

No. 36 • SEPTEMBER 2011

# Letter to shareholders



PPR

An adventure of enterprise



“  
The first half of 2011  
was a particularly  
important period  
in PPR’s development.”

Dear Shareholders,

The first half of 2011 was a particularly important period in PPR’s development, in terms of organisational changes as well as the roll-out of our key strategic priorities.

As announced in February, to push ahead with our efficiency drive, we decided to centralise a large number of support functions previously managed by operating entities.

As a result, **all our Luxury Goods brands now report directly to the Group.** The main aim of this change was to enhance the potential of our brands, allowing them to adopt a more client-focused approach.

We are also developing the cross-functional departments which lend their support and expertise to operating entities in areas such as e-commerce solutions, centralised media buying, logistics, commercial property and IT systems integration.

The first half also provided a concrete illustration of PPR’s commitment to Corporate Social Responsibility (CSR), with the creation of PPR HOME. PPR HOME goes beyond conventional CSR models, and should allow the Group not only to revisit its products and practices from the standpoint of sustainability, but also to promote a new business paradigm where sustainability goes hand in hand with creativity.

We continued to **develop our two strategic divisions** in the period, acquiring Volcom in June, an iconic action sports brand which now joins Puma within our Sport & Lifestyle business. To strengthen Luxury Goods, at the beginning of July we acquired a controlling interest in the luxury watchmaking group Sowind, owner of the Girard-Perregaux and JeanRichard brands. The Group had held a minority stake in Sowind for the past three years. These acquisitions were aimed at stepping up brand growth while respecting exclusivity, by unlocking synergies with the Group’s other brand names.

These developments were enhanced by the Group’s **strong financial performance** in the period.

Luxury Goods reported an excellent first-half, with revenue climbing almost 23% and recurring operating income up by more than 39%.

Sport & Lifestyle (which only included Puma in the first half of the year) performed in line with the strategic plan unveiled in October 2010, with revenue up more than 11% spurred by growth across all product categories and regions.

Fnac had to contend with a tough market for technical products, macro-economic problems in southern Europe and a slowdown in sales of editorial products.

Redcats proved more resilient, thanks chiefly to the success of its online business, which currently accounts for 58% of total revenue.

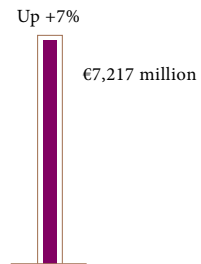
Overall, Group revenue climbed 7%, while the robust increase in recurring operating income drove up recurring operating margin into double digits.

I am confident that in the second half of the year we will be able to deliver sustained revenue growth and unlock further financial performance gains. The Group has strong fundamentals and our strategic development will enable us to report stellar results year after year.

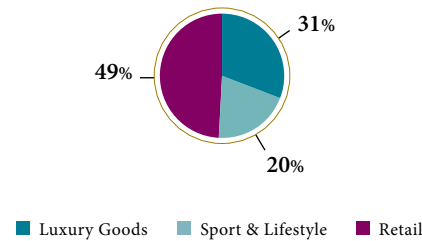
FRANÇOIS-HENRI PINAULT  
Chief Executive Officer

# Very satisfactory performance in first-half 2011

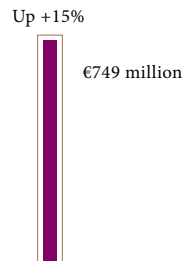
## REVENUE



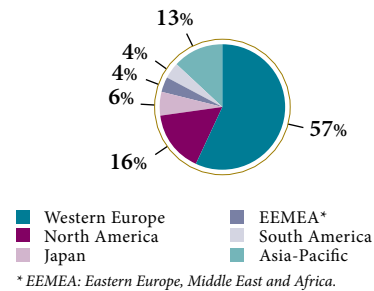
## BREAKDOWN OF REVENUE BY SEGMENT



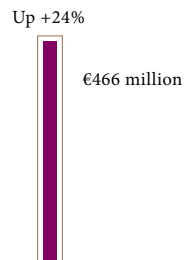
## RECURRING OPERATING INCOME



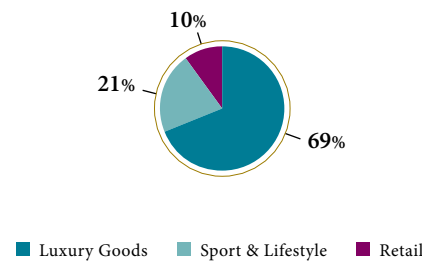
## BREAKDOWN OF REVENUE BY REGION



## RECURRING NET INCOME, GROUP SHARE (from continuing operations excluding non-current items)

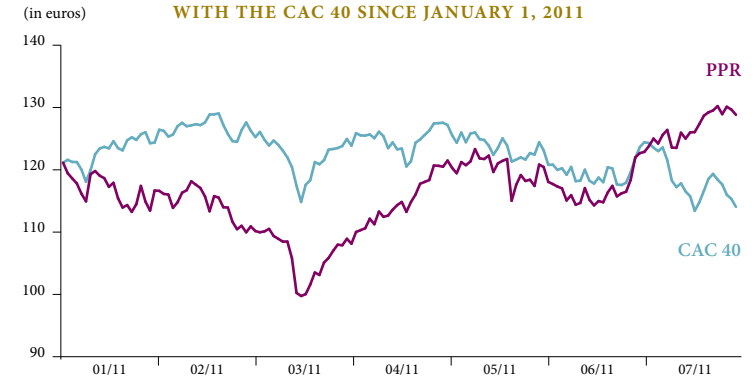


## BREAKDOWN OF RECURRING OPERATING INCOME BY SEGMENT (excluding holding company and other)



# PPR share performance

## PERFORMANCE IN PPR SHARE COMPARED WITH THE CAC 40 SINCE JANUARY 1, 2011



While the start of the year saw heavy profit-taking, the PPR share rebounded over the rest of the period, powered by the Group's strong financial performance as well as the ongoing implementation of its transformation plan.

At the end of July, the PPR share had gained more than 8%, outperforming the CAC 40 index which shed 4%.

## Stock market data

MARKET CAPITALISATION AT JULY 31, 2011 (in € millions)	16,377
HIGHEST SHARE PRICE BETWEEN JANUARY 1 AND JULY 31, 2011 (in euros)	130.4
LOWEST SHARE PRICE BETWEEN JANUARY 1 AND JULY 31, 2011 (in euros)	99.7

## Provisional calendar

WEDNESDAY OCTOBER 26, 2011

Third-quarter 2011 revenue

**VOLCOM**

Volcom joined PPR in June 2011, following the cash tender offer launched in May 2011 at a price of USD 24.50 per share.

This acquisition heralds the start of the Group's Sport & Lifestyle business, which currently comprises Puma and its Tretorn and Cobra brands, and Volcom and its Electric brand.

PPR intends to make Volcom one of the world's leading action sports brands, building on its iconic reputation among young people and teenagers in particular, and to bolster its brand portfolio through an original and innovative marketing strategy. Volcom will allow PPR to expand its presence in the attractive action sports segment, and target new types of customers.

**VOLCOM AT A GLANCE**

- Founded in southern California in 1991, based in Costa Mesa, California
- Makes apparel and accessories; enhanced through art, music and film
- World's leading action sports brand – surfing, skateboarding, snowboarding and motocross – for the 12-20 age group
- Marketing focused on board sports, freedom of action and expression, and the values of surf culture (streetwear, board shorts, denim, beachwear, sandals, accessories and outerwear)
- Revenue: **USD 323 million** across 40 countries in 2010
- **750** employees
- **95%** of sales derived from retailers; **5%** from directly-operated stores
- Strong Internet presence and social networks (website, e-shop, CSR blog, YouTube, Facebook, Twitter)
- Volcom owns Electric, a premium brand selling sunglasses, snow goggles and accessories founded in 2000 in San Clemente, California. Electric, known by its familiar volt logo, has a heritage in action sports, music and fashion.



[www.volcom.com](http://www.volcom.com)

**ADVENTURE AHEAD FOR PUMA OCEAN RACING TEAM**

On November 5, the Puma Ocean Racing team powered by BERG Propulsion sets out on a journey around the world. During nine months of the Volvo Ocean Race 2011-12, the team will sail more than 39,000 nautical miles of the world's most treacherous seas beginning in Alicante, Spain; and on to Cape Town, South Africa; Abu Dhabi, UAE; Sanya, China; Auckland, New Zealand; around Cape Horn to Itajaí, Brazil; Miami, Florida; Lisbon, Portugal; Lorient, France, finishing in Galway, Ireland in July 2012.

Preparations have picked up steam for the 11-member team. Puma's *Mar Mostro*, the "Monster of the Sea," splashed into the waters of Newport, Rhode Island, in May, and skipper Ken Read and crew have already guided the *Volvo Open 70* yacht to victory. In July, the team crossed the Atlantic Ocean in the Transatlantic Race and finished with the Queen's Cup for the IRC Overall win.



The Transatlantic Race was the first big trial for Puma's *Mar Mostro* and crew. Now, they're testing the boat and sails in Lanzarote, Spain, in the Canary Islands. The high winds around Lanzarote have provided excellent sailing conditions and the ability to push the boat to higher speeds.



Puma entered the sailing category in 2008 with the launch of a line of performance gear for the Puma Ocean Racing entry that finished second in the 2008-09 race. Puma is also the official supplier of race merchandise.

Action begins in Alicante with the opening of the Race Village on October 14, and the first points are awarded at the In-Port Race on October 29. As they race from Spain into each port, the Puma crew will be greeted by thousands of fans, and the Puma Quad will be full of excitement. Activities will include demos on the new PUMA/Laird stand-up paddleboard, and Marmo, the mascot, will help raise awareness about ocean preservation.

[www.puma.com](http://www.puma.com)

**GUCCI CELEBRATES 90 YEARS OF QUALITY AND CRAFTSMANSHIP**



In 1921, Guccio Gucci opened a leather goods store in his native Florence featuring the craftsmanship of local Tuscan artisans. Ninety years later, the brand is a global powerhouse still true to the quality and Italian craftsmanship it was founded upon. In celebration of its 90-year milestone, Gucci has rolled out

a new advertising campaign, created a new collection and renewed its connection to the equestrian world.

“FOREVER NOW” Ad Campaign. This worldwide ad campaign rolled out in February, 2010, to highlight Gucci’s enduring connection to the past even as it creates the future. Conceived by Creative Director Frida Giannini, “Forever Now” features original black-and-white photographs of artisans at work in the brand’s historic Via delle Caldaie building in Florence, its first-ever print ad, and the first store in Rome on Via Condotti. The ads will appear in newspaper, lifestyle and business magazines through the end of this year.

1921 COLLECTION. This exclusive range of men’s and women’s ready to wear and accessories debuted in select Gucci stores in July. The collection pays homage to the icons, craftsmanship and luxury materials for which the House is known and carries a new trademark: G. Gucci Firenze 1921.



**GUCCI MASTERS**  
Some of Gucci’s first clients were horse-riding aristocrats whose demand for riding gear led to the development of horsebit icon. Gucci renewed its equestrian connection in 2009 by establishing the Gucci Masters, a prestigious indoor competition, and later extended its sponsorship through 2011.



**SAVAGE BEAUTY EXHIBITION CELEBRATES McQUEEN’S LIFE AND WORK**



Lee Alexander McQueen’s remarkable vision and extraordinary contributions to fashion were on display at the Metropolitan Museum of Art’s Costume Institute this spring with an exhibition entitled, *Alexander McQueen: Savage Beauty*.

Curated by Andrew Bolton and Harold Koda of the Met’s Costume Institute, the exhibit featured nearly 100 ensembles and 70 accessories from Mr. McQueen’s 19-year career – from his Central Saint Martins post-graduate collection in 1992, to his final runway presentation before his death in 2010. Pieces on display were drawn from the Alexander McQueen archive in London, the

Givenchy archive in Paris and private collections, and featured iconic designs including the bumster trouser, the kimono jacket and the origami frock coat.

A who’s who from the film and fashion industries celebrated the exhibit’s opening at the Met Ball on May 2<sup>nd</sup>, an event organized by Anna Wintour, editor-in-chief of U.S. *Vogue*. Sarah Jessica Parker, Daphne Guinness, Naomi Campbell and Gisele Bündchen among others, dazzled in McQueen gowns at the gala.

Originally scheduled to run from May 4<sup>th</sup> through July 31<sup>st</sup>, the retrospective was extended through August 7<sup>th</sup> due to popular demand. During its run, *Savage Beauty* attracted nearly 700,000 visitors making it most viewed fashion exhibit in the history of the Met’s Costume Institute. A hardcover book, *Alexander McQueen: Savage Beauty* by Andrew Bolton, accompanied the exhibition.





**PPR HOME...FOR THE LONG RUN**

**THE PPR GROUP LAUNCHES PPR HOME TO TAKE SUSTAINABILITY EFFORTS TO A NEW LEVEL**

PPR HOME will guide PPR's contribution to a better world through novel, more sustainable approaches to business that capture our imagination, influence our lifestyles and inspire others to follow...for the long run.

With the launch of PPR HOME, the Group is committing to lessen its impact on the environment, taking responsibility and proactive steps to implement more sustainable business practices.

PPR HOME moves beyond the conventional CSR (Corporate Social Responsibility) approach and promotes a new business paradigm whereby the attainment of sustainability is driving creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns for the long run.

PPR HOME will principally operate through three different funding modalities including internal initiatives, non-profit initiatives and for-profit investments and centers on 4 interconnected programs to define its activities and succeed in its mission: Leadership, Humanity, Ecology and Creativity.

PPR Shareholder's department  
 10, avenue Hoche 75381 – Paris Cedex 08 - France  
 Tel.: +33(0)1 45 64 65 64  
 E-mail: [actionnaire@ppr.com](mailto:actionnaire@ppr.com)  
[ppr.com](http://ppr.com)

[www.ppr.com](http://www.ppr.com) / *chapter commitments*

Photos: Stephan Gladieu pour PPR, Volcom, Puma.  
 Design and production: W|W&CIE

PPR