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# Letter to shareholders



An adventure of enterprise

PPR



Dear Shareholders,

PPR achieved a noteworthy financial performance in 2009, in view of the current challenged economic environment. All the plans that our brands and companies put in place by spring 2008, to streamline our organisations and energise our sales and marketing, yielded positive effects throughout 2009, and we will continue to benefit from their impact in 2010.

The Group was impacted by the global market deterioration around the world, and posted a €16.5 billion revenue down 4% over 2008 in reported terms. Nevertheless, all of our objectives were reached in 2009: the operating margin remained stable at 8.4% of sales, the free cash flow from operations showed a significant improvement of 32% at over €1.1 billion and the

financial structure was strengthened with net financial debt reduced to less than €4.4 billion, compared to more than €5.5 billion in 2008. We are reaping the benefit of the remarkable work done by all of our teams, to whom I wish to express my appreciation and thank once again for their commitment to the Group's success.

2009 was also marked by the successful IPO of CFAO on the Paris Stock Exchange. This was the largest IPO in Europe in recent years and it was unanimously well-received by the market. I wish to underline its remarkable success here, despite taking place in a challenging economic times. This success proved the soundness of CFAO, as well as PPR's ability to pursue its strategy under the best conditions. The offering was oversubscribed 2.5 times, and the order book was first rate, including all the major international institutional investors. The initial share price was €26. We sold 58% of the capital in total for €927 million.

With an economic environment still in recovery mode, we must remain vigilant; however, we have started 2010 with determination and confidence. While maintaining stringent management efforts, we are launching an energetic sales offensive to raise our business and financial performances.

In 2010, all of our brands and retail networks will focus on three growth opportunities: Internet, international expansion and commercial dynamism. The pursuit of these three goals will raise the profitability potential of all of our businesses.

FRANÇOIS-HENRI PINAULT  
Chief Executive Officer

## Highly satisfactory full-year results

### KEY FIGURES 2009

**Revenues: €16.5 billion**

**Recurring operating income: €1,383 million**

**Operating margin stable at 8.4%**

**Net income Group share per share: +6.6% at €7.79**

**Free cash flow from operations: €1.1 billion**

### OPERATING PERFORMANCES

For the full-year 2009, PPR had revenues from continuing operations of €16.5 billion, down 5.6% at comparable scope and exchange rates, and down 4% in reported terms compared to 2008. PPR delivered significantly improved sales performances in the fourth quarter of 2009, with sales only down 2.3% in comparable terms, and down 3.2% in reported terms.

With recurring operating income at €1,383 million, the Group was able to maintain its recurring operating margin at 8.4%.

### FINANCIAL PERFORMANCES

PPR recorded a 6.9% increase in net income, Group share to nearly €985 million. Net income per share was €7.79, up 6.6% compared to 2008.

### FINANCIAL STRUCTURE

In 2009, PPR once again reinforced its financial structure.

Free cash flow from operations amounted to €1.1 billion, an improvement of 32% compared to 2008.

The net financial debt of PPR was reduced by 20.7% to €4.4 billion at December 31, 2009, as compared to €5.5 billion one year earlier.

At the end of 2009, PPR had available cash and equivalents of €945 million, in addition to €5,944 million in undrawn medium-term confirmed lines of credit. The Group is therefore not exposed to any liquidity risk.

### DIVIDEND

The Board of Directors will ask the General Shareholders' Meeting of May 19, 2010 to approve the distribution of a dividend of €3.30 per share, unchanged from the prior year. This proposed dividend level reflects PPR's intention to maintain a balanced payout ratio taking into account both changes in net income from continuing operations, Group share, excluding non-recurring items, and the level of free cash flow in 2009.

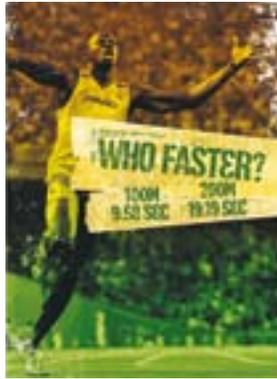
### BRANCHES' PERFORMANCE



#### GUCCI GROUP

**The revenue of the luxury division amounted to €3.4 billion in 2009, representing a slight increase in reported terms and a 4% decrease at comparable exchange rates compared to 2008.**

Gucci Group sales were almost stable in the fourth quarter in reported terms, and up 3% in comparable terms; which represented a significant improvement on the first three quarters. In the full-year, sales rose 15% in the emerging countries, which now represent 33% of the luxury division. Asia-Pacific continued to post strong growth, driven in particular by a 46% sales increase in Mainland China. However, in historic markets, Gucci Group revenues fell by 10%, but only 3% in the fourth quarter in comparable terms. The luxury division's recurring operating income totalled €692 million in 2009, posting a 20.4% operating margin.



## PUMA

**Puma posted revenue of €2.5 billion in 2009, down 2% in reported terms and down 8% at comparable scope and exchange rates compared to 2008.**

Puma retail sales held up well, down 4% at comparable exchange rates over 12 months and down 2% in the fourth quarter. In 2009, the Fundamental & Running segments have recorded good results; Sailing & Golf are showing growth. On the other hand, Motor Sports & Team Sports reported sales down over the year, even though Team Sports sales improved over the fourth quarter.

In 2009, Puma's contribution to the recurring operating income of PPR totalled €320 million, representing an operating margin of 13.0%. In 2009, Puma implemented effective cost cutting programs that reduced operating expenses by 6% at comparable scope. After a 2008 packed with major sports events, Puma cut spending on marketing and communication in 2009, while continuing to invest in developing brand attractiveness and commercial dynamism.



## FNAC

**Fnac posted revenue of €4.4 billion in 2009, down 2% in reported and comparable terms compared to 2008.**

Fnac sales rose 0.4% in comparable terms in the fourth quarter. Revenue in France was down 2% for the full-year 2009, and stable over the fourth quarter. This illustrates the efficiency of the sales and marketing policy of the brand, that has enabled it to win market share across most of its product categories. Service sales grew 26% in the full-year and 11% in the fourth quarter. Outside France, Fnac posted sales growth in Belgium, Portugal and Brazil. Sales were stable in Italy, but down in Switzerland (due to closure of one store) and Spain. In 2009, Fnac Internet sales amounted to €320 million, up 16% compared to 2008.

Fnac's recurring operating income in 2009 was up to €182 million, raising the operating margin to 4.2%.



## REDCATS

**Redcats revenue totalled €3.4 billion in 2009, down 9% in reported and comparable terms compared to 2008.**

Redcats posted sales for the fourth quarter down 7% in comparable terms. The company consolidated its Internet leadership in Fashion and Home Furnishing. Online sales totalled €1.6 billion in 2009 (+2% in comparable terms for the full-year and +4% in the fourth quarter) representing 47% of Redcats total revenues (compared to 42% in 2008).

Despite a drop in revenue in 2009, Redcats significantly improved its operating margin to 3.4%, an increase of 30 basis points compared to the previous year.



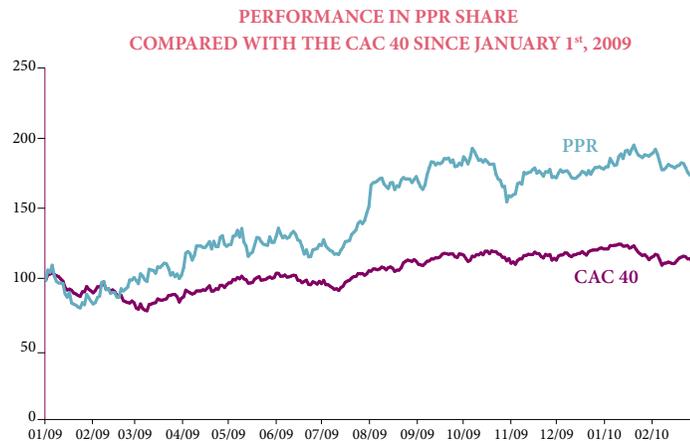
## CONFORAMA

**Conforama revenues totalled €2.9 billion in 2009, down 8% in reported and comparable terms compared to 2008.**

The company significantly improved the sales trend in the fourth quarter and was stable compared to the fourth quarter 2008. In France, revenue was down 6% for the full-year but rose 3% in the fourth quarter, with increased market share. The success of the new retail website was confirmed by its 25% growth. In Italy, Conforama saw the first positive signs of the adjustments made to its sales and marketing policy and its positioning in Furniture and Home Furnishing. While Spain and Portugal posted a downturn in sales, Switzerland had an excellent fourth quarter, up 11% in comparable terms, rounding off a very good 2009, up 3%.

Conforama returned to growth in 2009, with recurring operating income at €125 million (+6% in comparable terms). The operating margin increased sharply to 4.3%.

## PPR share



Source: Euronext Paris SA

PPR proved its great resilience in a challenged economic environment in 2009. The share price rose by over 80%, and ranks amongst the 5 highest increases for the year. The share outperforms the CAC 40 which posted a 22% growth. The share's good performance is driven by investors' anticipation of an economic recovery and renewed confidence in household consumption. The publication of the 2009 yearly financial statements reassured investors about the Group's financial solidity. The action plans, launched as early as mid-2008, show management's ability to anticipate and adapt in order to survive the crisis and come out stronger.

### Stock market statistics

|   |               |
|---|---------------|
| <b>MARKET CAPITALISATION AS OF DECEMBER 31, 2009</b> (in € million) | <b>10,663</b> |
| <b>HIGHEST SHARE PRICE IN 2009</b> (in euros)                       | <b>93.25</b>  |
| <b>LOWEST SHARE PRICE IN 2009</b> (in euros)                        | <b>36.25</b>  |

### Calendar

|                       |                              |
|-----------------------|------------------------------|
| <b>APRIL 28, 2010</b> | 2010 first quarter sales     |
| <b>MAY 19, 2010</b>   | General Shareholders Meeting |

## 2009 Highlights

- **1<sup>ST</sup> JANUARY** Puma acquires a majority interest in the Dutch company, Dobotex International BV, a historical partner who holds the licence for Puma socks and undergarments outside of the USA.
- **12 JANUARY** Puma announces the acquisition of the Swedish company, Brandon AB, specialising in brand merchandising and promotion.
- **29 JANUARY** Creation of the PPR Corporate Foundation for Women's Dignity and Rights.
- **11 FEBRUARY** PPR announces the appointment of Jean-Michel Noir as Chairman and CEO of Redcats and member of the Executive Committee of PPR. Jean-Michel Noir joined Redcats in April 2009.
- **18 FEBRUARY** Fnac announces a plan aimed at boosting its activity in France and internationally as well as savings measures amounted to €35 million. Conforama presents a plan to reduce costs by €50 million on full-year basis, aimed at restoring its competitiveness.
- **25 FEBRUARY** Gucci Group announces the signature of the definitive agreement for the sale of BEDAT & Co to Luxury Concepts Watches Jewellery Sdn Bhd, a company based in Malaysia.
- **5 JUNE** World release of the film HOME by Yann Arthus-Bertrand, co-produced by Europacorp, Luc Besson's company, and Elzévir Films and backed by PPR and its brands.
- **10 JUNE** PPR finalizes the sale of Surcouf to Mr Hugues Mulliez, founder of the retail network Youg's, specialised in the sale of computer products and services.
- **25 NOVEMBER** Conforama announces the acquisition project of La maison de Valérie.
- **2 DECEMBER** IPO of CFAO. With an offering 2.5 times oversubscribed, this IPO, at the satisfactory price of €26 per share, reflects the keen interest the company holds for the largest French and foreign institutional investors over the long term. PPR sold 58% of the capital in total.
- **7 DECEMBER** PPR announces the signature of a new agreement with Agefiph aimed at the continued implementation, deployment and monitoring of its employment policy in favour of the disabled, with the technical and financial support of Agefiph.



**BOUCHERON CELEBRATES THE 25<sup>TH</sup> ANNIVERSARY OF THE CIRQUE DU SOLEIL WITH THE COLLECTION *INSPIRIA***  
 Between the Cirque du Soleil and the House of Boucheron, between Cirque du Soleil founder Guy Laliberté and Boucheron President Jean-Christophe Bedos, the idea of celebrating 25 years of stunning shows and unparalleled experiences with a collection of celebratory High Jewellery was born. Poetic and rebellious choreography of shapes and colours that blends the magic of emotions while exploring new artistic paths. Boucheron's one-of-a-kind necklaces feature amazing spectrums of dazzling gems, each telling the story of 20 of Cirque du Soleil's most beautiful creations. One version of each necklace is already on sale in Boucheron boutiques whereas the other will be displayed at the Montreal Museum of Fine Arts

from March 31 to August 29, 2010 before moving to the Cirque du Soleil Foundation. Some of the proceeds from this collection will be donated to One Drop, a foundation that Guy Laliberté established in 2007 to provide access to water for all.

**GUCCI ANNOUNCES "GUCCI COLLECTOR: PRESENTED BY CHRISTIE'S" AND REVEALS PLANS FOR A NEW GUCCI MUSEUM IN FLORENCE**  
 "Gucci Collector: Presented by Christie's" is the very first Gucci-certified online destination for appraising vintage Gucci products. The unique partnership fuses the rich heritage of the House of Gucci with the skilled expertise of this esteemed auctioneer, resulting in an unprecedented and specialised online service for Gucci collectors around the world ([www.christies.com](http://www.christies.com)).



Launched in January 2010, "Gucci Collector: Presented by Christie's" has been designed specifically for those impassioned collectors who want to learn more about their vintage treasures. Within a 2 to 4 week period, "Gucci Collectors" will receive an auction estimate, prepared by Christie's Director of Fashion and Textiles Patricia Frost and her team of costume specialists in collaboration with the Gucci Archive Department. Collectors will also be informed as to whether the product would be eligible for an upcoming Christie's vintage sale or if it is of interest to either Gucci or Christie's from an historical perspective. Participation in sales is purely optional for owners, while prospective buyers can be assured that the products have received an official appraisal from one of the world's most respected auction houses. The Gucci Collector initiative coincides with the House's own plans to open a Gucci museum in Florence, the birthplace of the Italian brand, in celebration of Gucci's 90<sup>th</sup> anniversary in 2011.



**PUMA HAS OPENED ITS NEW HEAD OFFICE, THE PUMAVISION HEADQUARTERS, IN DECEMBER 2009**

The new complex perfectly embodies Puma's long-standing work on environmental issues and in particular what PUMAVision stands for. PUMAVision is the concept that unites Puma's corporate social responsibility activities and initiatives, guiding its work, partnerships and engagement worldwide. The PUMAVision headquarters include Puma's efforts to create a work environment that is based on the principles of a sustainable lifestyle. Many eco-friendly methods to heat and cool the building are implemented and natural resources are used sparingly by using rain water where appropriate. Electricity is generated through a photovoltaic power system and solar modules and any electricity consumed comes from renewable and non-polluting energy sources. PUMAVision headquarters are the first carbon-neutrally operated headquarters in the sports industry.

**IN JANUARY 2010, PUMA AND THE UNITED NATIONS ENVIRONMENT PROGRAMME (UNEP) ANNOUNCE A STRATEGIC PARTNERSHIP TO SUPPORT BIODIVERSITY WORLDWIDE AND SPECIFIC INITIATIVES IN AFRICA**

The partnership named "Play for Life" supports the 2010 International Year of Biodiversity by raising awareness about habitat and species conservation among football fans and the general public during worldwide football events, including the Orange Cup of African Nations in Angola and international friendly games leading up to the FIFA World Cup 2010 in South Africa. With 12 African football team sponsorships to its name and a history of innovation with Africa, Puma is uniquely positioned to help drive this effort with UNEP. The key fundraising lever is Puma's revolutionary new Africa Unity Kit, unveiled at the "Play for Life" press conference in Nairobi, Kenya. The football shirt is the world's first continental football kit, designed to be worn by the African football national teams that Puma sponsors. These include the World Cup qualified teams Ghana, Cameroon, Ivory Coast and Algeria as well as the national teams of Angola, Egypt, Mozambique, Togo, Tunisia, Senegal, Morocco and Namibia. The Africa Unity Kit has been approved by FIFA who have officially recognised it as the Official 3<sup>rd</sup> kit to be worn



by those Puma-sponsored African teams. Shortly after the launch, Puma team Egypt wins the Orange Africa Cup of Nations for the third successive time and to mark their victory, the Egyptian players donned the Puma Africa Unity jersey.



**NEW SPACES TO DISCUSS YOUR PASSIONS**

Fnac launched the first “Espaces Passion” in three Parisian stores at the end of 2009. These spaces highlight the excellence of the Fnac offer and the best of Fnac sales staff know-how in Photography, Hi-fi, Home cinema, Comic Books and Manga, Classical Music and Jazz. It is a response to increasingly demanding customers who are looking for personalised advice. To offer them a unique buying experience, Fnac has brought together its best experts in each field, adapted facilities and designs, an innovative product offer expanded to include rare

“Espaces Passion” Comic Books at Fnac Forum.



“Espaces Passion” Photography at Fnac Montparnasse.

brands or products, and reinforced cultural programming. These spaces are comfortable, friendly areas, where customers can talk about their passions to experienced sales staff, who listen carefully to provide personalised assistance, while taking the time to listen, learn about new trends, touch, try out and compare products.

**A MARKETPLACE NOW AVAILABLE AT FNAC.COM**

In September 2009, Fnac.com opened a Marketplace designed for both professionals and consumers. This new service allows Fnac.com to expand its available offer on its core business to include new and second hand products and to get into new, related markets, such as spin-off products, musical instruments, posters, gadgets, etc. From now on, almost 3 million products are available from the Marketplace at Fnac.com, including 1.5 million second hand products.



Morocco Mall, the future biggest mall in North Africa.

**FNAC SETS UP IN MOROCCO**

Fnac pursues its international growth by opening up in Morocco. The retail network signed a franchise agreement with the Aksal Group, a leading Moroccan specialist distributor, on February 4, 2010. It will open a first store in Casablanca in 2011, within what will be North Africa’s largest shopping centre, the *Morocco Mall*. “Morocco’s dynamic economy and culture and boom in consumption tell us that the Moroccan public will probably like the Fnac offer and concept,” explains Christophe Cuvillier, CEO of Fnac.

“We are convinced that Fnac has growth potential in Morocco. The Aksal Group is a partner whose quality, reputation and experience are the best guarantee for success in the Moroccan market.” This partnership represents another stage in the Fnac development policy. International sales represented 30% of Fnac’s total sales in 2009, with 66 stores in 7 countries (Belgium, Spain, Portugal, Brazil, Italy, Switzerland and Greece).



**LA REDOUTE RENEWS ITS COLLECTIONS MID-SEASON**

To stay ever closer to its customers, La Redoute is innovating by renewing its collections mid-season. The objective of this policy is to follow market and seasonal trends more closely, by proposing a more attractive offer and optimising sales. With this initiative, La Redoute also plans to build a customer approach based on product, rather than discount, as a way to improve profitability. Backed by the success of its first 200-page “winter” catalogue, with over 3 million copies distributed last autumn, the company is launching its “spring” collection in

March. The menu includes 250 new products corresponding to the season; some guest-brands like Esprit, Cyrillus or the Swedish brand Ellos. To support this spring collection, La Redoute has set up a powerful multimedia sales coordination system to promote the product: external communication campaign, catalogue distributed on a very wide scale coupled with major web support. It will be promoted online at [laredoute.fr](http://laredoute.fr) and via banners and other website ads.

[Laredoute.fr](http://Laredoute.fr)

**CYRILLUS OPENS A 100% CHILDREN’S BOUTIQUE**

Cyrillus is opening in Paris its first store exclusively devoted to the 0-16 age range. Located on Rue du Commerce in the 15<sup>th</sup> arrondissement of Paris, this 85 square meters boutique has been specially designed for children, with furniture adapted to their size, colours, decor, games and height measurement ladders in the fitting rooms. To differentiate the “Children’s collection” from other Cyrillus boutiques, some specific colour codes are used to cover the façade and the interiors. The first boutique of its kind can already be proud of an excellent start since its opening.

[Cyrillus.com](http://Cyrillus.com)



**BASEBALLSAVINGS.COM LAUNCHES ITS FIRST CATALOGUE IN THE USA**

BaseballSavings.com is a subsidiary of The Golf Warehouse and an American website specialised in the sale of baseball items. It sent out its very first catalogue at the beginning of 2010, with very promising results that widely exceeded forecasts. This great performance has increased online sales at BaseballSavings.com 100% compared to the same period last year.

[Baseballsavings.com](http://Baseballsavings.com)



**CONFORAMA LAUNCHES THE "CONFO EXCELLENCE" WARRANTY**

In an effort to simplify customers' lives and to remain attentive to their needs before, during and after the purchase, Conforama has been proposing some innovative new services at low prices in autumn 2009. It launched the "Confo Excellence" warranty, a long-term "à la carte" warranty for household appliances and leisure electronics. This new offer is characterized by aggressive pricing on the entry price bands, which gives Conforama a competitive edge and a sharp increase in loyalty while reinforcing its discounter positioning. In offering this warranty, the company gives its customers a specific undertaking to exchange or repair any damaged product in less than 8 days. 215,000 customers have already taken out a "Confo Excellence" warranty in 3 months.

**CONFORAMA SIGNS ITS RETURN TO TELEVISION**

Conforama is making a noticeable comeback on television with the launch of its advertising saga called "My dear neighbours", which promotes the diversity of its customers and the modernity of its complete home equipment offer. The campaign stands out for its humorous tone and it promotes the retail network's DNA: proximity and discount positioning.

After the launch of the first wave in 2009, which highlighted the living rooms (lounge, dining room), Conforama continued the saga from October 31 to November 22, 2009, this time devoted to kitchens. The campaign was very popular with viewers, increasing the brand's attractiveness and creating high visibility, with a 71% recognition rate, well above the average (TNS standard: 60-65%).



**CONFORAMA CONTINUES TO REDUCE ITS CARBON FOOTPRINT**

Having been supplying re-usable shopping bags in its stores since as early as 2007, Conforama is continuing its policy by proposing a new re-usable shopping bag in 100% recycled plastic at its stores. This is the company's contribution to challenge no. 5 of the PPR Corporate Social Responsibility Policy: to reduce the carbon footprint.

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