost-cutting plans and restructuring projects with an impact on employment. A concrete expression of Job Solidarity within the Group, the Job Coordination programme reasserted, in particular, the principle of a freezing of available jobs while the placement of employees of the Subsidiaries was still in process;
- the year-end launch of a consultation on psychosocial risks within the Group, launched with the EWC's core committee and which is to continue in 2010;
- reinforcement of traceability policies in force in the Group and preparation of maps for supplies of wood, leather and valuable furs and skins for the brands concerned;
- ever-increased monitoring of the Group's suppliers, in particular through extension of the SA 8000 certification programme to new sites and brands at Gucci Group, continuation of the internationally renowned S.A.F.E. (Social Accountability and Fundamental Environmental standards) programme at Puma, and, in general, a continual increase in the number of social audits carried out in the Group over the last five years.

Lastly, 2009 also saw the launch and the first year of operation of the PPR Foundation for Women's Dignity and Rights. Since January 29, 2009, the date of its first Board of Directors' meeting, the Foundation has worked in two strategic areas: fighting violence perpetuated against women and development aid for women. It backs solidarity projects in partnership with local and international NGOs, encouraging Group employees to get involved. Its role is also to raise awareness with regard to women's rights and for this purpose it organises exhibitions and debates on the subject. In 2009, the Foundation entered into 17 partnerships, chosen at its Board meeting and the two approval committee meetings held in March and July 2009. Out of the 17 selected projects, two are supported by employees. In July 2009 the Foundation launched its website to meet the dual objective of presenting the actions and projects backed by the Foundation and raising awareness of women's rights among Internet users.

III. Internal control and risk management procedures set up by the Company

PPR is the leading company of the PPR Group, a world player in the luxury and retail sectors. The main consolidated companies are Conforama, Fnac, Gucci Group, Puma and Redcats Group (collectively "the Subsidiaries"" and individually "the Subsidiary"). The following report aims to describe the internal control procedures in the Group, in particular, the procedures relating to the preparation and processing of financial and accounting information. The scope of the Group covered by the report includes all fully-consolidated subsidiaries, i.e. the companies in which the Group directly or indirectly exercises a predominant influence.

As a holding company, PPR's own activity consists of defining and implementing its strategy, organising and managing its holdings, stimulating the development of its Subsidiaries, coordinating the financing of their activities, providing support and communication functions, and defining and implementing the insurance cover policy.

The section devoted to internal control procedures will deal with all of the historic Subsidiaries of the Group (Conforama, 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. It should be noted that the PPR Group's best practices have been adopted

by the Puma group and that the internal control system has been strengthened, particularly through the creation of an Internal Audit Department.

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 means, policies, conduct, procedures and appropriate actions to ensure that the necessary measures are taken in order to control:

- activities, operational effectiveness and the efficient use of resources;
- risks that could have a significant impact on the Company's assets or the achievement of its objectives; such risks pertain to operations, financial issues and compliance.

The internal control process of the PPR Group, formally set up at the time of the application of the Financial Security Act in 2003, was renewed in 2009. The Group has applied the AMF reference framework since 2007. This internal control function monitors the general organisation of the Group. It is both:

- decentralised at the level of the Subsidiaries: the Executive Management of operational and legal entities is responsible for managing and guiding the internal control process;
- unified around a common methodology and a single set of standards. The PPR holding company coordinates its deployment throughout the Group.

Internal control is defined as a process conducted by Executive 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 of 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 operation of internal processes, particularly those contributing to the safeguard of assets;
- reliability of financial and accounting information.

The probability of meeting such objectives is subject to the limits inherent in any internal control system, such as:

- human errors or malfunctions occurring when decisions are made or applied;
- deliberate collusion amongst several individuals, enabling them to elude the control system;
- situations in which implementing or maintaining a control would be more expensive than the risk that it is supposed to remedy.

It is understood that in pursuing the objectives indicated above, companies are faced with events and uncertainties beyond their control (unexpected changes in the markets, competitive environment, or geopolitical situation, or error in the forecasting or assessment of the effects of such changes in the organisation, etc.).

Internal control environment

Adapted to the specific features of the PPR Group, the Group's internal control system is based on a decentralised organisation that clearly defines responsibilities through the Group Charter. It includes principles and values governing the conduct and ethics of all its employees, presented in the Code of Business Practices. Among other considerations, it relies on human resources management to ensure the competency and involvement of its employees.

The Group Charter

The PPR Group adopted a Group Charter more than four years ago that provides the framework for the decentralisation of the organisation and the responsibility of senior management. The Charter defines the guiding principles governing the relations between PPR and the Subsidiaries. It also defines, within each functional area, *i)* the elements that fall within the delegated responsibility of the Subsidiary, *ii)* those that must be communicated to PPR within sufficient timeframes and *iii)* 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 Practices, first circulated in 2005 and then recirculated in 2009 to all the PPR Group's employees.

The Code sets out the Group's commitments and rules of conduct towards its main stakeholders:

- employees;
- customers and consumers;
- business partners and competitors;
- the environment;
- civil society;
- shareholders and financial markets.

In parallel with the first circulation of the Code of Business Practices in 2005, an Ethics and Corporate Social Responsibility Committee (ECSRC) was created. It is made up of representatives from the Group's Subsidiaries and employees of PPR and is chaired by the Group's Director of Corporate Social Responsibility, a member of the PPR Group Executive Committee, who reports directly to the Chairman and Chief Executive Officer.

The ECSRC fills three roles:

- supervising the proper distribution and application of the Code of Business Practices and the principles that it defends;
- responding to any issue raised by a Group employee, be it a simple request for clarification or a question relating to interpretation of the Code and its application, or a claim submitted to the ECSRC due to alleged non-compliance with one of the Group's ethical principles;

- generating initiatives for developing the Group's Corporate Social Responsibility (CSR) policy and activities.

The Subsidiaries may set up their own specific additional procedures and guidelines, such as supplier gift charters.

The Insider good practices Committee, made up of the Deputy Chief Executive Officer, and the Head of the Legal Department, implements preventive measures to protect against insider trading activities (e.g., a calendar of black-out periods, a list of permanent and occasional insiders, newsletters, etc.).

Human resources policy

Quality of human resources and cohesion of management are key success factors for the Group. PPR makes sure that the various Subsidiaries apply human resources policies that are adapted to their context and the challenges they face, while always meeting the highest local standards. The principle of autonomy and empowerment of the Subsidiaries is applied, but the Group guarantees the consistency of the policies implemented and their alignment with PPR's values and actions defined centrally.

With regard to social policy, the Subsidiaries apply high standards of dialogue and participation of employees in the company, while the Group engages in dialogue at the level of the Group's employee representative bodies, the Group Works Council and the European Works Council. In close collaboration with the Subsidiaries concerned, PPR guides all projects with a major social impact; this was the case in 2009, when the Group made sure that the effects of the cost-cutting plans decided by the Subsidiaries had been duly anticipated, discussed and negotiated in the various bodies, in accordance with applicable regulations. The Subsidiaries inform the Group of their roll-out of the Code of Business Practices defined by PPR, as well as the charters enacted by the Group (such as the Diversity Charter and the charter on the employment of older workers) and signed with the European Works Council. PPR has set up an employee opinion survey conducted every two years which concerns all Subsidiaries.

With regard to senior managers, PPR is directly involved in the management of the key men and women in the Group, in order to guarantee consistency between the Subsidiaries; to do so, the Group develops cross-functional training programmes and carries out people reviews every year of the Subsidiaries' managerial resources; PPR thus ensures that there is a good match both now and in future between the managerial resources and the challenges facing the Subsidiaries. These reviews not only lead to promotion and mobility between Subsidiaries, but also, when necessary, to external hires in order to bring in new skills.

In addition, PPR has developed cross-functional tools to measure individual performance and assess the external competitiveness of remuneration. In this respect, the Group has set up Remuneration Committees in each of its Subsidiaries, whose purpose is to assess, in light of market practices, the remuneration of the members of the Subsidiaries' Executive Committees, and also those of the main Heads of Departments; a report on the work of these Committees is presented to the Group's Remuneration Committee.

Internal control management

Management of the internal control system is the responsibility of Executive Management. It is coordinated by the holding company's Executive Committee, the Subsidiaries' Executive Management teams and the functional managers.

The Executive Committee

The PPR Group Executive Committee, an Executive Management body, is comprised of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Chairmen of each of the Group's Subsidiaries as well as the PPR functional directors (Human Resources, Corporate Social Responsibility and Communication).

The Committee meets regularly, frequently, and whenever required, in accordance with the policies of the Strategy and Development Committee, in order to:

- draw up and coordinate the Group's operating strategy;
- define the priorities with objectives by Subsidiary and the main functional projects;
- develop synergies between the Subsidiaries;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of the seven CSR key strategic priorities.

PPR Group strategies and goals are discussed each year via the medium-term plans and the budgets of the business units of each of the Group's Subsidiaries.

Executive Management teams

The Executive Management teams define, coordinate and oversee the Group's internal control system. They are also in charge of initiating the necessary corrective measures. The Executive Management teams' involvement is of key importance to the internal control system, given the PPR Group's organisation.

In fact, oversight of the system results in an annual report on internal control prepared by the Chairman of each of the Subsidiaries.

Operational managers

The operational managers are in charge of the implementation and the smooth operation of controls, with regard to the assigned objectives, in order to ensure effective internal control.

Other internal control players

Internal control is strengthened by the centralisation of certain functions within PPR:

The Strategy and Development Department

The Strategy and Development Department supervises the Mergers & Acquisitions Department, the Strategy Department, the Information Systems Department, and the Indirect Purchasing Department. It coordinates the Group's annual planning process through involvement in the preparations of the strategic and operational aspects of

medium-terms plans of the Subsidiaries. The Department assists the Subsidiaries by providing them with a number of support services (market intelligence, conducting of studies, handling of projects, etc.). It also conducts think tanks on changes in the Group's scope and on the optimisation of its business portfolio. The Department participates in the technical and financial assessment carried out by Subsidiaries when selecting IT solutions, notably when budgets and medium-term plans are defined. It leads the IT Club that brings together the Information Technology Subsidiaries' departments. At Group level the Department also manages and coordinates purchasing terms and conditions in respect of certain categories of "indirect" products.

The Legal Department

The Legal Department, apart from its specific function at Company level, assists the Subsidiaries with important legal affairs and coordinates analyses or studies common to the Subsidiaries or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Subsidiaries with a methodology for identifying standard risks enabling them to anticipate such risks and inform the Legal Department.

The Tax Department

The Tax Department coordinates the Group's tax policy, advises and assists the Subsidiaries on all issues related to tax law as well as in the implementation of tax consolidation in France;

The Insurance Department

The Insurance Department sets up and manages the Group's insurance policy. It carries out assignments with the Subsidiaries to identify, quantify and deal with risks (prevention, self-insurance or transfer to insurers or reinsurers).

The Communications Department

The Communications Department is involved in the Group's development by enhancing its trade image and reputation within and outside the Group.

The CSR Department

The mission of the CSR Department is to coordinate Group policy on CSR, support the Subsidiaries in meeting CSR priorities, address legal obligations related to CSR, anticipate and prepare the Group for future obligations and set up projects on a Group-wide scale.

Representatives of the Group's Subsidiaries meet regularly within Committees to share operational and strategic information, exchange expertise and best practices, for instance, during the e-commerce Committee under the impetus of the Strategy and Development Department.

Control activities

Control activities are conducted firstly by the Functional and Operational Management of the Subsidiaries and of the holding company.

Monitoring of the management of the internal control procedures is primarily carried out by the Audit Committees and by the Internal Audit Departments of the Subsidiaries and of the holding company:

Audit Committees

Under the responsibility of the Board of Directors to which it regularly reports, the PPR Audit Committee, comprising three members, two of whom are independent Directors, is in charge of implementing internal control and risk management procedures within the Group. Specifically, the PPR Audit Committee carries out the following actions:

- verifies that the Subsidiaries of the Group have internal audit departments that are structured and adapted to the tasks of identifying, detecting and preventing risks, anomalies or irregularities in the management of the Group's affairs;
- assesses the relevance and quality of the methods and procedures used;
- reviews the internal audit reports and the recommendations issued;
- examines the Company's half-year and annual parent company and consolidated financial statements and the corresponding financial documents;
- listens to and questions the Company's Statutory Auditors;
- reviews the appointments, fees and independence of the Statutory Auditors;
- approves the annual internal audit plan;

PPR's Audit Committee meets at least four times a year.

Similarly, there is an Audit Committee within each Subsidiary, whose methods of operating and actions are identical to those of PPR's Audit Committee. It meets at least four times a year prior to the meeting of PPR's Audit Committee, except for the Puma Audit Committee, which met twice over the fiscal year.

Internal audit

In the PPR Group, the internal audit function is organised in a decentralised way. Each Subsidiary has an autonomous Internal Audit Department covering the scope of its subsidiaries with the competencies and resources necessary to achieve the objectives of its role and independence.

At the PPR level, the Group Internal Audit Department, which reports to the Chairman, coordinates, harmonises and optimises the work methods and tools used by the Subsidiaries' internal auditors. Moreover, it provides its services to the Subsidiaries (regulatory watch, expertise, possible resources, etc.) and conducts transversal and operational audit assignments based on themes identified by PPR, the corporate bodies or the Subsidiaries.

The Group Internal Audit Department continues to centrally administer and consolidate the analysis of the internal control pursuant to the Financial Security Act and the new AMF reference framework described in more detail in the paragraph entitled "Description of the internal control analysis approach".

The Group's Internal Audit Department also carries out an active watch with regard to best internal control practices.

The Internal Audit Departments, located within each Group Subsidiary and reporting to the Subsidiary's Executive Management, verify the internal control procedures set up by the other Departments

and perform operational and financial audits within the companies in the Subsidiary. During 2009, the internal audit teams taken together conducted a hundred or so audit assignments.

The Internal Audit Departments draw up the audit plans for PPR and the Subsidiaries, relying, in particular, on the Group's process guidelines and based on the major risks identified for each Subsidiary. These projects are discussed with the main persons in charge. The Audit Committee reviews and approves the audit plans thus drawn up.

The main problems identified by the Subsidiary and Group Internal Audit Departments in 2009 were brought to the attention of the Audit Committees of each Subsidiary 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 head offices, distribution or manufacturing activities.

At the end of 2009, the internal audit department of the PPR Group consisted of 26 employees (the change in headcount compared to 2008 is due to the fact that Cfao is no longer part of the 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 operational staff members concerned are responsible for implementing recommendations;
- the Internal Audit Department is in charge of verifying their implementation.

The internal audit activities performed are consistent with the work of the Audit Committees and the results of the work performed by the Statutory Auditors.

The Internal Audit Departments draw up annual internal audit plans based on a risk-based approach, taking into account the specific demands of Executive Management and other Operational Departments.

The Internal Audit Departments update their Audit Committee on progress made on the audit plan 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 are 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 of ultimately assessing the adequacy and efficacy thereof.

The major challenges of this approach are firstly to further improve the management and efficiency of operations in order to achieve both general and specific Group objectives and secondly to specify the role of operational 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 breakdown into 13 key processes:
  - management and development,
  - corporate governance and risk management,
  - external relations,
  - product offering, marketing strategy and communications,
  - sales front office and sales administration,
  - sourcing,
  - logistics and the flow of goods,
  - production,
  - information systems and technologies,
  - 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 for improvements to be launched, where applicable;
- the work focuses on four to five processes a year making it possible to cover all the processes over a three-year period.

Administration of the questionnaire with regard to the Finance, accounting and management process is carried out each year. It takes

into account the AMF's new reference framework and in particular its application guide. This questionnaire is divided into two parts: 50 or so questions on the mandatory key controls for the Group and 40 or so questions classified as good practices. This questionnaire is circulated among the Group's largest Subsidiaries.

Accordingly, in 2009, the PPR Group covered the following four processes:

- sales front office and sales administration,
- logistics and the flow of goods,
- product offering, marketing strategy and communications,
- finance, accounting and management.

This approach was presented and approved by the PPR Audit Committee.

In 2009, the risks identified, in particular with regard to these four processes, as well as their relative importance and their likelihood of occurrence were brought to the attention of the Audit Committees of PPR and the Subsidiaries. The Audit Committees familiarised themselves 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 section 4, "Financial information" in the section on risk management, of this Reference Document.

The operational risks are managed mainly at the level of the Subsidiaries thereby implementing risk management adapted to specific activities.

The Finance and Treasury Department of PPR manages liquidity, interest rate and foreign exchange risk via a centralised organisation at the head office.

The cover policy for insurable risks is monitored and managed by the Insurance Department in relation with the Finance Department of the head office. The main cover programmes in existence are described in section 4, "Financial information" in the section on risk management, in this Reference Document.

The implementation of the eighth European Directive into French law led, during the past fiscal year, to exchanges of views between the Audit Committee and Executive Management. An assignment was carried out with the support of a firm of consultants in order to assess the changes that should be made to the internal control and risk management procedures to monitor their efficiency.

3 – Description of internal control procedures relating to the preparation of financial and accounting information

Organisation of the accounting and management function

Accounting and financial information is prepared by the Finance Department. At the level of PPR, this department supervises the Financial Control Department, the Finance and Treasury Department, the Insurance Department, the Legal Department, the Tax Department, the Financial Communications Department as well as the Strategy and Development Department.

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 values in use 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 Executive 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 fiscal year and definitively approved in the first quarter of the following year, taking into account significant events that have occurred in the meantime, where applicable;
- monthly reporting monitors the performances of the Subsidiaries throughout the year via specific indicators whose consistency and reliability are reviewed by the Financial Control Department. This Department also oversees the consistency of the accounting treatment applied by the Subsidiaries with Group rules and carries out, in collaboration with the financial controllers of the Subsidiaries, an analytical review by comparison with the budget and the previous year;
- the Executive Management of PPR, Chairmen and corporate secretaries of Group Subsidiaries hold monthly meetings to assess changes in Subsidiary activities on the basis of the financial and operational data communicated by each Subsidiary concerned;
- the Group regularly monitors changes in the off-balance sheet commitments of its Subsidiaries. This check is carried out, in particular, as part of the statutory consolidation process given that Subsidiaries 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 the consolidation reporting packages of the Subsidiaries by their Statutory Auditors and by the Chief Executive Officers and Chief Financial Officers of the Subsidiaries who then commit themselves via a signed representation letter, thus confirming the quality of the financial information transferred.

There are consolidation levels per Subsidiary which guarantee a first level of control and consistency.

The Financial Control Department of PPR coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the department sends instructions to the Subsidiaries 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 Communications

The purpose of the Financial Communications Department is to continuously inform, convey 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. Executive Management, the Finance Department and the Financial Communications Department are the contacts for analysts and institutional investors. The Human Resources Department manages the information provided to employees alongside the Financial Communications Department.

Financial information is provided by all means: General Shareholders' Meetings, periodic publications, press releases, etc. and on all media: press, Internet, direct telephone contact, individual meetings.

Finance and Treasury Department

The Finance and Treasury Department manages liquidity, counterparty, foreign exchange and interest rate financial risks and moreover coordinates the cash management of the Subsidiaries. It manages the Group's banking policy, gives instructions in terms of the allocation of activity by bank and coordinates Group invitations for bids. It ensures the consistency between published financial information and policies governing interest rate, foreign exchange 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 constraints and require PPR's agreement.

Statutory Auditors' role

The role of the Statutory Auditors is to annually certify the completeness and the accuracy and fair presentation of the parent company's financial statements and the Group's consolidated financial statements and issue a limited review report on the Group's half-year consolidated financial statements.

The audit assignments are allocated between three Statutory Auditors: Deloitte, KPMG and PricewaterhouseCoopers (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 accuracy 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 overview for the PPR Group presented to the management and the Audit Committee of PPR;
- preparation of Statutory Auditors' reports for the PPR shareholders. These reports appear in the Reference Document.

This report on 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 17, 2010.

Chairman of the Board of Directors

FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR ORGANISATION NETWORKS IN 2009

	KPMG Audit				Deloitte & Associés			
	Amount (excl. taxes)		%		Amount (excl. taxes)		%	
(in thousands of euros)	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Statutory audit, certification, review of parent company and consolidated financial statements	3,963.5	3,841.0	88%	92%	2,896.5	3,018.0	79%	86%
Issuer	*433.5*	*429.0*	*10%*	*10%*	*334.5*	*332.0*	*9%*	*9%*
Fully consolidated subsidiaries	*3,530.0*	*3,412.0*	*78%*	*82%*	*2,562.0*	*2,686.0*	*70%*	*77%*
Other work and audit-related services	156.5	99.0	3%	2%	235.5	173.0	6%	5%
Issuer	*69.5*	*19.0*	*1%*	*0%*	*132.5*	*127.0*	*4%*	*4%*
Fully consolidated subsidiaries	*87.0*	*80.0*	*2%*	*2%*	*103.0*	*46.0*	*2%*	*1%*
Sub-total	**4,120.0**	**3,940.0**	**91%**	**94%**	**3,132.0**	**3,191.0**	**85%**	**91%**
Other services rendered by the organisations for the fully consolidated subsidiaries								
Legal, tax, human resources	359.0	226.0	8%	6%	492.1	265.0	13%	8%
Other	44.0	10.0	1%	0%	43.0	48.0	2%	1%
Sub-total	**403.0**	**236.0**	**9%**	**6%**	**535.1**	**313.0**	**15%**	**9%**
TOTAL	**4,523.0**	**4,176.0**	**100%**	**100%**	**3,667.1**	**3,504.0**	**100%**	**100%**

N.B.: The 2008 fiscal year was restated on a pro forma basis excluding Cfao.

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, 2009)

Dear Shareholders,

In our capacity as Statutory Auditors 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, 2009.

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 and risk management procedures relating to the preparation and processing of financial and accounting information; and
- certifying 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 accuracy of said information.

We conducted our audit procedures in accordance with professional practice standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional practice standards require the application of procedures to assess the accuracy of information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information in the Chairman's report. These procedures consisted of:

- examining internal control and risk management procedures relating to the preparation and processing of financial and accounting information underlying the information presented 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 internal control system relating to the preparation and processing of financial and accounting 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 and risk management procedures of the Company relating to the preparation and processing of financial and accounting 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 report of the Chairman of 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 19, 2010
The Statutory Auditors

KPMG Audit	Deloitte & Associés
Division of KPMG SA	
Patrick-Hubert Petit	Jean-Paul Picard

7 Person responsible for the Reference Document and Statutory Auditors

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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 likely to affect its import.

I certify that, to 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 of the Company and the undertakings included in the consolidation, and that the Management Report (the cross-reference table for which is shown on page 351) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings included in the consolidation and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement 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 contained here in, and that they have read this document in its entirety.

The consolidated and parent company financial statements of PPR SA shown in the Reference Document are subject to reports by the Statutory Auditors on pages 264-265 and 297-298 respectively of said document. The report on the consolidated financial statements contains an observation on changes in the accounting method.

The consolidated and parent company financial statements of PPR SA shown in the 2008 Reference Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*) on April 17, 2009 under registration number D.09-266 are subject to reports by the Statutory Auditors on page 254 and 287 respectively of said document. Both contain an observation on change in the accounting method.

Paris, April 19, 2010

Jean-François Palus

Deputy Chief Executive Officer,

Chief Financial Officer

Statutory Auditors

PRINCIPAL STATUTORY AUDITORS

KPMG Audit, Division of KPMG SA

1, cours Valmy, 92923 Paris-La Défense Cedex

Patrick-Hubert Petit

Date of first appointment: Ordinary Shareholders' Meeting of June 18, 1992.

Term and expiry: from May 25, 2004 until the Ordinary Shareholders' Meeting called to approve the 2009 financial statements.

Deloitte & Associés

185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex

Jean-Paul Picard

Date of first appointment: Ordinary Shareholders' Meeting of May 18, 1994.

Term and expiry: from June 9, 2008 until the Ordinary Shareholders' Meeting called to approve the 2013 financial statements.

SUBSTITUTE STATUTORY AUDITORS

SCP Jean-Claude André

2 bis, rue de Villiers, 92309 Levallois-Perret Cedex

Date of first appointment: Ordinary Shareholders' Meeting of May 25, 2004.

Term and expiry: from May 25, 2004 until the Ordinary Shareholders' Meeting called to approve the 2009 financial statements.

BEAS

7-9, Villa Houssay, 92524 Neuilly-sur-Seine Cedex

Date of first appointment: Ordinary Shareholders' Meeting of May 19, 2005.

Term and expiry: from June 9, 2008 until the Ordinary Shareholders' Meeting called to approve the 2013 financial statements.

Documents incorporated by reference

In compliance with Article 28 of European Regulation no. 809/2004 dated April 29, 2004, this Reference Document incorporates by reference the following information, to which the reader is invited to refer:

- for the fiscal year ended on December 31, 2008: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements, parent company Management Report and the related Statutory Auditors' reports, shown on pages 6 and 7, 11-55, 128-154, 155-164, 165-255, 256-274, 275-286, 287 and 288 respectively of the Reference Document filed on April 17, 2009 with the French Financial Markets Authority (AMF);
- for the fiscal year ended on December 31, 2007: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements, parent company Management Report and the related Statutory Auditors' reports, shown on pages 6 and 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 (AMF).

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. These two Reference Documents can be consulted at the Group's registered office and on its website: www.ppr.com, in the Finance section.

8 Cross-reference tables and Index

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(1) Not significant given the Group's business.

(2) This Reference Document does not include any profit forecasts.

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(2) Not material.

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