

NO.37 • MARCH 2012

Letter to shareholders



PPR

An adventure of enterprise



“
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Dear Shareholders,

Our operating and financial performance in 2011 was excellent. Revenue climbed more than 11% on a consolidated basis, i.e., including the Luxury and Sport & Lifestyle Divisions as well as Fnac, where business is affected by the prevailing consumer sentiment in its markets. Attributable recurring net income topped €1 billion, thanks to a record increase

of more than 26%. We also further reduced net debt, which stood at just 1.8 times EBITDA at the end of the year⁽¹⁾.

We forged ahead with our strategy in 2011, acquiring Swiss Haute Horlogerie manufacturer Girard-Perregaux, which is celebrating its 220th birthday this year; Californian sports apparel specialist Volcom, which complements our Sport & Lifestyle Division alongside Puma and Italian tailor Brioni, which bolsters our portfolio in high-end men's ready-to-wear. In 2011, we also launched a process to sell Redcats, whose results are shown on a separate line in our financial statements.

Thanks to the geographical spread of our Luxury and Sport & Lifestyle brands and in particular, the strong presence we have built up over the past few years in many emerging countries, our performance held firm despite tough consumer trends in certain markets. 2011 saw strong growth momentum across all of our brands and significant profitability gains in businesses key to the Group's future success. Together, our Luxury and Sport & Lifestyle brands delivered a record 18.6% operating margin.

The Group will drive all of its brands forward to capitalise fully on their strong potential for organic growth.

Spanning two coherent consumer markets (apparel and accessories), our brands boast considerable growth potential thanks to their leading positions in the fastest-growing segments of these markets, Luxury and Sport & Lifestyle. These segments are driven by structural demographic and sociological trends resulting in the emergence of new markets and customer aspirations.

Our entrepreneurial culture is also a driver of change. This is reflected in the empowerment of our brands and employees, our appetite for concrete achievement, and a distinct taste for audacity and innovation.

(1) EBITDA: used by the Group to monitor its operating performances. 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.

Sustainable development is a core corporate concern and in 2011 we launched PPR HOME. By moving beyond the traditional Corporate Social Responsibility model, PPR HOME is setting a new standard in sustainability and business practice in the Luxury and Sport & Lifestyle segments. This commitment is built on a belief that sustainable development creates value and provides PPR's brands with a long-term competitive advantage.

To partner all of these changes, we have worked with each of our brands on a 2020 business plan which will define our common goals.

Our overriding aim is to create a group with €24 billion in revenue by the end of the decade, 60% of which is to be generated by the Luxury Division and 40% by the Sport & Lifestyle Division. This means that by 2020, these two divisions taken together will have tripled in size. More than half of the Group's revenue should be derived from its directly-operated store network, including over €1 billion in online sales.

Our strong fundamentals spurred an excellent performance in 2011 and increase our confidence in PPR's success going forward.

Because they speak to today's underlying consumer trends – self-expression, a certain hedonism, consumer responsibility, and the convergence of tastes across markets and generations – our powerful brands harbour enormous potential for growth.

They also draw strength from their geographic diversification, closely-managed expansion, and flexible cost structures, allowing them to adapt rapidly to changing market conditions. These fundamental qualities are not only the basis for our long-term success but also underpin our short-term ambitions, making us confident that we can deliver a further improvement in our operating and financial results in 2012.

FRANÇOIS-HENRI PINAULT
Chairman and Chief Executive Officer

Excellent performance in 2011

PPR's results in 2011 are excellent. Revenue came in at €12.2 billion, up 11.1% as reported and 9.3% based on comparable Group structure and exchange rates.

Recurring operating income surged 16.9% to €1.6 billion, sending the operating margin to an all-time high of 13.1%.

EBITDA⁽¹⁾ posted by the Group advanced nearly 16% year-on-year to €1.9 billion, driving an increase in the EBITDA margin, which rose to 15.6% from 15% in 2010.

Attributable net income from continuing operations (excluding non-recurring items) jumped 26.4% year-on-year, to over €1 billion. On this basis, earnings per share amounted to €8.36, up 27% on 2010.

In 2011, the Group's free cash flow from operations increased slightly to €934 million.

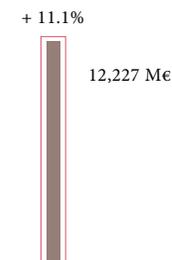
DIVIDEND

At the General Shareholders' Meeting scheduled for April 27, 2012, the Board of Directors will recommend a dividend payment of €3.50 per share, unchanged from the previous year.

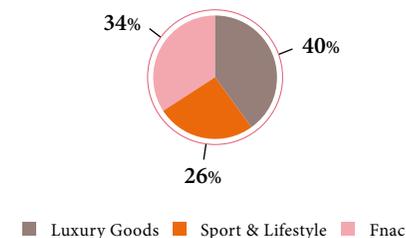
This recommended dividend reflects PPR's goal of maintaining well-balanced payout ratios, bearing in mind the Group's recurring net income and the amount of available cash flow. The dividend will be paid on May 7, 2012.

(1) EBITDA: used by the Group to monitor its operating performances. 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.

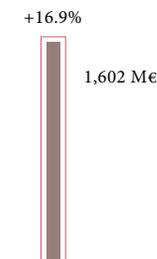
REVENUE



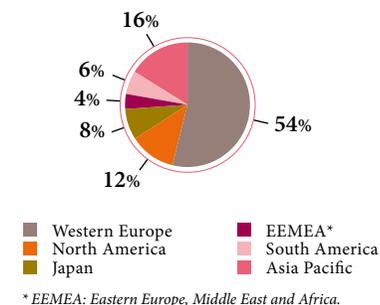
BREAKDOWN OF REVENUE BY ACTIVITY



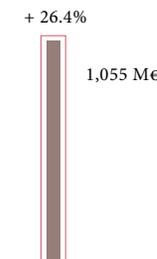
RECURRING OPERATING INCOME



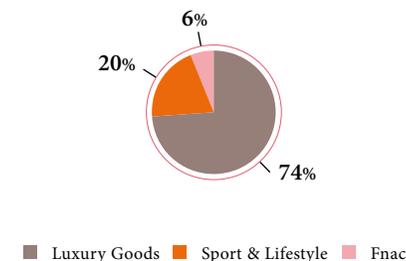
BREAKDOWN OF REVENUE BY REGION



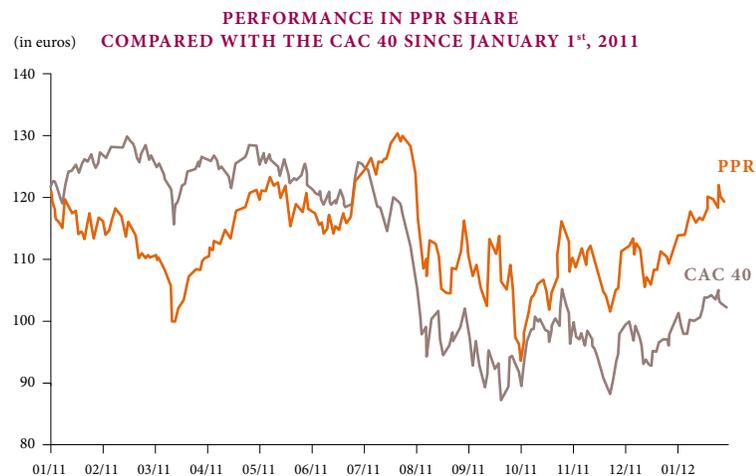
NET INCOME FROM CONTINUING OPERATIONS (excluding non-recurring items)



BREAKDOWN OF RECURRING OPERATING INCOME BY SEGMENT (excluding Corporate)



PPR share



Source: Euronext Paris SA.

The financial markets proved extremely volatile in 2011. Equity markets began the year strongly, with the CAC 40 reaching a high of 4,169 points at the beginning of April. However, a string of geopolitical and economic events and natural disasters subsequently hit, compounding the sovereign debt crisis in the eurozone.

The PPR share held up well, down only 7% at the end of the year and ‘outperforming’ the CAC 40, its benchmark index, which ended the year down 19%. This resilient performance reflects both the sound fundamentals of the Luxury and Sport & Lifestyle markets, which continue to benefit from fast-paced growth in emerging countries, as well as the Group’s strong brand portfolio.

PPR’s business model proved its worth during the year, with an overriding focus on organic brand growth while also leveraging appropriate acquisition opportunities, including Volcom in May, Girard-Perregaux in July and Brioni in November. This model helped PPR to retain investors’ confidence in its strategy throughout the year.

Stock market data

MARKET CAPITALISATION AT DECEMBER 31, 2011 (in € millions)	14,034
HIGHEST SHARE PRICE IN 2011 (in euros)	132.2
LOWEST SHARE PRICE IN 2011 (in euros)	90.5

Provisional calendar

APRIL 26, 2012	First-quarter 2012 revenue
APRIL 27, 2012	General Shareholders’ Meeting
JULY 27, 2012	Half-year results for 2012
OCTOBER 25, 2012	Third-quarter 2012 revenue

2011 highlights

- **ACQUISITION OF VOLCOM**

Following a friendly cash tender offer, PPR acquired all of Volcom’s share capital on June 23. Volcom is an emblematic US sports apparel and accessories brand with a heritage in skateboarding, snowboarding and surfing. Volcom joined Puma on July 1, 2011, as part of PPR’s Sport & Lifestyle Division.

- **ACQUISITION OF A CONTROLLING INTEREST IN SOWIND GROUP**

Based in La Chaux-de-Fonds (Switzerland), Sowind Group markets and sells the Girard-Perregaux and JeanRichard Haute Horlogerie brands, and also has a watchmaking plant. Girard-Perregaux traces its origins back to 1791 and the history of the brand is marked by numerous inventions that combine design with state-of-the-art technology such as the renowned *Tourbillion with Three Gold Bridges*. On July 4, PPR launched a capital increase, on completion of which it became the majority shareholder of Sowind, with a 50.1% ownership interest. The prestigious brands acquired as a result of this transaction strengthen the Luxury Division whilst partnering Sowind’s international growth.

- **ACQUISITION OF BRIONI**

On November 8, PPR announced that it was to acquire 100% of Brioni’s share capital. The acquisition was finalised in January 2012. Brioni is one of the world’s most reputable men’s fashion houses, owing to its exceptional sartorial know-how. It has its own sartorial workshops, the largest of which is located in Penne in the Abruzzo region (Italy). By acquiring this prestigious brand, PPR’s Luxury Division is strengthening its foothold in the fast-growing men’s fashion segment.



Girard-Perregaux

**SOWIND ACQUISITION STRENGTHENS
PPR'S DIVISION**

PPR recently strengthened its luxury division – and its position in the vibrant, high-end watch sector – by acquiring a controlling interest in Sowind Group, a holding company that includes Girard-Perregaux and JeanRichard brands and the Sowind manufacture.

Revered by watch enthusiasts, these brands were founded centuries ago. They are among the few authentic Swiss watchmakers who design and produce their own mechanical movements. Both are driven by research and development and credited with important technological innovations. Girard-Perregaux, for example, has registered more than 80 patents in watch making over the years.

PPR's investment in Sowind Group will support the growth and development of these watch brands on an international level. In turn, Sowind will provide PPR with best-in-class watch brands while serving as a centre of expertise and internal partner for other PPR brands.

The two groups have already capitalized on synergies. Girard-Perregaux provided proprietary movements for use in Boucheron collections, for example for a limited edition of the *Refllet* watch for men. Together, PPR and Sowind will capture the strong growth potential of the high-end watch business by combining innovation and quality.



JeanRichard

BRIONI, PPR'S NEWEST LUXURY BRAND

Brioni – one of the world's most esteemed names in high-end menswear – is the newest member of PPR's luxury brands division since early 2012.

A strong and growing brand, Brioni was founded in Rome in 1945 by a master tailor and a businessman. Its combination of timeless design and unparalleled sartorial expertise drew high-profile clientele, and Brioni soon emerged as a fashion authority for men. The brand's imprint on the history of menswear is legendary. It was the first house to organize a fashion show for men and the first to introduce colour into men's wardrobes.

Brioni prides itself on handcrafted, precision manufacturing. Of its 1,800 employees, 1,650 are employed at the brand's eight ateliers in Italy where the construction of garments is an art form. A single Brioni suit takes between 18 and 22 hours to complete with 5,000 to 7,000 stitches sewn by hand for each jacket.

The brand's collections are currently distributed in 35 directly-operated boutiques and additional points of sale around the world.

Brioni's dedication to quality, innovation and its 'Made-in-Italy' craftsmanship make it a perfect fit for PPR's luxury portfolio. The brand's unique position in high-end menswear will allow PPR to capture the potential of this fast-growing category. In return, Brioni will use PPR's supply chain, distribution and other platforms to expand its product offering and raise its international profile, particularly in high-growth countries.

PPR has great ambitions for Brioni, and Brioni has great ambitions for men's fashion – a made-to-measure combination.



2012 Spring Summer collection

GUCCI COMMITS USD 1.15 MILLION DONATION TO UNICEF FOR 'SCHOOLS FOR AFRICA'.



Frida Giannini and Jennifer Lopez awarded by the UNICEF

To date, Gucci has contributed over USD 10 million to Unicef and is currently one of the largest corporate donors to 'Schools for Africa'. Previously in 2010, Gucci committed USD 1 million to Unicef in celebration of the initial launch of its children's collection. Through these efforts, Gucci has contributed to Unicef and its partners to help more than 5.5 million children in sub-Saharan Africa with improved access to education.

Gucci's involvement with Unicef has also provided for a variety of projects to raise awareness, as well as contributing to the initiative. Since the partnership's beginning, Frida Giannini has created exclusive products from which a percentage of sales support Unicef. In 2011, Giannini designed a new 'Gucci for Unicef' Sukey bag and as in previous years, twenty five percent of the retail price of each

bag sold will benefit Unicef's 'Schools for Africa' initiative. Earlier this year, Gucci made a USD 70,000 contribution to the initiative for the launch of its special edition 'U-Play' watch. Also in support of 'Schools for Africa', Gucci made a donation of USD 250,000 to Unicef in honour of this year's release of the luxury edition book *Gucci: The Making Of* which is an insightful tribute to the heritage and influence of the emblematic, multi-faceted Italian fashion house.

As part of its engagement to the PPR Foundation for Women's Dignity and Rights, on Mother's day, Gucci introduced a limited edition 'Mamma bag'. Twenty-five percent of the retail price from each bag sold supported Unicef HIV/AIDS programmes.

2011 also saw the inauguration of the *Unicef Women of Compassion* Luncheon, where the U.S. Fund for Unicef honoured Giannini along with Carrie Auer, Unicef Representative in Malawi - for their key contributions to Unicef's mission to save and improve children's lives worldwide.



« Mamma bag »

BOTTEGA VENETA OFFSETS GREENHOUSE EMISSIONS AT ITS MILAN HEADQUARTERS

As part of the brand's ongoing commitment to corporate sustainability and its goal to further develop the company while minimizing environmental impact in a consistent and systematic way, Bottega Veneta obtained 'Carbon Neutral 2010' certification for its headquarters in Milan. The certification procedure was conducted in accordance with criteria determined by the requirements of international standard ISO 14064-3:2006 by Bureau Veritas. The lengthy and complex process required collection of detailed information on all activities producing greenhouse gas emissions inside and outside the building. This took into account even the slightest details and variables such as the overtime worked during fashion week, fashion shows and sales campaigns.

"The overwhelmingly positive results of this report along with the 'Carbon Neutral 2010' certification not only mark an important achievement for the brand, but are the basis for actions of continuous improvement in reducing the impact of our operations," said Marco Bizzarri, President and CEO of Bottega Veneta.



Bottega Veneta headquarters in Milan



The PUMA LAB

OPENING OF THE FIRST PUMA LAB IN CHILE

Puma have just inaugurated the first PUMA LAB in the world in Chile. Launched on December 15th, PUMA LAB is not only a store. It also has space to show avant-garde content such as music and visual arts, with a workshop and conference areas and a stage. PUMA LAB is a living space and a meeting point for expression and experimentation. Chilean artists such as the actors Mariana Loyola and Pablo Cerdan Alberto Montt, the painter Sebastian Maquieira, the musician C-Funk and the film maker Matias Bize supported the launch of this extraordinary project with a teaser video under the direction of artists Rodrigo Astaburuaga and Fernando Bascuñán. The inaugural event was a huge success, attended by hundreds of fans and there were appearances from two of the biggest names in Chilean music: Jorge Gonzalez and 31 Minutos.

Located in the Gabriela Mistral Cultural Center, in Santiago, Chile, PUMA LAB has a unique design and offers a range of exclusive Puma products including items from the Alexander McQueen, Mihara, Hussein Chalayan and Rudolf Dassler collections.

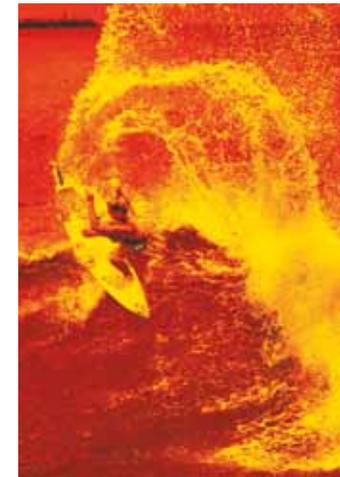
VOLCOM PIPE PRO 2012

Volcom joined PPR on 1 July 2011. The third annual Volcom Pipe Pro, took place from January 23rd to February 4th 2012 in Oahu, Hawaii. The event is one of the most important competitions of the year. A special event for the local Hawaiian competitors, it is the only chance for non-World Tour surfers to gain entry into the prestigious Pipe Masters, which will take place during the first two weeks of December 2012. The top eight Hawaiian competitors in the Volcom Pipe Pro are rewarded wildcard entries into the 2012 event, which is part of the Triple Crown series that wraps up the year.

At Volcom Pipe Pro, 112 competitors battled with some of the most dangerous waves on the planet, duelling it out for USD 130,000 in prize money and valuable ratings points to kick off 2012.

The entire competition was broadcast online. Live webcast and videos were uploaded daily on the Volcom website. iPhone users had the opportunity to stay up-to-date on live webcasts, as well as purchase Volcom Pipe Pro Merchandise and access all features of the full website.

For the second year in a row, 18-year-old John Florence took the top spot, against a field of surfers almost twice his age.



Rider Dusty Payne

GUCCI
BOTTEGA VENETA
YVES SAINT LAURENT
ALEXANDER McQUEEN
BALENCIAGA
BRIONI
STELLA McCARTNEY
BOUCHERON
GIRARD-PERREGAUX
JEANRICHARD
SERGIO ROSSI
PUMA
VOLCOM
COBRA
ELECTRIC
TRETORN
FNAC
REDCATS

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