Reference Document

2011

PPR

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1. 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 pursuing the development of its activities in some of the world's fastest growing markets and segments, notably through the addition of strong brands enjoying pristine reputations, such as Volcom, Sowind Group and Brioni, which joined PPR in 2011.

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.

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.
- Launch of fnac.com, the Fnac website.

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 the Credit and Financial Services division 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.

2010

- Acquisition by Puma of a 20% stake in Wilderness Holdings Ltd.
- Acquisition by Puma of Cobra.
- Sale of Fnac éveil & jeux.
- Sale of the controlling stake in Conforama to Steinhoff.

2011

- Closing of the sale of Conforama to Steinhoff (March 2011).
- New organisation of the Luxury Division.
- Acquisition of Volcom (completed in July 2011).
- Increased stake (50.1%) in Sowind Group (Girard-Perregaux and JeanRichard).
- Announced acquisition of Brioni (November 2011).

2. KEY CONSOLIDATED FIGURES

The comparative information for 2010 has been restated as described in Note 2.23 to the consolidated financial statements.

(in € millions)	2011	2010	Variation
Revenue	**12,227**	**11,008**	**+11.1%**
o/w generated outside of France (as a % of revenue)	*72.6%*	*69.1%*	*+3.5 pts*
EBITDA	**1,911**	**1,649**	**+15.9%**
EBITDA margin (as a % of revenue)	*15.6%*	*15.0%*	*+0.6 pt*
Recurring operating income	**1,602**	**1,370**	**+16.9%**
Recurring operating margin (as a % of revenue)	*13.1%*	*12.4%*	*+0.7 pt*
Net income attributable to owners of the parent	**986**	**965**	**+2.3%**
o/w net income from continuing operations excluding non-recurring items	**1,055**	**835**	**+26.4%**
Free cash flow from operations (1)	**934**	**930**	**+0.5%**
Average number of employees	**38,374**	**35,581**	**+7.8%**

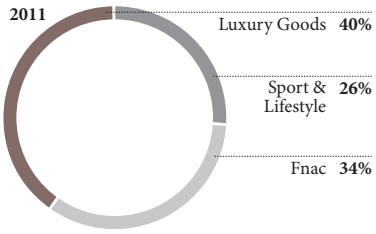
(1) Net cash flow from operating activities - net acquisitions of property, plant and equipment and intangible assets.

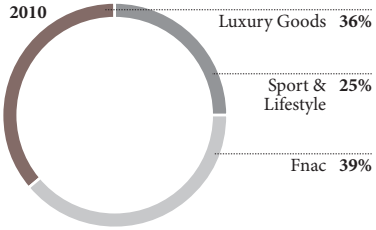
Per share data *(in €)*	2011	2010	Variation
Earnings per share attributable to owners of the parent	7.82	7.62	+2.6%
o/w continuing operations excluding non-recurring items	8.36	6.59	+26.9%
Dividend per share (2)	3.50	3.50	-

(2) Subject to the approval of the Annual General Meeting on April 27, 2012.

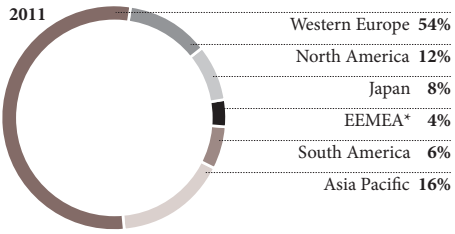
REVENUE

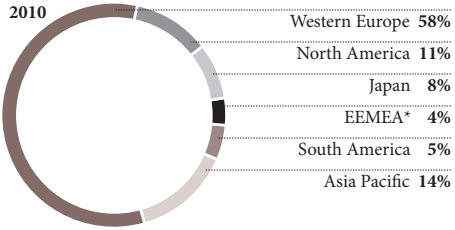
Breakdown by segment





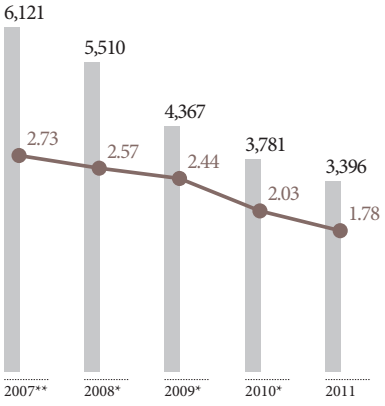
Breakdown by region





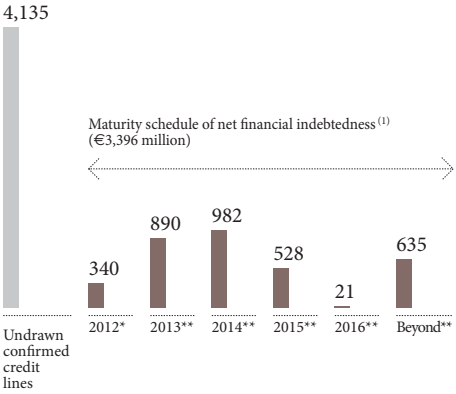
* EEMEA: Eastern Europe, Middle East and Africa.

SOLVENCY



* Published, not restated.
** Proforma.

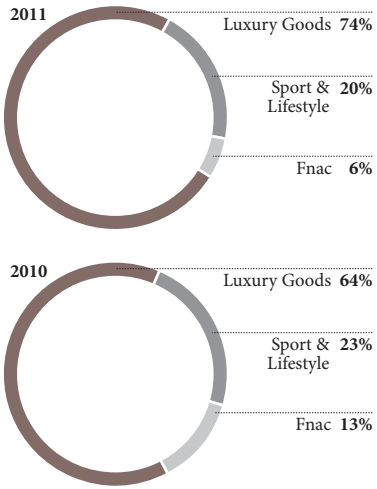
LIQUIDITY



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

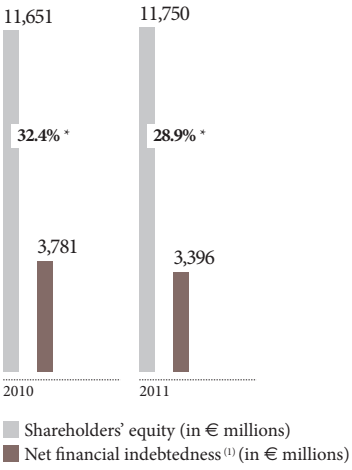
RECURRING OPERATING INCOME

Breakdown by segment *



* Excluding Corporate.

FINANCIAL POSITION - DEBT-TO-EQUITY RATIO



* Net financial debt as a percentage of shareholders' equity for the consolidated equity.

(1) Net financial indebtedness defined in part 3.

3. PPR EMPOWERING IMAGINATION

By refocusing its activities on some of the world's most sought-after apparel and accessory brands in the Luxury and Sport & Lifestyle segments, PPR has positioned itself to deliver sustainable profitable growth

PPR has developed its business by constantly focusing on sustainable profitable growth – while continually adapting its strategy by anticipating regional and sectorial shifts in the world economy.

The major strategic repositioning has been implemented in 1999 with the acquisition of Gucci and amplified in 2007 with the takeover of Puma, which enabled PPR to swiftly respond to changes in the global economy and capture the growth of emerging markets.

With this in mind, PPR has developed a portfolio of strategic assets now firmly rooted in:

- powerful brands whose international reach means that they can be rapidly projected into new markets and whose strong appeal gives them a sustainable competitive edge;
- an industry – apparel and accessories – boasting strong consumer growth momentum propelled by structural sociological trends (individuality, self-fulfilment and indulgence, growing societal focus on leisure and well-being, and the growing convergence of lifestyles across countries and age groups);
- coherent, contiguous market segments – Luxury and Sport & Lifestyle – dominated by powerful brands whose rapid expansion is facilitated by their global reach, whose profitability is boosted by their desirability, and whose heritage and legitimacy provide powerful shields against cyclicality.

As a result, PPR combines:

- Luxury brands whose upscale positioning and high creativity content support high prices and margins, and Sport & Lifestyle brands whose products are more accessible for the new middle classes and are present in broader market segments;
- visible and sought-after brands which can reap the benefits of the momentum of emerging markets while maintaining a solid and continuous presence in mature markets;
- products that set trends in terms of fashion and innovation while being firmly anchored in the tradition and quality inherent in the Luxury sector and meeting the performance and lifestyle objectives of the Sport & Lifestyle sector.

By concentrating on brand-focused activities, PPR is ensuring a more comprehensive control of the value chain: total command of product design and development, direct supervision of production and supply chains and forward integration of distribution through different channels (directly-operated stores, e-commerce, franchisees, third-party distributors and licensees).

PPR's mission is to create value by leveraging the organic growth potential of its brands

Backed by its major family shareholder, PPR manages a portfolio of top-tier brands and in its current configuration enjoys significant potential for internal growth and improved internal performance in terms of revenue, operating margin and operating cash flow. Its main corporate mission is therefore to leverage organic growth opportunities.

The first area in which PPR supports its brands is by stimulating their strategic thinking. This is led by the Group's corporate structure, which encourages the brands to be ambitious, setting them objectives outside their comfort zone and nurturing their creativity by sharing best practices throughout the Group and providing them with outstanding business expertise.

- For the Luxury brands, PPR aims at expanding them while striking the right balance between growth and each brand's exclusivity. The Group plans to continue to develop its Luxury brands along various paths, such as expanding their networks of directly-operated stores (focusing on emerging countries), launching new product categories, and improving their long-term top-line performance, notably through ever more efficient merchandising, effective communications, operational store excellence, and deeper customer knowledge.

- For the Sport & Lifestyle brands, PPR's strategy is based on expanding into new markets while bolstering growth in traditional markets, developing distribution, launching new products designed in phase with each brand's DNA, and continuing to identify and foster synergies between the brands, particularly in sourcing, logistics and knowledge sharing in the areas of product development, distribution and marketing.
- Concerning Fnac, PPR actively supports the chain's ambitious restructuring plan called "Fnac 2015" which is aimed at getting back on the path of sustainable and profitable growth. Against a backdrop of deep-seated technological change, fast-shifting consumer trends and fierce competition, our strategic offensive for Fnac – which it is combined with significant cuts in the chain's cost base and a leaner organisational structure – rests on three robust new pillars. First, expanding the reach and range of the products offered, in order to make Fnac the leading "Entertainment and Technology" specialist; second, forging special customer relations that place the customer at the heart of Fnac's business and organisational structure; and third, paying particular attention to the family customer segment.

The second area of support provided by PPR to the brands is the pooling of expertise and resources across the Group's various entities, including:

- a logistics platform;
- centralised cash management and a Group trading room;
- information services infrastructure;
- negotiating power in terms of sourcing – notably in Sport & Lifestyle –, real estate, distribution channels, insurance, media buying, and other indirect purchases;
- an operational expertise platform for e-commerce;
- a support services expertise platform for taxes, communications, human resources, and legal affairs (including intellectual property);
- shared management of the HR talent pool and career development;
- sharing of best practices.

In refocusing its strategic asset portfolio, PPR applies strict value creation criteria without imposing time constraints

As part of its strategic repositioning process, PPR has already carried out a number of disposals of retail assets, including Printemps in 2006-2007, a controlling 58% majority stake in CFAO in 2009, and Conforama in 2010.

In 2011, PPR began the process of selling Redcats, by launching a competitive tender process for potential buyers and seeking funding packages for future bidders. Consequently, Redcats is now considered as a business "held for sale" in accordance with the IFRS 5 accounting standards. PPR also ultimately intend to sell Fnac, in line with its abiding priority of acting in the best interests of both the chain and the Group.

Organic growth remains the Group's underlying strategic focus, but acquisitions can help speed up its expansion in apparel and accessories and further enhance both growth and profitability. In the coming years, the Group will acquire small or medium brands that will modestly contribute to the increase in Group revenue and earnings. While they will not be central to PPR's value creation, they will act as a catalyst for the Group expansion and international development.

In phase with this strategy, PPR completed two acquisitions in 2011:

- In June it acquired Volcom, following a friendly tender offer. Volcom is one of the world's most desirable action sports brands, whose very strong identity rests on its heritage in skateboarding, surfing and snowboarding. Volcom's integration within the PPR Group will give its international expansion new impetus while enabling it to retain the elements that make the brand authentic. In addition, Volcom and Puma have an excellent strategic fit and together, they open up numerous synergies within PPR's Sport & Lifestyle Division.
- In July, PPR became the majority shareholder of Sowind Group, which includes the *haute horlogerie* Girard-Perregaux and JeanRichard brands. Sowind develops and produces a comprehensive portfolio of high-end watch movements (more than 100 variants) and collections of mechanical watches. This transaction has enabled PPR to strengthen its presence in the high-end watchmaking segment while supporting Sowind Group's international growth.

In addition, in January 2012, the Group completed the acquisition of the entire capital of the Italian tailor Brioni following the signing of an agreement with the company's shareholders in November 2011. Brioni is one of the world's leading men's fashion Houses, boasting an exceptional sartorial know-how. By acquiring this menswear-only brand, PPR has strengthened its portfolio in the fast-growing segment of very high-end men's ready-to-wear. Brioni has significant internal growth potential and PPR will

accelerate its expansion. It will be consolidated in PPR's financial statements as from January 1, 2012.

PPR always selects its investment projects based on strict excellence criteria and long-term value creation imperatives:

- As with the Group's current brands, the brands that may appeal to PPR have a truly distinctive identity – a sought-after legacy, a unique scope of expression, values and characteristics of a well-known image, a clear commitment and the right market – that ensures that they have what it takes to be more than just a passing trend. They are chosen based on the long-term and constantly evolving nature of their image (well-recognised, lasting codes and language, an ability to expand their territories and create alliances, a global scope or an aptitude to rapidly expand internationally) that justifies the strength of an authentic style.
- The Group only considers targets that offer genuine potential to significantly improve financial performance which it can identify and exploit in the long term, and which will go beyond the potential that the assets had before being brought into the Group. PPR will be able to expand these brands (in terms of geographical reach, distribution channels and networks, product categories, etc.) without impacting their DNA. The expected organic growth potential can take the form of an increase in revenue, a turnaround in operational under-performance, or a clear strategic fit with other brands.
- External growth opportunities may involve assets that change the Group's configuration – in which case the investment will be made directly by PPR – or targeted, bolt-on acquisitions complementing existing brands and product categories – in which case they will be made by one of the Group's brands (as was the case in 2010 for Cobra, which was acquired by Puma).

The Group's future brands will thus be selected based on their cohesive nature and their potential complementarity under PPR's aegis. This Group effect will help to contain costs (in terms of sourcing, supply chain, media buying, other indirect purchases, R&D, real estate, financial resources, etc.) or to amplify and accelerate the Group's growth prospects and development (controlling all distribution channels, pooling key expertise, talent pools, cross-functional sharing of experience, benchmarking, etc.).

The pace and timing of the Group's transformation will be guided exclusively by the above considerations. PPR has not set itself any specific deadline to complete disposals and acquisitions. It views these transactions as steps to further improve its financial performance rather than prerequisites for its ongoing development, and hence will follow no other timing than its own.

In order to leverage the organic growth potential of its brands, PPR is becoming a more integrated group, drawing on both its entrepreneurial roots and empowerment culture

As a family-owned group, PPR's corporate mindset is underpinned by the all-encompassing entrepreneurial spirit that has been a key success factor for the Group and its people since its formation in 1963. Over the years, as PPR has carried out profound transformations, this spirit has pervaded all the Group's major strategic developments.

This heritage translates into a winning vision of the future, a culture of action and performance, a constant focus on anticipating trends, and a taste for audaciousness and creativity. Far from being satisfied with following established procedures, our teams are driven by enthusiasm and know the real value of authenticity, sincerity, conviviality and informal working relations.

All of these elements encourage an atmosphere of cooperation, solidarity and sharing, and help promote diversity among employees. This form of organisation devolves responsibility and initiative to all Group employees, empowering them to maximise value creation for PPR. All employees are committed to developing the resources they are given and assuming responsibility and accountability for their performance.

PPR has now entered a new stage of its adventure, in which the organisational structure it has chosen will not only empower its people and boost their autonomy but will also strengthen the links between the Group's various components. These tighter links will in turn enable PPR to unlock the potential of its brands to achieve organic growth as the Group's corporate structure and brand teams will work together more closely.

This ongoing transformation process is grounded in the following:

- A leaner organisation chart and enriched business-specific skills, thanks to the merger between the Group's corporate structure and the corporate teams from Gucci Group.
- The creation of PPR Asia and PPR Americas in order to support the brands more closely in their geographic expansion and to develop expertise adapted to local conditions.
- The establishment of a "Luxury Division" and a "Sport & Lifestyle Division" with a view to introducing a cross-business vision of market segments and bolstering the expertise of the Group's corporate structure.
- The process currently underway to further improve team integration, notably from a human resources perspective (mobility, high-potential managers, employer brand, etc.).

These changes will give a new meaning to PPR's empowerment and decentralisation culture, by differentiating between:

- Issues that fall under the sole responsibility of the Group's corporate structure, such as drawing up PPR's business strategy, ensuring that the interests of the Group's various components are aligned, overseeing performance and carrying out certain other tasks which fall within their exclusive remit (mergers & acquisitions, treasury & financing, investor relations and corporate governance).
- The operational responsibility of the Group's brands, which have the executive power they need to run their businesses. Being close to their markets and customers enables our brands to develop the right strategy for each brand and chain, and to set the direction for each business, as well as to make all operational decisions.
- Responsibilities that are shared between the brands and the Group's corporate structure, which work closely together whenever such cooperation leads to greater value creation for PPR as a Group rather than as the sum of its components.

In order to keep a step ahead and sharpen its competitive edge, PPR is firmly steering its business model towards sustainability

After more than ten years of implementing social responsibility and environmental policies throughout its brands, in March 2011 PPR announced an ambitious new sustainability initiative: the formation of PPR HOME, a new unit within the Group specifically devoted to sustainability.

Moving beyond the traditional Corporate Social Responsibility model, the aim of PPR HOME is to set a new standard for sustainability and business practices in the Luxury and Sport & Lifestyle sectors.

The creation of PPR HOME demonstrates the Group's commitment to limiting its impact on the environment by taking proactive steps to implement best-business practices. PPR HOME not only focuses on working towards reducing and mitigating the Group's social and environmental impacts, but is also aimed at developing a positive impact for the benefit of the community and the environment in PPR's spheres of activity.

PPR HOME is structured around four interconnected programmes: Leadership (leading a shift in the corporate model both internally and externally); Humanity (enhancing the well-being of communities in PPR's spheres of activity); Ecology (mitigating PPR's ecological footprint through reduction, offsets and investing in the environment); and Creativity (creating sustainable solutions to support global sustainability).

This commitment is underpinned by the belief that sustainability creates value and represents a long-term competitive advantage for PPR's brands by offering new growth opportunities, encouraging innovation and helping to reduce costs. It is also a powerful motivating factor for the Group's employees.

By uniting the brands around PPR HOME, PPR is giving itself the resources to seek out sustainable solutions as well as to rethink the design of its products and services and certain ways of operating, open up avenues for more sustainable ways of consuming, redefine what sustainable value actually means to shareholders, and create business activities that meet the needs of a changing society.

While remaining vigilant in an unsettled market environment, PPR is confident in its outlook for 2012

In 2011, the global economy was impacted by the sovereign debt crisis and the ensuing slowdown in growth, particularly in Europe. Against this backdrop, emerging markets remained the key drivers for global growth.

In this uncertain and volatile environment, PPR continues to look to the future with confidence thanks to its solid fundamentals, the refinement of its brands' business models undertaken since 2008, and the pertinence of its corporate strategy, which it will continue to implement in the coming years. The decision made in autumn 2011 to expand the capacity of its Luxury brands' main distribution and logistics centre is a clear demonstration of its ambitions for the future.

PPR enjoys healthy growth prospects. Its activities are fully aligned with today's consumer trends and aspirations and its significant exposure in emerging markets will enable PPR to benefit from a distinctive growth dynamic. At the same time, the Group's Luxury brands are expected to maintain the pace of their store network expansion. By constantly striving to make the products of each of its brands more attractive and enhance operating efficiency, PPR should continue to grow sales and improve margins.

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.

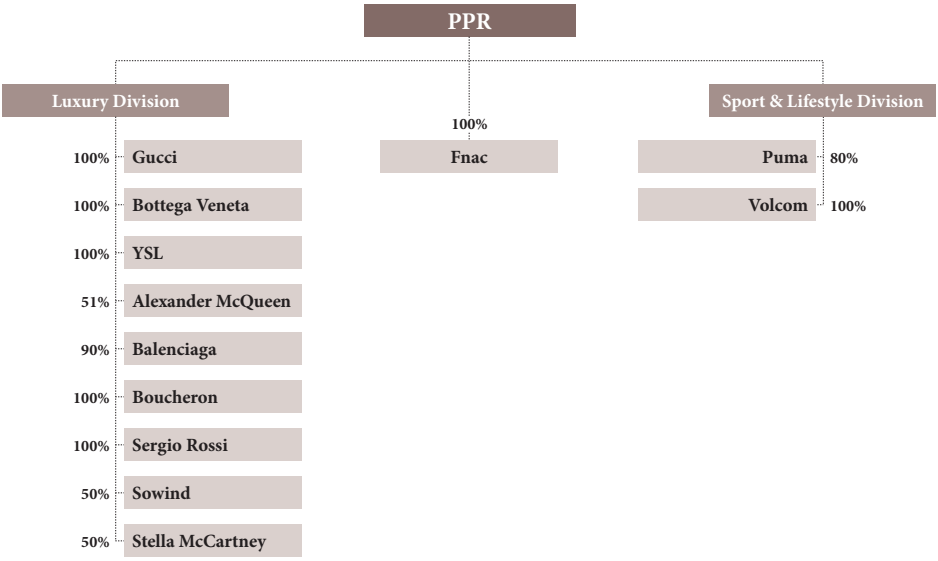
Our overriding aim is to create a group with around €24 billion in revenue by the end of the decade, 60% of which is to be generated by the Luxury Division and 40% by the Sport & Lifestyle Division. This means that by 2020, these two divisions taken together will have tripled in size.

In addition, PPR is stepping up and partnering the digital strategies of its brands and chains by systemising the fostering of inter-brand synergies,

co-ordinating e-business projects and encouraging knowledge sharing. PPR has thus pooled key expertise, in support of its brands, to identify and share best digital practices, encourage innovation, enhance the technical capacities and customer functionalities of websites, and increase Internet penetration for the Group's activities.

In 2012, PPR intends to pursue its policies to attract new talent, promote skill and career development, and encourage fruitful exchanges within the Group. Finally, PPR will continue to devote energy to corporate responsibility, commitment to the environment and diversity, a combination that is now key to its business objectives and sustainable performance.

4. PPR GROUP SIMPLIFIED ORGANISATIONAL CHART AS OF DECEMBER 31, 2011



CHAPTER 2
Our activities

1. Luxury Division 16
   - Gucci 18
   - Bottega Veneta 22
   - Yves Saint Laurent 26
   - Other brands 30

2. Sport & Lifestyle Division 38
   - Puma 40
   - Other brands 46

3. Fnac 51

LUXURY DIVISION

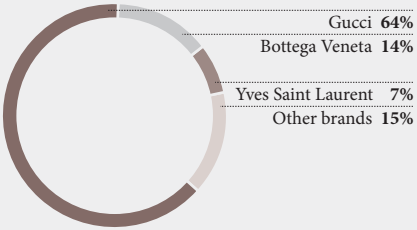
Gucci 18
Bottega Veneta 22
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2011 KEY FIGURES

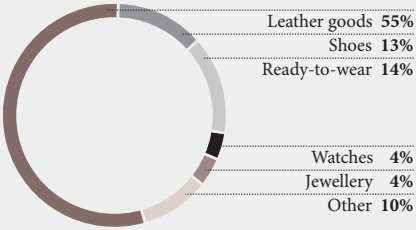
€4,917 million

in revenue

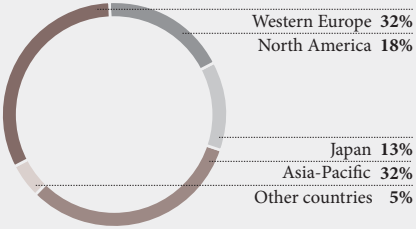
By brand



By product category



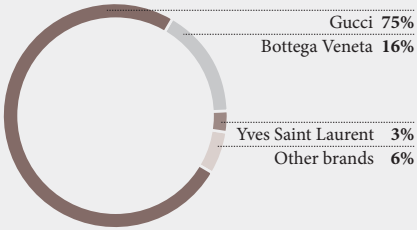
By region



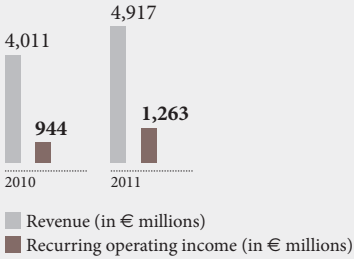
€1,263 million

in recurring operating income

By brand



Revenue and recurring operating income

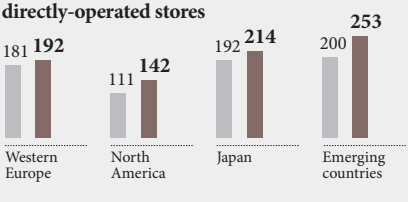


13,542

average number of employees

801

directly-operated stores





GUCCI

BUSINESS CONCEPT

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

Gucci designs, manufactures and distributes highly desirable products such as leather goods (handbags, small leather goods, and luggage), shoes, ready-to-wear, silks, timepieces and fine jewellery. Eyewear and fragrances are manufactured and distributed under licence by global industry leaders in these two sectors. Gucci products are sold exclusively through a network of directly-operated boutiques (74% of total Gucci revenue), a small number of selected department and specialty stores.

The company steadily continues to invest in the Web and in digital activities as valuable complementary communication and business channels, building a new level of direct engagement for the brand, in order to connect in a much deeper and richer way with existing and future clients.

Gucci is today a brand looking to the future, but with a deep respect for its past. A brand with a very defined and strong soul, a soul that has evolved over 90 years. The brand is built upon values such as innovation, passion, heritage and craftsmanship.

2011 KEY FIGURES

€3,143 million
in revenue

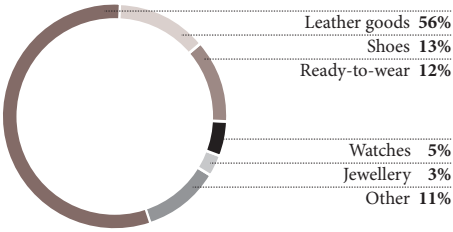
€948 million
in recurring operating income

8,249
average number of employees

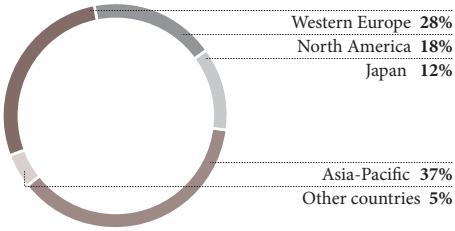
376
directly-operated stores

BREAKDOWN OF 2011 REVENUE

By product category



By region



POSITIONING

Over the last three years, the team led by Patrizio di Marco, Gucci President and CEO, has given new life to the long-standing values of the brand – which include the mission of *Made in Italy*, outstanding quality and superior artisan craftsmanship – while perfectly combining them with its fashion authority and versatility.

Today the brand has achieved higher-level positioning and exclusivity, recapturing the more knowledgeable client as it continues to attract aspirational customers especially from the newer markets.

STRATEGY

In staying true to the core values of the brand, the company strives towards the pursuit of excellence, both in terms of product offering as well as customer experience, through all the different touch points with the customer.

Gucci intends to continue achieving best-in-class profitability and long-term sustainable growth across product categories and geographic regions, while always maintaining high standards of social responsibility.

In the strategy implemented, a great emphasis is placed on core values such as the quality of materials, craftsmanship, innovation and authenticity. This emphasis is only a part of a more general and focused strategy on rebalancing the overall product mix towards the more sophisticated end of the market. This strategy is not simply based on finding a new balance between logo and no-logo products, but also on defining the appropriate mix of fabric, leather and precious materials as well as achieving the appropriate balance between continuity and innovation. The success of this strategy means that today the brand has now achieved an enhanced positioning and exclusivity, recapturing the more knowledgeable clients as it continues to attract aspirational customers, especially from the newer markets, with an increasingly higher average price point.

2011 HIGHLIGHTS AND OUTLOOK FOR 2012

For its 90th anniversary, in 2011 Gucci has once again achieved excellent results, not only in terms of revenues and profitability, but also as regards brand status and reputation, which continue to grow strongly around the world.

In celebration of the 90th anniversary, a series of signature events and marketing activities, along with communication initiatives, were carried out during the year, always with the underlying objective of consistently reflecting Gucci's duality as expressed in the brand's *Forever Now* institutional advertising campaign.

For this occasion, Frida Giannini introduced the *1921 Collection*, an exclusive range of men's and women's ready-to-wear and accessories, designed to pay tribute to the icons, craftsmanship and luxury materials for which the house has become renowned.

The year culminated with the official public opening of the Gucci Museo inside the historic Palazzo della Mercatanzia located in Florence's Piazza Signoria. As a company with strong Italian roots and a Florentine success story, the Museo was designed by Frida Giannini as a dynamic space encapsulating the House's *Forever Now* philosophy. A permanent exhibition from its rich and culturally significant archive, which has been preserved and amplified throughout the years, is juxtaposed with contemporary art installations supported by the Pinault Foundation. An icon store, bookshop, café and gift shop complement the exhibition spaces to create the perfect destination for visitors.

Furthermore, in 2011, Gucci collaborated with two other iconic Italian brands, Riva and Fiat, on the production of exclusive limited Edition designs, resulting in the *Aquariva by Gucci* and *Fiat 500 by Gucci*.

Gucci strengthened its historical connection with film, by joining forces with one of the world's most prestigious and glamorous film festivals, the Venice International Film Festival by creating the *Gucci Award for Women in Cinema*.

Underscoring the increasing strength of the Gucci brand, Interbrand's annual Top 100 Brands survey(1) once again confirmed Gucci as the most valuable Italian brand in any sector, and was ranked 39th overall with a value of USD 8.8 billion (up 5% compared to 2010). Since 2004, when Interbrand ranked Gucci in 59th position with an estimated brand value at USD 4.7 billion, the brand has increased its value by over 87% and climbed 20 places in the ranking.

(1) October 2011.

In 2011, the expansion and enhancement of the brand's retail network continued in a targeted and well-balanced way through an emphasis on new openings in fast growing markets and refurbishment of existing stores in more mature regions. Consistent with the ongoing strategy to gain greater direct control of the retail network, key points-of-sale in some US department stores and Middle East franchisees were acquired and similar initiatives will follow throughout 2012.

The respect for the House's heritage and traditions goes hand in hand with the desire to keep the brand relevant for new generations of customers today and tomorrow. In this context, Gucci continues to invest significantly in the digital arena, including the launches of e-commerce sites in both Korea and Japan, bringing the number of markets with their own dedicated e-commerce sites to 14. Also, nearly two years after breaking new ground with its first iPhone application, in early August 2011 the company delivered and enhanced a new application experience through the launch of *Gucci Style*, a pioneering interactive magazine that gives unprecedented access to the world of Gucci.

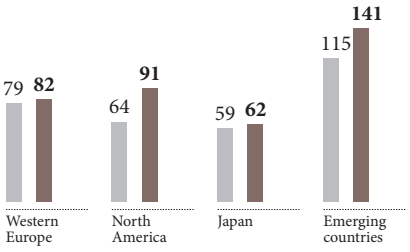
During the year, the company also reinforced its commitment to the value of *Made in Italy* and the region of Tuscany. The responsibility towards Italy, Tuscany and its people (about 45,000 people are now working directly or indirectly for Gucci in Italy, with more than 7,000 working in Tuscany in the leather goods sector) has been reemphasized through a series of joint ventures with local partners, both for the protection of the local supply chain and in order to protect the *savoir-faire* of its skilled artisans. In May 2011, Gucci also announced a joint venture with the Italian tannery Arte&Pelle, a Gucci supplier since 1995. Under the joint venture framework, Gucci will own 51% of the new entity, GARPE. This initiative underlines Gucci's commitment to reinforcing its role in the upstream portion of the leather goods value chain, while ensuring long-term access to high quality leather.

In the area of corporate social responsibility, Gucci further reinforced its commitment to promoting sustainable values across the company, through the adoption and application of key principles governing health and safety at work, professional skills, equal opportunities, respect for human rights, diversity, business ethics and the environment. Meanwhile, the company's partnership with Unicef entered its 7th year with a continuing focus on education through a contribution of a further USD 1.15 million to Unicef's *Schools for Africa* initiative. This brings the total funds donated to over USD 10 million since 2005.

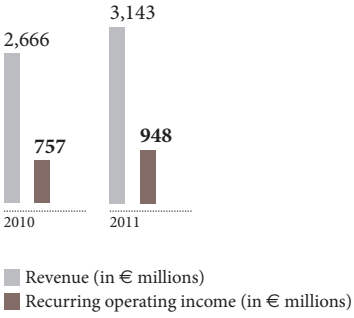
For the year 2012, Gucci's management team remains mindful of and prepared for any local or global uncertainties as it drives the company for long-term sustainable growth. The key drivers continue to be found in an increasingly sophisticated approach to the segmentation of customers (focusing on a global offer, yet tailored and customized in each market), an increasingly controlled direct presence in the marketplace and the use of existing and new, yet contiguous product categories, maintaining the authenticity, desirability and appreciation of the brand.

From a distribution standpoint, Gucci will continue to focus on building up its store base at a similar pace to 2011, with particular emphasis on fast-growing regions, namely Asia-Pacific and Latin America, but also in more mature markets such as France.

NUMBER OF DIRECTLY-OPERATED STORES BY REGION



REVENUE AND RECURRING OPERATING INCOME





BOTTEGA VENETA

BUSINESS CONCEPT

Founded in 1966, Bottega Veneta, meaning "Venetian atelier", began as a leather goods House made famous through its signature *intrecciato*, a unique leather weaving technique used by Bottega Veneta's artisans as a way to strengthen the soft, delicate leather, and to achieve products that are not only of the utmost quality materials, but also long lasting. The brand's famous motto, "When your own initials are enough," expresses a philosophy of individuality and confidence that now applies to a range of products including leather goods (handbags, small leather goods and a complete luggage collection), women's and men's ready-to-wear, shoes, jewellery, furniture and more.

Over the 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 (furniture), KPM (porcelain), Victor Mayer (fine jewellery), Girard-Perregaux (watches), Safilo (eyewear) and Coty Prestige (fragrances).

Bottega Veneta products are sold exclusively through a tightly-controlled distribution network of directly-operated stores, complemented by exclusive franchise stores and strictly-selected department and specialty stores around the world. In addition, Bottega Veneta operates three e-commerce sites in the United States, United Kingdom and Japan.

2011 KEY FIGURES

€683 million
in revenue

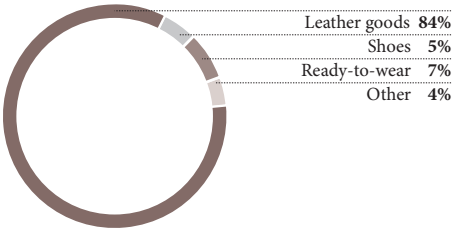
€205 million
in recurring operating income

1,845
average number of employees

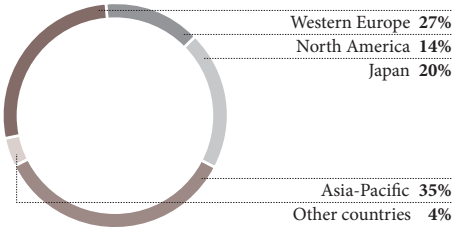
170
directly-operated stores

BREAKDOWN OF 2011 REVENUE

By product category



By region



POSITIONING

Bottega Veneta has always been synonymous with superior craftsmanship, the choice of the finest materials, and a design style that is innovative yet understated. The brand was the first to introduce soft, deconstructed handbags, for which it became well recognised and highly appreciated in the market.

Under the creative direction of Tomas Maier and the leadership of Marco Bizzarri, Bottega Veneta constantly re-establishes its high-end Luxury positioning with products appealing to a sophisticated yet modern clientele who appreciates understated luxury, hidden details and the finest quality of materials. By combining traditional luxury values – exclusivity, craftsmanship and the highest quality – with innovation, Bottega Veneta products embody both modernity and timeless elegance. Bottega Veneta owes its exceptional product quality to the work of its meticulous artisans based in Vicenza. Representing generations of tradition and technique, the artisans are the soul of the brand.

The behaviour of Luxury Goods consumers has been notably trending towards a focus on value. As Bottega Veneta's foundation has always been on quality, timeless pieces, and long-lasting value, the brand is excellently positioned to further benefit greatly from this shift in focus.

STRATEGY

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

2011 HIGHLIGHTS AND OUTLOOK FOR 2012

In 2011, Bottega Veneta continued expanding its directly operated retail network with selective openings worldwide. Among the openings, Bottega Veneta's second store in New York City (opened in November 2011 on Madison Avenue) represents the next step in the brand's retail growth and features an entirely new approach to the shopping experience. This new concept, developed for cities in which Bottega Veneta has an established presence, consists of specialised stores tailored to specific customers and particular neighbourhoods. The new 2,000 sq. ft. store on Madison Avenue is an elegant boutique offering a hand-picked selection of only women's products, including handbags, small leather goods, ready-to-wear, shoes, jewellery, fine jewellery, accessories, sunglasses, and fragrance.

In addition, Bottega Veneta opened its first dedicated home stores in collaboration with partners which represent the brand's home furnishings collection.

2011 has been an important year for Bottega Veneta to further reinforce its positioning as a Luxury lifestyle brand. Aligned with this strategy, in April, Bottega Veneta debuted a short film on the subject of travel, entitled *Viaggio Notturno* (Night Journey). Departing from the focus on artisanal technique and collaborative processes that define the brand, Tomas Maier drew from personal experience for the noir-infused short, directed by Christian Weber.

In June 2011, the brand launched its first women's fragrance. Composed by renowned master perfumer Michel Almairac, the Bottega Veneta fragrance reveals its signature character from the start. The structure of the fragrance is unique, a fine mesh of extraordinary raw materials whose individual scents are woven together to create a supple and harmonious whole. The launch of this fragrance was supported with an advertising campaign shot by Bruce Weber, featuring Nine d'Urso.

The Bottega Veneta Suite in the St. Regis Hotel Florence opened in October 2011. Designed by Tomas Maier, the suite is a unique and expansive environment created for those who appreciate quiet luxury, unparalleled service and refined sensibility.

In November 2011, the company unveiled *Intreccio Uno*, a special edition album of brand favorite music selected from past runway shows and store playlists. The compilation resulted from Tomas Maier's collaboration with Michel Gaubert and is a natural extension of the brand lifestyle.

To further strengthen production forces and to support the region of Vicenza, Italy, Bottega Veneta announced in January 2011 its support for an innovative social and economic project called the *Cooperativa Montana Femminile*. The project, initiated by the local government with Bottega Veneta in response to high unemployment among women, involves the creation of a leather artisan's workshop run by and for the women of the region. The brand has created a second cooperative nearby with the same objective, and will continue to explore future opportunities.

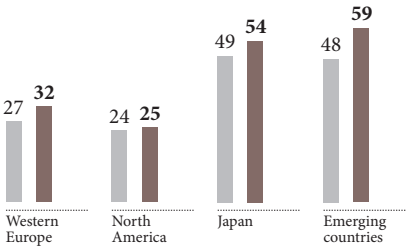
Bottega Veneta also presented an initiative for Japanese students in late September 2011, which was developed together with *Università Iuav di Venezia* and the *Giacomo Rumor – Centro Produttività Veneto* Foundation. This charitable initiative was open to those affected by Japan's March 2011 earthquake and tsunami and provides the opportunity for three Japanese youths to travel to Italy and participate in a three-month long advanced course, encompassing bag design and product development. The decision to sponsor the initiative is in keeping with Bottega Veneta's continued efforts to support the next generation of designers and artisans, while continuing to give back to a region that has close ties with the brand. In fact, in March 2011, Bottega Veneta donated a sum of €250,000 while the revenues generated by the Japanese e-commerce website was donated to the Red Cross from March to mid-June 2011. A special keychain representing the Japanese flag was also sold starting June 2011, whose proceeds were donated to the Japanese Red Cross Society.

Online presence continued to boost awareness of the brand in complete synergy with physical shops, as well as initiatives taken to maximize traffic and further enhance user experience. Moreover, a new e-commerce section dedicated to fragrance was launched to support the new category. Overall, the e-commerce business grew by 130%.

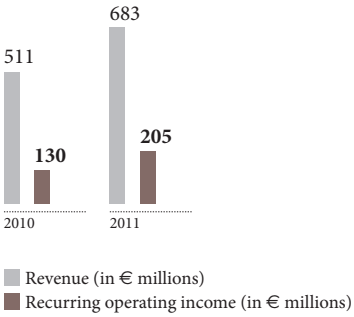
At the end of 2011, to further increase awareness of the Bottega Veneta brand and engage both current and new customers, the brand launched Bottegaveneta.cn, a website wholly dedicated to and for the Chinese customer. The Chinese-language website is designed to immerse the customer in the unsurpassed luxury and visual refinement for which the brand is known, while offering a host of features designed exclusively for the Chinese market.

In 2012, Bottega Veneta will continue to build on its accomplishments and positioning, supported by further strategic openings worldwide. The company will continue to selectively enlarge its store base at a similar pace to 2011 with a focus not only on emerging markets but also on Europe, the US and Japan as it aims to reinforce its overall brand awareness and regional balance.

NUMBER OF DIRECTLY-OPERATED STORES BY REGION



REVENUE AND RECURRING OPERATING INCOME





YVES SAINT LAURENT

BUSINESS CONCEPT

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion houses of the 20th century. Originally a couture House, Yves Saint Laurent revolutionized modern fashion through the introduction of Luxury ready-to-wear in 1966 under the name *Rive Gauche*. An undisputed reference for Parisian chic and elegance, the House remains a treasure of French heritage and a leading force in the contemporary arena of international luxury fashion and high material culture.

Under the leadership of Paul Deneve, CEO, and Stefano Pilati, Creative Director, Yves Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, 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 produces and distributes fragrances and cosmetics.

The Yves Saint Laurent retail network currently consists of 83 directly-operated boutiques which together generated 56% of the total 2011 brand revenue – including flagships in Paris, New York, London, Milan, Hong Kong and Los Angeles. The House is also represented in select multi-brand boutiques and department stores around the world.

2011 KEY FIGURES

€354 million
in revenue

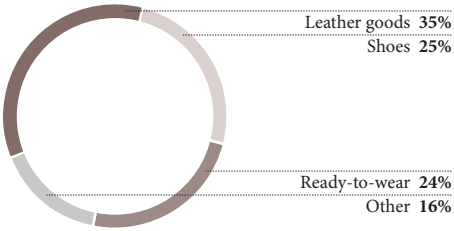
€41 million
in recurring operating income

1,084
average number of employees

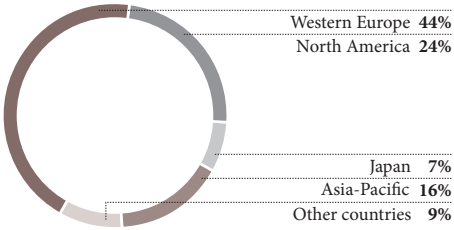
83
directly-operated stores

BREAKDOWN OF 2011 REVENUE

By product category



By region



POSITIONING

Since its creation, Yves Saint Laurent has held enormous influence within and outside the fashion industry. Throughout the years, the House's groundbreaking designs have taken on iconic cultural and artistic status and its founder, the couturier Yves Saint Laurent, secured a reputation as one of the 20th century's foremost designers and personalities.

In its contemporary incarnation, the House upholds and rejuvenates these traditions, breathing new life into the spirit of revolution and democracy in fashion, the essence of iconic style, which is inimitable French elegance and chic. The universe of Yves Saint Laurent remains one in which the individual is exalted and uniquely empowered.

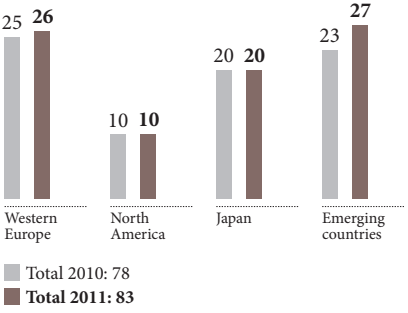
The House currently occupies a leading position in the accessories segment, where its product recognition is fuelled by the brand's fashion authority and *savoir-faire*.

STRATEGY

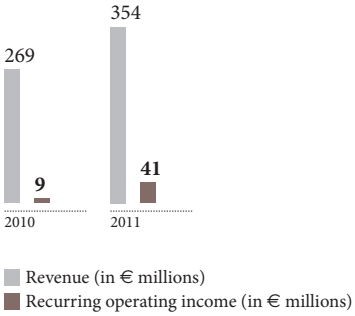
Yves Saint Laurent's primary objective is to create and market highly desirable products, which, through innovation and unparalleled quality and design, embody the core values of the brand.

Consistent with the House's approach, the brand leverages its historical and present day prominence in ready-to-wear to support strong growth categories, like leather goods and accessories. Equally critical to the brand's strategy is its development of a synergistic partnership in the fragrance and cosmetic sectors.

NUMBER OF DIRECTLY-OPERATED STORES BY REGION



REVENUE AND RECURRING OPERATING INCOME



2011 HIGHLIGHTS AND OUTLOOK FOR 2012

Leather goods and shoes continued to post significant gains, supported by sustained demand for classic styles that have turned iconic, such as the *Muse* and *Muse2* handbags, *Belle de Jour* small leather goods and the best-selling *Tribute* and *Trib2* shoes. Costume jewellery also demonstrated remarkable growth and shows signs of further potential at a House where the category possesses particular legitimacy.

In 2011, Yves Saint Laurent fashion achieved notable success and critical acclaim through editorial exposure and celebrity product placements, positioning the brand in the upper echelon of competition for media exposure.

The recent reinvigoration of menswear was reflected in strong performances across all categories. The men's segment enjoys a strong sales momentum and is well poised for further development. Accordingly, 2012 will see the reintroduction of a dedicated menswear advertising campaign and media plan.

Social media efforts were met with extraordinary success as social platforms were fully integrated into global communications practices and strategies. As of December 2011, Yves Saint Laurent counted almost 700,000 fans on Facebook and held the position of being the most popular Luxury brand on Twitter with over 700,000 followers.

In terms of distribution, the company began an ambitious expansion of its global retail presence in 2011 that will evolve in the coming years, with 2012 bringing continued development in mainland China and second-tier Western cities, as well as flagship openings in Paris and Shanghai. This focused expansion will contribute to further rebalance the brand's retail footprint.


Alexander McQueen

OTHER BRANDS

- Alexander McQueen
- Balenciaga
- Boucheron
- Girard-Perregaux and JeanRichard
- Sergio Rossi
- Stella McCartney

2011 KEY FIGURES

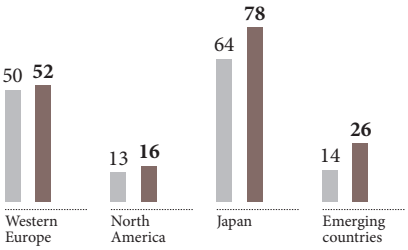
€738 million
in revenue

€69 million
in recurring operating income

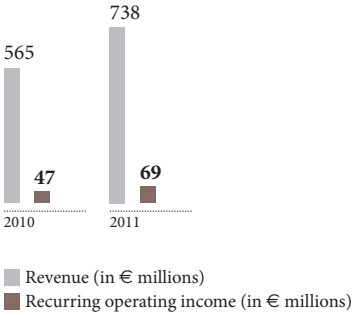
2,364
average number of employees

172
directly-operated stores

NUMBER OF DIRECTLY-OPERATED STORES BY REGION



REVENUE AND RECURRING OPERATING INCOME



ALEXANDER McQUEEN

Known for its audacity, creativity and high level of craftsmanship, Alexander McQueen has an impressive reputation in the world of fashion.

Alexander McQueen primarily markets women's ready-to-wear and accessories. New categories of men's ready-to-wear, shoes and small leather goods have been progressively added to the brand portfolio.

In 2011, the brand continued to enjoy the strong momentum generated in 2010 following the appointment of Sarah Burton as Creative Director. This performance was highlighted by an outstanding sales performance coupled with critically acclaimed fashion shows in March and October 2011. Following the expiration of its manufacturing and licence agreement the McQ label was re-launched via its wholesale channel and the opening of 6 retail concessions in department stores in Japan. The brand also gained very strong exposure from events such as the wedding of the Duke and Duchess of Cambridge in April 2011 and the *Alexander McQueen: Savage Beauty* retrospective exhibition held at the Metropolitan Museum of Art in New York from May to August 2011.



At the end of 2011, Alexander McQueen operates 21 directly-operated stores

Over the last few years, Alexander McQueen also opened several shop-in-shops with leading store chains across the world. Alongside the successful retail business, the brand has continued, since 2006, developing a franchise network with a strong presence in the Middle East. Each franchise was carefully selected to ensure the continued integrity and success of the Alexander McQueen brand. As of 2011, the franchise network comprised 5 stores, including the Beijing store opening in October 2011.

In 2012, Alexander McQueen will continue to leverage 2 strategic licences to enable the international marketing of its creations to a wider public: eyewear with Safilo SpA and high-end footwear with Puma.

In addition, the brand will continue developing its retail network in 2012 with the opening of directly-operated stores mainly in China, as well as the extension of its e-commerce services to 28 European countries.

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, the brand defined many of the greatest movements in fashion from the 1930's to the 1960's. 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.

Since joining Balenciaga as Creative Director, Nicolas Ghesquière has been awarded numerous distinctions that have greatly contributed to the brand's success and desirability.

While the brand's identity is firmly anchored in its highly symbolic ready-to-wear collections, its bag and shoe lines 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 to a wider public. The partnership in fragrance with Coty was pursued with the launch of *L'Essence* Balenciaga in late 2011 following *Balenciaga Paris* in early 2010.

In the early years of its modern renaissance, Balenciaga deliberately prioritized 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 ensure that the brand is represented in an environment that respects its spirit, not only in directly-operated stores and e-commerce but also through franchises and points-of-sale in the leading multi-brand stores.

Over the past four years, under Isabelle Guichot's leadership, Balenciaga has been developing a master project aimed at building a directly-operated store network that provides worldwide access to the brand. This plan gave rise to 12 additional openings worldwide in 2011, leading to a total network of 54 stores worldwide, in addition to 3 e-commerce sites (US, UK and France opened in mid 2011). The department store network has been strengthened with one shop-in-shop in Milan and 3 shop-in-shops in Japan (including one men's only). A store was also opened in Miami (Bal-Harbour).

Balenciaga strengthened its position in Asia during 2011, pursuing the roll-out in mainland China initiated



in 2009 with 3 additional openings in Harbin, Shenyang and Wuhan on top of the 6 existing stores, as well as the opening of 3 stores in Taiwan and one shop-in-shop in Hong Kong.

The franchise network continues to expand. Franchise and exclusive distribution arrangements include leading partners in key markets such as Singapore, Thailand, Indonesia, South Korea, Russia, and the Middle East.

New retail openings are planned for 2012 both in mature markets and in Greater China. The roll-out of e-commerce services will be also pursued with the opening of new countries in Europe.

BOUCHERON

PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous House continued across four generations of the founder's direct descendants. He soon acquired fame for his expertise in precious stones and its *savoir-faire* in creating innovative jewellery and watches. With an initial boutique in the Palais Royal gardens, the pioneer jeweller decided to move to the famed Place Vendôme in 1893 and was the first of their neighbours today to have opened a boutique on the square. Boucheron designs, manufactures and markets jewellery, high jewellery and watches through directly-operated stores, franchises, department stores, exclusive multi-brand boutiques and an e-commerce site. Over the years, the jeweller has opened stores in Western and Eastern Europe, Eastern Asia, Asia-Pacific, the Middle East and the United States. Today, the House continues the expansion of its international network with recent openings in Osaka, Beijing and Doha. Additionally, a breath of fresh air came to London with the renovation of the flagship store in year end 2011.



The year has seen important changes in Boucheron's management team with the arrival of a new CEO, Pierre Bouissou, as well as the recruitment of a new Creative Director, Claire Choisne.

Among the collections presented in 2011 there was the *Cabinet of Curiosities*, a wonderfully evocative world filled with creatures and animals in the form of jewellery and timepieces, highlighted in an exceptional presentation at the beginning of the year. The *Cabinet of Curiosities* is one of the most iconic sources of inspiration whose origins hail back to the creation of the House. Some of the most famous creatures in this universe include the snake, chameleon, frog and hedgehog, a collection that Boucheron continues to enrich with new creations every year.

One of this year's most impressive lines was the innovative *Quatre White Edition* ring, available in four variations. Based on the iconic *Quatre* ring, the *White Edition* adds a new audacious element into the mix: Boucheron's unique *Hyceramique*®, the first ceramic that can be sculpted and embellished by hand.

Furthermore, Boucheron and Girard-Perregaux pursued their collaboration by creating the one-of-a-kind peacock-inspired *Hera Three Gold Bridges Tourbillon*; a timepiece reminiscent of its cousin the *Ladyhawke*. This tourbillon, presented in Basel this year, embodies a wonderful marriage of the best of high watchmaking and high jewellery. Boucheron is the only House that Girard-Perregaux has honoured by lending its *Three Gold Bridges Tourbillon*. Another animal-inspired timepiece with a Girard-Perregaux movement was recently brought to the forefront at the *Grand Prix d'Horlogerie de Genève*: the *Crazy Jungle Hathi* watch, adorned with an elephant on its dial. It was awarded the *Prix de la Montre Dame* (Women's Watch Award) in November 2011.

As a long-standing supporter of the arts, in Spring 2011, Boucheron became a patron of the arts of the Comédie-Française, bringing together two Houses that share the same values of audacity and creativity. Both of them represent the essence of French excellence, evoking intense, rare and precious emotions in their own ways, be it through performance or jewellery creations.

2012 will be another exciting year for Boucheron, with the participation of Boucheron at the *Biennale des Antiquaires* in Paris, the return of the brand in the fragrance segment, as well as the pursuit of its international development, in particular in Asia.

GP GIRARD-PERREGAUX JEANRICHARD



Based in La Chaux-de-Fonds, Girard-Perregaux and JeanRichard brands are part of Sowind Group a Swiss Haute Horlogerie group. The group also includes Sowind Manufacture, which develops and produces a complete portfolio of high-end watch movements – with more than a hundred variants – and collections of mechanical watches. The Research & Development Centre is the cornerstone of the group and concentrates a large part of investments.

Girard-Perregaux traces its origins back to 1791 and the brand's history of more than two centuries are marked by numerous inventions that combine design with state-of-the-art technology, such as the renowned *Tourbillon with Three Gold Bridges* originally created by Constant Girard in the 19th century. The current Girard-Perregaux collection is represented by a few product families inspired by classical designs as well as by *Sea Hawk,* a very successful sport line called. Girard-Perregaux is present in 60 countries and in more than 500 prestigous department and specialties stores as well as 15 boutiques (one of which directly operated) located in Asia, the United States and Europe.

JeanRichard, a brand named after Daniel Jeanrichard, who pioneered watchmaking in the Swiss Jura Mountains during the 17th century, presents an always innovative interpretation of traditional watchmaking. The current collection is divided into two different looks: one more classic and the other one more sporty, dedicated to the outdoors and wild life.

After having passed through several ownerships, in 1992 the group has been acquired by the Macaluso Family. In July 2011, PPR, which since 2008 had owned 23% of the Sowind Group, became majority shareholder with 50.1% of its shares. In addition, in August of this year, Michele Sofisti, Gucci Group Watches CEO, was appointed CEO of the Sowind Group.

The strategy of the new management for 2012 is focused on the further expansion of the two brands in key markets such as the United States and Latin America, the continuing growth in Asia and the strong development in Middle East, a market with high potential. In addition, Girard-Perregaux has implemented a new 360° communication strategy aimed to create a bridge between its rich history and its future, characterized by technological innovations and creativity.



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 search 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 new store concept launched in 2010 in the Rome flagship store, designed by Francesco Russo, Sergio Rossi's Creative Director, and Studioilse, a London-based design company, was rolled out in 29 stores worldwide as part of a global refurbishment plan.

Sergio Rossi footwear and accessories are sold both through directly-operated stores and franchise boutiques, as well as in selected department and specialty stores. This year saw the integration of part of the China retail network in a successful buy-back of 5 stores, a development that strengthens the Sergio Rossi image as a luxury shoe specialist.

STELLA/McCARTNEY

Ten years since its launch as a joint venture with PPR, the Stella McCartney brand has become a global designer lifestyle brand, driven by the force of its renowned Creative Director.

Driven by the brand's successful ready-to-wear and accessories collections, Stella McCartney continues to see exponential growth with a presence in over 60 countries worldwide. The brand's strong ethical values resonate throughout the business, in particular the use of non-leather in all accessories, which have more than doubled in sales as well as reinforcing the brands desirability and must have status.

Brand extensions include a successful line of lingerie, sunglasses and fragrances developed through selective licencing partners, as well as the continued success of the sports performance collaboration with adidas. Such product extensions continue to enhance the lifestyle appeal as well as providing a diverse price point and strong entry into the brand.

2011 saw the opening of 2 new stores in Rome and Dallas. In conjunction with the expansion of the retail network, the brand also opened a number of dedicated shop-in-shops with key partners, including 3 corners with Saks and the brand's first corner with Neiman Marcus in Los Angeles.

The brand continues its investment into digital and online communication as part of its DNA. 2011 saw the launch of its first iPad application and the further expansion of its e-commerce site covering 30 countries with a further roll-out planned for 2012.

2012 will be an exciting year with Stella McCartney's appointment as adidas' Creative Director for the Great Britain Team for the 2012 Olympics, as well as the brand's presentation of a one-off capsule collection. This will also be supported also by the opening of the brand's second flagship store in London and the launch of its second fragrance.

In 2012, the brand will continue its retail expansion, with a focus on Asia with the planned opening of flagship stores in both Shanghai and Beijing, franchise stores in Singapore, Bangkok and Moscow, as well as a second store in Hong Kong. Further growth expansion is also planned for Japan.



SPORT & LIFESTYLE DIVISION

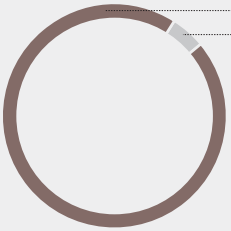
Puma 40
Other brands 46

2011 KEY FIGURES

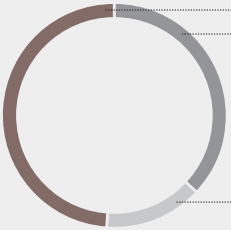
€3,156 million

in revenue

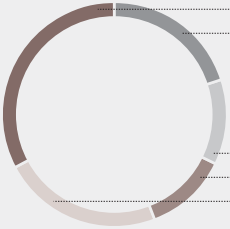
By brand



By product category



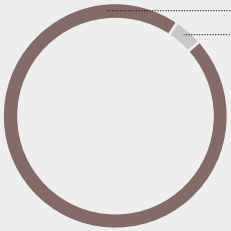
By region



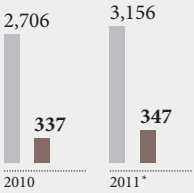
€347 million

in recurring operating income

By brand



Revenue and recurring operating income



* Volcom was consolidated in PPR's financial statements as from 1 July 2011.


PLAYERS OF THE MONTH
SHOW ME YOUR INNER SOLE
MADE TO BE WORN
8 1/2
FALL/WINTER 2011 HIGH CUES
HERE'S TO THE AFTER HOURS ATHLETE ••• PUMA SOCIAL

BUSINESS CONCEPT

Puma is a sportlifestyle brand with a distinct design and global outlook that blends influences from the world of sport and fashion. The brand image is built on over 60 years of sports heritage, together with a long innovative tradition as well as cooperation with major athletes and sports teams. Puma's stated goal is to become the most desirable and sustainable sportlifestyle company in the world. It is currently the world's third largest manufacturer of sportlifestyle products, as measured by revenue.

Puma's Sport Performance and Lifestyle labels embrace Football, Running, Motorsports, Golf, Sailing and Fitness, as well as past, present and future collaborations with renowned designers such as Alexander McQueen and Mihara Yasuhiro.

The company is also strictly committed to the environment, and to people in general, both within the company and externally. By being Fair, Honest, Positive and Creative, the company aims to reduce its environmental footprint, improve social and working conditions at its supplier factories, promote Peace and encourage Creativity through its PUMAVision programmes.

2011 KEY FIGURES

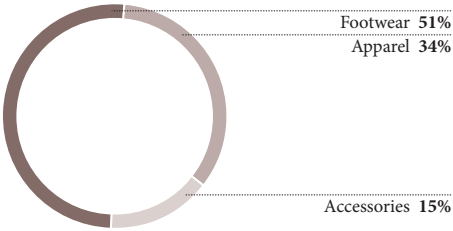
€3,009 million
in revenue

€333 million
in recurring operating income

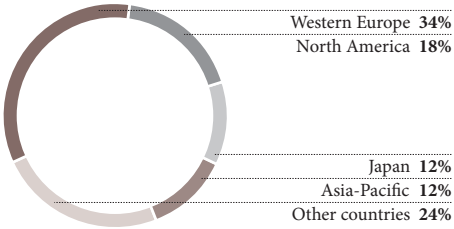
10,043
average number of employees

BREAKDOWN OF 2011 REVENUE

By product category



By region



COMPETITIVE ENVIRONMENT

Competition in the sportlifestyle market has become markedly more intense. There are more direct competitors in the market (both from mature and developing markets), and nearly all market players have come to appreciate the higher margins in the premium end of sports. Additionally, vertical retailers are looking to move into the sportlifestyle segment despite their lack of heritage in the area.

STRATEGY

Puma has set out and adopted its roadmap to 2015 whose objectives are:

- to be the most desirable and sustainable sportlifestyle company in the world;
- to attain € 4 billion in sales by 2015;
- to focus on core categories, its top 12 markets and key emerging businesses;
- to develop the group beyond the Puma brand.

Puma's strategic growth plan envisions a two-year transitional phase up to the end of 2012, marked by increased investments into key growth drivers such as processes, IT, supply chain and marketing. From 2013, Puma will enter a three-year expansion phase, where it will reap the benefits of its investments. After one year into its transitional phase, Puma remains focused on its strategic goals, as listed below.

Transformation

Given the current and evolving competition, Puma has now finished re-engineering the Go-to-Market processes throughout the company, and this has resulted in significant across-the-board reductions in time-to-market. This is an area that is still benefitting from further investment, so that Puma can be even more pro-active in meeting consumers' needs.

There are still ongoing investments in Puma's supply chain and IT. This goes hand in hand with aforementioned re-engineered processes and will further improve sustainability, efficiency and therefore also reduce time-to-market.

Puma now also has very distinct and separate Sports and Lifestyle ranges of products, in addition to further investment in the wholesale and retail segments. Many Puma stores are now introducing "Retail 2.0" to underline their competitive advantages and offers.

Brand and Marketing

Work is continuously in progress to keep refining Puma's brand positioning. Where the company has already created global consumer profiles and tailored its marketing strategy according to where its products are being marketed, it pursues its efforts by creating regional consumer profiles and executing Puma's "Marketing 2.0" strategy. Sustainability continues to be an important driver of our brand and marketing management.

Product Desirability

Puma continues to differentiate between the core categories (Teamsport, Running, Motorsport and Lifestyle), which are pillars of the brand across the globe, and the regional categories (Golf, Outdoor and Kidswear), which focus in the geographic areas where they will resonate most.

Now that each product has its own DNA, Puma will continue to drive its vertical programme and refine the product portfolio as and when appropriate. In addition to the regional categories, more attention is being paid to how Puma can distance itself from the competition where local differences are important.

Growth Drivers

Puma continues to focus on improving sales in the designated top 12 markets, 6 of which are mature (the USA, Japan, Germany, Italy, France and the UK) and 6 of which are emerging (Brazil, Russia, India, China, Korea and Mexico). A total of 80% of all Puma's growth through to 2015 is expected to come from these markets, which will then account for 60% of total revenues.

Moreover, Puma expects 80% of revenue increases to come from the previously mentioned core categories, and the remaining 20% from the regional categories.

There will also be additional and continuing investment in desirable retail locations and e-commerce, which is growing very rapidly, albeit from a small base.

Development of non-Puma brands

Puma continues to work on the expansion of its non-Puma brands, Tretorn and Cobra Golf. These brands are to account for 10% of all growth through to 2015.

Tretorn, primarily a Scandinavian brand, and producer of rubber boots and other footwear, is part of Puma's effort to claim a bigger share of the Outdoor and Sailing markets.

Cobra Golf, purchased in 2010, is now fully integrated into Puma as COBRA-PUMA-GOLF. This has enabled Puma to provide a complete range of golfing products to the consumer, and to become a much more credible player in the golf sector. Puma Golf is inclusive, stylish, colourful and fun, whereas Cobra stands for performance, technology and innovation. As a result, COBRA-PUMA-GOLF has strengthened its position in the golf business and demonstrated momentum and growth. The primary focus remains the US and Japan, as well as Korea, the UK and the Scandinavian region.

PUMAVISION – SUSTAINABILITY AT PUMA

As part of PUMAVision, Puma's sustainability concept, and in line with its mission to become the most desirable and sustainable sportlifestyle company worldwide, Puma continued to work on its sustainability scorecard to achieve its ambitious environmental targets by 2015. The scorecards lists targets of a 25% reduction in energy and water usage as well as climate and waste emissions by 2015 compared to 2010. The targets include all Puma entities worldwide, and also extend to Puma's supplier factories and into the areas of "sustainable" products and logistics.

As the first company to do this, Puma published its groundbreaking and unprecedented Environmental Profit and Loss account (EP&L) in 2011. The EP&L is an economic valuation of the environmental impact caused by greenhouse gas emissions, water use, land use, air pollution and waste within Puma's core activities and along its supply chain. By identifying environmental impacts, Puma can develop solutions to address these issues along its value chain, minimizing both business and environmental risks.





Puma continued to roll out the "Clever Little Bag", the innovative packaging designed for footwear. By replacing the traditional shoe box with a reusable polypropylene bag supported by a fully recycled cardboard structure, Puma will be able to make considerable improvements in the environment.

Puma was also the first sportlifestyle company to join the *Climate Neutral Network* of the United Nations Environment Programme. This membership highlights Puma's endeavours to reduce CO_2 emissions.

With its new head office in Herzogenaurach, PUMAVision headquarters, Puma provided material proof of its commitment to combating climate change. The PUMAVision headquarters is the first carbon-neutrally operated headquarters in the sportlifestyle industry. The 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.

Contributing actively to environmental protection, Puma has for many years banned PVC in the raw materials used in the manufacturing process of its entire product range. This is communicated to customers through a "PVC-free" product label.

Puma's partnership with the *Aid by Trade Foundation* was further expanded in 2011 and Puma increased the number of textile items that had been produced from African certified cotton and given a "Cotton made in Africa" label, thus highlighting the special ecological and social aspects of the project in southern and western African countries such as Zambia and Burkina Faso. Puma also increased its range of organic cotton products.

Puma has been rewarded for its PUMAVision sustainability efforts through numerous ratings and awards, and continues to be listed on the *Dow Jones Sustainability* Index, as well as *FTSE4Good*. Puma is also rated "green" by Greenpeace, and has received complete *Fair Labour* accreditation.

2011 HIGHLIGHTS AND OUTLOOK FOR 2012

2011 saw Puma implement its restructuring and re-engineering of the organization. This included the conversion of Puma into a European Corporation, trading under the name of Puma SE. The transformation was approved at the AGM in April 2011. Following this, Franz Koch succeeded Jochen Zeitz as CEO of the Puma brand. Having joined Puma in 2007, and previously in charge of Global Strategy for Puma, his excellent knowledge of the company and strategic expertise have ensured a seamless handover, and should help ensure the continuation of Puma's growth strategy in the long term.

In 2011, Puma made some impressive moves in Sport Performance. The brand underscored its commitment to football by signing 3 of the biggest names in international football to the Puma family: Radamel Falcao (Colombian of Atlético Madrid), Sergio Agüero (Argentinian of Manchester City), and Cesc Fabregas (Spanish of Barcelona) are three of the top 10 players in the world measured by market value. Puma also signed a long-term partnership with the reigning German champions, Borussia Dortmund. Additionally, Mario Gomez led the goal scoring charts in the Bundesliga for the 2010/11 season, and now Marco Reus is being considered for a multi-million euro transfer to one of Europe's top clubs, having achieved his very best performance thus far in 2011.

The African Cup of Nations will take place at the beginning of 2012, and as the leading sponsor on the African continent currently endorsing 12 African national teams, Puma will be front and centre stage. The European Championships will take place in Poland and the Ukraine this summer, and Puma is very pleased that both Italy and the Czech Republic will be representing Puma throughout the tournament, while the Swiss national soccer federation recently extended their contract. Puma had three of the 4 semi-finalists at the European Under-21 Championships under contract in 2011 (Switzerland, the Czech Republic and Belarus), which bodes exceptionally well for the future.

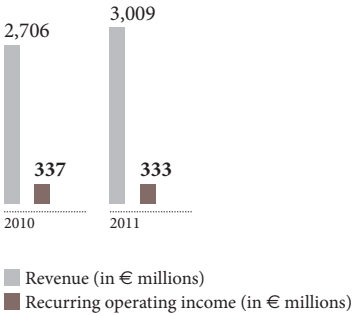
2012 is also an Olympic year and as ever, Puma has high hopes that Usain Bolt and his teammates on the Jamaican track and field team will light up the airwaves with performances every bit as good as those in the IAAF Track & Field World Championships, which took place in Daegu, South Korea at the end of August. Usain Bolt was once again the star of the show, winning the 200 m. sprint and anchoring the men's 4x100 m. relay team to gold in a world record time. Puma has developed extensive brand marketing and communications plans to leverage the occasion.

For the second time, Puma participates again in the *Volvo Ocean Race* (VOR) that got underway in November 2011. The 39,000 miles long race that spans 10 ports of call over 5 continents, is the "Mount Everest" of sailing. As in the last race, Puma had its very own boat, the *Mar Mostro*, participating in this round-the-world event. Puma's participation in the VOR underscores the commitment to the Sailing/Outdoor category, as well as provides Puma with the opportunity to reinforce its message on sustainability and environmental protection, especially for the oceans, to a very wide audience. Additionally, Puma will also exclusively be providing merchandise for the 2012 America's Cup Event Authority as well as the Oracle Team.

Puma also gained rapid recognition in the golf field. In September, Puma Golf's 16-year old Lexi Thompson became the youngest winner ever of an LPGA tour event, winning the Navistar LPGA Classic. In October, Rickie Fowler, the youngest US Ryder Cup player of all time, also won his first event, the OneAsia Tour's Kolon Korean Open, beating British Open champion Rory McIlroy.

Puma Social was the lead campaign for the Lifestyle category in 2011, and was so successful that it will continue into 2012. Puma Social will continue to bring joy and irreverence to the sports sphere through the global campaign that honours the After Hours Athlete – darts champions, bowling aces, pool whizzes, and pingpong sensations. Puma Social is where fans of old-school recreational sports can come together online and offline to share in social exchange and friendly competition.

REVENUE AND RECURRING OPERATING INCOME





BUSINESS CONCEPT

Volcom is an action sports-based modern lifestyle brand that embodies the creative spirit of youth culture. The company was co-founded by Richard Woolcott in the early 1990's on the tenets of liberation, innovation and experimentation, while remaining dedicated to the breakdown of established traditions.

The company designs and produces innovative apparel and accessories under the Volcom brand name for men, women and youth. Key categories include denim, boardshorts, swim, outerwear and sandals. Volcom products are sold globally through independent core retailers, specialty chains and department stores, as well as on Volcom.com. The company also has a growing retail base that includes 29 wholly owned stores.

Electric is a premium sunglass, snow goggle and accessories brand that joined the Volcom family in 2008. Over the last decade, Electric has produced some of the most unique and innovative designs in the sunglass market. The company also has a growing array of apparel, accessories and luggage.

Volcom has assembled a highly respected international team of male and female athletes and ambassadors that authentically represent the brand. As a riding company, Volcom sponsors top skateboarders, snowboarders, surfers and motocross riders, and supports their efforts through a strong global marketing infrastructure. Volcom athletes are regularly featured on the covers of sports-related magazines and web sites, providing additional authenticity as a sport and lifestyle brand.

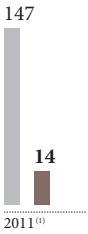
2011 KEY FIGURES

€147 million(1)
in revenue

€14 million(1)
in recurring operating income

898
number of employees (at the end of 2011)

REVENUE AND RECURRING OPERATING INCOME



Revenue (in € millions)
Recurring operating income (in € millions)

(1) Volcom was consolidated in PPR's financial statements as from 1 July 2011, consolidated on 6 months.

Volcom further broadens its lifestyle appeal through art, music, film, and a host of sustainability efforts. Since the beginning, the company has pioneered its own independent record label *Volcom Entertainment* and has produced over 100 artists as well as numerous growing global music tours.

Volcom also produces a contest series known as *Let the Kids Ride Free* that helps to build enthusiasm for action sports by hosting free skateboard, surfing and snowboarding events. Additionally, the company hosts larger annual events such as the *Volcom Pipe Pro* on the North shore of Oahu, Hawaii, and in 2012 the company will host its first Association of Surfing Professionals (ASP) World Title event with *Volcom Fiji Pro*, representing a major step in the company's surfing programme.

COMPETITIVE ENVIRONMENT

Volcom has a two-decade heritage in action sports and is the only company of its kind with deep and authentic roots in all three board sports of skate, surf and snow. More recently, the company has added motocross to its ranks. The company competes globally with other sport lifestyle brands as well as manufacturers of design-driven street wear.

STRATEGY

Volcom's mission is to become the number one brand and global market leader in the action sport/lifestyle apparel industry. The company's goal is not necessarily to be the biggest, but certainly to be the best, in terms of quality, integrity, creativity and customer satisfaction. The Volcom brand will always evolve and bring the action sports lifestyle to more people worldwide who share a passion for skateboarding, snowboarding, surfing and motocross, as well as art, music, film and fashion.

Exceptional Products

First and foremost, Volcom will continue to design and deliver the most appealing, high quality products to the marketplace. The mens, boys and kids categories represent over 60% of the business and have been the backbone of the brand for many years. Denim has been a category staple and will continue to serve as a main focus going forward. The road-tested marketing campaign has been one of the most successful in the company's history, seamlessly integrating Volcom denim across all board sports, both genders, and Volcom's music and art programmes, in a context that resonates naturally across all channels.

Similarly, the company has placed an increased emphasis on its boardshorts programme, aiming to add technology and style to remain one of the most coveted brands in surf.

In other areas of differentiation, the Volcom *Stone-Age* line was born from the minds of Volcom's skate team and can only be found at select core retailers.

Volcom outerwear today is rivalling industry veterans, harmonizing form and function. Patented Zip-Tec™ technology, the T.D.S. (Thermal Defense System) and Gore-Tex products are the backbone of this important category and key factors contributing to its continued success.

Volcom's specific line for women is gaining momentum, reflecting new talent in the design, merchandising and sales teams. The newest *Posso X Volcom* line has become part of the *Volcomunity Collective* and includes brand ambassadors that bridge design, music and art. The swim collection also has gained a considerable following since it was first introduced in 2007.

Finally, the Electric business has been a particular bright spot for several years. The brand continues to introduce a growing array of new eyewear styles for men and women, new and innovative snow goggles, and an expanding line-up of apparel, luggage and accessories.

Effective Branding and Marketing

A critical component of the company's growth strategy is to continue to protect, nurture and grow the Volcom and Electric brands. Marketing strategies will continue to focus on athlete programmes, free contest series, specialty events, rock tours, film projects, social networking, demos and autograph signings, in-store merchandising programmes and innovative advertising campaigns. These strategies will be multifaceted, grass roots and performance focused.

Maximizing Distribution Opportunities

Volcom intends to continue expanding its global retail network and emphasizing unique strategies that are best suited for each particular region. Currently, products may be found globally at small, influential riding shops, national specialty chains and department stores. Additionally, Volcom's direct-to-consumer initiatives now include a growing retail footprint totalling 29 stores worldwide, including outlets, as well as e-commerce at Volcom.com.

Emphasizing Corporate Sustainability

Volcom believes that the *New Future* looks a lot different than today's future: it is cleaner, more conscious, more renewable, more efficient, more regenerative, more sustainable and less impactful… and that *New Future* begins with decisions we all make today. This is the focus of Volcom's Corporate Social Responsibility initiatives.

A primary pillar of the *New Future* programme is the *V.Co-Logical* series, which represents Volcom's environmentally conscious movement towards sustainability. For every sale of product that is part of this collection, 1% goes directly to select environmental protection organizations. The second core pillar is Volcom's *Give Back* Series, which raises both awareness and funds for causes in select communities. A portion of the sales of products in this series will go directly to the highlighted cause.

Additionally, Volcom's *New Future* programme focuses on environmental reporting and community and employee engagement, measuring and promoting the company's eco-initiatives and increasing involvement in protecting the environment and giving back to the community with campaigns such as *Give Jeans a Chance*, and events including *Earth Day* picnics, conscious movie screenings and beach clean ups.

2011 HIGHLIGHTS AND OUTLOOK FOR 2012

2011 was a year of continued growth for both the Volcom and Electric brands. As the competitive environment has increased over the past few years, the company has intensified its attention in every aspect of its business to remain a leader in action sports. Key initiatives for the year include a focus on continuing to gain market share, while strengthening the foundation of the business to drive operational excellence at every level.

Volcom continued to make strides in North America, the company's most mature region. The company continued to gain market share at each level of distribution, especially at the important core level, and expanded its direct-to-consumer distribution platform. Volcom completed its first year operating shop.volcom.com, a logical shopping destination for the company's targeted demographic. Also, branded retail stores, an area of growing emphasis that provides the company with an opportunity to broadly showcase the breadth of the brand, were expanded to now include 3 additional stores. Finally, the company acquired its U.S.-based outlet business and now operates 11 outlets. For many brands, the outlet model has proven to be very successful, providing another level of distribution with advantageous financial metrics.



ELECTRIC 2011/12 Snow Campaign

Looking at its international business, Volcom continues to see exciting growth opportunities. For many years, Volcom has worked with distributors and licensees in select international markets to represent the brand. However, since taking over its French licensee in 2007 and establishing Volcom Europe, the company has learned first-hand that direct representation of the brand provides for better control as well as higher sales and margin opportunities.

In 2011, Volcom took direct control of its market in Spain by opening a new office in Bilbao and establishing its own sales force. The conversion took place mid-year, and generally has progressed as smoothly as previous similar initiatives in Switzerland, the United Kingdom and Japan.

After taking over control of its markets in Australia in 2010, Volcom has focused its efforts on realigning its infrastructure to take better advantage of opportunities in the region. The company has been actively expanding, and formulating a multi-pronged strategy for growth in the country.

Branded international retail also has been an emphasis, with new directly-operated stores in 2011 in France and Australia. Potential new locations include the U.S., Spain, France, Australia and Japan. Additionally, e-commerce will be further enhanced and streamlined.

For Electric, the company continued to expand its distribution opportunities throughout the year. Additionally, the introduction of its newest goggle design, the *EG2* and *EG2.5*, performed extremely well at the retail level and further showcased the company as a true innovator. The brand's softgoods programme also demonstrated solid growth, with apparel and luggage as standout performers.

The acquisition by PPR, completed by mid-year, fundamentally changed the way Volcom sees its future and presented an excellent opportunity to better compete in a rapidly consolidating industry by tapping into the many assets within PPR to achieve a variety of growth objectives. Volcom is the newest asset to the PPR Sport & Lifestyle Division, and the integration in 2011 provided ample evidence of the complementary nature of the portfolio brands, which includes Puma.

Combining efforts with the team at PPR and within the Sport & Lifestyle Division, Volcom has new muscle and talent to drive growth and company diversification. The company intends to continue to execute the many activities initiated in 2011, while driving efficiencies gained by leveraging synergies between the groups. First and foremost is the emphasis on driving revenues while benefiting from proficiencies that come with an experienced, global partner. Additionally, the ability for Volcom to strategically grow in new, emerging markets, such as Latin America, India and China, provides the company with key opportunities in years to come.

An exciting initiative already under way is the ability to integrate Volcom's sourcing needs into the Puma Worldcat platform. This will provide for additional cost savings as well as opportunities to maintain and elevate the quality of Volcom and Electric products. The company is beginning to adopt the Worldcat procedures and processes to gain economies of scale in 2012 and beyond.

Also with help from Puma, Volcom intends to begin investing in a new footwear programme in 2012. This initiative will include closed toe, lifestyle shoes for both men and women, and will further unify and round-out the Creedler sandals programme. The company intends to develop a wide range of styles and stock keeping units (SKUs) for market introduction targeted for 2013.

FNAC


fnac
LE MOIS
DE L'INNOVATION
NOUVEAUTÉS
STYLES & SON

BUSINESS CONCEPT

Since its creation in 1954, Fnac has pioneered a daring and ambitious path for itself, proving adept at evolving in line with changing consumption habits.

A major distributor of cultural, leisure and technological products, Fnac's original concept is to bring them all together under one roof. The products reflect Fnac's selective and impartial approach, as well as the independence of its buyers and sales force in relation to suppliers, and the work of its testing laboratory. Recognised for its unrivalled ability to guide and inform customers through, for example, technical product information sheets, its *Contact* magazine for members or its purchasing guides available in stores, Fnac's long-standing expertise dating back over 50 years is broadly acknowledged among its customers. Fnac's stores and websites are not only places of commerce, but also provide a forum for cultural exchange and for nurturing a wide range of hobbies and interests.

Each year, Fnac organises more than 12,000 events across France and further afield, as part of cultural exchanges within its stores and in external venues where it raises awareness on issues such as cultural diversity and the digital divide.

COMPETITIVE ENVIRONMENT

Fnac is the leading retailer of cultural and technological products in the majority of the countries in which it operates. In France, Fnac is the top bookstore(1) as well as the leading music store(1). It is also the leading retailer of personal computers, cameras, camcorders, headphones and MP3 players(1).

In 2011, Fnac had to contend with a challenging environment defined by increasingly fierce competition across the board (from pure players to supermarkets) and by the impact of the financial crisis on its markets.

(1) Source: GFK.

2011 KEY FIGURES

€4,165 million
in revenue

€103 million
in recurring operating income

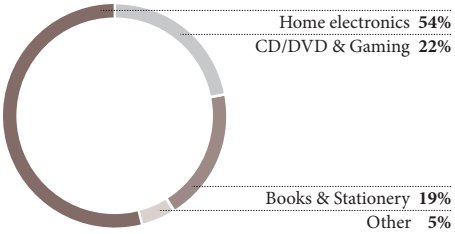
14,082
average number of employees

154*
directly-operated stores

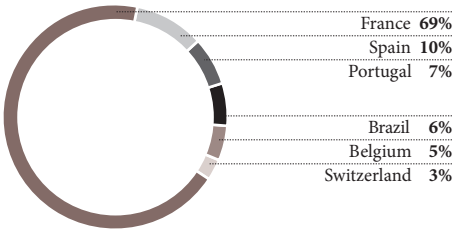
** Including 6 airport and railway station stores.*

BREAKDOWN OF 2011 REVENUE

By product category



By region



STRATEGY

Fnac operates in 6 countries through 154 stores (including 6 airport and railway station stores and 63 outside France) and a network of websites. In 2011, Fnac launched a strategic plan based on a new company-wide project known as "Fnac 2015". This strategic offensive is ambitious without losing sight of economic realities.

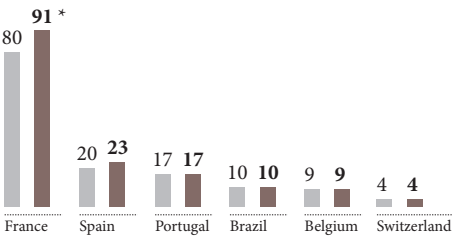
In a bid to become the leisure and technological retailer of choice for families by 2015, the strategy is based on expanding the company's range of products and services as well as on deepening its footprint through new store concepts and store openings, helping to bolster nationwide coverage. Fnac is rethinking its store concept by placing customers at the heart of its business and is developing innovative themes, ideas, products and services.

Where appropriate, it will team up with leading retailers in the market through strategic partnerships. These agreements will give Fnac access to its partners' expertise, allowing the company to make inroads into new markets and meet customers' expectations in terms of technological and leisure products.

A broader product range encompassing leisure and technology

Building on its leadership in books, music and technological goods, Fnac will continue to expand its product ranges. In line with the priorities of "Fnac 2015", the company will also broaden staff expertise to encompass leisure and technological products. Specially themed "Kids World" spaces will be introduced in stores.

NUMBER OF FNAC STORES BY COUNTRY



* Including 6 airport and railway station stores.

"KIDS WORLD": FNAC REACHES OUT TO ITS YOUNGEST CUSTOMERS

Fnac is rolling out a new "Kids World" concept, designed specifically for infants through to very early teens. The first "Kids World" was unveiled at the Parly 2 (France) store in November. Boasting a new look, comprehensive range of games, books, toys, DVDs, technological products and video games, the "Kids World" concept will allow children to test, play and experiment in a specially designed environment. An activity tree will enable kids to read, listen to music or stories or play on interactive tablet computers. The "Kids World" concept will be rolled out gradually to most stores in 2012.

TREND AND DESIGN: *FNAC IT*!

Fnac is continuing to roll out *Fnac It*, a concept first unveiled in 2010 at its Champs-Élysées branch. To help customers go beyond the ordinary, provide gift ideas and offer a range of weird and wacky hi-tech products, every three months *Fnac it* areas present an exclusive, rare and must-have selection of high-tech gadgets and accessories from around the world.

STATIONERY IN FULL BLOOM

After a pilot test completed in 2009, Fnac introduced stationery sections into 15 stores in 2010 and 2011. This modern but practical concept creates an easily identifiable, eye-catching area offering a unique range of stationery, small leather goods and especially school materials to meet the needs of family customers.

Boosting the services on offer

Fnac finds that it can only continue distinguishing itself from its competitors by offering a rich and meaningful buying experience. Along these lines, the company is to launch a comprehensive range of innovative services as part of the "Fnac 2015" strategic plan.

"FNAC REPRISE", AN INNOVATIVE TRADE-IN SERVICE

Launched in September 2011, "Fnac Reprise" enables customers to trade in high-tech products in working condition and receive purchase vouchers in return, using a price guide on Fnac.com. This special offer is available at all stores and covers, for example, game consoles, mobile telephony and portable music devices. Fnac is currently the only retailer to offer a trade-in service for all of its high-tech products.

ALLOCINÉ: A UNIVERSAL CINEMA TICKETING SERVICE

In June, Fnac signed a strategic partnership with Allociné, France's leading film information website, to develop a new universal cinema ticketing service. This partnership allows both Fnac and Allociné customers to find all the latest news of cinema releases on their websites, and also to reserve and/or purchase cinema tickets.

FNAC AND SFR EMBARK ON A STRATEGIC PARTNERSHIP

Since the second half of 2011, Fnac stores have played host to new in-store areas where SFR offers a full range of its products and services. The partnership agreement signed in June allows Fnac to strengthen its position on the fast-growing market of telephony and multimedia services, and gives Fnac customers access to SFR's sales specialists. In 2011, Fnac rolled out SFR areas in 10 of its stores. This strategy will be extended to the majority of the network in 2012.

Expanding the store network

STORE OPENINGS RESUMED IN FRANCE

Fnac resumed its store openings in France under the impetus of its development strategy targeting city outskirts and city centres. The density of the company's network continues to grow, with 5 stores opening their doors in France in 2011 (Aubervilliers, Reims, Portet-sur-Garonne, Annemasse and Chambéry), and 3 stores extended and refurbished in the Paris area (Ternes, Boulogne-Billancourt and Champs-Élysées). In 2012, the development strategy will continue apace, with the inauguration of a 3,000 sq.m. store in Bercy (eastern Paris).

To diversify its presence and maximise its customer reach, Fnac signed a strategic partnership agreement with Lagardère Services in May to create a network of smaller stores (less than 350 sq.m.) in French and Spanish airports and railway stations. As a result of this agreement, Fnac was operating at 6 outlets at French airports and railway stations by the end of 2011 (Gare de l'Est, Gare de Lyon, Gare Montparnasse, Lyon Part-Dieu, Marseille Saint-Charles, Orly Ouest). As well as raising the brand's profile, these stores allow Fnac to carve out a position on the travel retail market and also enrich its existing network.

As part of its "Fnac 2015" strategic plan, and alongside its out-of-town and city centre stores, Fnac will also roll out new local stores in France in the form of franchises. Covering 300 sq.m., these new stores will offer a selective range of books, music and technical products and services. The first new franchises will open in 2012.

A STRONGER FOOTHOLD OUTSIDE FRANCE

In 2011, Fnac forged ahead with its development strategy, opening 3 new stores in Spain (2 in Madrid and one in Barcelona). It also opened its first franchise in Morocco, located within Africa's largest shopping centre, in Casablanca.

Stepping up integration between stores and online merchandising sites

Fnac is intent on making its multi-channel format a powerful growth driver by stepping up the integration between its stores and its website, Fnac.com. Since the website's creation in 1999, Fnac has continued to enhance its online presence in France, and currently offers around 8 million new and second-hand products. Since the launch of its marketplace, Fnac.com has quadrupled the products and services it offers and has made more products available within 24 hours by using over 1,500 partner vendors who meet its stringent service quality standards. A broader range of products and services combined with its strategic partnerships guarantee Fnac.com customers greater product availability, competitive prices and excellent service quality. The marketplace also offers individual sellers the opportunity to sell their second-hand products on Fnac.com.

In 2011, Fnac stepped up its efforts to expand the number of order points and delivery solutions. The online business continues to grow, with more than 12% of revenue derived from online sales in France in 2011, on the back of double-digit gains in 2010.

BUILDING A PERSONALISED RELATIONSHIP WITH EACH CUSTOMER

The "Fnac 2015" strategic plan places customers at the heart of the company's business and makes customer relationships key to its growth going forward.

Personalising customer relationships

FNAC MEMBERS

More than 50% of Fnac's revenue is derived from Fnac members. With 4.2 million members worldwide (including 2.8 million in France), Fnac's loyalty programme, which offers benefits, discounts and invitations to exclusive events, is one of the most sophisticated of its kind in the retail sector.

THE *ONE* CARD

Introduced in 2009, the *One* card is reserved for Fnac's high-spending customers. Around 75,000 *One* cardholders are entitled to an optimal quality of service, including a special in-store reception desk, reserved in-store check-outs, a dedicated phone line available seven days a week, priority reservations for products and events, and a specific after-sales service that provides direct trouble-shooting advice or, where necessary, sets up a one-to-one meeting with a Fnac sales representative. Cardholders also benefit from free delivery charges for all orders made on Fnac.com.

FNAC GAMING CARD

Alongside its video games offering, Fnac has set up a loyalty programme dedicated to gamers. The *Fnac Gaming* card launched in late 2009 gives customers the opportunity to buy and sell second-hand games easily and to enjoy a broad range of benefits such as discounts on new video games and accessories. It also allows them to view their account online on a special page of Fnac.com and pre-order future video game launches. Over 900,000 people are currently members of this loyalty programme that is more than double compared to last year.

Creating a unique, meaningful buying experience

ICONIC CULTURAL EVENTS

Fnac is deeply committed to a lively and dynamic culture accessible to all and in this vein organises a wide variety of events such as the *Prix Goncourt des Lycéens*, the *Festival Fnac Live*, the *Prix du Roman Fnac*, photo marathons and video game awards. In keeping with its original aim of providing customers with a unique experience, Fnac sharpens its cultural focus every year. It organised more than 12,000 in-store and external cultural events in 2011, including Meet the Artist sessions, showcases, photography exhibitions and Master Classes.

EXPERTISE AND PROFESSIONALISM

The expertise and professionalism of Fnac employees have always been a source of pride for the company and instrumental in helping to preserve its competitive edge. Fnac has been building an advice-focused culture for more than half a century. Sales representatives offer unrivalled expertise, objectivity and independence, supported by technical product sheets, bespoke advice and regular publications by the testing laboratory. To best meet customers' expectations, Fnac has been able to stay ahead of the curve and continually adapt to new consumption habits.

FOCUS ON INNOVATION

Fnac places great emphasis on harnessing new talent and innovation underpins all of the company's products and services. Stocking new gaming products featuring cutting-edge technology alongside the latest book and CD releases, Fnac aims to create stores where every customer can discover the latest innovations. Fnac works tirelessly to reinvent itself for the benefit of its customers, and hones its competitive edge by remaining at the forefront of the very latest consumer trends.

FNAC AT THE HEART OF THE DIGITAL REVOLUTION

Fnac is an innovative player in digital markets and in 2011 launched its own e-reader, *Kobo by Fnac*. In tune with its emphasis on harnessing new talent, Fnac sponsors young comic writers and musicians in partnership with My Major Company.

Kobo by Fnac, a digital revolution

In November 2011, Fnac launched *Kobo by Fnac*, an innovative e-reader developed in partnership with Kobo, the leader in the Canadian e-reader market. *Kobo by Fnac* is a high-performance and user-friendly touch screen unit able to access a catalogue of more than two million titles, including over 200,000 in French.

By investing in the new segment of digital reading devices – still largely untapped in France – Fnac can meet both customers' needs for innovative products and also market expectations.

My Major Company: paying tribute to talent

In October, Fnac teamed up with My Major Company, the leading participative music label in France. An unsigned comic and music project is selected every two months and revealed to internet users in an attempt to secure user financing. Showcased on the various media used by Fnac, the projects will feature prominently on each partner's website.

A SOCIALLY RESPONSIBLE COMPANY

Fnac takes corporate social responsibility (CSR) issues into account at every level of its business and these concerns directly inform its business model. Fnac's CSR stance reinforces its position as a trusted, committed player true to its values of social responsibility, while the sustainability policy encourages customer loyalty and increases store footfall.

Employment initiatives

Fnac is committed to fighting all types of discrimination and operates a policy focused on diversity and equal opportunities both during recruitment and throughout employees' careers. The company also works actively to ensure gender equality and promote the employment of older and disabled workers.

Environmental initiatives

Fnac takes climate change issues seriously and has set itself a target of reducing its environmental footprint by 20% by 2015. In 2011, Fnac saved more than 10 million KWh across its store network, representing the equivalent annual consumption of a town of 7,000 inhabitants. It also promotes environmentally-friendly products in its stores.

Community initiatives

Fnac is a committed cultural player and mediator, and works tirelessly to bridge the digital divide, ensure that culture is accessible to all, and defend freedom of speech. It reiterates its commitments on an ongoing basis and is constantly developing new outreach initiatives in tune with its business.

2011 HIGHLIGHTS AND OUTLOOK FOR 2012

As part of its "Fnac 2015" strategic plan, the company introduced a host of new, pioneering products and services in 2011. It also expanded its store network both in France and further afield.

Despite a challenging competitive and economic environment, the company resumed its store opening programme in line with its strategic priorities under the "Fnac 2015" plan. Five new out-of-town and city centre stores were unveiled in France (Aubervilliers, Reims, Portet-sur-Garonne, Annemasse and Chambéry), while larger, refurbished stores reopened in the Paris area (Ternes, Boulogne-Billancourt and Champs-Élysées). The first "Kids World" areas also opened their doors during the year.

Fnac stepped up its partnership strategy with the foremost players in various markets. Through its partnership with Lagardère Services, and as part of its strategy to develop a network of smaller stores, Fnac now has branches in 6 airports and railway stations in France, giving it a firm position on the travel retail market in addition to its existing network.

Following the signature of its agreement with SFR, Fnac also opened 10 in-store telephony areas.

At the end of November, Fnac launched *Kobo by Fnac*, an innovative e-reader developed in partnership with Kobo, the leader in the Canadian e-reader market. This new solution gives users access to more than two million books, including 200,000 French titles.

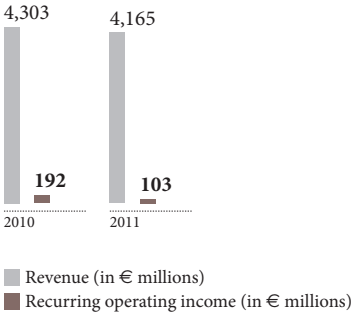
Outside France, Fnac forged ahead with its development policy in 2011, opening three new stores in Spain (two in Madrid and one in Barcelona). It also opened its first franchise in Morocco, located within Africa's largest shopping centre, in Casablanca, following the partnership agreement signed with Aksal, one of the leading specialised retailers in that country.

In November, Fnac celebrated the 30th anniversary of its arrival in Belgium.

In 2012, Fnac will continue to develop its brand, online leadership, services and presence both in France (planned opening of a 3,000 sq.m. store in Bercy in eastern Paris) and further afield. It will continue to improve network density by opening new, smaller stores targeting customers in mid-sized towns and cities.

In parallel, Fnac will continue to offer new services to its customers and work towards achieving greater integration between its bricks-and-mortar and online stores.

REVENUE AND RECURRING OPERATING INCOME



CHAPTER 3
Sustainability

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1. SUSTAINABILITY AT PPR

DETAILS ON THE STRUCTURE OF THE 2011 REFERENCE DOCUMENT

In 2011, PPR decided to change its way of disclosing non-financial information in its Reference Document.

- The format of the Reference Document will henceforth distinguish social, environmental and societal information. It will also include additional indicators in anticipation of the publication of new regulations on companies' non-financial reporting in connection with the "Grenelle 2" environmental law(1). However, this change does not call into question the goal of compliance with applicable regulations in this Document ("NRE" law: Art. 116 of the law on New Economic Regulations, 2001).
- This Reference Document includes a more concise section devoted to the Group's sustainability policy, and contains key quantitative data as well as the main highlights of the year. **All stakeholders can access more detailed and interactive components of the Group's sustainability approach on its website: www.ppr.com.** PPR's ambition is ultimately to offer an online report so as to facilitate access to information.
- This Document does not refer to the various objectives set out in 2010, due to the establishment of overall objectives shared by all Group subsidiaries, which are currently being drafted as part of the PPR HOME approach.

(1) Art. 225 of the Grenelle 2 law, 2010.

1.1. A LONG-STANDING COMMITMENT

For more than ten years, PPR has pursued an ambitious sustainability policy within the framework of a continuous improvement process, with the following key milestones:

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* project.

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 Institute.

2006

- Initial 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 the seven strategic priorities for the Group with respect to CSR for 2008-2010.
- Signature of a second agreement with Agefiph to support the employment of disabled people.

2008

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

2009

- Worldwide release of Yann Arthus-Bertrand's documentary *HOME*, coproduced by EuropaCorp and Elzévir Films, and financed primarily by PPR.
- Dissemination of the up-to-date Code of Business Practices to all Group employees.
- Signature of a third agreement with Agefiph.

2010

- Launch of PPR's Innovation and Sustainable Development Awards.
- Sustainability criteria included in performance evaluations of PPR Group leaders.
- Launch of the PPR sales academy in partnership with *Pôle Emploi d'Île-de-France*, the French state employment agency for the Paris area.
- Adoption of the Charter of Commitments on the quality of life at work and the prevention of work-related stress for employees of the PPR Group in Europe.

In 2011, PPR established a new department dedicated to sustainability to take PPR's efforts to a new level across the Group. Key initiatives of the year included the publication of the first Environmental Profit & Loss Account (EP&L) with Puma and the formalisation of a strategic programme aimed at helping women to reach the highest levels of management.

1.2. PARTICIPATION IN INTERNATIONAL INITIATIVES AND STRONG PRESENCE IN ETHICAL INDICES

PPR has joined forces with intellectual and economic players by taking part in many international initiatives for sustainability, including:

- ***Global Compact:*** In 2008, PPR pledged to comply with and promote the ten principles of the UN Global Compact in the areas of human rights, labour standards, respect for the environment and the fight against corruption. The Group's three Communications on Progress are available on the PPR (www.ppr.com) and *Global Compact* websites.
- ***Carbon Disclosure Project:*** PPR also opted to join the *Carbon Disclosure Project* by responding to the annual survey on the integration of climate change initiatives into companies' overall business strategies. The results positioned the Group among the leaders in the Textile, Apparel & Luxury Goods industry in terms of reporting (transparency and accuracy) and performance (strategies and measures taken)(1).

PPR's involvement in these initiatives allows it to participate in discussions in this area and to improve the transparency of its practices for the general public.

In recognition of its commitment to sustainability, PPR is present in the following benchmark indices: *FTSE4Good*, *ASPI* and *Ethibel Excellence*.

1.3. 2011 HIGHLIGHTS

PPR HOME: a new sustainability initiative taking the Group's efforts to the next level

With ten years' experience in implementing sustainability programmes among its brands, PPR took its commitment a step further in March 2011 by creating PPR HOME, a name referring both to the Group's sustainability strategy and the Department that oversees it.

By forming this ambitious and multi-tiered new sustainability initiative, the PPR Group committed to lessen its impact on the environment and to take proactive steps to implement best business practices. PPR HOME not only focuses on working towards reducing and mitigating the Group's social and environmental impacts, but is developing opportunities for the benefit of people and their environment in its spheres of operation.

Prior to its creation, PPR HOME sought the involvement and guidance of 130 experts and academics over an 18-months period. Since then, an international team of experts has been assembled to support PPR's brands in identifying opportunities while providing tools and methodologies to overcome challenges and ultimately find more sustainable business solutions. PPR HOME's expertise include: sustainable product development; sustainability performance management; supply-chain management; carbon footprint reduction, biodiversity conservation and ecosystem services; human and community development; and women's dignity and rights. Under the strategic leadership of Jochen Zeitz, PPR Chief Sustainability Officer, the Department reports directly to the Group Chairman and Chief Executive Officer, and is represented on the Executive Committee.

Placed at the heart of the Group, PPR HOME centres on four interconnected themes:

- Leadership: leading a corporate paradigm shift, both internally and externally;
- Humanity: enhancing the social, economic and environmental well-being of communities in PPR's spheres of operation;
- Ecology: mitigating PPR's footprint via reduction, offsets and investing in the environment;
- Creativity: creating sustainable solutions to support global sustainability.

Moving beyond the conventional approach to Corporate Social Responsibility by establishing PPR HOME, PPR is setting a new standard in sustainability and business practices in the Luxury and Sport & Lifestyle sectors. PPR HOME promotes a new business paradigm whereby the attainment of sustainability is driven by creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns for the long run.

In total, the Group and its subsidiaries employ approximately 36 people(2) full time on these issues. And the sustainability reporting relies on a network of hundreds of contributors. PPR HOME also aims to

(1) Results available on the Carbon Disclosure Project website.

(2) As of December 31, 2011.

stimulate the creativity of the Group through the Innovation and Sustainable Development Awards, which have been rewarding the most innovative projects in this area since 2010.

An annual €10 million budget, in addition to PPR brands own initiatives, is dedicated to PPR HOME annually. It is indexed to the evolution of the dividend paid by PPR.

Establishment of the first Environmental Profit & Loss Account with Puma

Puma has taken a pioneering and innovative approach in deciding to develop the first Environmental Profit & Loss Account (EP&L). This strategic risk management and transparency tool provides an initial analysis of the risks attached to higher raw material costs, and helps the company cope with the problems of resource scarcity. Understanding these issues and their consequences can mitigate risk in the supply chain, in addition to helping guide investment to achieve better management of these challenges. Ultimately, this tool will help Puma develop a more sustainable and robust business model.

The EP&L measures and assigns a monetary value to key environmental impacts associated with Puma's operational and supply-chain activities: greenhouse gas emissions, water consumption, land use, air pollution and waste production. In total, these impacts were assessed at €145 million in 2010. The overall result shows that Puma's supply chain is responsible for 94% of its total environmental impact. In addition, 57% of overall environmental impacts were associated with the production of the raw materials used by the brand (specifically bovine leather, cotton and rubber).

Puma and PPR HOME play an active role in raising awareness among other actors within the industry, through partnerships and collaboration. In view of the success of this initiative, PPR, via PPR HOME, has committed to create a Group EP&L for all of its Luxury and Sport & Lifestyle brands by 2015.

Formalisation of the strategic "Gender Equality in Leadership" programme

Persuaded that gender equality is a major component of the Company's overall performance, PPR is committed to achieving a better balance between men and women at all levels. François-Henri Pinault, Chairman and CEO of PPR, launched the "Gender Equality in Leadership" programme in 2010. The aim is to stem the loss of female talent on all levels of authority, disseminating a culture of equality within the Group.

The approach is underpinned by quantitative targets for 2015, the purpose being to increase the presence of women on all of PPR's governing bodies, and to achieve parity among senior executives. To achieve this, working groups were set up in the first half of 2011, mobilising some 50 Group executives, both men and women. The goal is to lay out a "Gender Equality in Leadership" roadmap, providing the foundations for the implementation of an action plan for the Group and its brands.

The roadmap was presented to the Group Management Committees, which approved its four strategic priorities: assurance of equal opportunity throughout employees' careers; development of gender equality in leadership positions and specific support for female talent; implementation of practices that promote a balance between professional and personal lives; assessment and deployment of the process.

In June 2011, the Group's brands began formalising their priority goals and action plans. Numerous initiatives have already been undertaken, whether in favour of better balance between professional and personal lives, in relation to parenting, or in the promotion of assertiveness among women. These pilot projects are intended to be rolled out more widely across the Group in 2012.

1.4. KEY FIGURES

- 46,905 employees as of December 31, 2011, 52.5% of whom are women;
- 86.1% of employees on permanent contracts;
- 46.8% of Group managers are women✓;
- 16.3% of permanent employees work part time;
- 34.6 years is the average age of permanent employees;
- 6.6 years is the average length of service of permanent employees;
- 597 disabled workers;
- 536,224 hours of training, or 41,974 employees trained;
- 11,720 permanent employees hired✓;
- 30 ongoing partnerships with the PPR Foundation for Women's Dignity and Rights have provided support for 29,034✓ women and girls, and a further 26,577✓ have been targeted by campaigns and projects supported by the Foundation;
- 2,884 social accountability audits✓ carried out among the Group's suppliers, including those carried out as part of SA 8000 certification procedures;
- 239,120 tonnes of CO_2 emitted by the Group in 2011(1);
- Purchase of renewable electricity multiplied by 17 between 2010 and 2011;
- 90.9% of hazardous waste recycled;
- CO_2 emissions from energy consumption cut by 4.2% between 2010 and 2011.

Social, societal and environmental reporting indicators verified by the Statutory Auditors as part of their work are signalled in the above list and throughout the rest of the document by a ✓. Their report is provided on pages 97 and 98.

√ *Verified by the Statutory Auditors.*

(1) Emissions measured as part of the reporting process.

2. SUPPORTING OUR EMPLOYEES

Reflecting the PPR Group's entrepreneurial culture, its Human Resources (HR) policy was founded on human and cultural diversity, which is an ongoing challenge, but more importantly an economic and competitive advantage. The values that strengthen PPR today, and which underpin its HR policy, have endured the changes in the scope of consolidation of the Group and its brands: complicity, solidarity, sharing, promotion of social dialogue, the quality of professional life, diversity, equality and parity, with the overriding aim of facilitating the management of talent and the development of employability.

2.1. THE GROUP'S HUMAN RESOURCES PROFILE(1)

Workforce(2)

Breakdown of the workforce as of December 31, 2011 (men/women managers, men/women non-managers) by geographic area

	Managers				Non-Managers			
	Women		Men		Women		Men	
	2011	2010	2011	2010	2011	2010	2011	2010
Africa	22	17	37	29	66	59	49	40
Asia	669	583	563	486	5,510	4,670	2,211	1,761
Eastern Europe	95	92	71	67	517	529	333	323
France	1,318	1,227	1,463	1,359	4,789	4,729	5,570	5,554
North America	457	359	459	344	2,175	1,764	2,123	1,707
Oceania	31	26	42	35	280	210	171	139
South America	117	113	200	201	982	900	1,866	1,597
Western Europe	824	730	1,186	1,074	6,771	6,145	5,938	5,488
Total	**3,533**	**3,147**	**4,021**	**3,595**	**21,090**	**19,006**	**18,261**	**16,609**

(Rate of coverage: 100%)

Hires

In 2011, PPR continued its policy of attracting new talent. In total, 11,720 employees√ were hired on permanent contracts and 12,161 on fixed-term contracts in the 58 countries in which the Group operates (rate of coverage: 100%).

Of the 23,881 employees hired in 2011, 51.9% were women and 93% were non-managers (rate of coverage: 100%).

In addition, the PPR Group had a monthly average of 2,120 fixed-term employees across all of its brands in 2011 (rate of coverage: 100%).

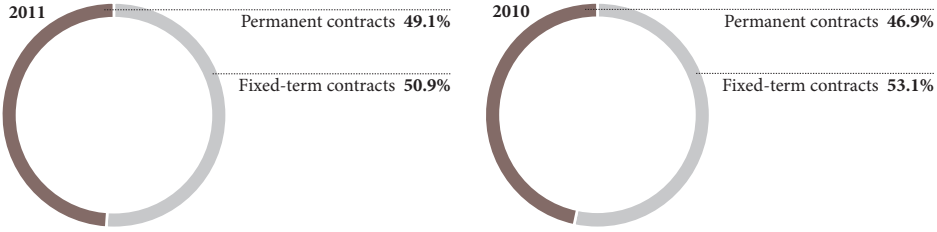
The PPR Group did not encounter any major difficulties in respect to hiring in 2011. It adapted its hiring to the economic context and the diversity of its businesses. Profiles recruited to support its expansion, especially in emerging countries, benefited from a remuneration policy designed to ensure the Group's attractiveness.

√ *Verified by the Statutory Auditors.*

(1) For each social indicator, 2010 data have been restated to reflect changes in the Group structure in 2011. The rate of coverage is calculated as a % of the Group's workforce as of December 31, 2011.

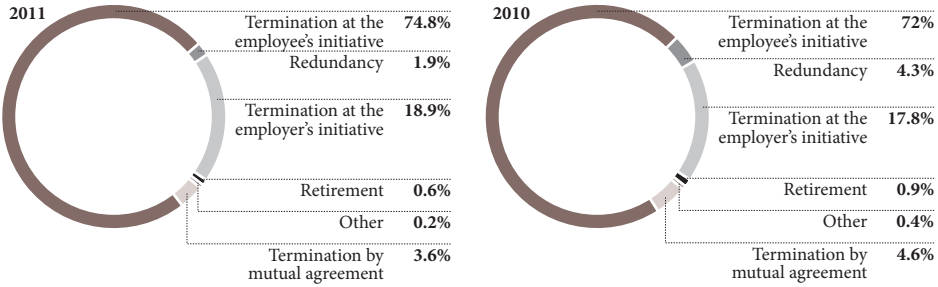
*(2) The table by geographic area includes the following countries and territories: **Africa**: South Africa; **Asia**: China, Guam, Hong Kong, India, Japan, Korea, Kuwait, Macao, Malaysia, Qatar, Singapore, Taiwan, Turkey, United Arab Emirates; **Eastern Europe**: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine; **France**; **North America**: Canada, United States; **Oceania**: Australia, New Zealand; **South America**: Aruba, Argentina, Brazil, Chile, Mexico, Peru, Uruguay; **Western Europe**: Austria, Belgium, Cyprus, Denmark, Finland, Germany, Greece, Ireland, Italy, Malta, Monaco, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom.*

BREAKDOWN OF FIXED-TERM AND PERMANENT CONTRACTS AMONG NEW HIRES



(Rate of coverage: 100%)

BREAKDOWN OF PERMANENT EMPLOYEE DEPARTURES BY REASON



(Rate of coverage: 100%)

Assistance and redeployment

The Group has a long-standing commitment to assisting and redeploying staff on an individual basis. 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 regular contact to identify and propose redeployment solutions. Its role is founded on the principle of 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. All of the Group's brands are part of the Job Coordination network. Since 2009, the work of PPR's Job Coordination network has taken on added importance as a result of the sharp deterioration in economic conditions. To this end, the updating and sharing of vacant positions, the frequency of Job Coordination meetings and the network's rules of operation have all been optimised and adapted in line with requirements.

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.

Remuneration and employee benefits

- Total Group payroll in 2011: €1.4 billion (rate of coverage: 100%);
- Employer social security contributions for the brands in mainland France in 2011: €165.5 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 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.

Executive pay

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

Furthermore, the Remuneration Committee, comprised of Group Directors, examines remuneration terms and conditions for corporate officers and makes related proposals to the Board of Directors. 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 several years, a portion of the variable remuneration paid to Chairmen of Group subsidiaries has been conditional upon the attainment of precise objectives in the sphere of sustainability. These objectives 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 2011, close to 100% of employees in France benefited from supplementary insurance coverage through the various Group schemes. Other employees had additional coverage in keeping with the legal requirements in their countries of employment. Lastly, expatriate employees benefit from specific coverage implemented by the Group.

Moreover, under the senior action plan set up by Boucheron in France, support is provided for staff at the end of their careers in conducting a comprehensive review of pension entitlements.

Profit-sharing and incentive agreements

In accordance with legal provisions in France, nearly 100% of the Group's French employees receive a share of the profit of their businesses under a profit-sharing agreement, and more than three-quarters under incentive agreements. These mechanisms are governed by agreements specific to each legal entity.

Employee savings

Nearly all of the Group's companies in France have Employee Savings Plans, which are designed to receive 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 under applicable regulations. Increasing numbers of Group subsidiaries have also concluded Collective Retirement Savings Plans (*plan d'épargne pour la retraite collectif* – PERCO), notably Boucheron, which in 2011 established a time-savings plan for its employees.

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. Several subsidiaries continued to carry out individual wage assessments for their employees in 2011.

Organisation of working time

The average working time of the Group's full-time employees remained stable between 2010 and 2011 at 38.5 hours per week (rate of coverage: 100%).

The organisation of working time in the Group's brands varies according to the countries, 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 (day and sometimes night) or occasional on-call arrangements may apply.

In 2011, 130,024 overtime hours were recorded in France (rate of coverage: 100% of France Group scope). Furthermore, 16.3% of permanent employees work part-time (rate of coverage: 100%).

Overall absenteeism and illness (%)

	2011	2010
Overall absenteeism rate	4.2%	4.4%
Rate of absenteeism due to illness	2.5%	2.6%

(Rate of coverage: 100%)

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

2.2. ENHANCEMENT OF SKILLS AND TALENTS

In 2011, PPR Group brands devoted a budget of €18.7 million to employee training, corresponding to an average of 1.3% of the total Group payroll (rate of coverage: 100%).

On this basis, 500,942 hours of training (excluding safety training) were provided across the PPR Group brands, and 31,454 employees benefited from at least one training course in 2011 (rate of coverage: 100%).

Women accounted for 55.2% of the workforce trained in 2011 (rate of coverage: 89.4% - excluding the United States and safety training). Furthermore, 83.5% of employees trained in 2011 were non-managers (rate of coverage: 100%).

Digital Academy

In September 2011, under the sponsorship of François-Henri Pinault, PPR's HR Development Department launched the PPR *Digital Academy*, a two-year development course designed for Luxury and Sport & Lifestyle brands. Mirroring the swift change in the digital landscape throughout the world and the ambitious e-business targets assigned to brands, the *Digital Academy* is a pilot development programme with three main objectives:

1. create a digital community spanning the entire PPR Group and blending brands on every continent;
2. develop digital resources by building and stimulating expertise;
3. instill a digital culture within PPR by raising employees' awareness about the impact of the digital "revolution" on the Group's businesses.

The *Digital Academy* held ten training sessions for 122 people in 2011, or a total of 32 training days (256 hours of training). Aimed at an initial group of Chairmen of PPR brands and Executive Committee members, in addition to e-business managers and their teams, these sessions were held in six cities on three continents (Paris, London, Florence, New York, Boston and Tokyo). The work of the *Digital Academy* will continue throughout 2012.

PPR *UniverCité*

In 2011, *UniverCité* continued the development work of PPR's senior executives, while preparing its repositioning as the Group's cultural melting pot. It caters to the Group's and brands' leaders, senior executives and key staff members. Its training programmes complement those provided by the brands. In 2011, *UniverCité* held 13 seminars, with approximately 100 participants, in addition to seminars dedicated to high-potential leaders (Leadership Development Programme).

As such, *UniverCité* focused on the development of leadership through the following seminars:

- "Developing your impact and influence" and "The art of persuasion": seminars devoted to image and impact in public speaking;
- "Innovation and creativity" as a daily vector and act of management;
- "Leadership 1 and 2": two seminars using offbeat teaching methods, aimed at giving participants a better sense of themselves, their own managerial style and the positive influence of managers within teams.

High-potential talent identified each year in the brands continued to be developed through *UniverCité*. They benefited from an 18-month programme: Learning Expedition and development seminars aimed at giving an international overview to high-potential talent. Each year's participants benefit from specific seminars and courses catered to their individual profiles. In 2011, 360° feedback was introduced for each participant.

Members of the fourth session continued their course with the "Leadership 1" seminar, followed by a negotiating seminar, before closing the 18-month period with a Learning Expedition to Moscow on the theme of growth in an emerging country. Participants in the programme's fifth session began their course with a Learning Expedition combining two important global "laboratories": Singapore and Mumbai. This was followed by three seminars devoted to fostering leadership and innovation. The course will culminate in 2012 with a finance seminar and the completion of a specific project with a social, societal or environmental purpose, under a time constraint and in an unfamiliar environment.

UniverCité also offers high-potential talent (40 people in 2011) the possibility of attending a seminar entitled "Resources and Development". The three-day event enhanced participants' self-awareness through 360° feedback and personality profiling and ended with participants drawing up a personal development plan. The various stages of the seminar enabled attendees to consolidate their strengths and develop their skills through role-playing exercises and self-analysis.

Training by the brands

All activities are closely coordinated with the brands' Training Departments and HR Development Committees. The overriding goal is to combine resources as effectively as possible and thereby create skills development synergies within the Group.

In May 2011, Puma completely revamped the training catalogue for all of its employees. A total of 113 managers (of which 57 women) benefited from training opportunities. Puma also launched its International Leadership Programme in December 2011, with two pilot groups of 24 managers in India, South Africa, UK, Ireland, Switzerland, Austria and Germany. The programme will continue in 2012.

In 2011, Volcom's French headquarters established a managerial coaching programme targeting managers identified as having high potential and a feel for results. Training of this nature, targeting key employees, is consistent with the strategy and values of PPR, which advocates the development of essential resources for the Group, based above all on performance, boldness and innovation. The programme will continue throughout 2012.

As part of an agreement with unions signed in July 2011, Gucci undertook a series of training programmes to promote a management culture in which shared and individual goals are aligned with those of the company. These programmes included an e-learning pilot for 1,000 people, personalised sessions for 300 managers and group sessions for 1,000 employees. Gucci Group Embassy training was offered to 128 people among the Luxury Division brands in the UK, to improve their cultural sensitivity. Yves Saint Laurent has also created a new annual appraisal tool consistent with the implementation of the people review process. A very important process implemented this year at Boucheron involved revising the appraisal system in France. A working group was set up with managers in the aim of refocusing the appraisal interview and performance analysis on objectives and skill development, as well as behavioural analysis. All of the company's managers were trained in the new appraisal tool and the issues underlying the process.

To support the rapid expansion of Alexander McQueen and Stella McCartney, an international training session was held for sales forces in the UK, Italy and France this year (scheduled for 2012 in the United States). Bottega Veneta launched the Luxury Experience in 2011, a programme that involved 70% of the Italian sales force in the development of a new concept of customer service and attentiveness. Other global regions (Asia-Pacific, Japan and United States) also provided training in this area. In 2011, Gucci extended participation in the international Store Managers Meeting to 550 people, encouraging them to adopt the new values and skills essential for success that underpin the Gucci Retail Academy.

Given Bottega Veneta's international presence and the diverse origins of its employees, approximately 100 people from various countries benefited from 360 days of training to improve their language skills. Balenciaga has also offered courses in Italian to Parisian design, development and production teams, to enable them to improve the effectiveness of their relationships with Italian colleagues and suppliers.

Yves Saint Laurent introduced a mechanism for transmitting the technical couture know-how held by older employees at the Mendes workshop: tutoring, mentoring, technical support and individual skills validation through professional qualification certificates. The Girard-Perregaux and JeanRichard brands developed partnerships with schools to help maintain complex skills specific to the watchmaking industry.

For instance, they made exclusive movements available to students of the *École d'Horlogerie* in the Swiss canton of Neuchâtel, allowing them to customise the oscillating mass. Apprentice engravers at the renowned art school in La Chaux-de-Fonds were also given access to movements on which they were able to develop their design and propose a setting based on a given theme ("migratory birds" in 2011).

2.3. PROMOTION OF DIVERSITY

PPR has long been committed to diversity and was among the first to sign up to the French Corporate Diversity Charter in 2004. Equivalent charters were also signed in Germany and Italy by Puma in 2010, which also committed to the Ethic Codex in 2005, and in February 2011 by Gucci.

This commitment goes beyond social responsibility compliance and the Group believes that diversity is a source of creativity and innovation, and as such of economic performance. It is also a pivot of social cohesion. The PPR Code of Business Practices, deployed among all employees in 2009, echoes this commitment and fits in firmly with the major international reference texts, such as the core conventions of the International Labour Organization (ILO).

Faithful to the decentralised management style unique to PPR, the Diversity policy is set by the Group. Each brand appropriates it, choosing the operational implementation best suited to its strategy and corporate culture. In this way, the Human Resources Department coordinates the PPR Group's policy in favour of diversity, through a network of contacts within each brand.

Equal treatment within the Group is based primarily on rigorous HR processes: annual performance appraisals, Career Committee with collegial decision making, Selection Committee as part of the remuneration review, procedure providing access to computer-based training, etc. Brands' job advertisements are also posted on specialist and general-interest employment websites: in the United States, Volcom uses recruitment websites aimed at army veterans, seniors, disabled workers and minorities.

Managers play a key role in the recruitment and career development of their team members, and are therefore crucial to the Group's Diversity policy. This is why PPR prioritised the training of its managers in the promotion of diversity in 2008. In December 2011, Gucci trained 27 managers and directors of the Italian headquarters in diversity management. Similarly, in 2011, Fnac, after having trained all of its French managers on this issue, extended its training system to managers in several of the European countries in which it operates (300 people in total). Finally, in December 2011, Puma launched its new International Leadership Programme, with two pilot groups of 24 managers from Asia, Africa and Europe. Diversity management was among the topics covered by this programme.

Disability has always been a part of the Group's Diversity policy. The *Mission Handicap* project was formed in 2004. As of December 31, 2011, the PPR Group employed 597 disabled workers (rate of coverage: 87.3% – excluding the UK and US), of which 54.8% (327 people) in France within the scope of the "employment obligation" laid down by the French law of 2005 on equal rights and opportunities, participation and citizenship of people with disabilities.

In France, Fnac is pursuing its integration efforts via a vocational programme, with a course of 355 hours of job training. In 2010-2011, three sessions as part of vocational contracts in the job of Customer Service Representative led to the hiring of 22 people. In 2011, a further group of seven people began careers as Customer Service Representatives and in Technical Product Sales. In Italy, Gucci is a member of the *Sodalitas* foundation, which develops and rolls out innovative sustainability projects. Within this context, Gucci regularly attends the *Forum Sodalitas Disability Group*, where companies come to share their experiences on the theme of disability.

For the sixth consecutive year, PPR's *Mission Handicap* carried out an in-house awareness-raising campaign in conjunction with the national week for the employment of disabled people in 2011, through a poster campaign under the slogan *Marque de respect*. A total of 20,000 bracelets in the colours of the campaign were distributed to employees of the brands in France. The campaign also included numerous other events. For instance, Puma's French headquarters marked the national week for the employment of disabled people with a conference on the theme of disabled sports, with talks by Paralympic athletes attended by over 70 employees.

Gender equality is another flagship issue for PPR. In early 2010, PPR launched a strategic project entitled "Gender Equality in Leadership" aimed at helping

women to break through the glass ceiling and reach the highest levels of management. In addition to the representation of women in the PPR workforce (women account for 51.9% of new hires, 46.8% of managers✓, 55.2% of employees trained, excluding the United States and safety training), the Group strives to attain an exemplary level of gender equality for its senior executives and decision-making bodies.

Consequently, François-Henri Pinault has set ambitious five-year objectives for women to represent 50% of senior executives; 40% of the Management Committees and 40% of the Board of Directors. In 2011, 33% of members of PPR's Board of Directors were women, making it one of the boards with the highest level of women among CAC 40 companies. To achieve these objectives, and following a study conducted in 2010 among more than 400 senior executives, 50 such executives were mobilised for workshops aimed at drawing up a "Gender Equality in Leadership" roadmap, offering PPR brands a veritable toolbox to help them implement their gender-equality policies.

The roadmap was presented to the Group Management Committees, which approved its four strategic priorities: assurance of equal opportunity throughout employees' careers; development of gender equality in leadership positions; action to promote a balance between professional and personal lives; assessment and deployment of the process. Based on this work, each brand has formalised its priority goals and action plans.

Accordingly, parenting is a prominent topic. Stella McCartney and Alexander McQueen help employees who are parents balance their professional and personal lives, through a partnership with My Family Care, which provides advice on parenting issues, and through coaching sessions offered after the return from parental leave. Yves Saint Laurent has introduced systematic interviews on an employee's return from maternity leave to ensure that the resumption of professional activity goes as smoothly as possible. PPR Corporate, the signatory of the Parenthood Charter, renewed its "open day for the entrepreneurs of tomorrow", during which the children of employees (43 children aged from 5 to 16) were able to discover their parents' company in a fun way. Puma's programmes aim at fostering women employees' assertiveness: a "Women in Leadership" course has been added to the brand's training catalogue. Its first session, in November 2011, attracted eight participants.

2.4. QUALITY OF PROFESSIONAL LIFE

PPR and its subsidiaries consider protecting the health and safety of their employees 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 2011, the total number of accidents resulting in leave occurring in the workplace or during business trips totalled 581 (rate of coverage: 100%), compared with 617 in 2010. No fatal accidents occurred in 2011.

Frequency rate and severity of work-related accidents

	2011
Frequency rate of work-related accidents *Number of accidents per million hours worked*	*8.1*
Severity rate of work-related accidents *Number of days lost per thousand hours worked*	*0.2*

(Rate of coverage: 100%)

A total of 35,282 hours of safety training was provided to 10,520 Group employees in 2011 (rate of coverage: 100%).

As part of the commitments negotiated under PPR's 2010 European Works Council Charter on the quality of life at work and the prevention of work-related stress, PPR Group brands have implemented various tools and social mechanisms aimed at achieving a better balance between professional and personal lives (e.g., the Parenting Charter signed by PPR and the agreement signed between trade unions and Gucci, aimed at improving the skills and well-being of its employees).

√ *Verified by the Statutory Auditors.*

2.5. SOCIAL DIALOGUE

Listen to and engage with employees

By promoting free expression within the Group and social dialogue with employee representatives, PPR has long made clear its determination to forge sustainable and constructive collective social relationships with all of its employees and their representatives. This commitment is demonstrated by the in-house employee opinion survey over the last ten years and the quality of social dialogue within the bodies representing employees at Group level (the PPR European Works Council and the PPR Group Works Council).

The commitment has also been adopted within each Group company. In 2011, 99 collective-bargaining agreements were concluded within the Group (rate of coverage: 100%), chiefly in Western Europe, Asia and France. These agreements mainly concerned pay and benefits (salary, variable remuneration, profit-sharing and incentives), working hours and the organisation of working time.

Against this backdrop, the number of working hours spent on strike totalled 9,586 in 2011 (rate of coverage: 100%), compared with 18,275 in 2010. This represents 0.01% of theoretical working hours. Strikes mainly took place in France and Italy. Their main trigger points were restructuring measures, employee pay and benefits, and sympathy with national issues.

The Group's forums for dialogue

- The PPR European Works Council

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 on cross-border issues affecting the Group's employees in a manner defined in precise terms by the agreement governing its implementation signed on September 3, 2008. The agreement was concluded between the PPR Group management and the members of the EWC, and is broadly similar to the previous one. It expanded the functions of the EWC by developing and specifying prerogatives and the various associated conditions. The EWC also has a Select Committee composed of five members, elected by their peers, who meet at least five times a year to prepare and analyse the two annual plenary sessions and to discuss various issues with the Executive Management.

An addendum to the September 3, 2008 agreement governing the EWC's functions 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.

Above all, it was subject to an update negotiated by a joint working group and approved by all members of the EWC in June 2011. The purpose of this update was to adapt the agreement on the EWC's functions pursuant to Directive 2009/38/EC of May 6, 2009, pending the transposition of this Directive into French law.

The EWC's ordinary plenary meetings took place on June 28 and November 22, 2011. The main items of information provided to its members concerned the Group's economic and financial situation, social indicators in 2010 and first half of 2011, the activity of the subsidiaries, and the Group's outlook and strategy.

In 2011, the Charters for the employment of disabled people and seniors negotiated with the EWC in 2008, and the framework Charter of shared commitments on the quality of life at work and prevention of work-related stress among Group employees in Europe (negotiated in July 2010) continued to apply, and a comprehensive update on their implementation was conducted by the European body in June, as foreshadowed in the 2008 and 2010 commitments.

Lastly, the beginning of 2011 was marked by the finalisation on January 26, during an extraordinary meeting of the EWC, of the job cuts made since the end of 2010 as part of the proposed sale by the PPR Group of Conforama and all of its subsidiaries to the Steinhoff International group.

- 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 members, who meet in plenary sessions twice a year, are kept informed of the Group's strategies, economic and financial imperatives, and human resources management initiatives. The senior executives of the Group and the 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 2011, the Group Works Council met in plenary session on January 11, after the postponement, at the request of staff representatives, of the meeting originally scheduled for October 28, 2010. In the spring of 2011, the operating agreement governing the Group Works Council was renewed and renegotiated. By an agreement dated April 7, 2011, the Group Works Council was renewed for two years and the number of its members reduced to 18. The body's second meeting in 2011 was held on October 27, 2011.

- 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 on workplace issues (working relationships, training and personal development, organisation and operational efficiency, management, etc.).

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 findings will be implemented.

For more than ten years, the level of employee participation has risen steadily, a sign of adherence to this initiative. In 2011, for its sixth edition, the survey's scope extended to 53,000 employees in 56 countries. Of this number, 72% of these employees chose to participate and express their views. For the first time, the survey was carried out entirely online, addressing the entire Group.

The findings of the latest edition will be released in the first half of 2012, and will be made known to all employees. Findings will be analysed as the basis of action plans by subsidiary, brand, entity and site.

Broadly speaking, the latest edition will pinpoint avenues towards commitment from employees and provide elements of analysis on the quality of work life in the context of the commitments contained in the Charter signed with the European Works Council in 2010.

3. REDUCING OUR ENVIRONMENTAL IMPACT

Environmental responsibility represents one of PPR Group's core commitments. The Group has therefore drawn up a global environmental policy to monitor and reduce the various environmental impacts (CO_2 emissions, water consumption, use of natural resources, industrial discharge, waste, etc.) that result from all its activities. The policy is specifically adapted to each of the Group's subsidiaries to enable them to adopt strategies that are suited to the local context.

3.1. ENVIRONMENTAL MANAGEMENT

Organisation

The environmental management is overseen at the Group level by the PPR HOME Department. Its role consists of defining the strategic aims of the environmental approach (regulatory compliance, risk management, reduction of environmental impacts) and ensuring that the policy is implemented by the brands by offering expertise and technical support. Thus, each subsidiary develops its own structure to manage environmental issues and set up specific initiatives.

The overall coordination of environmental issues is assured by 24 specifically appointed individuals present at each subsidiary that met on a regular basis. In addition to sharing experiences, these meetings enable participants to set out action plans to deal with cross-company issues in the Group, as well as more specific issues affecting individual subsidiaries.

ISO 14001 certification

Given the preponderance of retail activities within the Group, efforts to obtain ISO 14001 certification mainly concern the sites that generate the most environmental impacts, such as the logistics centres and the tanneries.

ISO 14001 certification

Brand	Site name	Business	Year of initial certification
Gucci	LGL platform	Distribution	2006
	Cadempino	Distribution	2010
	Bioggio	Distribution	2010
	Caravel	Tanning	2011
	Blutonic	Tanning	2011
Bottega Veneta	Vicenza	Production	2010
	Altavilla Vicentina	Production	2010
	Vigonza	Production	2010

In 2011, Gucci obtained ISO 14001 certification for all its tanneries (Caravel and Blutonic), in line with its objectives. *Société Française du Livre* (SFL), a subsidiary of Fnac, is committed to obtaining ISO 14001 certification in 2013 via a three-year action plan.

Fnac is also working on the certification of its main logistics centres. Since 2009, an environmental management system based on the principles of the ISO 14001 standard has been in operation at its Massy and Wissous warehouses.

Reporting process and indicators

Each year PPR carries out an environmental reporting process based on around a hundred indicators that are representative of the environmental imperatives of the Group's brands, namely: raw materials consumption, waste production, energy consumption, water consumption, product policy, environmental management and management of environmental risks, goods transport and business travel.

New indicators were introduced in 2011, with a view to measuring the CO_2 emissions generated by the Group's company cars and express delivery services.

In order to monitor its environmental performance in a way that reflects actual operating contexts as closely as possible, PPR's environmental reporting system is designed to cover all the Group's businesses, with the aim of collecting actual data from each of the thousands of sites located around the globe. However, in certain areas it is necessary to use estimated data in accordance with the methodology laid out in the reporting protocol.

Each year the Group works on increasing the number of sites included in the environmental reporting process. In 2011, it integrated nearly 150 new sites, mainly belonging to the Gucci, Bottega Veneta, Yves Saint Laurent and Alexander McQueen brands. Volcom, Girard-Perregaux and JeanRichard also took part in the environmental reporting process for the first time.

Thanks to these efforts, the environmental reporting scope was once again enlarged in 2011 to cover:

- 97.8% of PPR Group employees as of December 31, 2011, versus 94% in 2010;
- 97.6% of the PPR Group's 2011 revenue, compared with 86.7% in 2010.

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 the past two years (2010 and 2011), this method helps to eliminate the impact of changes in the scope of reporting, which tend to distort year-on-year comparisons. In accordance with the rules applicable to financial consolidation, the Redcats and Fnac Italy businesses were not included in the Group's environmental reporting scope in 2011.

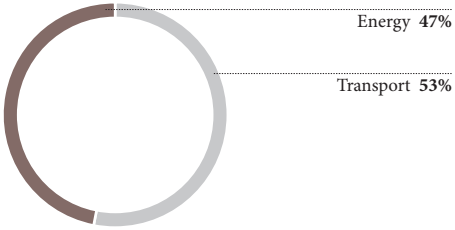
Additional information relating to methodology

All information regarding the environmental reporting protocol, the rates of coverage for the various indicators, emission factors and rules for using estimated/extrapolated data are available on PPR's website (www.ppr.com) under "Sustainability".

3.2. MEASUREMENT AND REGULATION OF THE CARBON FOOTPRINT

The consumption of energy, primarily for heating and lighting warehouses, sales areas and offices and transporting goods and personnel, represents the main source of CO_2 emissions at PPR.

BREAKDOWN OF TOTAL TRANSPORT - AND ENERGY-RELATED CO_2 EMISSIONS IN 2011



Total: 239,120 tonnes of CO_2

In 2011, transport- and energy-related CO_2 emissions totalled 239,120 tonnes. These emissions match the annual carbon footprint of around 25,000 individuals(1) in their daily life in Europe.

A detailed account of these emissions, the main changes that took place between 2010 and 2011, and the initiatives put in place to reduce the Group's carbon footprint, are presented below.

Energy consumption and related CO_2 emissions

The energy-consumption indicators below enable the Group to assess its energy usage, together with the related greenhouse gas emissions, both direct (from the burning of natural gas and heating oil) and indirect (from electricity and steam production).

(1) European Commission, "Study on external environmental effects related to the life cycle of products and services", 2003.

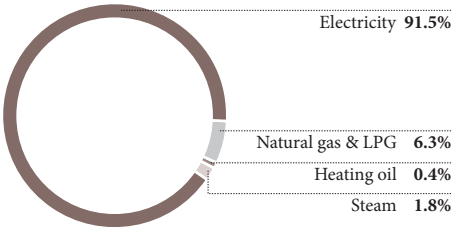
Energy consumption (MWh) and related CO_2 emissions (tonnes) in 2011

	Energy consumption	Related CO_2 emissions
Electricity	334,368	102,729
Natural gas	39,137	7,075
Heating oil	1,789	454
Steam	9,957	2,008
LPG	81	17
Total energy	**385,332**	**112,283**√

In 2011, PPR Group's total energy consumption amounted to more than 385 GWh. Electricity is the Group's main source of power, representing 86.8% of total energy consumption. The portion of electricity in the Group's energy mix has tended to rise in recent years due to the disposal of industrial and logistical activities which used substantial quantities of gas.

The Group's total energy consumption-related CO_2 emissions for 2011 amounted to 112,283 tonnes, of which more than 90% were produced indirectly, through electricity generation.

BREAKDOWN OF ENERGY CONSUMPTION-RELATED CO_2 EMISSIONS IN 2011



Total: 112,283 tonnes of CO_2

Proforma year-on-year change in energy consumption (MWh) and in the related CO_2 emissions (tonnes)

	2010-2011 proforma scope		Change 2011/2010
	2011	2010	
Electricity	308,163	307,484	0.2%
Natural gas	34,668	40,346	-14.1%
Heating oil	1,244	1,149	8.3%
Steam	7,007	7,276	-3.7%
Total energy	**351,082**	**356,255**	**-1.5%**
Direct emissions	6,583	7,585	-13.2%
Indirect emissions	92,085	95,411	-3.5%
Total energy-related emissions	**98,668**	**102,996**	**-4.2%**

On a proforma basis, the Group's energy consumption decreased from 356 GWh in 2010 to 351 GWh in 2011, representing a decline of 1.5%. This is largely attributable to the significant reduction in gas used at the very large Gucci warehouse in Casellina, following the installation of new boilers and the opening of a new more energy-efficient building in 2011.

Meanwhile, energy-related CO_2 emissions fell by more than 4%. This decline, which is particularly visible in the area of indirect emissions caused by electricity generation, can largely be explained by the adoption of an exclusively renewable electricity supply at many of Puma's German sites.

√ *Verified by the Statutory Auditors.*

Initiatives to reduce energy consumption of buildings

In the Luxury Division, obtaining LEED(1) (New Buildings and Major Renovations) certification for new stores and offices represents an approach of reducing energy consumption, as seen with Gucci's new offices in Shanghai that recently received certification. This system of standardising high quality green buildings is based on six assessment criteria, the main one being energy (optimisation of energy performance, renewable energy systems, green energy, etc.). LEED certification is also targeted as part of the Group's project to expand the international distribution and logistics platform for its Luxury brands to a surface area of 40,000 sq.m. Finally, Bottega Veneta is also planning to obtain certification for its new Montebello Vicentino site (offices and production facilities), which has been built to comply with the criteria set for this standard.

In May 2011, the Group's Indirect Purchasing Department joined forces with the teams of PPR HOME to initiate a major energy management project to which all Group brands in Europe and the United States may participate. By monitoring costs and the related consumption, the project will enable each site to identify steps that can be taken to improve its energy performance.

The move towards renewable energy

Although renewable energies still account for a modest share of the PPR Group's energy mix, the individual brands are developing numerous schemes aimed at encouraging the use of alternative energy sources.

For instance, in June 2011 Puma USA installed a 1.9 MW solar energy system covering nearly 31,500 sq.m of roof surface at its logistics buildings in Los Angeles. Solar panels have also been fitted at other PPR sites, including Puma's headquarters in Germany, one of the Luxury Division's warehouses in the United States and Bottega Veneta's headquarters.

2011 saw the Group significantly increase its purchase of electricity from renewable sources. Thus, Puma Germany relies exclusively on renewable electricity to supply its headquarters, a warehouse and three stores. This change of supply source, combined with similar initiatives at its Benelux and UK sites, has enabled Puma to increase the share of renewable energies in its total energy consumption to around 10%. The majority of Fnac Switzerland's sites (the headquarters, a warehouse and two stores) also switched to exclusively renewable electricity in 2011. Alexander McQueen is planning for its main London sites to be entirely supplied by renewable energies in 2012.

CO_2 emissions related to transport and business travel

Methodology

In the reporting process, data on transport and business travel is divided into three main categories:

- B to B transport: this includes all transport of goods paid for by the brands between the suppliers and the logistics platforms and between the logistics platforms and the points of sale. The transport of goods between logistics platforms also falls into this category. B to B transport includes road freight, rail freight, shipping and air freight.
- B to C transport: this covers all deliveries of finished products between logistics platforms or points of sale and customers. These deliveries can be carried out either by the brands' own fleets or by subcontractors' vehicles. Note that express delivery was also included under B to C transport for the first time in 2011. As with B to B, only transport which is paid for by the brands is taken into account. B to C transport includes road freight and air freight.
- Business travel: this covers business air travel and, for the first time, the use of company cars.

The emission factors for the various forms of transport were updated in 2011 to obtain a more accurate reading of the Group's CO_2 emissions and one which is better adapted to its profile (international presence, truck load factors, average distance travelled by air, etc.). All the emission factors used in the reporting process are derived from public information sources, i.e., academic establishments or institutions of international renown(2).

(1) Leadership in Energy and Environmental Design.

(2) Details of the methodology and emission factors can be found on www.ppr.com, under "Sustainability".

Transport- and business travel-related CO_2 emissions in 2011 (in tonnes of CO_2)

	2011
B to B transport	95,815
B to C transport	11,089
Business travel	19,933
Total	**126,837**

In 2011, the Group's transport- and business travel-related CO_2 emissions totalled around 127,000 tonnes. B to B transport accounted for 76% of these emissions.

B to B transport volumes in 2011 and related CO_2 emissions

	2011 total	Related CO_2 emissions *(in tonnes)*
Road freight (t/km)	90,198,548	15,561
Shipping (teu/km)	342,636,443	24,175
Air freight (t/km)	90,475,220	55,503
Rail freight (t/km)	23,784,414	576
Total CO_2 emissions (in tonnes)		**95,815**✓

In the Group, the most frequently used means of transport for the supply of products is shipping, which is a low emitter of CO_2. Air transport is the largest contributor to CO_2 emissions, accounting for 58% of B to B transport emissions in 2011.

Proforma year-on-year change in B to B transport volumes

	2010-2011 proforma scope		Change 2011/2010
	2011	2010	
Road freight (t/km)	87,454,590	86,273,170	1.4%
Shipping (teu/km)	339,589,917	304,247,425	11.6%
Air freight (t/km)	81,768,078	66,957,354	22.1%
Rail freight (t/km)	23,784,414	22,013,389	8%
Total CO_2 emissions (in tonnes)	**90,120**	**79,363**	**13.6%**

The quantity of products transported by all the means of transport used by the Group increased between 2010 and 2011. The rise in shipping and rail freight, used essentially by Puma, reflects the increase in business recorded by the brand. Four countries account for almost 75% of Puma's rail freight: Canada, France, Germany and the United States.

The over-20% rise in air freight splits evenly between the Luxury Division and the Sport & Lifestyle Division and is attributable to the increase in revenue and therefore sales volumes generated by the brands operated by the two divisions. This outcome, which translates into almost a 14% rise in CO_2 emissions, can nevertheless still be significantly improved by the targeted action plans that are to be implemented over the coming years to reduce the portion of transport represented by air freight.

B to C transport-related CO_2 emissions in 2011

		Related CO_2 emissions *(in tonnes)*
B to C – own vehicle fleets		234
B to C – subcontractors' vehicles	Classic	6,150
	Express delivery	4,705
Total		**11,089**

√ *Verified by the Statutory Auditors.*

In 2011, the Group emitted just over 11,000 tonnes of CO_2 in its B to C transport activities and the portion accounted for by the Group's own vehicle fleets became marginal (2% of total emissions). Express delivery, which accounts for more than 42% of B to C transport emissions, were included in the reporting scope for the first time in 2011, thanks to major data collection and analysis actions carried out at the Group's headquarters. This type of transport, which consists of quickly transporting small quantities of goods, is used primarily by the Luxury Division.

Optimising logistics flows and switching to alternative means of transport

Goods transport has a significant impact on the Group's CO_2 emissions. Hence the reason that the brands have been working to reduce the distances covered during the supply and delivery of goods, to improve truck load factors and the performance of truck fleets, and even to develop alternative means of transport.

Gucci has reduced the annual distance covered in the transport of its goods by separating its distribution centres (one platform in Vicenza in the north of Italy and another in Florence). In addition, all trucks in the fleet used for transport between Paris, London and Munich have met Euro V standards since July 2010. The average load factor of the trucks now stands at 75%. Also a partnership has been set up with TNT and IVECO to develop electric-vehicle deliveries in Milan. The first vehicles are due to enter service in July 2012.

Meanwhile, Fnac Annecy is trying out a new electric truck with a travel range of 80km, in partnership with its transport provider, Logidyne.

All Puma's main logistics providers have ISO 14001 certification. Additionally, the brand is working with its non-certified providers to set targets to reduce their environmental impact. As one of UPS's customers, Puma USA began participating in UPS's Carbon Neutral programme in the United States last winter. As a result, the brand is able to offset the CO_2 emissions associated with all the packages it sends to its online customers, wholesalers and retailers, offices (national and international) and points of sale (national).

In 2011, one of the Luxury Division's express parcel delivery partners, DHL, offset 391 tonnes of CO_2 emitted in the transport of goods from its Italian sites.

CO_2 emissions from business travel in 2011

	Related CO_2 emissions *(in tonnes of CO_2)*
Business air travel	14,440
Company cars	5,493
Total	**19,933**

CO_2 emissions associated with employee business travel amounted to around 20,000 tonnes in 2011.

As part of its environmental reporting process, since 2008 PPR has calculated the CO_2 emissions for the majority of employees who take business flights. Each year, the scope of this reporting is broadened and in 2011 it covered flights taken by employees in eight different countries – France, the United States, Germany, Italy, Switzerland, the United Kingdom, Spain and Japan.

All Group brands are making an effort to reduce the environmental footprint of business travel. In 2011, Gucci managed to reduce the number of business flights taken by its employees by 30%. In Germany, Puma has taken steps to ensure that all employee business travel conducted by rail is carbon neutral after signing up to Deutsche Bahn's Eco Plus programme in October 2011.

Group "company car" policy

In 2011, the PPR Group continued with its strategy of reducing the CO_2 emitted by its company vehicles. At the same time, the associated reporting scope expanded to include France, Italy, Switzerland, Belgium, Spain, Portugal, Norway and the Netherlands.

The Group's policy in this area led it to renew its restricted catalogue of company cars, selected on the basis of their CO_2 emissions. The maximum level of CO_2 emissions set for 2011 was 150g/km for France (versus 155g/km in 2010).

Meanwhile, each subsidiary was able to revise the selection of vehicles offered to eligible employees by fully incorporating environmental criteria in the choice of vehicles. For instance, Bottega Veneta now owns 19 hybrid vehicles out of a total fleet of 70 vehicles.

Thanks to these measures, as well as the ongoing renewal of the vehicle fleet, the Group has been able to continue to reduce the related CO_2 emissions. Thus, in 2011 the European vehicle fleet emitted 130g of CO_2/km on average (versus 145g in 2010), and the company cars ordered in 2011 in Europe emitted 125g of CO_2/km on average.

Efforts to encourage employees to adopt a more responsible driving style also help to reduce company car-related CO_2 emissions. In 2011 Fnac set about providing eco-driving courses for all employees of its Form@home subsidiary and it is planning to gradually introduce the approach across the rest of the company.

CO_2 emissions by scope as per the GHG protocol(1) in 2011 (tonnes)

	2011
Scope 1	13,273
Scope 2	104,737
Scope 3	121,110
Total	**239,120**

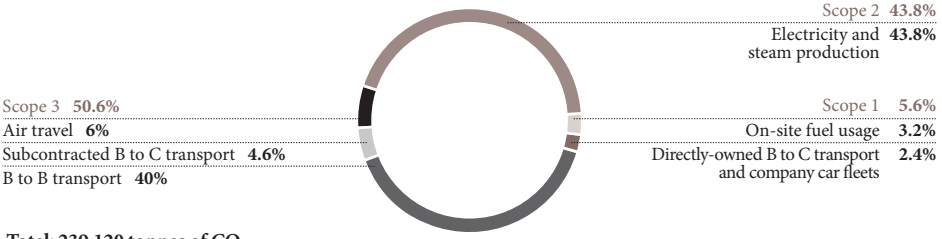
(1) Greenhouse Gas Protocol.

Scope 1 refers to direct emissions attributable to on-site fuel usage and to the PPR Group's directly-owned B to C vehicle and company car fleets.

Scope 2 refers to indirect emissions resulting from electricity and steam production.

Scope 3 refers to emissions resulting from goods transported by subcontractors (all B to B deliveries and 98% of B to C deliveries) and from employee air travel. Emissions attributable to the production of raw materials by suppliers and to employee business travel other than by air (by car, train, etc.) are not taken into account.

BREAKDOWN OF CO_2 EMISSIONS IN 2011



Total: 239,120 tonnes of CO_2

A total of 94% of the CO_2 emissions measured by the PPR Group are not under its direct control. Reducing electricity consumption, switching to renewable energy sources, optimising transport and opting for alternative forms of transport that emit less CO_2 all constitute effective ways of reducing the Group's carbon footprint.

Proforma year-on-year change in CO_2 emissions (in tonnes)

	2010-2011 proforma scope		Change 2011/2010
	2011	2010	
Total	**219,292**	**210,923**	**4%**

On a proforma basis, the Group recorded a modest 4% increase in total emissions over the year. Details of the calculations used can be found in the environmental reporting methodology note, which is available on PPR's website (www.ppr.com), under "Sustainability".

A Group-wide carbon offsetting programme

Thanks to PPR HOME, the Group offset 98,729 tonnes of CO_2, corresponding to the remaining 2010 emissions of its Luxury Division, Puma and the PPR headquarters, thus achieving the carbon neutrality target set in Scopes 1 and 2 of the Greenhouse Gas Protocol. To do this PPR acquired from Wildlife Works carbon credits generated in Kenya by the REDD (Reduced Emissions from Deforestation and Degradation) project, which integrates the needs of local populations and the preservation of biodiversity. Wildlife Works has shown that this first REDD project achieves the same level of accounting discipline as the other carbon credit categories, making it the first ever REDD project to be approved and verified in accordance with the Voluntary Carbon Standard (VCS). The project is to be repeated in 2012.

3.3. RESSOURCE USE

Paper consumption

Within the PPR Group, paper consumption falls into three categories:

- **direct purchases** from paper manufacturers, to be used to produce commercial publications like catalogues, magazines and brochures. These purchases concern only Fnac;
- **indirect purchases** of paper ordered by service providers outside the Group (printers, processing companies and agencies) for printing communication media such as reports, posters, mail-shots and point-of-sale advertising. These purchases concern all subsidiaries;
- **office paper**, which concerns all subsidiaries.

With consumption at just over 150,000 tonnes per annum, paper represented a major environmental issue for the PPR Group when the reporting process was first set up. However, since the deconsolidation of Redcats in 2011, paper consumption became less of an issue.

In 2011, the amount consumed fell to just over 6,000 tonnes. A breakdown by paper consumption category is presented below.

A significant reduction in direct purchases of paper

Paper consumption in 2011 and proforma year-on-year change (tonnes)

	Consumption in 2011	2010-2011 proforma scope		Change 2011/2010
		2011	2010	
Paper – direct purchases	514	514	2,684	-80.8%
Paper – indirect purchases	4,421	4,374	4,511	-3%
Office paper	1,219	1,133	1,084	4.5%
Total paper	**6,154**	**6,021**	**8,279**	**-27.3%**

Between 2010 and 2011 the Group's paper consumption decreased by approximately 30%. The reduction mainly reflected a decline in direct purchases of paper at Fnac that cut back on the number and volume of commercial publications it printed in 2011. However, indirect paper purchases and the consumption of office paper also fell slightly compared with 2010.

Paper consumption has been on a downward trend for several years now as a result of the optimisation of paper purchases and the steady development of paperless alternatives. Puma now prints only a limited number of annual reports, with the rest being sent out electronically. Also, in 2011 the annual report and the sustainability report were merged into a single document.

Furthermore, Group employees are encouraged to use the double-sided print option, to favour paperless alternatives (e-mails, press reviews, scanned documents, etc.) and to use the reverse side of printed sheets. Individual printers are increasingly being withdrawn and replaced by centralised print management systems that deliver a significant reduction in paper usage.

Recycled and certified paper

The portion of recycled and certified paper (FSC or PEFC) used reached 44% of the Group's overall paper consumption in 2011. At certain PPR Group brands, such as Boucheron, Gucci, Alexander McQueen, Bottega Veneta and Balenciaga, the portion exceeds 80%.

The switch to FSC certified paper has been particularly successful at Gucci, where the proportion of certified paper used rose from 12% in 2010 to 48% in 2011.

Packaging consumption

The Group also uses significant volumes of cardboard and plastic for the protection and transport of products sold in stores or through mail order. For reporting purposes, plastic bags and paper bags are distinguished from other types of packaging.

In 2011, PPR consumed approximately 13,600 tonnes of packaging, over 66% of which was cardboard and 20% paper bags.

Paper bag consumption is around three times higher than plastic bag consumption as the brands of the Luxury Division almost exclusively use this type of bag. Also, some brands have introduced reusable bags.

Packaging consumption in 2011 and proforma year-on-year change (tonnes)

	Consumption in 2011	2010-2011 proforma scope		Change 2011/2010
		2011	2010	
Plastic bags	947	890	970	-8.2%
Paper bags and gift-wrapping paper	2,756	2,695	2,154	25.1%
Total bags and gift-wrapping paper	**3,703**	**3,585**	**3,124**	**14.8%**
Plastic packaging	661	572	501	14.2%
Cardboard	9,039	8,654	5,789	49.5%
Paper for packaging	263	235	446	-47.3%
Total non-bag packaging	**9,963**	**9,461**	**6,736**	**40.5%**
Total packaging	**13,666**	**13,046**	**9,860**	**32.3%**

On a proforma basis, the Group's total packaging consumption rose by 33% during the year, driven mainly by the consumption of cardboard and paper bags and sachets. In the case of cardboard, the increased usage is attributable to improved reporting at Gucci which began including cardboard used for product transport in 2011. As regards paper carrier bags, the rise directly reflects the increase in the revenue generated by the Luxury Division's brands.

Nevertheless, Gucci achieved savings on resources and packaging in many areas in 2011: 305 tonnes of corrugated cardboard by replacing cardboard boxes with organic cotton bags at the Bioggio logistics centre; 34 tonnes of plastic by replacing plastic bags with cornstarch bags; 8 tonnes of cornstarch by reducing the thickness of bags made from this material; and 25 tonnes of plastic by eliminating the plastic film from the outside of its bags and replacing it with paper. With a view to reducing the quantity of packaging used on its products, Volcom focused on labelling and thus cut paper consumption by 2.4 tonnes. At the same time, the brand has pledged to reduce the use of plastic bags with its "Bring Your Own Bag" campaign, which aims to encourage customers to bring their own bags or buy a reusable one.

Fnac continued to offer reusable bags in its stores as part of a strategy it began in 2010. In 2011, 15,000 reusable bags were sold. Finally, Puma received nine international awards in 2011 in recognition of its eco-friendly bag design, the "Clever Little Bag", launched in 2010.

Water consumption

In 2011, the PPR Group's water consumption amounted to around 704,000 cu.m.

Given the nature of the Group's operations, industrial water consumption concerns only the Gucci Group tanneries in Italy, which are not located in high water stress zones. Nearly 80% of the water consumed by the Group is used for sanitation purposes (store cleaning, toilets, air conditions systems, etc.). Consequently the direct environmental impact of the Group's water consumption is modest in comparison to other impacts caused by its activities.

By contrast, indirect water consumption linked to the use of raw agricultural materials, like cotton, constitutes a major environmental issue which PPR is taking steps to quantify and control with the EP&L (Environmental Profit & Loss).

Water consumption in 2011 and proforma year-on-year change (cu.m.)

	Consumption in 2011	2010-2011 proforma scope		Change 2011/2010
		2011	2010	
Industrial water	143,655	143,655	138,980	3.4%
Non-industrial water	560,414	468,519	460,563	1.7%
Total water	**704,069**	**612,174**	**599,543**	**2.1%**

On a proforma basis, the PPR Group's water consumption increased by 2% between 2010 and 2011. The slight increase reflects efforts to reduce consumption in the context of a significant increase in revenue recorded by many of the Group's brands.

3.4. WASTE MANAGEMENT

Hazardous and non-hazardous waste

The majority of the waste produced by PPR is retail-related and concerns product repackaging and the use of pallets for transport purposes. The waste produced is primarily non-hazardous(1). PPR mainly generates packaging waste and very small quantities of hazardous waste(2).

Total waste production in 2011 and proforma year-on-year change (tonnes)

	Production in 2011	2010-2011 proforma scope		Change 2011/2010
		2011	2010	
Non-hazardous waste	19,427	18,028	17,316	4.1%
Hazardous waste	1,432	1,385	1,556	-11%
Total waste	**20,859**	**19,413**	**18,872**	**2.9%**

In 2011, the PPR Group's total waste production amounted to around 20,800 tonnes, 93% of which was non-hazardous. It should be noted that 80% of the hazardous waste was made up of WEEE (Waste Electrical and Electronic Equipment) collected by Fnac from its customers.

Total non-hazardous waste production rose by 4.1% at Group level. The increase is largely attributable to the increased business recorded by the Luxury Division brands in 2011. Meanwhile, total hazardous waste production fell by 11%. The fall reflects an overestimation of hazardous waste in 2010 by Gucci which mistakenly classified the sludge emitted by its treatment operations as hazardous waste. In 2011 this was corrected in accordance with the Environmental Protection Agency's (EPA) European Waste Catalogue and Hazardous Waste List.

(1) Non-hazardous waste, which comprises mainly cardboard, paper, scrap metal, plastic, glass and plaster.

(2) Hazardous waste includes neon lights, batteries, waste electrical and electronic equipment, used oil, photo laboratory waste, paint, aerosols, soiled packaging and ink cartridges.

Recycling rate in 2011 (%)

	2011
Non-hazardous waste	68%
Hazardous waste	91%
Total waste	**69%**

Changes in the amount of recycled waste highlight the success of awareness-building campaigns targeted at Group employees and the emphasis on identifying recycling providers. In 2011, the PPR Group recycled 91% of its hazardous waste and 68% of its non-hazardous waste, with an overall recycling rate of 69%.

The brands have taken many initiatives to develop selective waste collection and recycling. As a result, Fnac increased the WEEE collected from its customers and in its stores by more than 20%. The increase largely reflects the installation of in-store sorting bins by Fnac France, for the disposal of small electrical and electronic appliances (hair-dryers, toasters, electric shavers, alarm clocks, cameras, MP3 players, etc.), mobile phones and chargers, and consumable items. Introduced in partnership with the eco-organisation in charge of WEEE collection in France, the bins are accessible to all visitors to Fnac stores, regardless of whether or not they purchase anything from the store.

Meanwhile, in addition to standard sorting bins for paper, cardboard, glass, plastic and aluminium, Volcom has introduced special containers at its headquarters, for the collection of clothes and shoes, polystyrene packaging and broken skateboards. In 2011, 450kg of clothes and shoes were collected in this way. The skateboards and polystyrene are recycled into decorative panels and surfboards.

Water discharge and odour pollution

Water discharge does not represent a significant direct impact for the PPR Group. The sites and brands concerned have nonetheless introduced specific measures that go further than regulatory requirements.

Having obtained ISO 14001 certification for its two tanneries in Italy, Gucci plans to start a new initiative to reduce the use of chromium in its transformation processes and to optimise water consumption. Both tanneries also have modern equipment to control odour pollution, ensuring that they do not emit any unpleasant odours.

In 2011, the non-governmental organisation Greenpeace challenged Puma to eliminate all harmful substances from its waste water when it launched its Detox campaign. Consequently, the brand publicly committed to remove all toxic residues from its entire production chain by 2020. To this, Puma drew up a Manufacturing Restricted Substances List prohibiting the use of 11 categories of harmful substances suggested by Greenpeace(1).

(1) List available from http://safe.puma.com.

4. SUPPORTING COMMUNITY DEVELOPMENT

The development of PPR's activities also relies on the trust that the Group gains from customers, shareholders, business partners and civil society as a whole. This trust is acquired over time and it requires openness and cooperation which consequently facilitate social and environmental progress and respect for human rights, but also enable the associated risks to be managed proactively.

4.1. OPENNESS WITH STAKEHOLDERS AND COMMUNITY INVOLVEMENT

Dialogue with stakeholders

To firmly establish its activities in the territories in which it operates, PPR puts a lot of emphasis on listening and communicating with local stakeholders. Due to the diversity of their activities, the various subsidiaries face different social issues. They therefore participate in sector-specific schemes while at the same time get involved with the Group in broader community development initiatives.

In 1996, the Group drew up an Ethics Charter to formally set out its commitments to its main stakeholders as well as its ethical principles to guide the actions and conduct of its employees. After being updated in 2008 and renamed the PPR Code of Business Practices, the document was translated into the 14 main languages spoken within the Group and handed out to all employees in 2009. In 2011, PPR joined the World Business Council for Sustainable Development (WBCSD), a platform that unites 200 global companies in a desire to promote the role of the business community in achieving sustainability based on economic growth, ecological equilibrium and social progress. The Group also works with numerous international organisations, including:

- The Division of Technology, Industry and Economics of the United Nations Environment Programme;
- The International Union for Conservation of Nature;
- The United Nations Conference on Trade and Development;
- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- The Sustainable Luxury Working Group;
- The International Trade Centre.

Finally, PPR took part in the fourth annual Earth University held at Unesco headquarters on April 2 and 3, 2011, based on the central theme of "Building a new society". François-Henri Pinault spoke at the event in a debate entitled "For new economic and environmental challenges: new models". In total, 60 speakers and 18,000 people attended the meetings.

The subsidiaries also abide by the principles of the PPR Code of Business Practices and develop synergies with their stakeholders. For instance, for the past nine years Puma has held annual meetings with its stakeholders, known as the "Talks at Banz". In 2011, more than 60 participants (suppliers, industry and government representatives, NGOs, sustainability experts, etc.) got together to debate the results of Puma's EP&L and the key indicators that need to be taken into account in order to extend the analysis to social and humanitarian aspects, but also more generally, new ideas and initiatives for the future. Furthermore, Puma spoke on the principle and the results of the EP&L in London at the B4E (Business for the Environment) Climate Summit, the Global Business of Biodiversity symposium and the Accounting for Sustainability (A4S) Forum. The brand also joined the Sustainable Apparel Coalition, which brings together around 40 industry players: brands, manufacturers, retailers, NGOs, experts, etc. The goal of the coalition is to reduce the environmental and social impact of apparel and footwear products around the world. Gucci is also keen to promote dialogue with its stakeholders. In 2011, the brand worked with five NGOs (Greenpeace, Rainforest, HumanSociety and Lega Ambiente, Clean Clothes Campaign and Solidaridad) to develop various projects focusing on themes such as the traceability of leather, the use of fur, etc. At the same time, Gucci organises annual meetings with trade unions and professional associations, etc. to discuss all subjects relating to the supply chain.

Community impact

Cross-negotiations with stakeholders enable the Group and its brands to enrich the economic and social fabric of the regions in which it operates. More specifically, the Luxury Division brands help to preserve

traditional know-how by favouring Italian, French and Swiss manufacturers and supporting schools specialised in traditional artisanal skills: Boucheron and the Paris-based *École de la Joaillerie* jewellery school, Bottega Veneta and *Scuola della Pelleteria* school, etc. In 2011, Bottega Veneta also supported *Comunità Montana Femminile*, an innovative social and economic project. This initiative led to the creation of a leather arts cooperative run by and for the women of the Alto Astico and Posina valleys in Italy, regions of high unemployment. Initiated by local government in collaboration with the brand, the project employed 32 women at the end of 2011, compared with 18 when it began. The cooperative also obtained *Laboratorio di Artigianato Artistico* certification, thus becoming the first social and artisanal organisation of this kind to do so. Meanwhile, every year the Girard-Perregaux and JeanRichard brands support young people struggling at school by giving them access to much sought-after training in watchmaking. In return, they are helping to preserve these rare skills.

4.2. RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS

PPR's commitment to its partners

The Group's activities are essentially retail-focused. Choosing suppliers and maintaining good relationships with them is therefore essential, firstly in order to secure supply (and therefore conduct its businesses), but also to adapt to changes in regulations and in consumer demand.

In order to develop long-lasting partnerships, PPR follows the principles set out in its Code of Business Practices and the Global Compact. These documents are based on international reference texts such as the Universal Declaration of Human Rights and the European Convention on Human Rights; the OECD (Organisation for Economic Cooperation and Development) Guidelines for Multinational Enterprises; the United Nations Convention on the Rights of the Child and the core conventions of the International Labour Organization, particularly those relating to fundamental rights at work.

PPR has also been working for a number of years now to incorporate these principles into its non-retail or indirect purchases. The Indirect Purchasing Department remains committed to responsible buying based on:

- a reciprocal undertaking to respect the PPR Code of Business Practices and the PPR Indirect Supplier Charter, which is itself based on the core conventions of the ILO, as well as compliance with social and environmental laws and regulations;
- specific commitments tailored to each category of purchases thanks to:
  - the identification by buyers of the sustainability criteria that are most relevant to each purchasing category (products, services, best practices, reporting, etc.); and
  - the gradual incorporation of these criteria into their activities.

Business specific approaches

Each subsidiary defines its own social compliance criteria for its supply chain, while at the same time respecting the Group's ethical principles.

Thus, in 2007 and 2009 the Gucci and Bottega Veneta brands embarked on the process of obtaining SA 8000 (Social Accountability 8000) certification. This global standard takes into account not only the company itself, but also the companies in its production chain. It requires the certified company and its suppliers to respect nine criteria relating to child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems, and to set up a specific management system for the purpose of continually improving working conditions. Certification is awarded by Social Accountability International (SAI) and Gucci has been a member of SAI's Consultative Committee since 2009. By 2010 all of Gucci's businesses (shoes, ready-to-wear, silk, leather goods and jewellery), together with Bottega Veneta's main businesses (ready-to-wear, jewellery, shoes, leather goods, furniture prototypes and samples) and PPR's international logistics platform for its Luxury brands (LGI, Luxury Goods International), had obtained SA 8000 certification. In 2011, this certification was extended to Bottega Veneta's fine jewellery and furniture production activities and all of Gucci's Italian stores.

Puma has its own Code of Business Practices, which was first published in 1993. Since 1999, a specific set of standards known as PUMA.Safe[(1)] has ensured that Puma's social and environmental standards are applied within the company and at its suppliers. The brand has also, since 2004, been working with the Fair Labor Association (FLA), an association dedicated to

(1) Social Accountability and Fundamental Environmental Standards.

monitoring and implementing the required standards of working conditions at suppliers. PUMA.Safe has been certified by the Fair Labor Association since 2007. Additionally, as part of its commitments, Puma has been publishing updated lists of its suppliers since 2005.

Subsidiary supplier evaluation and support systems

The supplier evaluation systems put in place by Puma, Gucci and Bottega Veneta are based on differing and specific approaches: Puma's audits are performed by the PUMA.Safe team, whereas Gucci and Bottega Veneta rely on an external, independent audit firm. In all cases, supplier monitoring goes beyond the evaluation exercise and is rounded out by training programmes and the sharing of best practices. All approaches combined, PPR carried out 2,884 audits✓ in 2011. Cases of non-compliance largely related to health and safety, and wage issues.

Number of audits performed by PPR in 2010 and 2011

	Total number of audits in 2011	2010-2011 proforma scope		Change 2011/2010
		2011	2010	
Gucci	2,337	2,337	2,113	10.6%
Bottega Veneta	121	121	101	19.8%
Puma	426	426	426	0.0%
Total	**2,884**	**2,884**	**2,640**	**9.2%**

Puma

During Puma's supplier audits, factories are assessed and rated based on a formal internal evaluation system (A, B+, B-, C, D). Factories that are rated C or D must immediately introduce improvement programmes and are re-audited four months later. This programme constitutes an essential tool for evaluating supplier performance. Further changes were made to the evaluation system in 2011, including the introduction of a joint approval process whereby audit results are validated by external parties, such as the Better Work organisation(1) or other companies with similar codes of practice.

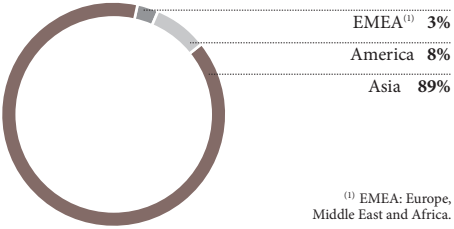
Since 2005 Puma.Safe pocket guides have been made available to employees of the factories that work for the brand. The guide contains essential information on Puma's social, environmental and health and safety standards, together with contact details to enable factory employees to reach the Puma.Safe team directly in case of breaches of the Puma Code of Conduct. The guide is to be revised in order to incorporate the requirements of the California Transparency in Supply Chains Act, which came into effect on January 1, 2012. Finally, 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.

In 2011, Puma carried out 426 audits✓, including 372 at direct suppliers and 54 at indirect suppliers. Out of the 443 sites belonging to direct suppliers, 332 were audited in 2011. Thirty-four direct supplier sites received an A rating in 2010 and were therefore exempt from audits in 2011. Thus, 82.6% of Puma's direct supplier sites were covered by the audit programme in 2011 (i.e., audited sites and those exempt from audit). Altogether (direct and indirect suppliers), 77.2% of Puma's supplier sites were included in this programme. As a result of the audits performed in 2011, 23 direct and indirect supplier sites were removed from Puma's supplier lists.

✓ Verified by the Statutory Auditors.

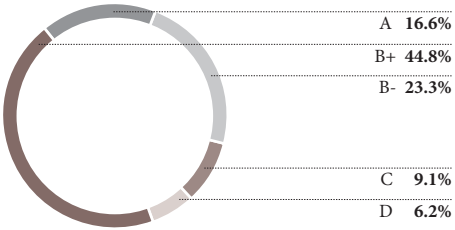
(1) Unique partnership between the International Labour Organization and the International Finance Corporation.

BREAKDOWN OF AUDITS PERFORMED BY PUMA IN 2011 BY GEOGRAPHIC AREA



Total: 426 audits

BREAKDOWN OF THE RESULTS OBTAINED BY PUMA'S SUPPLIERS IN 2011



Total: 417 supplier sites (direct and indirect suppliers)

Puma's supplier performance evaluation system also includes a development and training programme. In 2011, 13 projects were implemented in Turkey, Indonesia, Vietnam and Cambodia, with the aim of improving the performance of Puma's suppliers and increasing the proportion of A and B+ ratings.

In addition, nine round tables were organised for suppliers in China (1), Vietnam (3), Indonesia (1), Turkey (1), Cambodia (1) and India (2). The aim of the meetings was both to debate the main social and environmental challenges of the countries concerned and to bring the suppliers up-to-date with the latest developments at Puma. Also last year, in connection with its partnership with the FLA, Puma presented references to outline how and on what basis fair wages should be established for the workers. A total of 25 factories in China, Vietnam, Cambodia, Malaysia and Indonesia participated.

Finally, Puma asked its strategic suppliers to achieve a 25% reduction in their main environmental indicators (energy, CO_2 emissions, water and waste) by 2015.

Gucci and Bottega Veneta

Gucci and Bottega Veneta subcontract the evaluation of suppliers and subcontractors to an independent audit firm that conducts the audits. The system relies on risk mapping to define priority areas for auditing. The frequency of the audits depends on the degree of risk associated with the supplier (low, medium or high). Following each audit, the suppliers are given a rating on five levels, which may call for corrective or improvement measures to be introduced, or in some cases the delisting of the supplier.

In 2011, Gucci added more suppliers and subcontractors to the audit process: 1,089 versus 911 in 2010. Consequently, the number of audits carried out also rose by 10.6%, from 2,113 in 2010 to 2,337✓ in 2011. Meanwhile, Bottega Veneta conducted 121 audits last year, compared with 101 in 2010.

In 2010 the Gucci Group's audit system was extended to include environmental factors. Thus, out of the 2,337 audits carried out in 2011, 300 also examined the environmental impact of the suppliers.

In 2011, 24 suppliers underwent training and awareness-raising sessions on sustainability issues, with the accent last year going to Gucci employee relationships with suppliers (buyers, sales people, etc.).

4.3. RISK MANAGEMENT AND DEVELOPMENT OF RESPONSIBLE PRODUCTS

Traceability of controversial raw materials and preservation of biodiversity

In accordance with the principles of the Code of Business Practices and the *Global Compact*, PPR prohibits any political, syndical, cultural or charitable financing from being carried out with a view to obtaining direct or indirect material, commercial or personal advantages. The Group respects all national and international regulations relating to the fight against direct or indirect corruption. At the same time, the Luxury Division brands have their own internal procedures to prevent corruption. Gucci has its own Code of Business Practices and has offered employees annual e-learning courses on the subject since 2007.

✓ *Verified by the Statutory Auditors.*

Leather, precious skins and fur

The origin and traceability of skins and furs represents an important issue in terms of animal protection and preserving biodiversity. The Luxury Division brands mainly use cowhide sourced from Europe, principally from France. Additionally, all precious skins of species listed by CITES are accompanied by a certificate of legal origin issued by the CITES management authority of the exporting country, in order to ensure that the survival of the species is not endangered.

In 2011, Gucci upheld its commitment to the Sustainable Luxury Working Group, which was set up by the Business for Social Responsibility (BSR) to improve social and environmental practices and respect for animal welfare in the Luxury sector. In connection with the United Nations Conferences on Trade and Development, the brand is also a member of the Fashion and Cosmetics Biodiversity Platform, which helps create partnerships and discussion between the luxury and cosmetics industries with a view to encouraging the sustainable use of resources and the conservation of biodiversity. Meanwhile, since 2010 Puma has been working alongside other companies and several NGOs within the LWG (Leather Working Group), which brings together representatives of the leather industry with the aim of drawing up and promoting a protocol for sustainable and responsible practices for the sector. The brand has set itself the objective of using only leather sourced from LWG-certified tanneries. In 2011, most of the tanneries used by Puma were already certified.

The use of fur is extremely limited within the Luxury Division and has even been prohibited by certain brands, such as Stella McCartney and Bottega Veneta. Gucci is working with the HumanSociety and Lega Ambiente NGOs to draw up a charter to control its use of fur. Finally, last year Gucci banned the use of raccoon dog fur in its products.

Diamonds and gold

Illicit or unregulated mining for precious stones leads to devastating social conflict and risk of corruption, and poses a serious threat to local biodiversity. Boucheron, Gucci and Bottega Veneta strive to ensure the traceability of the diamonds that they use and to guarantee their origin. To meet this objective, the three brands comply with the Kimberley process, which aims to certify the source of diamonds sold on the international market to ensure that they do not serve to finance armed conflict. Since 2006, 2009 and 2010 respectively, the brands have also been members of the RJC (Responsible Jewellery Council), an organisation that promotes responsible and transparent social and environmental practices throughout the jewellery sector, from the mine to the point of sale. In 2011, Gucci and Boucheron also obtained RJC certification for their gold and diamond activities. Girard-Perregaux and JeanRichard are to be audited with a view to obtaining RJC certification in 2012. Finally, Boucheron has signed up to the "Golden Rules" of the "No Dirty Gold" campaign, which works to ensure that gold mining operations respect employee rights and the environment.

Nature conservation

Aside from ensuring the traceability of controversial raw materials, PPR is committed to preserving biodiversity by developing initiatives to conserve the natural heritage and raise awareness among employees and consumers.

For instance, Gucci is working together with the City and University of Florence on a project to rehabilitate the expansive Villa Strozzi park, which currently lies fallow. Three educational trails are to be created with a view to teaching children to respect the environment and to recognise the importance of biodiversity.

Over the last two years, Volcom has supported the Newport Bay Conservancy, an organisation focused on the conservation and restoration of the Upper Newport Bay area, one of the last great natural estuaries in Southern California. In addition to offering financial support, the brand helps to communicate and promote the clean-up and awareness-raising operations carried out by the organisation. As a result, nearly 1,200 volunteers, including Volcom employees, have cleaned up nearly 13 km of estuary.

Controlling and restricting the use of hazardous substances

PPR assists the brands in monitoring their regulatory compliance thanks to an inter-subsidiary Steering Committee, which is notably responsible for ensuring that REACH(1) requirements are respected. The Group ensures the health and safety of its customers by respecting current product legislation and implementing control procedures in all its subsidiaries. The procedures allow the Group to verify the application of stringent and reliable quality control processes and compliance with current regulations.

In 2011, Gucci set out a global risk analysis protocol in order to guarantee that its products complied with the national and international safety regulations of its main countries (Europe, US, China, Korea, etc.). This procedure applies to all of the brand's product categories and includes specific specifications for children's products.

(1) Regulation on the Registration, Evaluation, Authorisation and restriction of Chemicals, which came into force on June 1, 2007.

In accordance with its Handbook for Environmental Standards, Puma has banned the use of dozens of chemical substances deemed detrimental to human health and the environment. These are listed in the Puma Restricted Substances List (RSL) and they include certain heavy metals, formaldehyde and various phthalates. In response to the Detox campaign led by Greenpeace, a further ten or so substances were added to the list in 2011.

Informing and raising awareness among consumers

One of the outcomes of the Grenelle environment forum is the decision by the French government to introduce routine environmental labelling for products and services. Fnac has been proactive in this area, having provided environmental labelling on the television sets it sells since 2010. With a view to taking this initiative further, the brand decided to participate in the national experiment launched by France's minister for sustainable development in 2011. The aim of the experiment is to test the methods used to display the information for each product category and to gauge consumer perception before legislating. The information is presented in the form of three environmental indicators, including CO_2. Fnac has committed to maintaining responsible communication with its customers by gradually introducing labelling on all its external publications. The labelling serves to clarify the environmental impacts of its magazines by focusing on three indicators: impact on the ozone layer, impact on non-renewable resources and impact on the climate.

Responsible product offerings

Moving towards more sustainable products

Puma has set itself a target to produce 50% of its international footwear, clothing and accessories collections in accordance with its Sustainability Index by 2015. The index sets out precise specifications that take account of manufacturing conditions and the use of responsible raw materials. Consequently, Puma has expanded its range of items made from organic materials, as demonstrated by the launch of TEKKIS Jam the first shoe with an upper made entirely from organic cotton, and the Re-Suede, made from 100% recycled polyester fibres produced by a chemical recycling process that reduces both energy consumption and CO_2 emissions compared to the production of non-recycled materials. Puma is also a member of Textile Exchange, a non-profit organisation that promotes the farming and utilisation of organic cotton and, more generally, textile sustainability. Furthermore, the brand uses materials such as cotton labelled "Cotton made in Africa" (CmiA) and recycled polyester. Last year Puma put around 1.5 million items with the CmiA label on the market. This initiative, developed by the Aid by Trade foundation, aims to produce cotton based on principles of sustainable cultivation and support and advise smallholder farmers with respect to efficient growing methods. In 2011, around 16% of Puma's textile products were manufactured from sustainable raw materials. In addition, the brand sold approximately 2,000 FLO-Cert(1) certified fair trade footballs (versus less than 1,000 units in 2010). Puma's goal for 2012 is to increase the proportion of products that meet the requirements of its Sustainability Index.

In August 2011, Gucci and Safilo (world leader in premium eyewear) introduced four eco-friendly eyewear models, made from an innovative acetate that contains a much higher percentage of material from natural origins. Gucci also released two new models of sunglasses made from a natural material derived from caster-oil seeds. For its Spring/Summer 2012 collection Stella McCartney is to launch an innovative range of sunglasses, made from 50% natural and renewable resources. Five models will be proposed: two made from plant seeds, such as castor oil seeds, and three made from recycled metal.

In April 2011, Yves Saint Laurent presented a limited edition bag, the "Muse Two Artisanal", produced from recycled materials and representing an alternative version of the iconic "Muse Two" bag. The bag marries the brand's savoir-faire with the artisanal skills of the women of Burkina Faso, thanks to the development of a technique to create a textile composed of recycled plastic bags and woven cotton. Sixty such bags were created and sold in Europe, the United States, Asia and Japan. Finally, as it has every year since 2009, Balenciaga renewed its limited collection of bags created entirely out of leather offcuts collected at the end of each production cycle.

Developing shared product offerings

In 2011, the PPR brands extensively developed the shared product offering, where a set amount is paid to a supported organisation.

The Luxury Division brands proposed special products and sales to allow their customers to support their solidarity initiatives. In 2011 several brands took part in the "Bags for Africa" operation to support the Italian NGO COOPI with its "D for development: the future of Africa is a woman" project, which aims to promote female empowerment and literacy and raise awareness

(1) Independent entity responsible for inspecting and certifying producers and traders who apply fair trade standards – Fairtrade Labelling Organisations.

among women of their rights. Special editions created by Sergio Rossi, Balenciaga, Alexander McQueen and Yves Saint Laurent raised €22,350 for the campaign. At the opening of its first men's store in China in March 2011, Bottega Veneta created 50 special edition bags for men. The entire proceeds from the sales, i.e., €112,000, went to the Chinese Red Cross for its Village Teacher Cultivation programme, which provides children from the most remote rural areas with access to quality education. Additionally, Stella McCartney raised more than €13,000 by holding an increased number of special sales in support of associations promoting education, culture and health, such as Children in School and the Nevada Ballet Theater. A special sale held for COOPA-ROCA, a cooperative of women from a favela in Rio de Janeiro which is supported by the PPR Foundation for Women's Dignity and Rights, helped to raise GBP 10,000.

In 2011, Puma supported the Dr. Susan Love Research Foundation for breast cancer by donating all profits, i.e., USD 103,500, raised from the sale of clothing and accessories designed for the Pink Project collection. Meanwhile, Volcom repeated the "Give Back Series" limited collections, which help to raise customer awareness and funds. 2011 was a record year, both in terms of funds raised and the number of associations supported: USD 200,000 was donated to ten associations chosen for their commitment to women, young people, health or sport.

In France, Fnac continued to support its historical partnerships: with Reporters without Borders (RSF), which fights to defend freedom of expression throughout the world, by paying the organisation all profits raised by the sale of 14,000 photo albums published by RSF; and with the International Federation for Human Rights (FIDH), which received €5,000 thanks to sales of exclusive USB keys. Fnac's programme to encourage customers to give to charity raised more than €5,000 by collecting gift vouchers donated by members in support of Apféé (a French charity dedicated to equal opportunities in education), FIDH, RSF and Emmaüs-Ateliers du Bocage. At the international level, Fnac Belgium strived to help hospitalised children: during the Christmas period, for every children's product bought, €1 was donated to the Cliniclowns association. This raised €4,000 in 2011. Finally, Fnac Switzerland chose to support the environment: proceeds from the sale of two shared products, a laptop bag and a shopping bag made from recycled advertising banners, were given to the Pro Natura association.

4.4. SPONSORSHIP PROGRAMMES

PPR Corporate Foundation for Women's Dignity and Rights

For over ten years, the PPR Group has been committed to equal opportunities and the promotion of diversity and has backed a variety of solidarity programmes, in connection with its activities and by involving employees, primarily through *SolidarCité*, an organisation founded in 2001. 2009 marked a new milestone in PPR's commitment, with the creation of the PPR Foundation for Women's Dignity and Rights, which upholds two key objectives: to combat violence against women and to aid initiatives in favour of women. The Foundation forges partnerships with local and international organisations and encourages the involvement of Group employees in a programme organised around five objectives. Overall, in 2011, 29,034 women and girls√ received aid and 26,577 women and girls√ received advice on women's rights from the 30 programmes actively partnered by the Foundation.

Supporting anti-violence and developmental initiatives

The Foundation supports projects run by local and international organisations that aim to stamp out violence against women and promote the socio-economic development of women. Projects can be proposed directly by the organisations or sponsored by employees. In May 2011, the Selection Committee agreed, on the basis of very strict criteria, to support nine organisations, for a total sum of €1,007,131 over three years (three partnerships renewed and six new projects selected, including two employee-sponsored projects). The sum of €60,000 was granted to Samu Social International for its programme to provide preventive education and support to women affected by family violence in Lima, Peru. The Board of Directors renewed two major partnerships (grants exceeding €70,000) set up in 2009, with AFESIP in Cambodia (providing support and training for women who are victims of the sex trade) and Doctors of the World in Pakistan (restoring refuges for female victims of domestic violence).

√ *Verified by the Statutory Auditors.*

Since 2005 employees have had the opportunity to participate in a solidarity project as part of their paid leave. In 2011, 11 employees offered their skills to local organisations, in partnership with Planète Urgence, Coup de Pouce and France Volontaires, and thus helped to empower women. Nearly two-thirds of all missions took place in Africa and 27% in Asia. A first mission was carried out in favour of one of the organisations supported by the Selection Committee: ENDA El Alto in Bolivia. The Foundation is keen to develop this further in 2012.

Social entrepreneur sponsorship

In 2011, the Foundation began the process of selecting three new entrepreneurs for the social entrepreneur awards. At the same time, it continued to support the three recipients of the 2010 award: coaching from the PPR Deputy Director of Strategy enabled Anne Roos-Weil, Director of the Pesinet Association, to refine the service offering of this association that fights against infant and maternal mortality; Maria-Teresa Leal, founder of COOPA-ROCA, a cooperative of women seamstresses from a favela in Rio de Janeiro, was able to overhaul the cooperative's website thanks to the support of its sponsor Fnac Brazil; and Sakina M'Sa, creator of the Trevo workshop, a company that helps integrate unemployed women in Paris through dressmaking, was given help to improve the company's organisational structure by an Yves Saint Laurent employee. Following an audit of the Trevo workshop, carried out in 2010 by eight executives participating in the PPR *UniverCité* programme, a Sakina M'Sa/Puma co-branded product was created: 350 articles of the Puma Grip Bag by Sakina went on sale in October 2011.

Supporting micro-finance projects

In 2011, the Foundation chose Microworld – an online microcredit platform and a member of the Planet Finance group – to finance microentrepreneurs and help them to develop their revenue-generating activities. In addition to providing financial backing totalling €10,000, the Foundation raised awareness of the platform among the Group's 47,000 employees and encouraged them to lend additional support to its commitment.

Awareness-raising and prevention initiatives

When François-Henri Pinault joined forces with the *Fédération Nationale Solidarité Femmes* (FNSF) in 2010 to sign a charter to prevent and combat domestic violence, the Group pledged to inform and raise awareness of the issue among its employees in France. In 2011, 80 employees took part in awareness-raising sessions on domestic violence to enable them to inform potential victims of whom to contact. On November 25, 2011, the International Day for the elimination of violence against women, the Foundation addressed around 2,000 employees about the FNSF's campaign on the authors of domestic violence.

Joint projects with the brands

The PPR Foundation assists the Group's brands in their commitments in favour of women. Gucci and the PPR Foundation teamed up to create the Spotlighting Women Documentary Awards in partnership with the Tribeca Film Institute (in which Gucci has been a partner for three years) and to provide USD 50,000 of financial backing to three film projects that highlight the courage, compassion and extraordinary strength of character and commitment shown by women.

Challenges that move our subsidiaries to actions

Although all of PPR's brands develop their own solidarity initiatives to tie in with their activities and their location, the PPR Foundation promotes the sharing of best practices and encourages the development of projects that favour women.

PPR and its brands supporting Japan after the earthquake

In a gesture of solidarity towards the Japanese population, PPR Group decided with its brands Puma, Gucci, Bottega Veneta, Yves Saint Laurent, Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney – present in Japan with 2,000 employees – to donate €2 million for the French Red Cross to pass on to the Japanese Red Cross in support of the aid work being carried out in the country. At the same time, the collection scheme set up for the Group's 60,000 employees raised close to €10,000, which was then doubled by PPR.

PPR Luxury working for female empowerment, education, healthcare and culture

In 2011, the Luxury Division supported several projects focused on women. Yves Saint Laurent extended its partnership with UN Women (a UN entity) and donated €25,000 to the global fund for women's rights, their economic and political empowerment and gender equality. Gucci built on its partnership with Unicef in 2011 by launching the "Mamma's bag", designed by Frida Giannini, as part of its commitment to the PPR Foundation for Women's Dignity and Rights. Twenty-five percent of the sales price and a total of €70,000 was donated to finance HIV tests for more than 60,000 pregnant women as part of the programme to eliminate mother-to-child transmission of the AIDS virus.

As part of its efforts in the field education, Gucci continued to provide extensive support to Unicef's *Schools for Africa* campaign, which helps give the children of Sub-Saharan Africa access to education: a donation of USD 1.15 million was made on behalf of its children's collection, including USD 70,000 collected through the launch of a special edition U-Play Watch, USD 250,000 donated at the launch of the book "Gucci: The Making Of", and the donation of 25% of profits derived from the sale of the Gucci for Unicef bag. Since the partnership began in 2005, Gucci has awarded more than USD 10 million to this programme.

In Paris, Sergio Rossi, Bottega Veneta and Yves Saint Laurent gave their backing to the Izere centre in Rwanda, established by the World Children's Fund, with the aim of improving conditions in healthcare, education and development for children living in Rwanda. Meanwhile, Boucheron chose to assist Pratham, an NGO that strives to help all Indian children get access to basic education.

The Luxury Division brands gave extensive support to various cultural initiatives in 2011. Yves Saint Laurent gave support to the Metropolitan Opera for the fourth year running, donating a total of USD 275,000, while Bottega Veneta supported the Lyric Opera by giving approximately €10,000. Stella McCartney and Yves Saint Laurent contributed €100,000 and €30,000, respectively, to the Costume Institute Gala organised by the Metropolitan Museum of Art, during which the *Alexander McQueen: Savage Beauty* exhibition, sponsored by Alexander McQueen, was launched. Significant sums were also raised through the auction of products donated by the Group's brands. For example, the Louvre benefited from a €16,000 donation from Boucheron.

Finally, many of the brands took part in the auction held to support Runway to Green, which supports initiatives against climate change. Together, Girard-Perregaux, Yves Saint Laurent and Boucheron, contributed more than €15,000.

PPR Sport & Lifestyle: peace, creativity and sustainability

As part of its sustainability programme and in line with its activities and areas of influence, Puma is seeking to promote global peace through PUMA.Peace and the creativity of up-and-coming artists through PUMA.Creative. In 2011, PUMA.Peace launched the *Peace Starts With Me* programme, to promote seven films for world peace. At the same time, by organising football matches "to support conflict resolution and peace," – including on September 21, the International Day of Peace – donating products and carrying out various awareness-raising campaigns, Puma is helping to promote sport as a platform of peace in the world as well as giving the brand a positive and enthusiastic image. PUMA.Creative seeks to encourage inter-cultural exchanges. Based on the belief that film represents a powerful instrument for education and change, PUMA.Creative entered into a new partnership in 2011 with the *Channel 4 BritDoc Foundation*: 101 prizes providing funding, recognition and creative advice to films highlighting change in consumer behaviour, social justice, ecology and peace or innovation initiatives, were awarded by Puma, totalling a sum of €750,000. In addition, the *Creative Africa*, *Creative Caribbean* and *Creative America* networks worked to enhance artistic exchanges within the product divisions. In particular, these initiatives led to the creation of ten African Football kits that were exhibited at the Design Museum in London.

Among its local solidarity efforts, Volcom extended its *Give Jeans a Chance* initiative for the third year running and collected 28,000 pairs of jeans and jackets for the homeless community from its distributors and customers, but also from students and school children. This operation is to be extended to Europe and Australia in 2012.

Fnac: fighting cultural exclusion and promoting free speech

To help bridge the digital divide, a factor that leads to cultural exclusion, in 2011, Fnac donated 25 laptop computers to pupils living in disadvantaged areas and participating in the higher education preparatory programme of the Lycée Henri IV secondary school in Paris. Fnac also donated 50 computers to the *Jeunes Espoirs 2000* association, which gives IT equipment a second life by distributing it among the poorest in the community, while the job placement organisation, Emmaüs-Ateliers du Bocage, recycled all the mobile phones collected in its stores. Outside France, Fnac took action by organising in-store collections: 1,500 books were handed to the cultural centre built and equipped by Fnac Spain and thousands of school materials were donated to various Brazilian NGOs. Fnac is also committed to promoting freedom of expression and therefore used the 2011 International Week of Solidarity as an opportunity to highlight nine books connected with the theme of solidarity and selected in partnership with a group of associations.

5. 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 NEW ECONOMIC REGULATIONS LAW)

Article	Description	Section of the Reference Document
Employee-related (Article R. 225-104 of the French Commercial Code)		
Par. 1a	Total number of employees	Section 2.1.
	Fixed-term contract hires	Section 2.1.
	Permanent-contract hires	Section 2.1.
	Recruitment difficulties, if any	Section 2.1.
	Number of and reasons for redundancies	Section 2.1.
	Overtime	Section 2.1.
	Temporary staff	Section 2.1.
Par. 1b	Downsizing and cost-cutting plans	Section 2.1.
	Job protection	Section 2.1.
	Redeployment	Section 2.1.
	Rehires	Section 2.1.
	Career support advice	Section 2.1.
Par. 2	Organisation of working time	Section 2.1.
	Working hours and days for full-time employees	Section 2.1.
	Working hours and days for part-time employees	Data not available
	Absenteeism and reasons for absenteeism	Section 2.1.
Par. 3	Remuneration	Section 2.1.
	Changes in remuneration	Section 2.1.
	Payroll expenses	Section 2.1.
	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)	Section 2.1.
	Gender equality	Sections 2.3. and 4.4.
Par. 4	Employee relations	Section 2.5.
	Collective bargaining agreements	Section 2.5.
Par. 5	Health and safety	Section 2.4.
Par. 6	Training	Section 2.2.
Par. 7	Employment and integration of persons with disabilities	Section 2.3.
Par. 8	Social and cultural works	Section 2. Section 4.4.
Par. 9	Outsourcing	Section 4.2.
	Contribution to regional development and employment	Section 4.1.
	Relations with the community, including associations to combat social exclusion educational institutions, environmental and consumer associations, and local residents	Section 4.1.
	Scale of outsourcing	Section 4.2.
	Steps to ensure that subcontractors comply with International Labour Organization (ILO) standards	Section 4.2.
	Steps taken to ensure that subsidiaries comply with ILO standards	Section 4.1.
	Steps taken by foreign subsidiaries to address the impact of their business on regional development and local communities	Section 4.1.

Article	Description	Section of the Reference Document
Environment (Article R. 225-105 of the French Commercial Code)		
Par. 1	Water consumption	Section 3.3.
	Raw materials consumption	Section 3.3.
	Energy consumption	Section 3.2.
	Measures taken to improve energy efficiency	Section 3.2.
	Use of renewable energy	Section 3.2.
	Land use	Data not available
	Emissions into air, water and soil	Sections 3.2. and 3.4.
	Noise and odour pollution	Section 3.4.
	Waste processing	Section 3.4.
Par. 2	Measures taken to limit harm to the ecological balance	Section 3.3. Section 4.3.
Par. 3	Steps taken towards environmental assessment and certification	Section 3.1.
Par. 4	Measures taken to ensure compliance with legal requirements	Section 3.1. Section 4.3.
Par. 5	Expenditure incurred to mitigate environmental consequences of the business	Section 1.3.
Par. 6	Internal Department for environmental management	Section 3.1.
	Employee training and awareness campaigns	Section 1.3.
	Resources assigned to the reduction of environmental risks	Section 3.
	Structure to deal with pollution incidents	Section 3.4.
	extending beyond the Company	Section 4.2.
Par. 7	Amount of provisions and guarantees covering environmental risks	Data not available
Par. 8	Amount of compensation paid following legal decisions relating to the environment	Data not available
Par. 9	Information on objectives assigned to foreign subsidiaries	Section 3.1.

6. CROSS-REFERENCE TABLE: *GLOBAL COMPACT*

Principle	Description	Paragraph of the Reference Document
Human rights		
1	Businesses should support and respect the protection of internationally proclaimed human rights; and	Section 2.3. Sections 4.2. and 4.4.
2	Businesses should make sure that they are not complicit in human rights abuses.	Section 2.3. Section 4.2.
Labour		
3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining	Section 2.5. Section 4.2.
4	The elimination of all forms of forced and compulsory labour	Section 2.3. Section 4.2.
5	The effective abolition of child labour	Section 2.3. Section 4.2.
6	The elimination of discrimination in respect of employment and occupation	Sections 2.1. and 2.3. Section 4.4.
Environment		
7	Businesses should support a precautionary approach to environmental challenges	Section 3.1.
8	Undertake initiatives to promote greater environmental responsibility	Section 3.
9	Encourage the development and diffusion of environmentally friendly technologies	Sections 3.1., 3.2. and 3.3.
Anti-corruption		
10	Businesses should work against corruption in all its forms, including extortion and bribery	Sections 4.2. and 4.3.

7. STATUTORY AUDITORS' LIMITED ASSURANCE REPORT

ON CERTAIN SUSTAINABILITY INDICATORS PUBLISHED IN THE SUSTAINABILITY CHAPTER OF PPR'S REFERENCE DOCUMENT

At your request and in our capacity as Statutory Auditors of PPR, we performed a review with the aim of providing limited assurance on the sustainability reporting indicators ("the Data") identified by the √ symbol in the tables shown in pages 64, 65, 71, 76, 78, 87, 88 and 91 in the sustainability chapter of the 2011 Reference Document.

The Data selected by the PPR Group is:

(1) the number of recruitments with permanent contracts for all the Group's activities[1];

(2) the percentage of women amongst managers for all the Group's activities[1];

(3) the number of social audits carried within the Group[1];

(4) CO_2 emissions related to the Group's "B to B" transport[1];

(5) CO_2 emissions related to the energy consumption of all sites, stores and warehouses[1];

(6) the number of women and girls cared for and the number of women and girls targeted by projects supported by the PPR Corporate Foundation for Women's Dignity and Rights.

The conclusions formulated below solely refer to this Data and not to all published indicators.

This Data was prepared under the responsibility of the Sustainability and Human Resources Departments, in accordance with the internal reporting criteria available for consultation at these departments (the "Reporting Criteria"). The environmental and social methodological summaries, available on the PPR Internet site (www.ppr.com) bring precisions on the collection and calculation methods of the published indicators.

It is our responsibility, based on the procedures performed, to express a conclusion solely on this selected Data and not on the Reference Document as a whole.

Nature and scope of our procedures

We conducted our procedures based on the ISAE 3000 standard, in accordance with the applicable professional guidelines in France.

We performed the following procedures in order to provide limited assurance that the selected Data does not contain any material misstatements. A higher level of assurance would have required more extensive work.

For the selected Data, we have:

- assessed the Reporting Criteria with respect to its relevance, completeness, reliability, neutrality and comprehensiveness,
- conducted interviews and examined, on a sampling basis, the application of the Reporting Criteria in selected entities[2],
- conducted consistency tests with respect to the consolidation of such Data.

(1) The scope of the Group reporting is specified on page 208 of the 2011 Reference Document.

(2) For the indicators (1) and (2): FNAC Portugal, SAS Relais FNAC, FNAC Belgium, Gucci Italy Fashion, Puma USA; for the indicator (3): Gucci, Puma; for the indicator (4): Gucci, Puma; for the indicator (5): FNAC Belgium, FNAC Portugal, Gucci Corporate, Gucci Retail Europe, Puma USA; for the indicator (6): the PPR Corporate Foundation for Women's Dignity and Rights.

These selected entities(1) contributed to:

- 24% of the Group's employees for indicators (1) and (2),
- 96% of the social audits carried within the Group for indicator (3),
- 50% of the total of CO_2 emissions related to "B to B" transport for indicator (4),
- 25% of the total CO_2 emissions related to the energy consumption for indicator (5),
- 100% of the projects undertaken by the PPR Corporate Foundation for Women's Dignity and Rights for indicator (6).

To assist us in conducting our work, we referred to the Corporate Social Responsibility experts of our firms.

Comment on the procedures

We have the following comment to make on the reporting process:

- For two brands, we noted the need to strengthen controls at each consolidation level with regard to CO_2 emissions related to the energy consumption.

Conclusion

Based on our procedures, we did not identify any material misstatements likely to call into question the fact that the Data identified by the √ symbol on pages 64, 65, 71, 76, 78, 87, 88 and 91 in the Sustainability Chapter of the Reference Document, have been prepared, in all material respects, in accordance with the Reporting Criteria used by PPR and applicable in 2011.

The Statutory Auditors

Paris-La Défense and Neuilly-sur-Seine, March 14, 2012

KPMG Audit Department of KPMG SA		Deloitte & Associés	
Philippe Arnaud	Hervé Chopin	Eric Dugelay	Antoine de Riedmatten
Partner	*Partner*	*Partner*	*Partner*
Responsible for the Climate Change & Sustainability Services		*Sustainability and Climate Change Services Leader*	

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 users. In the event of a legal dispute, the French version shall prevail.

(1) For the indicators (1) and (2): FNAC Portugal, SAS Relais FNAC, FNAC Belgium, Gucci Italy Fashion, Puma USA; for the indicator (3): Gucci, Puma; for the indicator (4): Gucci, Puma; for the indicator (5): FNAC Belgium, FNAC Portugal, Gucci Corporate, Gucci Retail Europe, Puma USA; for the indicator (6): the PPR Corporate Foundation for Women's Dignity and Rights.

CHAPTER 4

Corporate governance

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1. CORPORATE GOVERNANCE

At the Combined General Meeting on 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 roles of Chairman of the Board and Chief Executive Officer and retained this option following the renewal by the Combined General Meeting on May 7, 2009 of the directorship 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 very strong in-depth knowledge and experience.

The Combined General Meeting on May 7, 2009 appointed Jean-François Palus, Deputy Chief Executive Officer of the PPR Group, 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, the January 2007 and October 2008 AFEP and MEDEF recommendations on the remuneration of Directors and executive corporate officers and the April 2010 AFEP-MEDEF recommendation on higher representation of women in the boardroom (the AFEP-MEDEF Consolidated Code). The Board of Directors has members from around the world with twelve members of French, Italian and Indian nationalities. Six of the twelve Directors are independent with regard to the criteria presented in the AFEP-MEDEF Consolidated Code. Four Directors are women.

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, page 117).

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 minimum 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 Combined General Meeting on 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.

1.1. INFORMATION ON DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

As of December 31, 2011, the Board of Directors was comprised of twelve 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;
- directorships and positions held in 2011;
- other directorships and positions 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 legal representative or corporate executive functions 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 of 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 Chief Executive Officer 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 broadened 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 Chief Executive Officer of Fnac, a position he held until February 2000. He was then appointed Deputy Chief Executive Officer of Pinault Printemps Redoute with responsibility for developing 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 Chief Executive Officer of PPR.

After serving as 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 Chief Executive Officer of PPR since May 19, 2005. Following the Combined General Meeting on May 7, 2009, the Board of Directors renewed his term of office as Chairman and Chief Executive Officer for the duration of his directorship which will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
at the level of the majority shareholder group:			
Manager	Financière Pinault SCA	France	October 2000
Chairman of the Board of Directors	Artémis SA	France	May 2003
Member of the Management Board	SC Château Latour	France	June 1998
Board member	Christie's International Plc	United Kingdom	May 2003
within the PPR Group:			
Deputy Chairman of the Administrative Board	Puma SE	Germany	July 2011
Chairman of the Supervisory Board	Gucci Group NV	Netherlands	October 2005
Chairman of the Board of Directors	Sowind Group SA	Switzerland	July 2011
Vice-Chairman of the Supervisory Board	Boucheron Holding SAS	France	May 2005
Member of the Supervisory Board	Yves Saint Laurent SAS	France	April 2005
Director	Fnac SA	France	October 1994
Director	Sapardis SE	France	May 2008
Board member	Volcom Inc.	United States	July 2011
outside the PPR Group:			
Vice-Chairman of the Supervisory Board	Cfao	France	October 2009
Director	Bouygues	France	December 1998
Director	Soft Computing	France	June 2001

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman of the Supervisory Board	Puma AG	Germany	from June 2007 to July 2011
Vice-Chairman of the Board of Directors	Sowind Group SA	Switzerland	from June 2008 to July 2011
Chairman and Chief Executive Officer	Redcats SA	France	from December 2008 to April 2009
Director	Tennesse	France	from 2001 to November 2009

Number of shares held: 15,500 shares of which 15,000 are locked in

François-Henri Pinault is manager and managing partner of Financière Pinault, which directly and indirectly held 51,614,762 PPR shares as of December 31, 2011.

Patricia Barbizet

Born on April 17, 1955

Artémis: 12, rue François-1er, 75008 Paris

Vice-Chair of the Board of Directors

A graduate of the *École Supérieure de Commerce de Paris*, Patricia Barbizet began her career with 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.

In 1992, she became Chief Executive Officer of Artémis and in 1994 Chief Executive Officer of Financière Pinault. She is also a Director of Total, Bouygues, TF1, Air France-KLM and the Fonds Stratégique d'Investissement.

After serving as 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 Combined General Meeting on May 7, 2009 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
at the level of the majority shareholder group, mainly:			
Chief Executive Officer and Director	Artémis SA	France	1992
Chair of the Board of Directors	Christie's International Plc	United Kingdom	March 2003
Chief Executive Officer, non-executive corporate officer	Financière Pinault SCA	France	June 2004
Member of the Supervisory Board	Financière Pinault SCA	France	January 2001
Managing Director	Palazzo Grassi	Italy	September 2005
Deputy Chief Executive Officer	Société Nouvelle du Théâtre Marigny	France	April 2010
Director	Société Nouvelle du Théâtre Marigny	France	February 2000
Member of the Management Board	SC Château Latour	France	July 1993
Permanent representative of Artémis on the Board of Directors	Agefi	France	July 2000
Permanent representative of Artémis on the Board of Directors	Sebdo Le Point	France	July 1997
Non-executive Director	Tawa Plc	United Kingdom	April 2001
within the PPR Group:			
Member of the Supervisory Board	Gucci Group NV	Netherlands	July 1999
Member of the Supervisory Board	Yves Saint Laurent SAS	France	June 2003
outside the PPR Group:			
Director	Total	France	May 2008
Director	Bouygues	France	December 1998
Director	TF1	France	July 2000
Director	Air France-KLM	France	January 2003
Director	Fonds Stratégique d'Investissement	France	December 2008

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Piasa	France	from April 2007 to January 2009
Chairman and Chief Executive Officer	Piasa	France	from December 2001 to April 2007
Chairman	Piasa	France	from April 2007 to May 2008
Director	Fnac SA	France	from October 1994 to May 2011

Number of shares held: 1,040

Jean-François Palus

Born on October 28, 1961

PPR: 10, avenue Hoche, 75008 Paris

Director and Deputy Chief Executive Officer

A 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 Chief Executive Officer of the Group.

He was Chief Financial Officer of the PPR Group from December 2005 to January 2012 and he has been Deputy Chief Executive Officer of PPR since February 26, 2008. Following the Combined General Meeting on May 7, 2009, the Board of Directors renewed his term of office as Deputy Chief Executive Officer 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 Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
within the PPR Group:			
Chairman and Chief Executive Officer	Sapardis SE	France	March 2007
Director	Fnac SA	France	November 2007
Director	Caumartin Participations SA	France	June 2008
Director	Gucci Luxembourg SA	Luxembourg	May 2011
Member of the Supervisory Board	Gucci Group NV	Netherlands	May 2006
Member of the Administrative Board	Puma SE	Germany	July 2011
Board member	Volcom Inc.	United States	July 2011
Board member	PPR Americas Inc.	United States	June 2011
Chairman of the Board of Directors	LGI SA	Switzerland	April 2011
Member of the Supervisory Board	Yves Saint Laurent SAS	France	March 2011
Permanent representative of PPR on the Board of Directors	Redcats SA	France	April 2006
Permanent representative of Sapardis on the Management Board	SC Zinnia	France	December 2009
outside the PPR Group:			
Member of the Supervisory Board	Cfao	France	October 2009

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Conforama Holding SA	France	from April 2006 to March 2011
Member of the Supervisory Board	Puma AG	Germany	from June 2007 to July 2011
Chief Executive Officer	Sapardis SA	France	from January to February 2008
Chairman and Chief Executive Officer	PPR Club de Développement	France	from June 2006 to 2009
Chairman	Redcats International	France	from December 2008 to April 2009
Director	PPR Luxembourg	Luxembourg	from April 2006 to 2010
Representative of Sapardis on the Management Board	Conseil et Assistance SNC	France	from December 2007 to December 2008
Representative of Saprodis on the Management Board	SC Zinnia	France	from February 2008 to December 2009

Number of shares held: 31,130 shares of which 18,780 are locked in

Laurence Boone

Born on May 15, 1969

Bank of America - Merrill Lynch: 2 King Edward Street, London EC1A 1HQ, United Kingdom

Independent Director

Laurence Boone is a graduate of the Faculty of Economics of Paris-X Nanterre University and has a PhD in economics from the London Business School.

She began her career as an analyst at Merrill Lynch Asset Management from 1995 to 1996. She then became a researcher at the *Centre d'Études Prospective et d'Informations Internationales* (CEPII) (France's leading institute for research on the international economy) before joining the OECD as an economist in 1998. She successively became Director of Barclays Capital France in 2004 and Managing Director and Chief Economist in 2010. She has been chief European economist at Bank of America Merrill Lynch since July 2011.

The author of numerous articles, she taught at the *École Polytechnique* and currently lectures at ENSAE (the National School of Statistics) and at the *École Normale Supérieure*. She is a member of the Circle of Economists.

Laurence Boone has been a Director of PPR since May 19, 2010. Her term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2013.

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 of 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 Chief Executive Officer of Cinzano SpA in charge of the Azzurra Organisation, Italy's first involvement in the America's Cup. From 1985 to 1990, he was the manager of the Italia 90 Football World Cup organisation committee. Since 1991, he 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.

Luca Cordero di Montezemolo has been a Director of PPR since May 19, 2005, after having served as a member of the Supervisory Board (from December 19, 2001 to May 19, 2005). His term of office was renewed by the Combined General Meeting on May 7, 2009 and will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2011.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
Chairman	Ferrari	Italy	1991
Chairman	Montezemolo & Partners	Italy	2007
Chairman	Charme Management	Italy	May 2007
Chairman	Nuovo Trasporto Viaggiatori (NTV)	Italy	2008
Director	Fiat	Italy	2004
Director	Telethon	Italy	January 2009
Director	Citigroup	United States	October 2004
Director	Le Monde	France	November 2005
Director	Poltrona Frau	Italy	December 2003
Director	Tod's	Italy	April 2001

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	Fiat	Italy	from 2004 to 2010
Chairman	Confidustria	Italy	from 2004 to 2008
Chairman	Bologna Congressi	Italy	from 2000 to 2008
Chairman	Bologna Fiere	Italy	from 1998 to 2008
Director	Editrice La Stampa	Italy	from 2002 to 2007
Director	Indesit Company	Italy	from 2002 to 2007

Number of shares held: 500

Yseulys Costes

Born on December 5, 1972

1000mercis: 28, rue de Châteaudun, 75009 Paris

Independent Director

Yseulys Costes holds a Masters degree in Management Sciences from Paris I-Panthéon University, a postgraduate degree in marketing and strategy from Paris IX-Dauphine University and an MBA from Robert O. Anderson School (USA).

Author of a number of works and articles on the topics of online marketing and databases, she was also the coordinator of IAB France (Interactive Advertising Bureau) for two years before founding 1000mercis.com in February 2000, of which she is now the Chair and Chief Executive Officer. The 1000mercis group, present in Paris and in London, and listed on the Alternext market of NYSE Euronext Paris since January 2006, offers innovative solutions to companies seeking to optimise their advertising and marketing campaign on interactive media (Internet, mobile phones, etc.). The 1000mercis Group currently has 180 employees and posted consolidated revenues of €34 million in 2010.

A researcher in interactive marketing, Yseulys Costes was received as a guest researcher at Harvard Business School and is a lecturer in interactive marketing at several prestigious French higher education establishments (HEC, ESSEC, Paris IX Dauphine University).

Yseulys Costes has been a Director of PPR since May 19, 2010. Her term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2013.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
Chair and Chief Executive Officer	1000mercis SA	France	October 2000
Chairman of the Supervisory Board	Ocito SAS (1000mercis Group)	France	2010
Member of the Supervisory Board	Made in Presse SAS	France	2010

Number of shares held: 500

Jean-Pierre Denis

Born on July 7, 1960

Arkéa Group: 29808 Brest Cedex 09

Independent Director

Jean-Pierre Denis is a Finance Inspector (*inspecteur des finances*) and a graduate of HEC and ENA. He served as Chairman and Chief Executive Officer of the Oséo Group from 2005 to 2007, and 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 Arkéa and Crédit Mutuel de Bretagne.

Jean-Pierre Denis has been a Director of PPR since June 9, 2008. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2011.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country
Chairman	Crédit Mutuel de Bretagne	France
Chairman	Crédit Mutuel Arkéa	France
Chairman	Arkéa Capital Partenaire	France
Director	Caisse de Crédit Mutuel de Pont Croix	France
Director	Altrad	France
Director	Glon Sanders Group	France
Director	Soprol	France
Director	Paprec	France
Director and General Treasurer	French professional football league (association)	France

Other directorships and positions held in the last five years:

Member of the Supervisory Board of Oséo Bretagne.

Representative of Crédit Mutuel Arkéa on the Board of Directors of Crédit Foncier et Communal d'Alsace et de Lorraine (CFCAL Banque) and of CFCAL SCF.

Number of shares held: 500

Philippe Lagayette

Born on June 16, 1943

Fondation de France: 40, avenue Hoche, 75008 Paris

Director

A graduate of the *École Polytechnique* and 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 *Fondation de France* 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 a Commander of the Legion of Honour and a Commander of the National Order of Merit. He was appointed Vice-Chairman and Senior Advisor for France of Barclays Capital Investment Banking in March 2011.

Philippe Lagayette has been a Director of PPR since May 19, 2005, after having served as a member of the Supervisory Board (from January 20, 1999 to May 19, 2005). His term of office was renewed by the Combined General Meeting on May 7, 2009 and will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2011.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
Vice-Chairman and Senior Advisor	Barclays Capital Investment Banking	France	March 2011
Chairman	Fondation de France	France	October 2010
Director	Fondation de France	France	2009
Director	Fimalac	France	May 2003
Director	Renault	France	May 2007

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Vice-Chairman in EMEA	JP Morgan	France	from September 2008 to January 2010
Managing Director and Chairman of the Paris Management Committee	JP Morgan Chase Bank	France	from 1998 to 2008
Chairman and Chief Executive Officer	JP Morgan et Cie SA	France	from July 1998 to August 2008

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 an acquisition 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 Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Chief Financial Officer and Group Management Board member of Arcelor Mittal.

European Board Member of the Wharton School.

Other directorships and positions held in the last five years:

International Advisory Board member of Citigroup.

Board member of Bennett, Coleman & Co (India).

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 serving as 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 March 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 having served as a member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office was renewed by the Combined General Meeting on May 7, 2009 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
Chairman of the Board of Directors	BNP Paribas	France	December 2011
Director	Veolia Environnement	France	April 2003
Director	Erbe SA	Belgium	June 2004
Director	Pargesa Holding SA	Switzerland	May 2004

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director and Chief Executive Officer	BNP Paribas	France	from May 2003 to December 2011
Director	Accor	France	from January 2006 to February 2009
Director	BNL SpA	Italy	from February 2007 to September 2008

Number of shares held: 600

Caroline Puel

Born on October 12, 1963

Ji Qing Li Building 2 Room 1204, Chaoyang District, 100020 Beijing, China

Director

Caroline Puel is a graduate of the *Institut d'Études Politiques (Sciences-Po)* of Paris, a graduate in Chinese of the *Institut Français des Langues Orientales* and a former student of the Institute of Diplomacy of Beijing.

She began her career as a Press Attaché at the French Embassy in China (1984 then 1987-1988). In 1989, she joined Radio France International (RFI) as a reporter, then war correspondent (India, Pakistan, first Gulf War, Yugoslavia). In 1992, she joined the French daily newspaper *Libération* in Paris. From 1993 to 1997, she was based in Hong Kong, as Asia correspondent for *Libération* and *Le Point* magazine. In 1995, she set up their offices in China and coordinated special editions on China. She left *Libération* in 2000 to stay in China and since then has managed the office of *Le Point* in Asia, based in Beijing, covering China and its area of influence, including North Korea, Mongolia and Southeast Asia. From 2003 to 2007, she served as China correspondent for the Radio Suisse Romande and Radio France (France Info, France Inter and France Culture). An art critic and a writer, author of 15 or so books about Chinese contemporary artists, Caroline received the Albert Londres Prize in 1997 for her coverage of China.

Ms. Puel, who has observed the evolution in China over the last 25 years, often comes back to Europe for lectures. She taught at *Sciences-Po* in Paris from 2004 to 2010. She was a member of the Steering Committee of the Women's Forum Asia from 2006 to 2010. In January 2011, she published her book "30 years that changed China".

Caroline Puel has been a Director of PPR since May 19, 2010. Her term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2013.

Number of shares held: 500

Jean-Philippe Thierry

Born on October 16, 1948

Banque de France: 41, rue Taitbout, 75049 Paris Cedex 01

Independent Director

A graduate of the *Institut d'Études Politiques* of Paris with a degree in economic science, in 1978 Jean-Philippe Thierry joined GPA Assurances, 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 Officer 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. Since March 7, 2010, he has been Vice-Chairman of the *Autorité de contrôle prudentiel* (French banking and insurance supervisory authority) and member of the General Council of the Bank of France.

Jean-Philippe Thierry was coopted to the Board of Directors of PPR on September 6, 2006 to replace Anthony Hamilton. The Annual General Meeting approved this cooptation on May 14, 2007. His term of office was renewed by the Combined General Meeting on May 7, 2009 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2012.

Other directorships and positions held as of December 31, 2011:

Position	Company	Country	Start 1st term of office
Vice-Chairman	*Autorité de contrôle prudentiel*	France	March 2010
Member of the General Council	Bank of France	France	March 2010
Non-voting Director	Baron Philippe de Rothschild SA	France	

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman and Chief Executive Officer	AGF	France	from June 2001 to December 2009
Chairman of the Supervisory Board	Euler Hermès	France	from February 2001 to December 2009
Chairman of the Supervisory Board	Mondial Assistance AG	Switzerland	from December 2005 to November 2009
Chairman of the Supervisory Board	Atos Origin	France	from July 2008 to February 2009
Chairman of the Board of Directors	AGF IART	France	until 2008
Chairman of the Board of Directors	AGF Vie	France	until 2008
Chairman of the Board of Directors	Tocqueville Finance	France	from September 2007 to November 2009
Chairman of the Board of Directors	Château Larose-Tintaudon	France	from June 2003 to May 2007
Chairman	Allianz Holding France SAS	France	from September 2007 to November 2009
Chairman	Tocqueville Finance Holding SAS	France	from 2008 to November 2009
Member of the Executive Board	Allianz SE	Germany	from January 2006 to December 2009
Director	Allianz Seguros y Reaseguros	Spain	from May 2001 to July 2007
Director	AGF International	France	from May 2001 to March 2009
Member of the Supervisory Board	Allianz Nederland Groep	Netherlands	from January 2006 to May 2007
Member of the Supervisory Board	Allianz Global Corporate & Specialty AG	Germany	from March 2006 to May 2007
Director	Société Financière Foncière et de Participations	France	from September 2005 to March 2009
Director	Atos Origin	France	from February 2009 to May 2010

Number of shares held: 3,050

1.2. REMUNERATION OF EXECUTIVE CORPORATE OFFICERS (CHIEF EXECUTIVE OFFICER AND DEPUTY CHIEF EXECUTIVE OFFICER)

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)*	2011		2010	
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	1,099,996	1,099,996	999,996	999,996
Variable remuneration	1,815,000	1,663,200	1,663,200	1,548,600
Exceptional remuneration	0	0	0	0
Directors' fees (PPR)	43,235	37,799	37,799	42,193[1]
Directors' fees (subsidiaries)	93,699	93,699	120,000	120,000
Benefits in kind	12,374	12,374	9,970	9,970
TOTAL	**3,064,304**	**2,907,068**	**2,830,965**	**2,720,759**

(1) For 2009.

Gross amounts *(in euros)*	2011		2010	
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	800,000	800,000	620,000	620,000
Variable remuneration	1,100,000	859,320	859,320	800,110
Exceptional remuneration	0	0	0	0
Directors' fees (PPR)	43,235	37,799	37,799	25,907[1]
Directors' fees (subsidiaries)	76,849	76,849	90,000	90,000
Benefits in kind	9,441	9,441	5,949	5,949
TOTAL	**2,029,525**	**1,783,409**	**1,613,068**	**1,541,966**

(1) For 2009.

Variable remuneration payable for 2010 was paid during the first quarter of 2011 and that payable for 2011 was paid during the first quarter of 2012. Fees payable to Directors in respect of their duties as members of the Board of Directors of PPR for 2010 were paid in January 2011 and those payable for 2011 were paid in February 2012.

For 2011, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and of 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 executives of CAC 40 companies.

At its meeting on February 16, 2011, the Board of Directors, acting on the recommendation of the Remuneration Committee, resolved to increase the Chairman and Chief Executive Officer's fixed remuneration, which remained unchanged for five years, from €999,996 to €1,099,996 and the Deputy Chief Executive Officer's fixed remuneration from €620,000 to €800,000.

The variable remuneration of the Chairman and Chief Executive Officer is based on the achievement of precisely defined targets, assessed on the basis of the Group's results after the closing of the relevant fiscal year. For 2010 and 2011, 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 2010 and 2011, there were two targets, each accounting for 50% of the variable portion of remuneration, i.e., the Group's consolidated current operating income and changes in the Group's free cash flow from operations, excluding any qualitative criteria.

In view of the fact that these two targets for 2010 and 2011 were exceeded, the rate of variable remuneration was 138% and 137.5%, respectively, of the amount of variable remuneration when targets are exactly met, i.e., the Chairman and Chief Executive Officer's variable remuneration amounted to €1,663,200 for 2010 and €1,815,000 for 2011.

As in 2010, the Deputy Chief Executive Officer's variable remuneration for 2011 can be as much as 100% of the fixed portion of remuneration when targets are exactly met on the basis of the same solely quantitative criteria and in the same proportions as those applied to the variable remuneration of the Chairman and Chief Executive Officer. As for the Chairman and Chief Executive Officer, in view of the fact that the targets for 2010 and 2011 were exceeded, the Deputy Chief Executive Officer's variable remuneration amounted to €859,320 for 2010 and €1,100,000 for 2011.

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 termination of their duties as corporate officers.

There are no supplementary defined benefit pension plans for the executive corporate officers.

	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 on:								
Annual General Meeting of 2013		X		X		X		X
Jean-François Palus								
Deputy Chief Executive Officer								
Term of office began on: February 26, 2008								
Term of office expires on:								
Annual General Meeting of 2013		X		X[1]		X		X

(1) At the beginning of 2010 the Board of Directors authorised the grant of a pension benefit to Jean-François Palus. This plan takes the form of a transfer of an amount of €3.568 million to a fund entitling him to payment of a full pension (with a right of reversion) from the legal retirement age, and is not subject to his presence within the Group. 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 for entitlement to the variable portion of his remuneration for 2009 and 2010 must be fulfilled.

This amount would finance a target pension annuity, of a non-guaranteed amount, set at approximately 25% of his annual remuneration paid in 2009 according to the actuarial rates applied within the Group.

Other information and commitments

No stock options were granted to executive corporate officers in 2011.

No stock options were exercised by executive corporate officers in 2011.

Historical details of the stock options previously granted to François-Henri Pinault and Jean-François Palus are shown on pages 296 and 297.

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 2011

	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)	Vesting date	Availability date	Performance conditions
François-Henri Pinault	2011-I Plan May 19, 2011	11,514	€961,764	May 19, 2013	May 19, 2015	Condition of a performance of the PPR share at least equivalent to an index of European share values in the luxury goods and retail sectors, between the granting and vesting of said shares (two years), and an additional condition of an average increase in net earnings per PPR share attributable to owners of the parent of at least 5% during the vesting period. The number of shares vested will be reduced in proportion to any underperformance of the PPR share and any shortfall in the minimum average increase in net earnings per share attributable to owners of the parent, with vesting being forfeited if this average increase is equal to or lower than 2.5%.
TOTAL		**11,514**	**€961,764**			
Jean-François Palus	2011-I Plan May 19, 2011	13,581	€1,134,421	May 19, 2013	May 19, 2015	Condition of a performance of the PPR share at least equivalent to an index of European share values in the luxury goods and retail sectors, between the granting and vesting of said shares (two years), and an additional condition of an average increase in net earnings per PPR share attributable to owners of the parent of at least 5% during the vesting period. The number of shares vested will be reduced in proportion to any underperformance of the PPR share and any shortfall in the minimum average increase in net earnings per share attributable to owners of the parent, with vesting being forfeited if this average increase is equal to or lower than 2.5%.
TOTAL		**13,581**	**€1,134,421**			

At its meeting on May 19, 2011 held prior to the Annual General Meeting, the Board of Directors decided, upon the recommendations of the Remuneration Committee, to grant 11,514 performance shares to François-Henri Pinault and 13,581 performance shares to Jean-François Palus; 6,667 of these shares were granted as a specific lump sum remuneration for the successful sale of the Conforama Group. These shares will vest subject to an additional condition of a minimum average increase in (i) net income per share attributable to the owners of the parent for the Chairman and Chief Executive Officer, and (ii) net income per share from continuing operations attributable to owners of the parent during the vesting period for the Deputy Chief Executive Officer.

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 François-Henri Pinault and 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 their duties as executive corporate officers of PPR, unless the Board of Directors decides otherwise, thus releasing them from this restriction within the limit that it would then set.

The Board of Directors also decided, in accordance with the recommendations of the AFEP-MEDEF Consolidated Code, to set the purchase obligation, when the performance shares become available, at 10% of the initial number of performance shares allocated to François-Henri Pinault and Jean-François Palus.

Performance shares that became available during 2011 for each executive corporate officer

	Number and date of the plan	Number of shares that became available during the year	Vesting conditions
François-Henri Pinault	-	-	-
Jean-François Palus	2009-I Plan May 7, 2009	6,030 (1)	No requirement to purchase shares upon availability
TOTAL		**6,030**	

(1) Shares vested in 2011 and available as from May 7, 2013.

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 2011	Amounts for 2010
Remuneration payable	3,064,304	2,830,965
Value of options granted during the year (1)		
Value of performance shares allocated during the year (1)	961,764	895,964
TOTAL	**4,026,068**	**3,726,929**

(1) This value corresponds to the value of the options and financial instruments upon their allocation as measured in accordance with IFRS 2 after taking into account, in particular, any 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 2011	Amounts for 2010
Remuneration payable	2,029,525	1,613,068
Value of options granted during the year (1)		
Value of performance shares allocated during the year (1)	1,134,421	1,061,705
TOTAL	**3,163,946**	**2,674,773**

(1) This value corresponds to the value of the options and financial instruments upon their allocation as measured in accordance with IFRS 2 after taking into account, in particular, any 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.

1.3. REMUNERATION OF NON-EXECUTIVE CORPORATE OFFICERS – DIRECTORS' FEES

The Annual General Meeting on May 19, 2010 increased the total amount of directors' fees to be allocated to the members of the Board of Directors for 2010 from €660,000 to €809,000, due to the appointment of three additional Directors. This amount remained unchanged for 2011.

At its meeting on February 15, 2012, the Board of Directors decided, upon the recommendations of the Remuneration Committee, to allocate directors' fees based on the actual presence of members at meetings of the Board and of specialised committees held in 2011.

Out of the total amount set by the Annual General 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 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.

For 2011, a total amount of €722,530 was paid to the non-executive Directors, allocated as follows:

- €114,000 for the special portion;
- €312,750 for the fixed portion;
- €295,780 for the variable portion.

The table below shows directors' fees paid in 2010 and 2011 for fiscal years 2009 and 2010:

Members of the Board of Directors other than the Chairman and Chief Executive Officer and Deputy Chief Executive Officer	Directors' fees paid during the year *(in euros)*	
	2011	2010
Patricia Barbizet	213,106[1]	205,720[1]
René Barbier de la Serre[2]		31,604
Pierre Bellon	51,551	55,813
Laurence Boone	21,427	
Allan Chapin	58,623	55,813
Luca Cordero di Montezemolo	32,141	32,573
Yseulys Costes	21,427	
Jean-Pierre Denis	64,282	47,178
Philippe Lagayette	81,623	78,813
Aditya Mittal	20,825	19,938
Baudoin Prot	45,382	39,526
Caroline Puel	21,427	
Jean-Philippe Thierry	76,869	54,860
TOTAL	**708,683**	**621,838**

(1) Directors' fees paid by PPR and Gucci Group.

(2) The term of office of René Barbier de la Serre expired on May 7, 2009.

Neither the Company, nor any company controlled by it, has made any commitment vis-à-vis its Directors or executive corporate officers on account of the commencement, termination of 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.

1.4. REGULATORY INFORMATION ON DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

To the Company's knowledge:

- none of the Directors or executive corporate officers have been convicted for fraud in the last five years;
- none of the Directors or executive corporate officers have been associated in the last five years 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 or 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 or executive corporate officers by statutory or regulatory authorities (including named professional bodies);
- none of the Directors or executive corporate officers have 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 of or change in his or her duties or subsequent thereto;
- none of the Directors or executive corporate officers have received any remuneration from Artémis (which directly controls PPR) during the year;
- none of the Directors or executive corporate officers have 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 senior executives are used in Group operations.

In general, to the Company's knowledge, none of the Directors or executive corporate officers are in a position of potential conflict of interest between their duties with regards to the Company and their private interests or other duties or have existing family ties with another Director or executive corporate officer of the Company.

1.5. 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, in its meeting on May 7, 2009, which followed the Combined General Meeting, the Board of Directors 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, in its meeting on May 7, 2009, which followed the Combined General Meeting, the Board of Directors 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

- Jean-Michel Noir, Chairman and Chief Executive Officer of Redcats SA (appointed by the Board of Directors at its meeting on May 7, 2009);
- Jochen Zeitz, Chief Executive Officer of PPR Sport & Lifestyle Division and PPR Chief Sustainability Officer, Chairman of the Administrative Board of Puma SE (appointed by the Board of Directors at its meeting on May 7, 2009);
- Alexandre Bompard, Chairman and Chief Executive Officer of Fnac (appointed by the Board of Directors at its meeting on January 21, 2011);

The Board of Directors' meeting on January 20, 2012 appointed Alexis Babeau, Deputy Chief Executive Officer of PPR Luxury Division, as a non-voting Director.

The main role of non-voting Directors is to attend Strategy 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 Annual General Meeting deemed appropriate that the Board be allowed to decide on the number of non-voting Directors and amended Article 18 of PPR's Articles of Association accordingly.

1.6. 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.

The Executive Committee

The Executive Committee meets each month, with the CEOs of the Group's major brands and PPR's main corporate officers. In February 2012, the Executive Committee broadened its membership to Patrizio di Marco and Marco Bizzarri, Chairmen and Chief Executive Officers of Gucci and Bottega Veneta, respectively, as well as Franz Koch, Chief Executive Officer of Puma. In addition, and further to the extended responsibilities of Jean-François Palus, Deputy Chief Executive Officer, Jean-Marc Duplaix, Group Chief Financial Officer, also joined the Executive Committee, now counting 12 members.

The new membership of the Executive Committee – the Group's operational authority – reflects PPR's transformation into a streamlined, more operational group and gives the CEOs of its major brands the opportunity to be more closely involved in the Group's key strategic decision-making processes, alongside PPR's main operationnal officers.

Members of the Executive Committee

- François-Henri Pinault (since March 2005), Chairman and Chief Executive Officer, PPR;
- Jean-François Palus (since December 2005), Deputy Chief Executive Officer, PPR;
- Alexis Babeau (since March 2011), Deputy Chief Executive Officer, Luxury Division, PPR;
- Marco Bizzari (since February 2012), Chairman and Chief Executive Officer, Bottega Veneta;
- Louise Beveridge (since March 2011), Senior Vice-President, Communications, PPR;
- Alexandre Bompard (since January 2011), Chairman and Chief Executive Officer, Fnac;
- Patrizio di Marco (since February 2012), Chairman and Chief Executive Officer, Gucci;
- Jean-Marc Duplaix (since February 2012), Chief Financial Officer, PPR;
- Belén Essioux Trujillo (starting from May 2012), Senior Vice-President, Human Resources, PPR;
- Franz Koch (since February 2012), Chief Executive Officer, Puma;
- Jean-Michel Noir (since April 2009), Chairman and Chief Executive Officer, Redcats;
- Jochen Zeitz (since September 2007), Chief Executive Officer, Sport & Lifestyle Division and Chief Sustainability Officer, PPR; Chairman of the Administrative Board, Puma SE.

Monthly activity and budget review meetings

The Executive Management of PPR, and the CEOs of the major brands of the Divisions, Fnac and Redcats hold monthly meetings to assess changes in the activities of the Divisions, Fnac and Redcats. This assessment is based on operational and financial factors.

Group organisation and planning

Each Division, Fnac and Redcats 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 Division, Fnac and Redcats. Strategic planning covers the long-term development of the businesses, the growth outlook in 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 operating performance of the Divisions, Fnac and Redcats 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 the Divisions, Fnac and Redcats as well as their financial summary.

Insider Good Practices Committee

Comprised of the Deputy Chief Executive Officer and the Head of the Legal Department, the Insider Good Practices Committee draws up the timetable of black-out periods for trading in PPR securities, lists of insiders, letters of information and monitoring in relation to rules on insider dealing, which are sent to the relevant managers and senior executives of the Group as well as to occasional and permanent insiders, in accordance with the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – 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 AMF's General Regulations, to the Company's knowledge, no transactions were carried out by the individuals referred to in Article L. 621-18-2 of the French Monetary and Financial Code *(Code monétaire et financier)* on PPR's financial instruments during 2011 and from January 1, 2012 to March 15, 2012.

Ethics and Corporate Social Responsibility Committee (ECSRC)

PPR's Ethics and Corporate Social Responsibility Committee reports to the Executive Committee. It is comprised of Company managers of the major brands of the Divisions, Fnac and Redcats, who contribute their experience in areas such as strategy, human resources, sustainability, legal issues and management. The Committee also includes a member from outside the Group who is a business ethics specialist.

The ECSRC has three assignments:

- monitoring the proper distribution and application of the Code of Business Practices and the principles that it defends;
- answering 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;
- initiating and promoting proposals for the development of Group policies and actions relating to corporate social responsibility.

1.7. 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 du commerce*) amended by Act No. 2008-649 on 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 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 meeting on February 13, 2012 and the second part was the subject of deliberations at the Company's Audit Committee on January 17, 2012.

The Board of Directors approved the entire report at its meeting on February 15, 2012 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

1.7.1. Membership of the Board of Directors

1.7.1.1. Current membership of the Board

The Board is comprised of Directors with wide and diversified experience, in particular, in relation to corporate strategy, finance, insurance, economics, the retail sector, industry, accounting, management and supervision 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 Combined General Meeting on 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 twelve Directors:

Name	Position	Age	Indepen-dent Director(1)	Participation on a committee				Start 1st term of office	End of current term of office	Nationality
				Audit	Remun - eration	Appoin-tments	Strat. & Dev.			
François-Henri Pinault	Chairman and Chief Executive Officer	49						2005	2013	French
Patricia Barbizet	Vice-Chair	56		✓	✓	✓	✓	2001	2013	French
Jean-François Palus	Deputy Chief Executive Officer	50						2009	2013	French
Laurence Boone	Director	42	✓		✓			2010	2014	French
Yseulys Costes	Director	39	✓		✓		✓	2010	2014	French
Luca Cordero di Montezemolo	Director	64	✓			✓		2001	2012	Italian
Jean-Pierre Denis	Director	51	✓	✓	✓			2008	2012	French
Philippe Lagayette	Director	68			✓		✓	1999	2012	French
Aditya Mittal	Director	36	✓					2009	2013	Indian
Baudouin Prot	Director	60				✓		1998	2013	French
Caroline Puel	Director	48					✓	2010	2014	French
Jean-Philippe Thierry	Director	63	✓	✓				2006	2013	French

(1) According to the criteria of the AFEP-MEDEF Consolidated Code set out in section 1.7.2.5. below.

Four non-voting Directors appointed by the Board of Directors 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 task: 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 102 to 109 of this Reference Document.

1.7.1.2. Changes in the membership of the Board of Directors

The terms of office of Pierre Bellon and Allan Chapin expired at the end of the Combined General Meeting on May 19, 2011.

In accordance with the provisions of the French law dated January 27, 2011 on professional equality and the balanced representation of women and men on boards of directors and supervisory boards, amending in particular Article L. 225-37 of the French Commercial Code, pursuant to which this report has been drawn up, the principle of balanced representation of women and men will be taken into consideration for the Board in accordance with the law. Women currently represent 33.3% of the Board of Directors' members, exceeding the required minimum proportion of 20% to be met by the Annual General Meeting which is due to meet in 2014.

1.7.2. Conditions of preparation and organisation of the work of the Board of Directors

1.7.2.1. 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 implementation. Subject to the powers expressly granted to Annual General 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 handles all matters concerning the Company 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, the Company's Articles of Association, the internal rules of

the Board and 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 enable Directors to 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 into account the new recommendations of the French financial markets authority (*Autorité des marchés financiers* – AMF) regarding the prevention of insider trading practices by senior executives, also set the rules applicable to 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 for a period of 30 calendar days preceding each of the periodic publications relating to the annual and interim financial statements and 15 calendar days preceding each of the quarterly publications relating to consolidated revenue and ending at the close of the trading day following the publication of the relevant official press release. In no way does this black-out period replace the legal and regulatory provisions regarding insider trading with which each member of the Board must comply at the time he/she decides to trade, no matter when this might occur outside the defined black-out 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, where the issuer of those financial instruments has an insider relationship with the Group. Consequently, the internal rules require the reporting of all dealings in these securities.

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.

According to the internal rules, Directors are required to inform the Chairman of the Board of any conflicts of interest, or any possible such conflicts, between their duties towards the Company and their private interests and/or other duties, and they may not vote on any matters that concern directly or indirectly themselves.

The Chairman of the Board of Directors may ask the Directors at any time for a written statement confirming that they are not involved in any conflicts of interest.

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.

Executive Management may in all circumstances be heard within said committees.

1.7.2.2. Executive Management

After the Combined General Meeting on 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, is closely involved in conducting the Group's business and has in-depth knowledge and experience of this business. The management of the Luxury and Sport & Lifestyle Divisions is entrusted to the senior executives of these Divisions, and to the Chairmen and Chief Executive Officers for Fnac and Redcats. All are members of the Executive Committee and attend Board of Directors' meetings as non-voting Directors. They are thus able to provide, at those Board meetings, which they are invited to attend, their views and information concerning the Group's Divisions and brands so that the non-executive Directors and more generally the Board may be well-informed.

On the proposal of the Chairman and Chief Executive Officer, the Board on Directors' meeting of February 22, 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 Combined General Meeting on May 7, 2009 for a four-year term.

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.

1.7.2.3. Limitations by the Board of Directors to the powers of the Chief Executive Officer and Deputy Chief Executive Officer

In connection with the Board of Directors' statutory role of determining the strategy of the Company and ensuring its implementation, and without prejudice to the legal provisions governing the authorisations required to be granted by the Board (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, require 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 Annual General 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 (which was €500 million in 2011):

- all investments or divestments, including the acquisition or sale or exchange of holdings 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.

1.7.2.4. 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 detailed in the 2008 Reference Document.

Accordingly, the Company now refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF report, the aforementioned January 2007 and October 2008 AFEP-MEDEF recommendations and the April 2010 AFEP-MEDEF recommendation on higher representation of women in the boardroom ("the AFEP-MEDEF Consolidated Code") and has done so, in particular, for the preparation of this report. The AFEP-MEDEF Consolidated Code is available in French on the MEDEF's website at: www.code-afep-medef.com.

The section on the activity of the specialised committees of the Board of Directors of this report identifies a provision of the AFEP-MEDEF Consolidated Code which has not been applied and explains the reasons for this decision in accordance with Article L. 225-37 of the French Commercial Code.

1.7.2.5. Independence of Directors

In order to assess the independence of a Director and to avoid possible risks of conflicts of interest, the Board applied the criteria defined in the AFEP-MEDEF Consolidated Code, whereby a Director cannot:

- be an employee, Director or executive corporate officer of the Company, employee or Director of its parent company or of a consolidated company or have been an employee, Director or executive corporate officer thereof in the past 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 (whether the same currently holds such employee, Director or executive corporate officer functions or has held such functions in the past five years) holds a directorship;
- be a significant customer, supplier, investment banker, or financing bank of the Company or its Group, or 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 in the past 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 a review by the Appointments Committee on February 11, 2011, the Board of Directors classified as independent Directors, without prejudging the independence of the other Directors, the following members: Laurence Boone, Luca Cordero di Montezemolo, Yseulys Costes, Jean-Pierre Denis, Aditya Mittal and Jean-Philippe Thierry.

Regarding Baudouin Prot, the Board noted that although the PPR Group maintains ordinary and arms' length relationships with the BNP Paribas Group, BNP Paribas Group declared that his activities for the PPR Group did not place him in a position of influencing Baudoin Prot's independence with regards

to PPR. Regarding Caroline Puel, the Committee noted that although the PPR Group maintains arms' length relationships with certain journalists of *Le Point*, Caroline Puel declared that the nature of her professional activities did not place her in a situation of influencing her independence with regard to PPR.

Regarding Philippe Lagayette, PPR Director since 1999, the Committee considered that its external assessment of the personal independence of this Director was still applicable.

During its meeting on February 13, 2012, 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 the review, considered that its earlier assessments were still applicable.

Accordingly, six Directors out of the twelve Directors on the Board are classified as independent Directors, it being noted that the AFEP-MEDEF Consolidated Code recommends that those 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.

1.7.2.6. Activity of the Board of Directors and its specialised committees

Activity of the Board of Directors in 2011 and up to February 15, 2012

Activity of the Board of Directors in 2011

During 2011, the Board met eight times with an average attendance rate of 80.6%; the Chairman of the Board chaired all Board meetings.

Dates	Directors present *(attendance rate)*
January 21	12/14 (85.7%)
February 16	10/14 (71.4%)
March 22	12/14 (85.7%)
May 19 (before the Combined General Meeting)	12/14 (85.7%)
May 19 (after the Combined General Meeting)	10/12 (83.3%)
July 28	10/12 (83.3%)
September 13	9/12 (75%)
October 25	9/12 (75%)

The work of the Board of Directors mainly involved reviewing the annual and interim financial statements, the Group's business activity and strategic issues.

During its meeting on January 21, 2011, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2010 financial statements, on the Statutory Auditors' audit approach and on the Group's internal audit activity and heard a presentation on the key priorities and the major focuses of the Group's new Corporate Social Responsibility policy entitled "PPR Home for the Long Run". The Board granted and allocated the directors' fees for 2010 in accordance with the terms and conditions of its internal rules.

On February 16, 2011, following a review by the Audit Committee, which met two days before, the Board of Directors adopted the 2010 financial statements and reports in view of the Annual General Meeting. It adopted the draft management report of the Board of Directors to the Annual General Meeting and approved the Chairman's report on corporate governance, internal control and risk management.

On March 22, 2011, the Board met to deliberate on the 2011 budget and the Group's financial policy. On the recommendation of the Remuneration Committee, the Board determined the variable remuneration components for 2011 for the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer. During this meeting, in connection with the sale of Conforama, the Board reviewed agreements between PPR, Conforama and the BNP Paribas Personal Finance group.

On May 19, 2011, the Board met prior to the Annual General Meeting held on the same day. The Board heard a presentation on the work of the Remuneration Committee concerning the proposed policy for 2011 with regard to the long-term remuneration of the Group's senior executives. It also decided on the principle of granting free shares to the Chairman and Chief Executive Officer and to the Deputy Chief Executive Officer (on the Remuneration Committee's recommendation) and approved the rules of two free share plans, the first for French residents and the second for non-French residents. Those share grant plans are 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 Chairman and Chief Executive Officer and to the Deputy Chief Executive Officer, with an award for the latter of a specific lump sum remuneration given the success of the sale of Conforama. In accordance with the AFEP-MEDEF recommendations, the Board made these grants subject to an additional performance condition and to an obligation to purchase shares when the performance shares become available. The Board thanked Pierre Bellon and Allan Chapin, who were attending their last meeting, for their contribution to the Board's work and its committees during their respective terms of office.

At the close of the Annual General Meeting on May 19, 2011, the Board held a meeting and set at €500 million the amount of the authorisation given to the Chief Executive Officer, with the power to delegate, 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 Annual General Meeting on the same day.

On July 28, 2011, the Board reviewed the work of the Audit Committee, which had met two days before, heard the Statutory Auditors, and a report on business activity for the first half of 2011 and adopted the interim financial statements and reports.

The meeting on September 13, 2011 was devoted to a presentation of the classification of the Group's risks. During this meeting, the Board was given an overview of the previous Audit Committee meeting on Internal Audit procedures within the Group. Executive Management then presented the dual approach applied to the organisation of risk management within the Group, namely key controls by process and the identification process. The Board noted that i) a risk committee was created, ii) the skills of Internal Audit were strengthened, and iii) a harmonised risk management system was rolled out.

During the meeting on October 25, 2011, a report was made to the Board on the Group's business activities, and a presentation on the strategic guidelines for each Division and changes within the retail market were the main subjects for discussion among the Board members. The Board also discussed the Group's policy for gender equality and equal pay, particularly its "Gender Equality and Leadership" programme.

Activities of the Board of Directors in 2012, from January 1 to February 15, 2012

Between January 1, 2012 and February 15, 2012, the Board of Directors met twice.

During its meeting on January 20, 2012, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2011 financial statements, the Group's internal audit activity, heard a presentation on the Group's new operating organisation and governance and approved the proposal to create a Sustainability Committee.

On February 15, 2012, the Board of Directors met to adopt the 2011 annual financial statements and reports to be submitted to the Annual General Meeting and to approve this report. The Board granted and allocated the directors' fees for 2011 in accordance with the terms and conditions of its internal rules.

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. The last assessment was carried out by a specialist firm, which presented the results at the Board meeting of April 8, 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 interim 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 sustainability 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.

At the beginning of 2011, the Audit Committee conducted a review of its internal rules in order to comply with the provisions of the Ordinance of December 8, 2008.

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.

The Audit Committee members all have recognised financial or accounting skills, combining their expertise in general and operational management of insurance companies, banks and businesses as confirmed by their professional careers (see pages 103, 106 and 109 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 2011 and up to February 15, 2012

In 2011, the Committee met seven times, with an attendance rate of 100%.

On January 18, 2011, the Head of the Internal Audit Department reported to the Committee on the internal audit activities within the Group in 2010 (audit assignments and monitoring of action plans); the Committee reviewed the accounting options for the annual financial statements and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 14, 2011, the Committee met before the meeting of the Board to adopt the 2011 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. It also reviewed the services provided by Artémis in 2010.

On March 22, 2011 and June 28, 2011, the Audit Committee met to hear about a potential risk situation from Executive Management.

On June 9, 2011, the internal audit missions for the Group were presented to the Committee.

With a view to the meeting on the Board of July 28, 2011 to adopt the interim financial statements, the Committee met two days before to review the financial statements.

The meeting on September 5 focused on the presentation of the organisation of the risk management system, the risk management methodology and the classification of the Group's risks.

Since the beginning of 2012, the Audit Committee has met twice, with all of its members present.

On January 17, 2012, the Head of the Internal Audit Department reported to the Committee on the internal audit activities within the Group in 2011; the Committee assessed the Group's situation and risks in light of the sovereign debt crisis based on a document prepared by PPR's Risk Committee, reviewed the accounting options for the annual financial statements and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 14, 2012, the Committee met before the meeting of the Board to adopt the 2011 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. It also reviewed the services provided by Artémis in 2011.

On February 15, 2012, 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 the 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 Annual General Meeting. It reviews and assesses the remuneration policy for senior executives 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.

The Remuneration Committee is comprised of five Directors: Philippe Lagayette, Chairman of the Committee, Patricia Barbizet, and Laurence Boone, Yseulys Costes and Jean-Pierre Denis, all three of whom are independent Directors. Laurence Boone and Yseulys Costes joined the Committee at the end of Pierre Bellon's and Allan Chapin's terms of office. Accordingly, with regard to the criteria of the AFEP-MEDEF Consolidated Code, independent Directors represented the majority of the Remuneration Committee's members.

Activities of the Remuneration Committee in 2011 and up to February 15, 2012

In 2011, the Committee met three times, with an average attendance rate of 100%.

In particular, on February 14 and February 16, 2011, it met on the subject of the variable remuneration of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer and the members of the Executive Committee for 2010 and fixed remuneration for the coming fiscal years.

Its meeting in March 2011 was devoted to the granting of free shares within the Group. The Committee gave its opinion on the proposed grant policy, as regards the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer, recommending 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 criteria for determining the variable remuneration of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

On February 13, 2012, the Committee met to review the variable remuneration for 2011 and the fixed remuneration of the Executive Committee members, the Chairman and Chief Executive Officer and the Deputy Chief Executive Officer.

The Remuneration Committee reported on its work 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 at any time deemed appropriate by the Committee. It provides its opinions and recommendations in these matters to the Board.

The Committee is comprised of three Directors: Patricia Barbizet, Chair, Luca Cordero di Montezemolo, independent Director, and Baudouin Prot.

Given the majority of independent Directors within the Board of Directors, notwithstanding the presence of a controlling shareholder, the Company does not comply with the AFEP-MEDEF recommendations regarding the proportion of independent members within the Appointments Committee, with one-third (instead of the majority) of the members of the Appointments Committee being independent.

Activities of the Appointments Committee in 2011 and up to February 15, 2012

In 2011, the Appointments Committee met once with all of its members present.

On February 14, 2011, the Committee met to discuss the succession plan for the Group's senior executives, the assessment of the independence of Directors, the composition of the Board and of its committees.

On February 13, 2012, the Committee met in the presence of all its members to discuss the succession plan for the Group's senior executives, the assessment of the independence of Directors, the Board's membership and its committees. In addition, it reviewed a draft of the section of this report dealing with corporate governance.

The Appointments Committee reported on its work 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 support the PPR Group's strategic development initiatives.

The Committee is comprised of four Directors: Patricia Barbizet, Committee Chair, Yseulys Costes, independent Director, Caroline Puel and Philippe Lagayette.

Activities of the Strategy and Development Committee in 2011 and up to February 15, 2012

The Committee met twice in 2011, in the presence of all of its members to present the Group's strategic priorities and the medium-term plans of the Luxury and Sport & Lifestyle Divisions, Redcats and Fnac.

1.7.2.7. Shareholders' attendance

All shareholders are entitled to attend Annual General 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 307 of the Reference Document.

1.7.2.8. Information likely to have an impact in the event of a public offer

No information other than that related to i) the current shareholding structure (Artémis being the majority shareholder, with 40.6% of the capital and 55.1% of voting rights of PPR), ii) the double voting right provided for under the Articles of Association, iii) the share buy-back programme and iv) the authorisations by the Annual General 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 Company's knowledge, there are no agreements between shareholders that could restrict the transfer of shares or the exercise of voting rights.

1.7.2.9. Remuneration policy with regard to Directors and executive corporate officers

Directors' fees paid to the members of the Board of Directors

The Annual General 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 Annual General 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, Remuneration and Appointments 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 to 2011, PPR paid the members of its Board of Directors €809,000 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 Board of Directors adopted two financial criteria for 2011, which are based on Group performance indicators in terms of free cash flow and operating income generation, each of these items accounting for one half. When targets are exactly met, the variable portion is equal to 120% of the fixed remuneration of the Chairman and Chief Executive Officer and at 100% of that of the Deputy Chief Executive Officer.

None of PPR's executive corporate officers benefit from provisions granting them a specific indemnity in the event they leave the Group.

The individual remuneration of the Directors and executive corporate officers of PPR is detailed on pages 110 to 114 of the Reference Document.

1.7.3. Internal control and risk management procedures implemented by the Company

This part of the Report by the Chairman of the Board of Directors on the risk management and internal control system within the Group is based on the AMF's reference framework published in July 2010.

This framework takes into account the legislative and regulatory changes since the framework was first published in 2007, including the Act of July 3, 2008 and the Ordinance of December 8, 2008, which transposed EU Directive 2006/46/EC into French law and also supplemented the Financial Security Act of August 1, 2003.

The AMF's framework is based not only on the aforementioned French and EU legislation and regulations, but also on internal control and risk management good practices and international standards, in particular ISO 31000 and COSO II. The COSO II standard was analysed in depth when the risk management policy was drafted. This policy is set out in the section "The components of risk management".

1.7.3.1. Scope and principles of organisation

PPR is the parent company of the PPR Group, whose main entities are the Luxury Division, the Sport & Lifestyle Division, Fnac and Redcats. 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 exclusive control.

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 Divisions, Fnac and Redcats, coordinating the financing of their activities, providing support and communication functions, and defining and implementing the insurance cover policy.

The internal control function monitors the general organisation of the Group. It is both:

- decentralised at the level of the Divisions, Fnac and Redcats: 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.

The section devoted to internal control procedures will deal with the Luxury Division, Fnac and Redcats. 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 in this area have been adopted by the Puma group. Puma's Audit Committee keeps the PPR Audit Committee regularly informed.

1.7.3.2. General principles of risk management

According to the definition of the AMF, risks represent the possibility that an event may occur and could have an impact on people, assets, the environment, the company's objectives and its reputation.

Risk management covers areas that are much wider than just financial risks: for example, strategic, operational, reputational and compliance risk. Risk management is a key management tool that helps:

- create and preserve the value, assets and reputation of the Company;
- make Company's decision-making and processes more secure to make it easier to achieve objectives;
- ensure that initiatives are consistent with the Company's values;
- bring Company employees together to develop a shared view of the main risks.

1.7.3.3. The components of risk management

The Group has pursued its objectives of making its operations more secure and improving its methodology to identify and deal with risks. In 2011, the Group modified its risk management methodology and the means used for its risk management system. The Group's risk management system provides an organisational framework, a three-step risk management process and continuous management of the system.

1.7.3.3.1.An organisational framework

This organisational framework entails:

- an organisation that sets out the roles and responsibilities of the stakeholders and sets out procedures, as well as consistent and clear standards, for the system;
- a risk management policy that sets out the objectives of the system in line with company's culture, the shared language used, and the process to identify, analyse and deal with risks;
- an IT system that makes it possible to share information about risks internally.

Risk Committee

Within the scope of Group's risk management policy and in accordance with PPR's corporate governance, PPR's Executive Management created a "PPR Group Risk Committee" in 2011. This Committee is comprised of the Deputy Chief Executive Officer, the Head of the Legal Department, the Head of the Internal Audit Department and the Head of the Security Department. As the Group's operations and activities expand, and become more complex and more international, the Risk Committee helps identify and manage strategic, operational, reporting and compliance risks that could have an impact on the Group's business operations. Internal rules establish the rules for the Committee and how it operates.

The Risk Committee reviews i) the validation and monitoring process for the Group's risk management policy, ii) the monitoring of current events and the relevance of the analysis of strategic, operational, reporting and compliance risks, iii) the analysis summaries of general and specific risks, and iv) the validation and monitoring of action plans aimed at better controlling identified risks.

The Risk Committee's work may be brought to the attention of the Audit Committee, which is informed of the Committee's internal rules and has access to the reports from its meetings.

Risk manager

The risk manager function was also created within the Company to coordinate this reinforced risk management system, ensure that the Executive Management teams of the Divisions, Fnac and Redcats analyse the main risks to which they may be exposed, and provide the members of the Risk Committee, prior to each meeting, with the information and documents necessary for their work and their discussions.

Risk management policy

After reviewing in particular the COSO II standard, the Group implemented a risk management policy that was sent to the Internal Control Departments of the Divisions, Fnac and Redcats. This document describes the methods used by the Group for the risk analysis work that it conducts every two years.

1.7.3.3.2.A risk management process involving three steps:

- identifying risks: this step makes it possible to set out and centralise the main risks. A risk is characterised by an event, one or more internal or external sources, and one or more consequences. Risk identification within the Group is part of a continuous effort;
- analysing risks: this step involves reviewing the potential consequences of the main risks (for example, financial, human, legal or reputational consequences) and assessing whether they may occur as well as the level of risk control. This is a continuous effort, and assessments are conducted twice a year during work group sessions with the main managers of the Divisions, Fnac and Redcats; the risk management policy describes in detail the criteria and procedures for these assessments;
- dealing with risk: during this last step, the most appropriate action plan(s) for the company are identified.

This risk mapping system was put in place several years ago and was strengthened in 2011 with the presentation

made to the Risk Committee of a consolidated risk map for each Division, Fnac and Redcats. The risk management process is monitored over the long-term.

1.7.3.3.3. Oversight of the risk management system

The risk management system is monitored and reviewed on a regular basis to help continuously improve the system. The objective is to identify and analyse the main risks and to learn from risks that have occurred.

The Risk Committee meets at least twice a year to review the risk maps drawn up by the Executive Management teams of the Group, the Divisions, Fnac and Redcats, and to monitor the progress of the special action plans.

The Committee discusses its self-assessment once a year.

The Committee met three times in 2011. Its work was brought to the attention of the Audit Committee.

1.7.3.4. Link between risk management and internal control

The risk management and internal control systems are complementary, and together help control the Group's activities:

- the risk management system is designed to identify and analyse the main risks. Risks are dealt with, and addressed in action plans that can be adapted to the organisation, may include project management, and may also involve implementing controls. The controls to be implemented are part of the internal control system and may be reviewed based on the risk maps;
- the internal control system relies on the risk management system to identify the main risks to be controlled;
- the audit plan uses the risk map to test the assessment of the level of control of the risks identified;

The link between and the combined balance of the two systems depends on the control environment, which is their common base, particularly: the risk and control culture of each company and the ethical values of the Group.

1.7.3.5. General principles of internal control

1.7.3.5.1. 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;
- strategic, operational, financial or compliance risks that could have a significant impact on the Company's assets or the achievement of its objectives.

Internal control is defined as a process conducted by Executive Management, under the supervision of the Board of Directors, and implemented by senior executives and all employees. Regardless of its quality and its degree 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.

1.7.3.5.2. Limits of internal control

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.

Furthermore, 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.).

The Puma group faced this type of situation in 2010 in its Greek subsidiary Puma Hellas. The actions immediately put in place were monitored at each Puma Audit Committee and Board of Directors' meeting in 2011. In addition, an audit during the first half of 2011 showed that the corrective measures initiated in 2010 had been put into place.

1.7.3.6. The components of internal control

The quality of the internal control system is based on the following components:

- the control environment based on rules of conduct and integrity supported by Management and communicated to all employees;
- an organisation that clearly defines responsibilities and has adequate resources and skills;
- a system to identify, analyse and manage the main risks;
- ongoing oversight of the internal control system and regular review of the functioning of the system.

1.7.3.6.1.Internal control environment

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. It also includes an Internal Control Charter. Moreover, it relies on human resources management that ensures the competency and involvement of its employees.

The Group Charter

The PPR Group adopted a Group Charter 5 years ago which was updated in 2010 and provides the framework for the decentralisation of the organisation and the responsibility of senior executives. The Charter defines the guiding principles governing the relations between PPR, the Divisions, Fnac and Redcats. It also defines, within each functional area, i) the elements that fall within the delegated responsibility of the Divisions, Fnac and Redcats, 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 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 Divisions, Fnac and Redcats and employees of PPR, and is chaired by the Group's Head of Institutional Relations, who reports directly to the Chairman and Chief Executive Officer.

The ECSRC fills three roles:

- supervising the circulation and application of the Code of Business Practices and the principles that it defends;
- responding to any issues raised by a Group employee, be it a simple request for clarification or a question relating to the 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 Divisions, Fnac and Redcats may in addition 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.).

The Internal Control Charter

The PPR Group adopted an Internal Control Charter in 2010 that was circulated throughout the Group. The Charter defines internal control and sets out its objectives as presented in the AMF's reference framework. It also specifies the limits of internal control, which cannot under any circumstances provide an absolute guarantee that the Company's goals will be achieved. The Charter specifies that the holding company serves to unite the various entities. It also sets out the responsibilities of each Division, as well as of Fnac and Redcats in implementing an internal control system that is adapted to their types of activities.

The Charter defines the role of each stakeholder within the internal control system and the bodies responsible for oversight and assessment.

Furthermore, the Charter establishes the tools in place to assess internal control and risks: self-assessment of internal control and mapping of major risks.

Human resources policy

Quality of human resources and cohesion of management are key success factors of the Group. PPR makes sure that the various Divisions, Fnac and Redcats 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 Divisions, Fnac and Redcats is also 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 Divisions, Fnac and Redcats 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 2010, the European Works Council and PPR's Group Management adopted a "Charter of Commitment on the quality of professional life and the prevention of work-related stress". PPR has also set up an employee opinion survey conducted every two years, which also concerns the divisions, Fnac and Redcats The survey was conducted again in 2011. The Group develops cross-functional training programmes and carries out people reviews every year of the Divisions', Fnac's and Redcats' 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 divisions, Fnac and Redcats. Furthermore, the Group maintains an active market monitoring policy for all key positions for which the internal succession plan does not appear sufficiently strong.

1.7.3.6.2. Organisation and resources

The organisation of internal control depends on stakeholders at every level of the chain of responsibility, from Executive Management to all employees, as well as the bodies responsible for oversight and assessment: the Board of Directors, the Audit Committees, the Internal Audit and Risk Departments and the Statutory Auditors.

The Executive Committee

The PPR Group Executive Committee, which is an executive management body, is comprised of the Chairman and Chief Executive Officer, the Deputy Chief Executive Officer, the Chairmen and Chief Executive Officers of Fnac and Redcats, and the Chief Executive Officers of the Luxury and Sport & Lifestyle Divisions, as well as the PPR functional Directors (Human Resources, Corporate Social Responsibility and Communication).

The Executive 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 through objectives assigned to the Divisions, Fnac and Redcats, and the main functional projects;
- develop synergies between the Divisions, Fnac and Redcats;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of PPR HOME.

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 Divisions, Fnac and Redcats.

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.

Oversight of the system results in an annual report on internal control prepared by the Chairman of Fnac, the Chairman of Redcats and the Chief Executive Officer of Puma.

Management and employees

Management is the operational actor of internal control; it relies on internal control to perform its duties and reach its objectives. In this respect, management implements the internal control operations related to its area of responsibility and ensures that the internal control system is adapted to its activities.

Employees must have the knowledge and information necessary to set up, operate and oversee the internal controls system, with regard to the assigned objectives. In their day-to-day activities, they must follow the principles and rules of control and may suggest ways to improve and detect malfunctions.

The bodies responsible for oversight and assessment are:

The Board of Directors

The Board of Directors contributes to the overall control environment through the skills of its members. The Board is regularly informed about the methodologies used for internal control and the management of major risks, which it presents in its Board report.

Audit Committees

Under the responsibility of the Board of Directors to which it regularly reports on these matters, the PPR Audit Committee, comprising three members, two of whom are independent, is in charge of monitoring:

- the procedures for preparing financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audits of annual financial statements and, if need be, consolidated financial statements performed by the Statutory Auditors;
- the independence of the Statutory Auditors.

The PPR Audit Committee also carries out the following actions:

- verifies that the Divisions of the Group, Fnac and Redcats 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;
- approves the annual internal audit plan;
- reviews the work conducted by the Risk Committee and has access to the minutes of its meetings.

PPR's Audit Committee meets at least four times a year. Similarly, there is an Audit Committee within each Division, Fnac and Redcats, whose methods of operating and actions are identical to those of PPR's Audit Committee; they meet at least four times a year prior to the Meeting of PPR's Audit Committee.

Internal Audit and Risk Management Departments

Through their work, the Internal Audit and Risk Management Departments help assess the internal control system; they make recommendations to improve how the system operates. The Internal Audit and Risk Management Departments are also in charge of coordinating risk management, in particular through risk mapping, and monitoring the action plans. The Heads of the Internal Audit Departments report the main results of their assessments to Executive Management and the Audit Committee.

In the PPR Group, the internal audit function is organised in a decentralised way. Each Division as well as Fnac and Redcats have an autonomous Internal Audit Department covering the scope of its subsidiaries that are provided with the skills and resources necessary to achieve the objectives of its role and independence.

At the level of PPR, the Group Internal Audit Department, which reports to the Chairman, coordinates, harmonises and optimises the working methods and tools used by the internal auditors of the Divisions, Fnac and Redcats. Moreover, it provides its services to the Group's various Internal Audit Departments (regulatory watch, expertise, possible resources, etc.) and conducts transversal and operational audit assignments based on topics identified by PPR, the corporate bodies or the Divisions, Fnac and Redcats.

The Group Internal Audit Department continues to centrally administer and analyse internal control pursuant to the Financial Security Act and the new AMF reference framework described in more detail in the paragraph below entitled "Oversight of the system".

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 of the Group's Divisions, Fnac and Redcats and reporting to the respective Executive Management of these divisions, verify the internal control procedures set up by the other Departments and perform operational and financial audits within the companies. During 2011, the internal audit teams taken together conducted a little over one hundred audit assignments, including special assignments.

The Internal Audit Departments draw up the audit plans for PPR, the Divisions, Fnac and Redcats, relying, in particular, on the Group's process guidelines and based on the major risks identified for each Division, Fnac or Redcats. These projects are discussed with the main persons in charge. The Audit Committees review and approve the audit plans thus drawn up.

The main problems identified by the Group Internal Audit Departments, the Divisions, Fnac and Redcats were brought to the attention of the Audit Committees of the Divisions, Fnac, Redcats and PPR. 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 business processes and activities, whether operational or financial, whether they relate to stores, warehouses or headquarters, distribution or manufacturing activities.

At the end of 2011, the Internal Audit Department of the PPR Group consisted of 21 employees, compared to 20 in 2010. 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 that 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.

The Statutory Auditors

They review the internal control systems in order to certify the financial statements, by identifying the strengths and weaknesses, by assessing the risk of material misstatement, and where applicable, by making recommendations. In no case do the Statutory Auditors take the place of the company in implementing the internal control system.

The role of the Statutory Auditors is to annually certify the completeness and the accuracy and fair presentation of the parent company and consolidated financial statements and issue a limited review report on the Group's interim consolidated financial statements.

The audit engagements are allocated between three Statutory Auditors: Deloitte, KPMG and Pricewaterhouse Coopers (for the Puma group).

The main issues covered by the Auditors are as follows:

- identification of the risk areas and performance of tests by sampling in order to validate the completeness and 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 Divisions, Fnac, Redcats and PPR;
- application of the accounting standards defined by PPR for the Divisions, Fnac and Redcats;
- preparation of an audit report for each Division, Fnac and Redcats 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 PPR's Management and to the Audit Committee;
- preparation of Statutory Auditors' reports for the PPR shareholders. These reports appear in the Reference Document.

1.7.3.6.3.Risk management

The risk management system is described in the section "Risk management" (see pages 166 to 172).

1.7.3.6.4.Oversight of the system

Three types of work are used for the ongoing oversight of internal control and regular review of the functioning of the system: work performed by Internal Audit, the remarks made by the Statutory Auditors and the annual self-assessments.

Within each Division, Fnac and Redcats, and for each process identified, the managers in charge are asked to assess the level of internal control using key controls for the smooth running of their activities, in order to identify any weaknesses within their activities and implement corrective measures.

Self-assessment is not simply a reporting tool for the Internal Audit Departments or the Audit Committees; it is also a system that allows the Executive Management teams of each Division, Fnac and Redcats to obtain reasonable assurance regarding the strength of the internal control system. Self-assessment makes it possible to strengthen the level of internal control through operational action plans.

The internal control analysis methodology is based on the following principles:

- a self-assessment, using questionnaires, with the key operational staff members in each of the Divisions, Fnac and Redcats, following the breakdown of activities into key processes. The processes that are self-assessed are selected based on a risk-based approach and a rotation principle. In 2011, certain changes were made to these assessments within the Luxury Division to improve the effectiveness of these assessments; the questionnaires were also overhauled as regards the risks and controls identified, in order to be more effective;
- these questionnaires serve as a supplemental indicator for these managers in terms of assessing the quality of the internal control procedures for which they are in charge. They make it possible to harmonise the level of internal control applied throughout the Group and for all activities to benefit from best practices. They allow plans of action for improvements to be launched based on the results of these self-assessments;
- administration of the questionnaire regarding the finance, accounting and management process is carried out each year. It takes into account the AMF's reference framework and, in particular, its application guide. This questionnaire includes 50 or so questions on the mandatory key controls for the Group. It is circulated among entities in France and all international subsidiaries for Fnac, Redcats and the largest subsidiaries in the Luxury and Sport & Lifestyle Divisions.

This approach was presented and approved by the PPR Audit Committee.

1.7.3.7. Description of internal control procedures relating to the preparation of accounting and financial information

Organisation of the accounting and management function

Accounting and financial information is prepared by the Finance Department. At the level of PPR, this department supervises the Financial Control Department, the Financing 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 financial management procedures including:

- medium-term plans, which measure the consequences of strategic decisions of 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 performance of the Luxury and Sport & Lifestyle Divisions, Fnac and Redcats throughout the fiscal 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 divisions, Fnac and Redcats with Group rules and carries out, in collaboration with the financial controllers of the divisions, Fnac and Redcats, an analytical review by comparison with the budget and the previous year;
- the Executive Management of PPR, the senior executives of the Group's Divisions and the Chairmen of Fnac and Redcats hold monthly meetings to assess changes in activities on the basis of financial and operational data communicated by each of them;
- the Group regularly monitors changes in the off-balance sheet commitments of the Group's Divisions, Fnac and Redcats. This check is carried out, in particular, as part of the statutory consolidation process given that the Divisions, Fnac and Redcats 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 divisions, Fnac and Redcats in real time, after a complete process of approval of the consolidation reporting packages by their Statutory Auditors and by the Chief Executive Officers and Chief Financial Officers of the divisions, Fnac and Redcats who then commit themselves via a signed representation letter, thus confirming the quality of the financial information transferred.

There are consolidation levels within the Divisions, Fnac and Redcats that guarantee a first level of control and consistency.

PPR's Financial Control Department coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the department sends instructions to the Divisions, Fnac and Redcats 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 provide continuous information, to 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 the following means: Annual General Meetings, periodic publications, press releases, etc., and on all media: press, Internet, direct telephone contact, individual meetings, etc.

Financing and Treasury Department

The Financing and Treasury Department manages liquidity, counterparty, foreign exchange and interest rate financial risks and moreover coordinates the Group's cash management. 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.

Internal control is strengthened by the centralisation of certain functions within PPR:

The Legal Department

The Legal Department, apart from its specific function at Company level, assists the entire Group with important legal affairs and coordinates analyses or studies common to the Divisions, Fnac and Redcats or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Divisions, Fnac and Redcats 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 Divisions, Fnac and Redcats 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 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 internally and externally.

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.

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 PPR's Audit Committee for its opinion and was approved by PPR's Board of Directors on February 15, 2012.

Chairman of the Board of Directors

1.8. STATUTORY AUDITORS' REPORT

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*) ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF PPR SA. (YEAR ENDED DECEMBER 31, 2011)

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of PPR SA on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditors of PPR SA and in accordance with Article L. 225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 19, 2012

The Statutory Auditors

KPMG Audit		Deloitte & Associés
A Department of KPMG SA		
Jean-Luc Decornoy	Hervé Chopin	Antoine de Riedmatten

CHAPTER 5

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1. 2011 ACTIVITY REPORT

1.1. 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 "Non-current assets held for sale and discontinued operations". Net income and losses from these activities are included under a separate income statement heading, "Net income from discontinued operations", and are restated in the statement of cash flows and income statement for all reported periods.

The assets and liabilities relating to "Non-current assets held for sale and discontinued operations" 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.

As stated in Note 12 to the consolidated financial statements, the Redcats group as well as Fnac Italy are classified as "Non-current assets held for sale and discontinued operations".

Definition of "reported" and "comparable" revenue

The Group's "reported" revenue corresponds to published revenue. The Group also uses "comparable" data to measure organic growth. "Comparable" revenue is 2010 revenue restated for the impact of changes in Group structure in 2010 or 2011, and for translation differences relating to foreign subsidiaries' revenue in 2010.

Definition of recurring operating income

The Group's total 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.

Other non-recurring operating income and expenses consists of unusual items, notably as concerns the nature or frequency, that could distort the assessment of Group entities' economic performance, as defined by French National Accounting Board (*Commission des Normes Comptables* – CNC) recommendation No. 2009.R.03.

Consequently, PPR monitors its operating performance using "Recurring operating income", defined as the difference between total operating income and other non-recurring operating income and expenses (see Notes 8 and 9 to the consolidated financial statements).

Recurring operating income is an intermediate line item intended to facilitate the understanding of the entity's operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long-term in order to ensure the continuity and relevance of financial information.

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 plus interest and dividends received less interest paid and equivalent.

Definition of net debt

As defined by the CNC recommendation No. 2009.R.03 of July 2, 2009, "net debt" comprises gross borrowings, 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 31 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.

1.2. 2011 HIGHLIGHTS

Acquisition of Volcom

On May 11, 2011, PPR launched a friendly cash tender offer for Volcom, Inc. The acquisition represents a major step in the development of PPR's Sport & Lifestyle Division, providing it with an iconic apparel and accessories brand with an heritage in skateboarding, snowboarding and surfing. The transaction valued Volcom at USD 607.5 million, representing its equity capital.

Following the completion of PPR's tender offer by its wholly-owned subsidiary, Transfer Holding, Inc., on June 23, 2011, the Group acquired a controlling interest of 87.4% in Volcom's capital. Following a short-form merger of Transfer Holding, Inc. with and into Volcom, Inc., any remaining Volcom shares were exchanged for USD 24.50 per share in cash. As a result, PPR now owns all of Volcom, Inc.'s ordinary shares.

Volcom has been fully consolidated in the PPR Group's financial statements since July 1, 2011. The purchase price was allocated on a preliminary basis during the second half of 2011 with the Volcom and Electric brands recognised as intangible assets and the residual balance as goodwill.

Acquisition of a controlling interest in Sowind Group

On July 4, 2011, PPR announced the launch of a reserved capital increase by Sowind Group to be fully subscribed by PPR, following which PPR became Sowind's majority shareholder with a 50.1% ownership interest.

Sowind Group, which is one of the last independent Swiss watchmaking manufacturers, has a presence in 60 countries, notably with the Girard-Perregaux and JeanRichard brands.

Based on a strategic partnership agreement signed in June 2008, PPR already held a 23.0% non-controlling interest in Sowind Group, which was accounted for under the equity method in the consolidated financial statements.

This transaction strengthens the position of PPR's Luxury Division in the *haute horlogerie* sector whilst supporting Sowind Group's international growth in terms of both product development and worldwide distribution.

Sowind Group has been fully consolidated in the PPR Group's financial statements since July 1, 2011. A preliminary allocation of the purchase price was carried out during the second half of 2011 using the partial goodwill method. In accordance with the revised version of IFRS 3, the Group's previously held equity interest in Sowind Group was remeasured and the resulting change in value was recorded under "Other non-recurring operating income and expenses".

Other changes in the Group's business portfolio

In the second half of 2011, PPR launched a process to sell the Redcats group. As this process was still under way at the year-end, Redcats' contribution to PPR's 2011 consolidated income statement was presented under "Net income from discontinued operations" in accordance with the requirements of IFRS 5.

Launch of PPR HOME

After more than ten years of implementing its environmental and social approach across its global brands, on March 21, 2011, PPR announced the launch of PPR HOME, an ambitious and multi-tiered new sustainability initiative.

By moving beyond the traditional Corporate Social Responsibility model, PPR HOME is setting a new standard in sustainability and business practice in the Luxury, Sport & Lifestyle and Retail segments.

PPR HOME will bring expertise, support and creativity to all PPR brands. An annual €10 million budget, in addition to the PPR brands' own initiatives, will be dedicated to PPR HOME, indexed to the dividend paid by PPR.

The creation of PPR HOME demonstrates the PPR Group's commitment to limiting its impact on the environment by taking proactive steps to implement best business practices. PPR HOME will not only focus on working towards reducing and mitigating the Group's social and environmental impacts, but will also develop opportunities for the benefit of people and their environment in its business areas.

PPR HOME moves beyond the conventional CSR approach and promotes a new business paradigm whereby the attainment of sustainability is driven by creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns over the long term.

Enhanced financial strength

On January 14, 2011 PPR signed a €2.5 billion syndicated credit facility maturing in January 2016. This transaction was undertaken as part of the Group's

liquidity management, and will enable PPR to (i) refinance its €2.75 billion syndicated loan taken out on March 22, 2005 and the €1.5 billion outstanding on the syndicated facility taken out to acquire Puma on April 25, 2007, and (ii) extend the maturity of its credit facilities and reinforce Group liquidity.

In April 2011, PPR successfully completed a partial redemption of its €800 million 8.625% bond issue expiring on April 3, 2014 with a view to improve the cost and structure of its debt. The redemption was for a total amount of €250 million.

Other significant event

On February 17, 2011, PRR announced a reorganisation of its Luxury Division. This Division now reports directly to François-Henri Pinault, Chairman and CEO of PPR, and the PPR and Gucci Group teams have been combined to better support brand growth. The reorganisation marks a new phase in the Group's strategy to further integrate its structure.

1.3. 2011 BUSINESS REVIEW

The main financial indicators taken from PPR's consolidated financial statements for 2011 reflect the Group's very satisfactory performance during the year.

(in € millions)	2011	2010	Change
Revenue	12,227.2	11,007.8	+11.1%
Recurring operating income	1,602.4	1,370.4	+16.9%
as a % of revenue	*13.1%*	*12.4%*	*+0.7 pt*
EBITDA	1,911.4	1,648.5	+15.9%
as a % of revenue	*15.6%*	*15.0%*	*+0.6 pt*
Net income attributable to owners of the parent	986.3	964.5	+2.3%
of which continuing operations excluding non-recurring items	*1,054.9*	*834.5*	*+26.4%*
Gross operating investments	(325.3)	(305.1)	+6.6%
Free cash flow from operations	934.3	930.0	+0.5%
Total equity	11,749.5	11,651.2	+0.8%
o/w attributable to owners of the parent	*10,925.0*	*10,599.2*	*+3.1%*
Net debt	3,395.5	3,780.6	-10.2%

Revenue

Consolidated revenue from continuing operations amounted to €12,227 million in 2011, up 11.1% on 2010 as reported and 9.3% based on comparable Group structure and exchange rates.

(in € millions)	2011	2010	Reported change	Comparable change (1)
Luxury Division	4,917.0	4,010.7	+22.6%	+22.2%
Sport & Lifestyle Division	3,155.7	2,706.4	+16.6%	+10.5%
Sub-total	**8,072.7**	**6,717.1**	**+20.2%**	**+17.3%**
Fnac	4,164.9	4,302.7	-3.2%	-3.6%
Eliminations	*(10.4)*	*(12.0)*	-	-
Total revenue	**12,227.2**	**11,007.8**	**+11.1%**	**+9.3%**

(1) On a comparable Group structure and exchange rate basis.

Following on from 2010 – which was marked by a solid economic recovery across the world – the global economy got off to a fairly buoyant start in 2011, then ran out of steam, particularly in developed countries. This was due to the structural weakness of the recovery, combined with the effect of a series of events that sent convulsions across the world markets, including the Arab Spring, the consequences of the earthquake, tsunami and ensuing nuclear disaster in Japan and hikes in raw materials prices. The slowdown also reflects heightened sovereign debt tensions, which generated considerable uncertainty throughout the global economy and markets, particularly in the eurozone. However, emerging countries held up well against these recent adverse events and continued to grow steadily, albeit at a somewhat slower pace than in previous periods.

Against this backdrop, PPR continued to realise its strong growth potential in 2011, thanks to the powerful image and robust momentum of its Luxury and Sport & Lifestyle brands. Despite the more difficult global economic conditions in the fourth quarter of the year, consolidated revenue climbed by 11.2% as reported and 7.7% on a comparable basis against the last three months of 2010.

The combined revenue figure for the Luxury and Sport & Lifestyle divisions was 17.3% higher in full-year 2011 than in 2010 based on comparable data, spurred by a 16.6% rise in the fourth quarter. On a reported basis, these revenue growth figures were 20.2% for 2011 as a whole and 23.4% for the fourth quarter.

The year-on-year increase in reported consolidated revenue includes a near €206 million positive impact from changes in Group structure, €87 million of which was recorded in the last three months of 2011.

Exchange rate fluctuations had a negative €27 million effect on revenue for the year overall, despite an €18 million positive effect in the fourth quarter.

Revenue by geographic area

The Group's balance in terms of geographic presence and sales formats makes it more resilient to changes in the economic environment.

In 2011, the Group continued to expand the proportion of its revenue generated by international operations, which rose to 72.6% of the Group total during the year versus 69.5% in 2010 (on a comparable basis).

(in € millions)	2011	2010	Reported change	Comparable change (1)
Western Europe	6,533.6	6,330.9	+3.2%	+2.4%
North America	1,496.6	1,215.4	+23.1%	+17.6%
Japan	983.5	875.7	+12.3%	+5.6%
Sub-total – mature markets	**9,013.7**	**8,422.0**	**+7.0%**	**+5.0%**
Eastern Europe, Middle East and Africa	540.5	445.3	+21.4%	+17.7%
South America	711.0	598.7	+18.8%	+19.9%
Asia-Pacific (excluding Japan)	1,962.0	1,541.8	+27.3%	+26.5%
Sub-total – emerging markets	**3,213.5**	**2,585.8**	**+24.3%**	**+23.4%**
Total revenue	**12,227.2**	**11,007.8**	**+11.1%**	**+9.3%**

(1) On a comparable Group structure and exchange rate basis.

Importantly, the Group is becoming less reliant on the European economy. The combined revenue generated outside the eurozone by the Luxury and Sport & Lifestyle divisions rose 17.8% in 2011 (based on comparable data), and accounted for 76.8% of their total revenue figure for the year, versus 76.5% in 2010. For the Group as a whole, the eurozone contributed 46.3% of consolidated revenue in 2011, against 49.7% one year earlier (based on comparable data).

PPR continued its expansion in emerging economies during 2011. Revenue generated by the Group's Luxury and Sport & Lifestyle divisions advanced 25.2% on a comparable basis in these regions and emerging markets accounted for 36.8% of these divisions' total revenue in 2011, representing a 230 basis-point increase on 2010 (based on comparable data). The Asia-Pacific region (excluding Japan) was one of the main contributors to these brands' sales during the year, representing 24.3% versus 22.5% in 2010 (based on comparable data).

Recurring operating income and EBITDA

In 2011, PPR's recurring operating income totalled €1,602 million, up 16.9% on 2010. This performance helped drive up the Group's operating margin by 70 basis points to 13.1%.

(in € millions)	2011	2010	Change
Luxury Division	1,262.6	944.0	+33.8%
Sport & Lifestyle Division	346.7	337.1	+2.8%
Fnac	102.6	191.9	-46.5%
Corporate	(109.5)	(102.6)	-6.7%
Total recurring operating income	**1,602.4**	**1,370.4**	**+16.9%**

The Group's recurring operating income for 2011 – which does not include any contribution from Redcats (due to its classification within assets held for sale) – was €71 million higher than the €1,531 million figure reported for 2010 when Redcats contributed €165 million.

At comparable exchange rates, recurring operating income advanced 14.7% year on year and operating margin improved by 40 basis points.

Gross margin for 2011 amounted to €6,224 million, up €855 million or 15.9% on 2010 as reported and 15.4% based on comparable exchange rates. Operating expenses increased by 15.6% as reported, and by 15.7% based on comparable exchange rates. In particular, payroll expenses rose by 12.2% on a reported basis. The Group's average headcount was 38,374 in 2011, representing a 7.8% increase on the previous year.

EBITDA posted by the Group advanced 15.9% year on year to €1,911 million. This led to an improvement in the EBITDA margin, which rose to 15.6% from 15.0%.

(in € millions)	2011	2010	Change
Luxury Division	1,434.2	1,095.1	+31.0%
Sport & Lifestyle Division	407.4	393.0	+3.7%
Fnac	173.6	253.6	-31.5%
Corporate	(103.8)	(93.2)	-11.4%
Total EBITDA	**1,911.4**	**1,648.5**	**+15.9%**

At constant exchange rates, EBITDA increased by 14.2% and the EBITDA margin was 40 basis points higher than in 2010.

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 2011, this item represented a net expense of €58 million and chiefly included €24 million in restructuring costs and €16 million in asset impairment losses.

In 2010, other non-recurring operating income and expenses represented a net expense of €141 million and included €71 million in asset impairment losses (primarily relating to goodwill on Sergio Rossi and Puma's assets in Greece), as well as €26 million in restructuring costs.

Net finance costs

The Group's net finance costs – which were 10.3% lower in 2011 than in 2010 – can be analysed as follows:

(in € millions)	2011	2010	Change
Cost of net debt	(216.0)	(230.2)	-6.2%
Other financial income and expenses	0.6	(9.9)	-
Finance costs, net	**(215.4)**	**(240.1)**	**-10.3%**

In 2011, the cost of net debt fell 6.2% to €216 million, mainly as a result of the following:

- a 13% contraction in the Group's average outstanding net debt versus 2010, chiefly reflecting the proceeds from the sale of Conforama received in March 2011, although this impact was partially offset by the acquisition of Volcom and purchases of Puma and PPR shares;
- a contained 30 basis-point increase in PPR's average cost of borrowing against a backdrop of generally higher interest rates, reflecting the fact that the Group has a large proportion of borrowings capped at fixed rates.

The near €11 million positive swing in "Other financial income and expenses" was mainly attributable to accounting adjustments recorded in accordance with IAS 39. These technical adjustments primarily corresponded to (i) €40 million in positive change from currency and interest rate hedges and (ii) a near €37 million negative effect resulting from fair value adjustments to derivatives, which had no cash impact.

Overall, these finance costs represented cash outflows of €198 million in 2011, down €40 million (or 17.0%) on 2010.

Corporate income tax

The Group's income tax charge for 2011 breaks down as follows:

(in € millions)	2011	2010	Change
Tax on recurring income	(319.4)	(262.4)	+21.7%
Tax on non-recurring items	2.0	(1.2)	-
Total tax charge	**(317.4)**	**(263.6)**	**+20.4%**
Effective tax rate	**23.9%**	**26.7%**	**-2.8 pts**
Recurring tax rate	**23.0%**	**23.2%**	**-0.2 pt**

The sharp decrease in PPR's effective tax rate in the year ended December 31, 2011 was due to the fact that a number of non-recurring factors occurred in 2010 which generated significant operating expenses without any corresponding tax savings.

Adjusted for the effect of non-recurring items and the related taxes, the recurring tax rate was 23.0%, virtually stable with 2010.

Share in earnings of associates

The Group's share in earnings of associates totalled €47 million in 2011, compared with €35 million in 2010.

This rise primarily stemmed from a €45 million contribution from Cfao – which was accounted for by the equity method in 2011 based on PPR's residual 42% interest in the Company at the year-end – corresponding to the Group's share in Cfao's published earnings for the first six months of 2011 plus an estimate for the second half of the year.

Net income from continuing operations

In 2011, PPR's consolidated net income from continuing operations came to €1,058 million, versus €760 million the previous year.

Attributable net income from continuing operations amounted to €999 million, compared with €709 million in 2010, representing a year-on-year increase of 40.8%.

Net income from discontinued operations

This item includes the income statement contribution from all assets (or groups of assets) accounted for in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.

For the year ended December 31, 2011, the Group reported a net loss of almost €13 million under this item (see Note 12 to the consolidated financial statements).

In 2010, it represented net income of €255 million, including approximately €136 million in disposal gains, net of taxes and expenses.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests amounted to €59 million in 2011, versus €51 million one year earlier.

In 2011 this item mainly corresponded to non-controlling interests in Puma's net income, which were higher during the year due to the increase in Puma's total consolidated net income. However, the overall rise was contained by the Group's purchases of additional Puma shares in the twelve months to December 31, 2011, which raised PPR's interest in Puma to 79.9% from 71.6% one year earlier.

Net income attributable to owners of the parent

Net income attributable to owners of the parent totalled close to €986 million, up 2.3% on 2010.

Adjusted for non-recurring items net of tax, attributable net income from continuing operations amounted to €1,055 million, representing a 26.4% increase on the previous year.

This figure – which does not include any contribution from Redcats (following its classification within assets held for sale) – is €123 million higher than the €932 million reported for 2010, in which Redcats' contribution was included.

Earnings per share

The weighted average number of PPR shares used to calculate earnings per share was 126.2 million in 2011, representing a slight decrease on the 126.6 million used for 2010. The year-on-year change was mainly due to purchases of treasury shares carried out during 2011 (see Note 13 to the consolidated financial statements).

Earnings per share stood at €7.82 in 2011, up 2.6% on 2010.

Earnings per share from continuing operations came to €7.92, compared with €5.60 for the previous year.

Excluding non-recurring items, earnings per share from continuing operations amounted to €8.36, 26.9% higher than in 2010.

The impact of dilutive instruments on the calculation of earnings per share was almost neutral in 2011.

1.4. ANALYSIS OF OPERATING PERFORMANCES BY BRAND

Luxury Division

(in € millions)	2011	2010	Change
Revenue	**4,917.0**	**4,010.7**	**+22.6%**
Recurring operating income	**1,262.6**	**944.0**	**+33.8%**
as a % of revenue	***25.7%***	***23.5%***	***+2.2 pts***
EBITDA	1,434.2	1,095.1	+31.0%
as a % of revenue	*29.2%*	*27.3%*	*+1.9pt*
Gross operating investments	172.9	128.2	+34.9%
Average headcount	13,542	11,803	+14.7%

In 2011, PPR's Luxury Division 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.

The Luxury Division's revenue totalled €4,917 million in 2011, up 22.6% as reported and 22.2% on a comparable Group structure and exchange rate basis.

This solid performance was fuelled by a sustained level of innovation and creativity allied with marketing initiatives aimed at enhancing the luxury image of its brands and products and attracting new customers.

In the fourth quarter of the year the Luxury Division posted revenue growth of 22.1% on a reported basis and 18.6% based on comparable data.

Retail sales in directly-operated stores (which accounted for 68.9% of the Division's total) were 23.0% higher than in 2010 based on comparable data, with growth reaching 19.1% in the fourth quarter. Wholesale sales rose 20.7% year on year on a comparable basis, and by 17.2% in the fourth quarter.

In emerging markets, the Luxury Division posted a 29.1% jump in comparable sales, with these markets accounting for 37.6% of the Division's revenue, versus 35.6% in 2010. Excluding Japan, the Asia-Pacific region contributed 32.0% of the Division's total revenue figure, as it continued to deliver high growth (29.5%), fuelled by a 39.1% surge in Greater China. Fourth-quarter sales generated in emerging markets advanced 23.7%, spurred by a 25.9% jump in Greater China.

In the Luxury Division's traditional and more mature markets revenue climbed 15.8% in the fourth quarter and 18.4% over the full year. In Western Europe, growth was 15.6% for the fourth quarter and 20.0% for 2011 overall. In North America, which accounted for 17.7% of the Division's total revenue in 2011, sales were up 28.5% for the year, with growth coming in at a strong 25.2% in the fourth quarter. Meanwhile, despite the devastating effects of the earthquake, tsunami and nuclear disaster that hit the country in March, Japan (which represented 12.6% of the Division's total revenue) returned to growth in 2011 with sales up 3.3% for the full twelve months on the back of a 5.1% increase in the fourth quarter.

The Luxury Division ended the year with record-high recurring operating income of €1,263 million, up 33.8% on a reported basis and 29.5% at comparable exchange rates. Recurring operating margin was 25.7%, representing a sharp increase of 220 basis points as reported and 130 basis points at comparable exchange rates. EBITDA for 2011 surged 31.0% year on year to €1,434 million and represented 29.2% of revenue versus 27.3% in 2010.

In 2011, the Luxury Division continued to invest heavily in its directly-operated store network, via a major renovation and expansion programme and 117 net store additions (42 more than in 2010), including 25 in Greater China (Mainland China, Hong Kong and Macao) and 28 in other emerging markets. With 32 openings in the fourth quarter, the total number of Luxury Division stores stood at 801 as of December 31, 2011.

Gross operating investments for the Luxury Division were 34.9% higher in 2011 than in the previous year, primarily as a result of store opening, extension and refurbishment programmes.

Gucci

(in € millions)	2011	2010	Change
Revenue	**3,143.2**	**2,666.1**	**+17.9%**
Recurring operating income	**947.7**	**757.2**	**+25.2%**
as a % of revenue	***30.2%***	***28.4%***	***+1.8 pt***
EBITDA	1,071.2	864.6	+23.9%
as a % of revenue	*34.1%*	*32.4%*	*+1.7 pt*
Gross operating investments	111.3	87.1	+27.8%
Average headcount	8,249	7,302	+13.0%

Gucci – the flagship brand of PPR's Luxury Division – posted €3,143 million in revenue in 2011, up 17.9% as reported and 18.7% at comparable exchange rates against the previous year. In the fourth quarter, sales rose by 13.6% as reported and by 12.2% based on comparable data.

Retail sales generated by Gucci in its directly-operated stores rose 14.2% in the fourth quarter and 20.0% for the full twelve months of 2011 on a comparable basis. In-store footfall continued to increase and the average value per customer purchase also rose, driven by a greater proportion of sales in segments with higher selling prices. At the same time, sales of full-price items increased significantly, reflecting the outstanding success of the brand's collections and the strategy implemented to deliberately restrict the number of markdowns in order to uphold the brand's exclusive image.

Wholesale sales were up 4.7% in the fourth quarter and 14.3% for the year as a whole, based on comparable data. Timepieces[(1)] once again delivered high growth throughout the year. In 2011, and especially in the fourth quarter, Gucci stepped up its policy aimed at limiting the increase in sales of Fashion and Leather Goods to its third-party distributors (notably in Italy) and reducing the number of these distributors' sales outlets (particularly in North America). At the same time, it continued to bring certain operations back under direct control, notably in the Middle East and the United States.

(1) The Timepieces business involves the creation, manufacture and worldwide distribution of Gucci watches and jewellery exclusively to third-party associates (department stores, and specialised or multi-specialised stores).

In Fashion and Leather Goods, all product categories confirmed the power of the brand, 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. Leather Goods reported robust growth, with an increase in average selling prices and a higher weighting of full-leather accessories, "no logo" products and precious skins within the product mix. This growth was fuelled in particular by the ongoing success of permanent lines as well as a strong sales showing for new seasonal collections. The recently-launched Children's collection also turned in an excellent sales performance during the year. These achievements demonstrate the appeal of the Gucci brand, which combines tradition with modernity, 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 segment. The year 2011 marked Gucci's 90th anniversary and a series of communication campaigns were launched to mark the occasion, with the high point being the inauguration of the Gucci Museum in Florence in November.

Also during the year, Gucci pursued its development in emerging markets, which are enjoying a rapid expansion. Sales in these markets advanced by 24.8% and represented 42.1% of the brand's total revenue versus 40.0% in 2010. The Asia-Pacific region (excluding Japan) reported growth of 22.5%. Greater China accounted for 22.6% of total sales and posted a revenue surge of 28.8%. During the fourth quarter of 2011, Gucci's revenue in emerging markets rose 17.4%, propelled by a 14.7% jump in Greater China. As of December 31, 2011, Gucci operated 46 stores in 32 cities in Mainland China.

Business in Western Europe – which made up 28.3% of the brand's total sales in 2011 – climbed 12.6% for the full year and 4.6% in the fourth quarter, primarily due to the strategy to restrict wholesale sales, which were down 8.4% in the quarter. In North America (18.0% of the brand's total sales), Gucci posted growth of 18.9% in the fourth quarter and 26.1% for the full twelve months. Japan's contribution to Gucci's total revenue continued to taper off, representing 11.6% versus 13.2% one year earlier. However, the brand returned to solid growth in the country in 2011, reporting a 3.2% rise in sales for the last quarter and 4.3% for the year overall.

Gucci's recurring operating income totalled €948 million in 2011, representing a year-on-year increase of 25.2% as reported or 21.1% at comparable exchange rates. At 30.2%, the brand's recurring operating margin reached a record high in 2011, up 180 basis points as reported and 70 basis points at comparable exchange rates. Gucci's EBITDA totalled €1,071 million, corresponding to a rise of 23.9% as reported and 20.4% at comparable exchange rates, and the EBITDA margin stood at 34.1% against 32.4% in 2010.

Gross margin edged up year on year, reflecting the resounding success of the brand's collections as well as the effect of its high-end focus, which provided the basis for a more efficient pricing policy. Gross margin on wholesale sales also increased sharply during the year but in the Timepieces (1) business it was weighed down somewhat by the impact of higher precious metals prices. The upstream gross margin on retail sales in directly-operated stores was up year on year at comparable exchange rates and markdown rates were slightly lower.

Operating expenses recorded by Gucci in 2011 were up 17.3% at comparable exchange rates. This rise was particularly attributable to the fact that in-store direct costs (38.4% of which are variable) rose considerably due to the expansion of the store network. Similarly, based on comparable data, communications and advertising expenditure increased at a higher rate than revenue, on account of moves to promote the brand's image, preserve its exclusivity and ensure high visibility.

As of December 31, 2011, Gucci operated 376 stores directly, including 141 in emerging countries (58 in Greater China). There were 59 net store additions during the year (compared with 34 in 2010), including 7 in Mainland China and 19 in other emerging countries.

Gucci's gross operating investments were 27.8% higher than in 2010. There was an increase in store-related investments, with a particularly pronounced rise in those investments aimed at extending and remodelling outlets.

(1) The Timepieces business involves the creation, manufacture and worldwide distribution of Gucci watches and jewellery exclusively to third-party associates (department stores, and specialised or multi-specialised stores).

Bottega Veneta

(in € millions)	2011	2010	Change
Revenue	**682.6**	**510.6**	**+33.7%**
Recurring operating income	**204.6**	**130.2**	**+57.1%**
as a % of revenue	***30.0%***	***25.5%***	***+4.5 pts***
EBITDA	220.2	143.9	+53.0%
as a % of revenue	*32.3%*	*28.2%*	*+4.1 pts*
Gross operating investments	29.1	16.0	+81.9%
Average headcount	1,845	1,536	+20.1%

Bottega Veneta posted revenue of close to €683 million in 2011, up 33.7% on a reported basis and 33.6% at comparable exchange rates. In the fourth quarter, revenue advanced 38.8% as reported and 35.7% on a comparable exchange rate basis.

Retail sales in directly-operated stores rose 34.7% in the fourth quarter and 32.2% for 2011 overall at comparable exchange rates. This strong performance was led by a steep rise in full-price sales, propelled by the outstanding success of the brand's collections. Wholesale sales jumped 41.3% for the full twelve months following a 42.7% rise in the fourth quarter.

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 – which turned in an extremely robust sales performance during the year – the brand was buoyed by the ongoing success of its signature lines (including *Veneta*, *Cabat* and *Knot*). In parallel, new models as well as original new colours proved very popular with customers, the trade press and celebrities. At the same time, the brand reported strong growth for all product categories in its men's collections.

Bottega Veneta's sales growth in emerging markets gained pace in 2011, with a rise of at 51.9% for the year as a whole following a 46.9% increase in the fourth quarter. Sales in these regions accounted for 38.7% of the brand's total revenue in the year ended December 31, 2011 compared with 34.0% in the previous year. The Asia-Pacific region (excluding Japan) was Bottega Veneta's largest market in 2011, contributing 35.0% of the brand's total revenue (versus 30.3% one year earlier) thanks to a 45.9% sales leap in the fourth quarter and 53.9% growth for the full twelve months. Greater China – which represented 22.7% of the brand's total sales in 2011 – was the star performer, with revenue hikes of 58.1% in the fourth quarter and 75.9% for the year. As of December 31, 2011, Bottega Veneta operated 20 stores in 15 cities in Mainland China.

In Western Europe the brand posted a 44.8% increase in fourth-quarter revenue, which drove a 42.0% rise for the full twelve months. North America (14.4% of the brand's total sales) delivered growth of 38.0% in the fourth quarter and 28.4% for the year as a whole. In Japan – which only accounted for 19.6% of Bottega Veneta's total sales versus 25.3% in 2010 – performance picked up throughout the course of the year. There was a particularly strong showing in the fourth quarter, which saw growth of 10.2% and enabled the brand's Japanese operations to post a 3.6% revenue rise for the full year.

Recurring operating income surged 57.1% in 2011, coming in at close to €205 million. At comparable exchange rates the increase was 51.6%. The brand's recurring operating margin reached a record high of 30.0%, up 450 basis points as reported and 360 basis points at comparable exchange rates. EBITDA totalled €220 million, representing a 53.0% year-on-year increase as reported (48.2% at comparable exchange rates), and the EBITDA margin climbed to 32.3% from 28.2% in 2010.

Bottega Veneta's gross margin – which is structurally high, due partly to the brand's positioning and partly to the fact that leather goods and direct sales make up a high proportion of its overall revenue figure – rose sharply in 2011 for sales to third-party distributors. Gross margin on retail sales in directly-operated stores was also up on 2010, thanks to a higher upstream margin figure and lower markdown rates.

During 2011 the brand's operating expenses rose 25.3% at comparable exchange rates. There was a carefully contained increase in direct costs for the store network (41.8% of which are variable) and communications and advertising expenditure rose in line with revenue, reflecting moves to promote the brand's image, preserve its exclusivity and ensure high visibility.

Bottega Veneta's retail network totalled 170 directly-operated stores as of December 31, 2011, including 29 in Greater China and 30 in other emerging countries. There were 22 net store openings during the year (versus 13 in 2010), including six in Mainland China.

Gross operating investments rose by 81.9% in 2011 compared with 2010. The year-on-year rise was led by a sharp increase in investments related to opening, extending and refurbishing stores.

Yves Saint Laurent

(in € millions)	2011	2010	Change
Revenue	**353.7**	**269.2**	**+31.4%**
Recurring operating income	**40.9**	**9.4**	**4.4 x**
as a % of revenue	***11.6%***	***3.5%***	***+8.1 pts***
EBITDA	50.2	19.0	2.6 x
as a % of revenue	*14.2%*	*7.1%*	*+7.1 pts*
Gross operating investments	7.5	7.0	+7.1%
Average headcount	1,084	993	+9.2%

Yves Saint Laurent generated close to €354 million in revenue in 2011, representing a year-on-year increase of 31.4% on a reported basis and 32.3% at comparable exchange rates. The robust performance delivered in the first nine months of the year continued into the last quarter, with sales climbing 33.1% as reported and 32.6% on a comparable basis. Royalties from licence agreements edged back 0.4% for the year as a whole but rose 1.6% in the fourth quarter.

Retail sales in stores directly operated by the Yves Saint Laurent brand advanced 34.6% in the fourth quarter and 34.8% for full-year 2011 at comparable exchange rates. Full-price sales increased sharply for all of the seasons, reflecting the outstanding success of the brand's collections. Wholesale sales rose steeply, with comparable basis growth coming in at 44.3% in the fourth quarter and 43.5% for the year as a whole.

The brand's 2011 sales performance was boosted by another excellent showing from Shoes (especially the *Tribute*, *TribToo* and *Palais* collections) as well as strong momentum in Leather Goods, led by the success of permanent lines (particularly *Muse*, *Muse 2*, *Easy* and *Roady*), new collections (e.g., *Cabas Chyc*) and seasonal adaptations of permanent lines. Trends for Ready-to-Wear were also very positive during the year, particularly for men's collections.

Emerging markets accounted for 24.9% of Yves Saint Laurent's revenue in 2011, with sales in the Asia-Pacific region (excluding Japan) – which made up 15.6% of the brand's total revenue – surging 55.7% in the fourth quarter and 45.7% for the full twelve months. In Eastern Europe, the Middle East and Africa (which contributed 8.6% of the total) growth came in at 3.7% for the full year despite a 4.7% contraction in the final three months.

In Western Europe the brand reported a 34.2% increase in fourth-quarter revenue, which drove a 38.5% rise for the full year. North America (24.2% of the brand's total sales) delivered very strong sales growth of 38.7% in the fourth quarter and 44.5% for the full year. In Japan – which accounted for 7.1% of the brand's sales – business swung firmly up in the fourth quarter of the year, with sales rising by an excellent 11.5%. However, for the year as a whole, Yves Saint Laurent's sales in Japan retreated by 6.7%.

Yves Saint Laurent ended 2011 with recurring operating income of €41 million, compared with just over €9 million one year earlier. Recurring operating margin stood at 11.6% versus 3.5% for 2010 (3.6% at comparable exchange rates). The sharp upturn in recurring operating income was solely due to the progress achieved in the Couture activity, which posted a positive recurring operating income for the first time in its history. EBITDA came to €50 million in 2011, compared with €19 million for 2010.

Gross margin rose sharply thanks to the considerable success of the brand's collections. Sales to third-party distributors contributed to this rise, but in-store retail sales were the main growth driver, particularly due to a considerable improvement in upstream margins and significantly lower markdown rates.

At comparable exchange rates, Yves Saint Laurent's operating expenses were 15.9% higher than in 2010, primarily due to an increase in variable costs, particularly for the store network.

The brand pursued its drive to optimise its retail network during the year, opening nine new stores – including four in the Asia-Pacific region (excluding Japan) – and closing four stores in mature markets (including one in Japan). As of December 31, 2011, the Yves Saint Laurent brand operated 83 stores directly, including nine in Greater China and 18 in other emerging countries.

Gross operating investments rose by 7.1% in 2011. Out of the total amount of investment expenditure, 45% was for store openings and 31% for remodelling and extending stores.

Other Luxury brands

(in € millions)	2011	2010	Change
Revenue	**737.5**	**564.8**	**+30.6%**
Recurring operating income	**69.4**	**47.2**	**+47.0%**
as a % of revenue	***9.4%***	***8.4%***	***+1.0 pt***
EBITDA	92.6	67.6	+37.0%
as a % of revenue	*12.6%*	*12.0%*	*+0.6 pt*
Gross operating investments	25.0	18.1	+38.1%
Average headcount	2,364	1,972	+19.9%

Since July 1, 2011, Other Luxury brands have included Girard-Perregaux and JeanRichard, which are part of the Sowind watchmaking group.

Total revenue generated by Other Luxury brands came to €738 million in 2011, up 30.6% year on year as reported and 23.6% on a comparable Group structure and exchange rate basis. In the fourth quarter, sales growth came to 45.7% as reported or 27.3% based on comparable data.

Representing 49.9% of total revenue, wholesale sales were 22.3% higher than in 2010 based on comparable data, with growth reaching 31.8% in the fourth quarter. Retail sales in directly-operated stores advanced 23.2% year on year on a comparable basis, and by 21.9% in the fourth quarter.

Leather Goods – which accounted for 30.5% of total revenue generated by Other Luxury brands – registered 38.0% growth for 2011 overall and 41.3% in the last three months of the year. Ready-to-Wear sales (representing 25.2% of the total) rose 27.5% year on year, with a 46.2% jump in the fourth quarter.

Emerging markets accounted for 23.9% of total revenue generated by Other Luxury brands in 2011 (versus 21.8% in 2010). Sales growth posted by these markets came in at 34.7% on a comparable basis for the year as a whole, spurred by a 39.0% surge in the fourth quarter. In the traditional and more mature markets, revenue climbed 23.7% in the fourth quarter and 20.4% over the full year.

Recurring operating income posted by Other Luxury brands soared 47.0%, to over €69 million. Based on comparable exchange rates the growth figure was 44.9%. Recurring operating margin was 9.4%, representing an increase of 100 basis points as reported and 90 basis points at comparable exchange rates. At close to €93 million in 2011, EBITDA was up 37.0% on 2010 as reported, or 35.5% at comparable exchange rates.

Other Luxury brands reported a significant improvement in gross margin in 2011. However, operating expenses rose by 23.8% during the year on a comparable Group structure and exchange rate basis, with an increase in communications and advertising expenditure as a proportion of revenue.

The network of directly-operated stores owned by Other Luxury brands totalled 172 stores as of December 31, 2011, including 17 in Greater China and nine in other emerging countries. There were 31 net store openings in 2011 overall.

Gross operating investments for Other Luxury brands rose by 38.1% year on year.

Alexander McQueen experienced an extraordinary level of media exposure in 2011 as a result of the "Savage Beauty" retrospective at the New York Metropolitan Museum as well as the wedding of the Duke and Duchess of Cambridge. This propelled extremely high revenue growth for directly-operated stores but particularly for wholesale sales, testifying to the success of the first collections designed by Sarah Burton. The brand's recurring operating income and recurring operating margin were both up year on year despite being weighed down by the costs of launching and developing the new McQ line, which went on sale during the second half of 2011.

Balenciaga kept up a steady pace of growth in 2011, propelled by the brand's strong reputation, the success of its collections and its sound expansion strategy. The brand – which experienced particularly strong momentum for its directly-operated stores – posted a very high sales increase for Leather Goods and gains in all of its markets. Balenciaga's recurring operating margin was significantly higher in 2011 than in 2010, thanks to a steep increase in gross margin and the fact that there was only a moderate rise in operating expenses.

Boucheron reported a robust rise in wholesale sales in 2011 as well as solid growth in revenue generated by directly-operated stores. Business was extremely buoyant in the Asia-Pacific region and was also strong in Europe, but the situation was more difficult in the United States. The brand turned in a good showing for the Jewellery and High Jewellery markets during the year but sales of Timepieces declined. Boucheron

ended 2011 with significantly higher recurring operating income and recurring operating margin, despite a hike in precious metal prices which weighed on its gross margin.

Girard Perregaux and **JeanRichard** (which were only consolidated for a period of six months in 2011) posted a robust increase in revenue in 2011. Their growth trajectory was particularly strong in the Asia-Pacific region (excluding Japan) whereas business levels dipped in Europe. Meanwhile sales advanced at a steady pace in the United States but dropped sharply in Japan. Sowind's contribution to PPR's consolidated recurring operating income for 2011 was significantly affected by the accounting impacts arising from the process of allocating the purchase price paid by PPR for Sowind's shares.

Sergio Rossi saw its revenue swing sharply up across all of its markets in the fourth quarter of 2011, both for directly-operated stores and for sales to third-party distributors. For the year as a whole, the brand's revenue was slightly up on the 2010 figure. The Asia-Pacific region (excluding Japan) delivered a very strong performance and Japan also posted solid growth, but Europe and the United States experienced a downturn, particularly for sales to third-party distributors. The brand's recurring operating income was on a par with 2010.

The **Stella McCartney** brand also posted a high increase in revenue in 2011, both for directly-operated stores and sales to third-party distributors, with all of the brand's host countries contributing to the rise. The launch of the Stella McCartney Kids collection was a resounding commercial success and the brand's recurring operating margin continued to trend upwards. However, revenue from licences edged down during the year.

Sport & Lifestyle Division

(in € millions)	2011	2010	Change
Revenue	**3,155.7**	**2,706.4**	**+16.6%**
Recurring operating income	**346.7**	**337.1**	**+2.8%**
as a % of revenue	***11.0%***	***12.5%***	***-1.5 pt***
EBITDA	407.4	393.0	+3.7%
as a % of revenue	*12.9%*	*14.5%*	*-1.6 pt*
Gross operating investments	74.8	55.1	+35.8%
Average headcount	10,492	9,697	+8.2%

The year 2011 saw the formation of PPR's Sport & Lifestyle Division, comprising Puma and Volcom, which has been consolidated since July 1.

The Sport & Lifestyle Division reported €3,156 million in revenue in 2011, up 16.6% as reported and 10.5% based on a comparable Group structure and exchange rates. In the fourth quarter of the year sales rose by 25.9% as reported and 13.3% on a comparable basis.

Wholesale sales – which accounted for 83.4% of the Division's total revenue – were up 10.0% year on year based on comparable data, with a rise of 12.1% in the fourth quarter. Retail sales in directly-operated stores were 13.0% higher than in 2010 on a comparable basis, driven by an 18.4% increase in the last three months of the year.

Shoes (which contributed 43.2% of the Division's total fourth-quarter sales) recorded 9.9% comparable-basis growth for 2011 as a whole following an 11.4% increase in the fourth quarter. Apparel (representing 41.9% of the Division's total fourth-quarter sales) registered 12.4% growth in the last three months of the year and a 9.7% increase over the full twelve months. Sales of Accessories (14.9% of the total) climbed by 22.0% in the fourth quarter and 14.6% for the year as a whole.

The Sport & Lifestyle Division posted a 19.2% comparable-basis sales rise in emerging markets, with these markets accounting for 35.5% of the Division's total in 2011, versus 32.9% in 2010. With sales up by 28.6%, Central and South America continued to deliver high growth and made up 13.5% of the Division's total revenue for the year. In the fourth quarter, sales generated in emerging markets advanced 19.7%, spurred by a 31.4% jump in Central and South America.

In the Sport & Lifestyle Division's more mature markets revenue climbed 9.8% in the fourth quarter and 6.2% over the full year. In Western Europe, the increase was 6.9% for the fourth quarter and 5.7% for full year 2011. In North America, which accounted for 19.9% of the Division's total revenue in 2011, sales were up 5.1% for the year with growth accelerating to 11.5% in the fourth quarter. Lastly, Japan (which represented 11.5% of the Division's total revenue) reported a solid 9.9% sales rise year on year, with a 12.0% jump in the fourth quarter.

The Sport & Lifestyle Division ended the year with recurring operating income of €347 million, bearing in mind that the 2010 figure did not include Volcom's contribution. Recurring operating margin reached 11.0% and EBITDA came in at €407 million, representing 12.9% of revenue.

As of December 31, 2011, the Division's network totalled 564 directly-operated stores, including 340 in emerging markets. There were 48 net store openings during the year.

Gross operating investments for the Sport & Lifestyle Division totalled €75 million in 2011, of which 34% was used for opening, extending and remodelling stores.

Puma

(in € millions)	2011	2010	Change
Revenue	**3,009.0**	**2,706.4**	**+11.2%**
Recurring operating income	**333.2**	**337.1**	**-1.2%**
as a % of revenue	***11.1%***	***12.5%***	***-1.4 pt***
EBITDA	391.4	393.0	-0.4%
as a % of revenue	*13.0%*	*14.5%*	*-1.5 pt*
Gross operating investments	71.1	55.1	+29.0%
Average headcount	10,043	9,697	+3.6%

In 2011, Puma started to roll out the measures contained in its "Back on the Attack" strategic plan in a consumer spending environment that has continued to recover but to varying degrees depending on the region concerned, with a faltering upturn in mature markets compared with a buoyant trajectory in emerging markets.

Against this backdrop, the brand's revenue totalled €3,009 million in 2011, up 11.2% on 2010 as reported and 10.6% based on comparable Group structure and exchange rates. In the fourth quarter of 2011, Puma's revenue climbed 15.6% as reported and 13.6% based on comparable data. Following on from a 9.4% comparable-basis increase in the first half of the year, this fourth-quarter performance enabled Puma to post even higher growth for the second half, when revenue rose 11.8%.

Wholesale sales accounted for 82.9% of Puma's total revenue in 2011 and were 10.4% higher than in 2010 based on comparable data, with growth reaching 13.0% in the fourth quarter. As of December 2011 Puma's order books were up in all of the brand's regions, with Latin America and Japan being the major drivers.

Revenue posted by Puma's directly-operated stores rose 16.0% in the fourth quarter of 2011 on a comparable basis and 11.7% for the full year. On a same-store basis, sales generated by directly-operated stores have now grown for six consecutive quarters. Puma's online sales surged 30.2% in 2011 based on comparable data, and by 20.3% growth in the last three months of the year reflecting the brand's efforts to step up the expansion of this distribution channel.

The robust overall sales performance turned in by Puma in 2011 was fuelled by a sustained level of innovation and creativity allied with marketing initiatives aimed at rejuvenating the product offering and attracting new customers. It also reflects the quality and feel of the brand's new collections which were very well received throughout the world. The Lifestyle, Fundamentals and Motorsport segments all registered strong growth and the Running segment posted a robust increase thanks notably to the new *PumAgility* model, which met with great success, as well as the *Faas* collection which is going to be enriched with new lines. However sales in the Team Sports segment declined, particularly for Football, whose business was significantly boosted in 2010 by the FIFA World Cup. The Fitness segment (particularly the *Body Train* line) and the Golf segment – whose sales were lifted by Cobra's contribution – both posted very strong growth during the period, and going forward, will reap the benefits of the launches of new cutting-edge products. The brand's licensed activities were also buoyant during the year and Puma renewed its long-term partnership with Ferrari. At the same time it actively pursued its sport sponsoring policy, signing a number of new partnerships such as with Cesc Fabregas, Borussia Dortmund and FC Botafago for football and Mercedes GP Petronas for Fomula 1. The brand also ramped up its worldwide communications, especially through campaigns such as *Puma Social*, which honours the *After Hours Athlete* and *Puma Faas lab*, which celebrates speed and stars Usain Bolt with products from the Running segment's Faas line.

By product category and based on comparable data, Shoes (which accounted for 51.2% of total Puma sales in 2011) reported a 9.9% year-on-year increase, led by especially impressive performances from the *Drift Cat III L* (Motorsport), *Osuran* (Women's Running), *Faas 300, Benecio Leather* (Lifestyle) and *Soleil*

(Women's Lifestyle) models. Sales of Apparel (34.4% of the total) advanced 9.9%, powered by a buoyant showing from Denim and Swimwear. Meanwhile, Accessories sales (14.4% of the total) were up 14.9% year on year, driven by the Golf collections and particularly the Cobra brand. In the fourth quarter of 2011 the comparable-basis year-on-year growth figures for Shoes, Apparel and Accessories came to 11.4%, 12.7% and 24.2% respectively.

Emerging markets contributed 36.7% of Puma's full-year revenue, versus 34.0% in 2010 (based on comparable data). Sales in Central and South America (14.1% of Puma's total in 2011) grew 32.1% in the fourth quarter and 28.6% for the full twelve months, with an excellent performance from Mexico, Argentina and Brazil. Excluding Japan, comparable revenue in the Asia-Pacific region (12.5% of the total) climbed 15.6% for the year as a whole, and posted a 12.5% increase in the fourth quarter. China and South Korea reported solid growth, and India saw another year of dynamic business momentum. Puma's revenue in Eastern Europe, the Middle East and Africa (10.1% of the total) rose 14.6% in the fourth quarter and 12.1% for the full year, spurred by very good trends in Russia.

The brand registered a full-year revenue increase of 5.6% in Western Europe in 2011, with a 6.3% rise in the fourth quarter, powered by a particularly good showing from Accessories. In North America (18.1% of total sales) Puma posted an overall year-on-year rise of 4.7%, with performance in the second half proving more dynamic than in the first thanks to growth of 13.5% in the fourth quarter. Momentum in the Lifestyle segment was particularly strong in this region during the year. Sales in Japan (11.8% of the total) were up by 10.2% for 2011 overall and by 9.5% in the last three months of the year, primarily thanks to extremely strong sales trends for Shoes.

In 2011, Puma contributed €333 million to the PPR Group's recurring operating income, down 1.2% on 2010. Recurring operating margin contracted by 140 basis points to 11.1%. Based on constant exchange rates, Puma's recurring operating income was up by 0.3% year on year and recurring operating margin declined by 130 basis points in 2011. Coming in at €391 million, Puma's contribution to consolidated EBITDA retreated 0.4% and represented 13.0% of revenue versus 14.5% in 2010.

Puma's gross margin narrowed by just 10 basis points in 2011. The overall decrease reflected the adverse effects of (i) a rise in the cost of goods sold (although this was selectively passed on to selling prices), (ii) the unwinding of currency hedges, (iii) certain promotional offers and (iv) inventory shedding measures, such as in Greece towards the end of the year. Gross margin held firm in 2011 for wholesale sales but declined for sales in directly-operated stores. It narrowed by 100 basis points for Apparel (which was particularly affected by rising commodities prices and production costs) but widened by 20 basis points for Shoes and by 100 basis points for Accessories (mainly thanks to the favourable impact of Cobra's contribution). North, Central and South America all saw an increase in gross margin whereas the brand's other geographic regions reported a contraction.

Based on comparable exchange rates, operating expenses in 2011 were 16.0% higher than in 2010, reflecting the major capital expenditure programmes outlined in Puma's "Back on the Attack" strategic plan, which paves the way for the brand's future development. During the year, Puma stepped up its investments aimed at further enhancing the brand's appeal and energising its sales momentum by launching new communications campaigns (including *Puma Social* and *Puma Faas lab*), sponsoring sporting events (e.g., the FIFA Women's World Cup 2011, the Copa America and the Volvo Ocean Race), and reinforcing its sponsorship activities (e.g., Kun Aguero, Falcao, Yaya Touré and RCD Espanyol de Barcelona in football; Ian Poulter, Rickie Fowler and Lexi Thompson in golf; and Oracle Racing for the America's Cup in sailing). In 2011, Puma also resolutely focused on optimising its product management processes in order to help meet its growth targets. This led to a significant rise in the associated costs, especially Design and R&D expenditure. Conversely, the streamlining plan implemented for Puma's directly-owned stores enabled the brand to limit the increase in its store operating expenses.

In line with its strategic plan, in 2011 Puma opened nine new stores and closed 19 in mature markets, and inaugurated 43 new sales outlets in emerging markets. As of December 31, 2011 the brand operated a total of 535 stores directly, including 337 in emerging markets.

Puma's gross operating investments rose by 29.0% in 2011 compared with 2010. Expenditure incurred for opening, extending and renovating sales outlets represented 35% of the total for the year, versus 19% in 2010.

Other Sport & Lifestyle brands

(in € millions)	2011[1]	2010	Change
Revenue	**146.7**	**-**	**-**
Recurring operating income	**13.5**	**-**	**-**
as a % of revenue	***9.2%***	**-**	**-**
EBITDA	16.0	-	-
as a % of revenue	*10.9%*	-	-
Gross operating investments	3.7	-	-
Average headcount	449	-	-

(1) Volcom consolidated since July 1, 2011.

Volcom has been integrated as part of PPR's Sport & Lifestyle Division since July 1, 2011. Volcom generated revenue of close to €147 million in the second half of the year, representing an 8.2% comparable-basis increase on the same period of 2010. In the fourth quarter, Volcom's sales rose by 9.6% based on comparable data.

On a comparable basis, Volcom's Apparel business (representing 86.5% of the brand's total revenue) reported an 8.2% sales increase in second-half 2011. Accessories sales (12.7% of the total) were up by 6.5%, propelled by an 18.0% surge in revenue from the Electric brand. At the same time, Volcom's second-half Shoes revenue was 24.9% higher than in the same period of 2010.

In the last six months of 2011, Volcom's comparable-basis revenue increased by 16.2% year on year in emerging markets, which now account for 11.1% of the brand's total revenue. In North America – which is Volcom's principal market contributing 58.6% of the brand's total revenue – sales climbed 7.8% in second-half 2011. Sales generated in Western Europe (24.7% of the total) advanced 8.1% over the six months, with the pace of growth accelerating sharply in the last quarter. In Japan (which made up 5.5% of the brand's total revenue), sales soared in the last three months of 2011 but contracted by 2.6% for the second half overall. As of December 31, 2011, Volcom employed 898 people.

Volcom's contribution to the PPR Group's recurring operating income was around €14 million for its six-month consolidation period in 2011. For the same period its recurring operating margin stood at 9.2% and its EBITDA contribution amounted to €16 million.

The reporting of Volcom's 2011 operating performance in the Group's consolidated financial statements was affected by the accounting entries that had to be made during the year as part of the purchase price allocation process for the Volcom shares acquired by PPR.

Volcom's network of directly-operated stores totalled 29 as of December 31, 2011, including three in emerging markets.

During the last six months of 2011 Volcom's gross operating investments reached close to €4 million.

Fnac

(in € millions)	2011	2010	Change
Revenue	**4,164.9**	**4,302.7**	**-3.2%**
Recurring operating income	**102.6**	**191.9**	**-46.5%**
as a % of revenue	***2.5%***	***4.5%***	***-2.0 pts***
EBITDA	173.6	253.6	-31.5%
as a % of revenue	*4.2%*	*5.9%*	*-1.7 pt*
Gross operating investments	73.0	58.5	+24.8%
Average headcount	14,082	13,805	+2.0%

In 2011 Fnac had to rise to the twin challenges of a very fragile consumer spending environment in France and Southern Europe and more difficult market conditions, for both editorial and technical products. However, despite this tough operating context, Fnac once again demonstrated the strength of its business model and the power of its brand, reporting €4,165 million in revenue from continuing operations, down 3.2% year on year as reported or 3.6% at comparable exchange rates. In the fourth quarter, sales contracted by 3.3% as reported and by 3.4% based on comparable data, reflecting improved market trend in December.

Fnac generated online sales of €449 million in 2011, representing 10.8% of the banner's total revenue and up by a sharp 17.5% on a comparable basis against 2010 when they only accounted for 8.8% of the total. Growth in online sales outside France was particularly high, propelled by the rollout of a single international online platform enabling all of the banner's countries to use a unified technical base and share best practices.

In France, Fnac's revenue retreated 4.3% in 2011 overall, following a 4.0% fall in the fourth quarter. The markets for all of the banner's product categories contracted during the year but it was able to maintain its market share (1) for Books and even win market share in the Technical Products, Gaming and Video segments. Store footfall rose slightly towards the end of the year but retreated over the full twelve months, the conversion rate increased, the average customer basket value edged down, and out-of-town stores continued to deliver a better sales performance than town-centre stores. 2011 was another successful year for Fnac's e-commerce operations and revenue generated by Fnac Direct rose sharply again, with an overall year-on-year increase of 13.3% spurred by a 13.4% rise in the last quarter. Online sales accounted for 12.7% of Fnac's total revenue in France in 2011 (against 10.7% in 2010). The Market Place concept – which went online in 2009 – continued to rapidly gain ground and demonstrate its good fit with the Fnac.com site. During 2011, the number of website visits increased significantly, the conversion rate improved slightly and the average customer basket value rose at a steady pace. Also during the year, Fnac entered into strategic cooperation agreements with the telephone operator SFR (for creating SFR-dedicated telephony spaces in Fnac stores) and Lagardère Services (to develop a network of Fnac outlets in railway stations and airports). These agreements helped to energise the banner's sales momentum in the second half of 2011.

Sales of Technical Products in France edged down by 2.6% in the fourth quarter and 3.6% for the twelve months overall, with market share gains (1) in almost all product families and the personal computer category turning in a resilient performance with sales up 2.0% in the fourth quarter but down 2.3% for the year as a whole. Revenue from online sales of Technical Products advanced 20.5% over the full twelve months of 2011 with growth coming in at 22.5% in the fourth quarter. Revenue generated by Editorial Products contracted 5.5% in the fourth quarter and 5.0% for the year overall, due to sharp market downturns for Disks and Gaming. However, online sales of Editorial Products continued to rise, with increases of 8.1% in the fourth quarter and 7.6% for the year as a whole. Sales of Books inched up 0.3% in the fourth quarter and 0.1% over the full year, sustained by a good showing from the new Stationery and Gaming sectors as well as the successful and promising launch at the end of year of *Kobo by Fnac*, a comprehensive new e-reader solution. The Disks & Gaming category saw its revenue drop by 9.5% for the year as a whole and by 10.1% in the fourth quarter, despite a strong contribution from Merchandise Products and from *Okaz Gaming* – Fnac's second-hand video games business, which is growing rapidly.

Outside France, Fnac's revenue dipped 1.8% in 2011 on a comparable basis, with a 1.9% decline in the fourth quarter. International operations accounted for 30.7% of Fnac's total revenue during the year against 30.2% in 2010. Sales of Technical Products outside France increased by 1.6% in the fourth quarter and 1.3% for the twelve months overall, with market share gains (1) achieved in all countries. Online sales outside France jumped 41.1% in 2011. The Internet represents a wide avenue of potential growth for Fnac's international business as e-commerce only made up 6.4% of the banner's total sales in 2011 (although the proportion was 17.4% in Brazil).

In Spain, Fnac's revenue edged up 0.4% over the year as a whole, reflecting the country's difficult macro-economic backdrop, but growth came to 3.1% in the fourth quarter propelled by a strong performance from Technical Products. Sales generated in Portugal declined 13.7% in the fourth quarter and 8.7% over the full year, as a result of the country's sovereign debt crisis and slump in consumer spending. Revenue in Brazil was 5.5% higher than in 2010 on a comparable basis, with a 12.0% rise recorded for the fourth quarter. All product categories contributed to this increase, although Editorial Products led the way. Fnac's sales in Belgium rose 0.4% over the full year but were down 1.1% in the fourth quarter. In Switzerland, fourth-quarter sales dropped by 10.6% at comparable exchange rates due to highly unfavourable currency rates, and the full-year sales figure was down 8.1%.

Fnac ended 2011 with recurring operating income of around €103 million versus €192 million in 2010. Recurring operating margin was 2.5%, reflecting the fact that newly-opened stores weighed more heavily on profitability in 2011. EBITDA decreased to around €174 million from €254 million in 2010.

For French stores, the overall gross margin figure declined year on year as the slight improvement in gross margin as a percentage of revenue was not sufficient to offset the effect of lower business volumes

(1) Source: GFK as of end-November 2011.

in 2011. Fnac pursued its strict cost-control measures in 2011, and excluding the impact of new outlets opened during the year, store operating expenses were reduced by 1.2% compared with 2010. Fnac Direct's recurring operating margin for 2011 (2.9% of revenue) was impacted by a falloff in gross margin as a percentage of revenue, higher logistics costs, and investments made during the year aimed at boosting online sales and launching new businesses (e.g., the e-reader, BtoB solutions, and social network applications).

Outside France, gross margin was up slightly on 2010 overall, with Spain and Switzerland reporting substantial rises. On a same-store basis (i.e., for stores that have been open for more than 12 months), store operating expenses were 4.5% lower than in 2010. Recurring operating income was down in Spain (due to the impact of recently opened stores) as well as in Portugal and Brazil, but Belgium and Switzerland posted a year-on-year increase.

As of December 31, 2011, Fnac's store network comprised 148 outlets, including 63 outside France. Four new stores were opened in the fourth quarter of the year, bringing the full-year number of openings to eight. Five of the new stores were in France (including four out-of-town stores) and three were in Spain. Six additional stores were opened in airports and railway stations.

Fnac's gross operating investments increased by 24.8% in 2011 to €73 million. Out of this total €16 million related to Fnac Direct's online business and some 27% was used for projects outside France.

The Corporate segment

The "Corporate" segment comprises (i) PPR's corporate departments and headquarters teams and (ii) Shared Services, which provide services to the operating units of the Luxury, Sport & Lifestyle and Retail divisions. This segment also includes PPR HOME, PPR's new sustainability initiative launched in March 2011, which is presented in the section of this report entitled "Significant events of the year".

In 2011, the Corporate segment reported a recurring operating loss of around €110 million (versus some €103 million in 2010). The 2011 figure included (i) approximately €90 million worth of general and administrative expenses for headquarters services (down 2.2% on 2010), (ii) €14 million in costs relating to long-term incentive plans (versus €9 million in 2010), and (iii) €6 million in initial operating costs for the PPR HOME initiative.

1.5. COMMENTS ON THE GROUP'S FINANCIAL POSITION

In 2011, PPR once again strengthened its financial position, recording an increase in equity and a reduction in net debt:

(in € millions)	2011	2010	Change
Goodwill, brands and other intangible assets, net	14,546.0	14,740.2	(194.2)
Other non-current assets, net	115.0	163.1	(48.1)
Current assets, net	277.6	1,057.5	(779.9)
Provisions	(363.7)	(529.0)	+165.3
Capital employed	**14,574.9**	**15,431.8**	**(856.9)**
Net assets held for sale	570.1		+570.1
Total equity	**11,749.5**	**11,651.2**	**+98.3**
Net debt	**3,395.5**	**3,780.6**	**(385.1)**

Capital employed

As of December 31, 2011, capital employed was 5.6% lower than at the previous year-end, reflecting (i) the positive impact of the settlement of the receivable due in relation to the sale of Conforama and (ii) the reclassification of Redcats' contribution within assets held for sale.

Goodwill, brands and other intangible assets, net

As of December 31, 2011, "Goodwill, brands and other intangible assets, net", represented 58% of total assets (versus 60% as of December 31, 2010). As of December 31, 2011, this item mainly comprised:

- goodwill amounting to €4,215 million, of which €2,266 million related to the Luxury Division and €1,545 million to the Sport & Lifestyle Division;
- brands valued at €10,048 million, of which €6,184 million for the Luxury Division and €3,863 million for the Sport & Lifestyle Division.

The year-on-year decrease in this item mainly stemmed from the reclassification of Redcats as "held for sale" in accordance with IFRS 5, which had a €747 million negative effect and offset the increases resulting from (i) the acquisitions of Volcom, Sowind and the Gucci franchisee in the Middle East, and (ii) the currency effect on the translation of assets denominated in foreign currencies (particularly the US dollar).

Other non-current assets, net

(in € millions)	2011	2010	Change
Property, plant and equipment, net	1,372.0	1,423.6	(51.6)
Net deferred tax liabilities	(2,284.5)	(2,290.8)	+6.3
Investments in associates	735.8	747.7	(11.9)
Non-current financial assets	279.5	271.4	+8.1
Other non-current assets	12.2	11.2	+1.0
Other non-current assets, net	**115.0**	**163.1**	**(48.1)**

Property, plant and equipment decreased in 2011, due to the €169 million impact of reclassifying Redcats as "held for sale" in accordance with IFRS 5, which offset the increases arising from (i) recurring transactions carried out during the year (acquisitions/disposals and depreciation), (ii) newly-consolidated companies and (iii) fluctuations in exchange rates.

The Group's operating infrastructure breaks down as follows:

		Owned outright	Finance leases	Operating leases	2011	2010
Sales outlets	Luxury Division	5	5	791	801	684
	Sport & Lifestyle Division	4		560	564	508
	Fnac			148	148	140
Logistics units	Luxury Division	6	1	46	53	51
	Sport & Lifestyle Division	5		43	48	43
	Fnac			8	8	7
Production units & other	Luxury Division	9		19	28	18
	Sport & Lifestyle Division	3		3	6	4
	Fnac			6	6	5

Deferred taxes primarily correspond to deferred tax liabilities relating to brands recognised on business combinations (notably Gucci and Puma).

As of December 31, 2011, investments in associates chiefly comprised (i) PPR's residual interest in Cfao and (ii) Wilderness shares held by Puma. The year-on-year decrease was mainly attributable to PPR's acquisition of a controlling interest in Sowind which has been fully consolidated since July 1, 2011 (whereas in 2010 it was accounted for by the equity method on a 23.0% basis).

Current assets, net

This item can be analysed as follows:

(in € millions)	2011	2010	Change
Inventories	2,202.5	2,227.0	(24.5)
Trade receivables	1,087.4	954.7	+132.7
Trade payables	(1,535.6)	(1,928.4)	+392.8
Current tax receivables/payables	(243.2)	(262.4)	+19.2
Other current assets and liabilities	(1,233.5)	66.6	(1,300.1)
Current assets, net	**277.6**	**1,057.5**	**(779.9)**

Working capital requirement (excluding tax) stood at €521 million as of December 31, 2011 versus €1,320 million at the previous year-end. The settlement of the receivable due relating to the sale of Conforama led to a €1,204 million decrease in working capital requirement during the year but this impact was partially offset by the reclassification of Redcats as "held for sale" in accordance with IFRS 5, as well as the first-time consolidation of Volcom and Sowind. Excluding these impacts, working capital requirement led to a €244 million cash outflow in 2011. The rise in trade receivables during the year was essentially due to the increase in wholesale sales for Puma and the Luxury Division and resulted in a €152 million cash outflow. In 2011, increase in inventories gave rise to a cash outflow of €303 million which was mainly attributable to Puma and the Luxury Division on account of strong sales trends. Changes in trade payables generated a €66 million cash inflow in 2011, due to higher purchases by Puma and in the Luxury Division although this was partially offset by a decrease in trade payables for Fnac due to the banner's lower business levels towards the end of the year.

As of December 31, 2010 "Other current assets and liabilities" included the receivable relating to the sale of Conforama (€1,204 million), which was paid to PPR during the first quarter of 2011.

Provisions

(in € millions)	2011	2010	Change
Provisions for pensions and other post-employment benefits	127.1	175.2	(48.1)
Other provisions for contingencies and losses	236.6	353.8	(117.2)
Provisions	**363.7**	**529.0**	**(165.3)**

Provisions for pensions and other post-employment benefits decreased in 2011, primarily due to the impact of reclassifying Redcats as "held for sale" in accordance with IFRS 5. As of December 31, 2011, these provisions corresponded to total liabilities of €200 million, covered by assets amounting to €73 million. At the same date, the portion of provisions for pensions and other post-employment benefits that will not give rise to cash out flows in the coming 12 months (recorded under non-current liabilities) stood at €119 million, versus €166 million as of December 31, 2010.

The decrease in "Other provisions for contingencies and losses" was mainly due to the reclassification of Redcats as "held for sale" in accordance with IFRS 5 as well as reversals of provisions covering warranty and litigation risks following the favourable outcomes of the related disputes. Additions to provisions during the year – which mainly related to restructuring costs – largely offset provision utilisations. As of December 31, 2011, the non-current portion of these provisions totalled €101 million versus €190 million as of December 31, 2010.

Equity

(in € millions)	2011	2010	Change
Equity attributable to owners of the parent	10,925.0	10,599.2	+325.8
Equity attributable to non-controlling interests	824.5	1,052.0	(227.5)
Total equity	**11,749.5**	**11,651.2**	**+98.3**

As of December 31, 2011, PPR's total equity was 0.8% higher than at the previous year-end.

In 2011, equity attributable to owners of the parent rose 3.0%, mainly due to the combined impacts of:

- €986 million in net income attributable to owners of the parent;
- €441 million in dividends paid by PPR;
- €114 million cost for the treasury shares bought back during the year;
- a negative €106 million effect arising from changes in Group structure, notably due to the recognition of liabilities relating to minority call options.

During the year, PPR carried out the following treasury share transactions:

- purchases and sales of shares under the liquidity agreement (1,249,100 shares purchased and 1,319,100 shares sold);
- the purchase of 1,030,967 shares to be cancelled;
- the purchase of 116,920 shares allotted to employees under the May 2009 free share plan;
- the purchase of 90,000 shares and the sale to employee beneficiaries of 71,654 shares under stock option plans.

As of December 31, 2011, PPR's share capital was made up of 127,000,889 shares with a par value of €4 each. At the same date, PPR no longer held any treasury shares under the liquidity agreement (compared with 70,000 treasury shares held as of December 31, 2010). Excluding the liquidity agreement, PPR held 1,061,352 shares in treasury as of December 31, 2011, compared with 12,039 as of December 31, 2010.

As of December 31, 2011, equity attributable to non-controlling interests mainly related to Puma, for a total of €781 million (versus €1,040 million the previous year), and the Luxury Division, for €44 million (€12 million as of December 31, 2010).

The change in the amount of equity attributable to non-controlling interests during the year primarily includes the impact of acquisitions of additional Puma shares which raised PPR's interest in Puma to around 79.9% as of December 31, 2011 from 71.6% at year-end 2010.

Net debt

The Group's net debt totalled €3,396 million as of December 31, 2011, representing a decrease of €385 million or 10.2% compared with the previous year-end. As of December 31, 2011, PPR's net debt broke down as follows:

(in € millions)	2011	2010	Change
Bonds	2,539.9	3,593.7	(1,053.8)
Bank borrowings	550.5	561.5	(11.0)
Commercial paper	823.5	198.9	+624.6
Other borrowings	763.7	864.6	(100.9)
Gross borrowings (1)	**4,677.6**	**5,218.7**	**(541.1)**
Fair value hedges (interest rate)	(11.4)	(39.9)	+28.5
Cash and cash equivalents	(1,270.7)	(1,398.2)	+127.5
Net debt	**3,395.5**	**3,780.6**	**(385.1)**

(1) Excluding the financing of customer loans.

As of December 31, 2011, "Other borrowings" included €317 million concerning put options granted to minority shareholders (€240 million as of December 31, 2010). The main movements during the year concerned the recognition of the liability related to Sowind's minority shareholdings as well as the payments incurred for buying out the Puma franchise in China.

In accordance with the Group's policy of setting or capping interest rates, fixed-rate borrowings accounted for 70.4% of the Group's total gross borrowings as of December 31, 2011 (including hedges), compared with 60.1% one year earlier.

As of December 31, 2011, the Group's gross borrowings mainly comprised euro-denominated borrowings. The proportion denominated in JPY represented 9.5% of total gross borrowings (8.0% as of December 31, 2010) and the proportion denominated in other currencies stood at 8.4% (4.0% as of December 31, 2010).

PPR minimises its exposure to debt concentration risk by diversifying its sources of financing. Therefore, non-banking debt accounted for 71.9% of gross borrowings as of December 31, 2011, versus 72.7% as of December 31, 2010. PPR's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2011, 76.7% of the confirmed credit facilities granted to PPR were provided by a total of ten banks. The Group's three leading partners represented 40.2% of the total and no single bank accounted for more than 20% of the aggregate amount of confirmed credit facilities available to the Group.

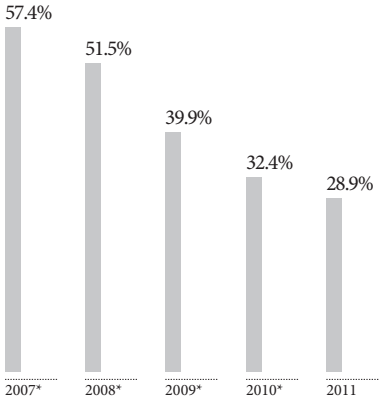
PPR only carries out borrowing and investment transactions with financial institutions that have very high credit ratings and it spreads these transactions amongst the various institutions concerned.

Solvency

PPR's financial structure is very sound:

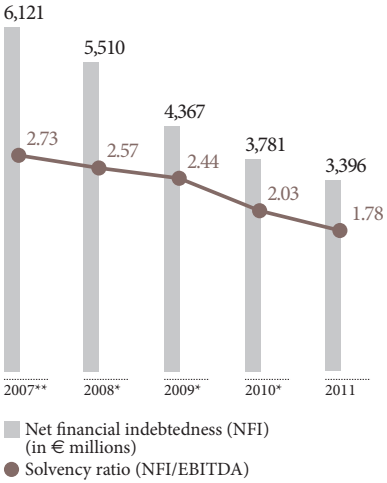
- its gearing ratio (net debt to equity) decreased to 28.9% as of December 31, 2011 from 32.4% as of December 31, 2010;
- its solvency ratio (net debt to EBITDA) also improved, coming in at 1.78 in 2011 versus 2.03 in 2010.

GEARING



* Published, not restated.

SOLVENCY



* Published, not restated.
** Proforma.

PPR's bank credit facilities are subject to just one financial covenant which provides that the solvency ratio (net debt to EBITDA, calculated annually on a proforma basis at the year-end) must not exceed 3.75.

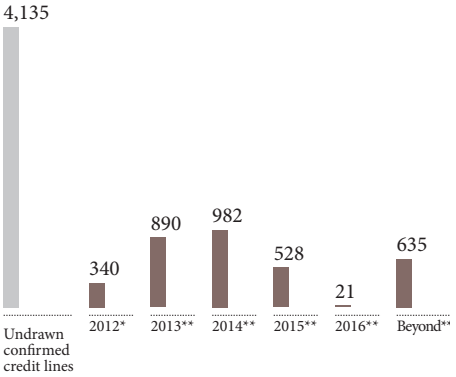
In November 2011, Standard & Poor's affirmed PPR's "BBB -" long-term rating with a "positive" outlook.

Liquidity

As of December 31, 2011, PPR had cash and cash equivalents totalling €1,271 million (€1,398 million as of December 31, 2010), as well as confirmed undrawn medium-term credit facilities amounting to €4,135 million (€6,123 million as of December 31, 2010).

The Group is not exposed to liquidity risk.

MATURITY SCHEDULE OF NET DEBT



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

Short-term borrowings and borrowings maturing in five years or beyond accounted for 37.7% and 13.3% respectively of total gross borrowings as of December 31, 2011, compared with 38.8% and 18.9% respectively as of December 31, 2010.

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, 2011, the Group had access to €4,170.1 million in confirmed credit facilities (excluding Redcats' facilities), versus €6,174 million one year earlier.

The contracts relating to the Group's borrowings and bond debt feature standard *pari passu*, cross default and negative pledge clauses.

The bonds issued in 2009 and 2010 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if PPR's rating is downgraded to non-investment grade following a change of control. They are also subject to a "step-up coupon" clause in the event that PPR's rating is downgraded to non-investment grade.

The Group's debt contracts do not include any rating trigger clauses.

Changes in net debt

Changes in net debt in 2011 and 2010 can be analysed as follows:

(in € millions)	2011	2010
Net debt as of January 1	**3,780.6**	**4,367.4**
Free cash flow from operations	(934.3)	(930.0)
Net interest paid and dividends received	197.5	237.9
Dividends paid	453.8	439.3
Acquisitions of PPR shares	119.5	14.5
Acquisitions of Puma shares	300.0	86.7
Other disposals and acquisitions	(577.3)	(417.5)
Other movements	55.7	(17.7)
Net debt as of December 31	**3,395.5**	**3,780.6**

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

(in € millions)	2011	2010	Change
Cash flow from operating activities before tax, dividends and interest	**1,838.9**	**1,579.2**	**+16.4%**
Change in working capital requirement (excluding tax)	(234.5)	(143.7)	+63.2%
Corporate income tax paid	(364.8)	(243.0)	+50.1%
Net cash from operating activities	**1,239.6**	**1,192.5**	**+3.9%**
Net operating investments	(305.3)	(262.5)	+16.3%
Free cash flow from operations	**934.3**	**930.0**	**+0.5%**

Cash flow from operating activities before tax, dividends and interest was €260 million higher than in 2010, representing an increase of 16.4%.

Changes in working capital requirement led to a net cash outflow of €235 million in 2011 compared with a net cash outflow of €144 million in 2010. This unfavourable year-on-year change of €91 million, particularly in relation to Fnac, reflects the combined impact of the following factors:

- an unfavourable €143 million impact from a higher increase in inventories than in 2010 to keep up with business growth, particularly for the Luxury Division and Puma;
- a negative €26 million impact from a higher increase in trade receivables compared to the previous year;
- an unfavourable €105 million effect of changes in cash flows resulting from trade payables which decreased for Fnac due to the brand's lower level of purchases;
- a €183 million improvement in cash flows from changes in other operating or non-current payables and receivables;

In 2011, taxes paid increased significantly, reflecting higher profits, and certain non-recurring intems, especially at Puma.

In 2011, net operating investments included €20 million in proceeds from disposals of property, plant and equipment and intangible assets (€43 million in 2010).

Gross operating investments therefore amounted to €325 million, up 6.6% year on year and breaking down as follows:

(in € millions)	2011	2010	Change
Luxury Division	172.9	128.2	+34.9%
Sport & Lifestyle Division	74.8	55.1	+35.8%
Fnac	73.0	58.5	+24.8%
Corporate	4.6	63.3	-92.7%
Gross operating investments	**325.3**	**305.1**	**+6.6%**

In 2010, cash flows related to operating investments included PPR's purchase of the building in Place Vendôme in Paris that is the prestigious home to Boucheron's historic boutique and high jewellery workshop.

In 2011, 27% of the Group's gross operating investments concerned store opening programmes, and around 34% related to store conversions and/or renovations. Investments in France accounted for 22% of the total in 2011.

Available cash flow

In 2011, cash outflows relating to net finance costs included €13 million in interest and dividends received (€7 million in 2010).

Consequently, available cash flow for the year amounted to €737 million, representing a 6.5% increase on the €692 million generated in 2010.

Dividends paid

Dividends paid in 2011 were 3.3% higher than in 2010. The 2011 figure included €13 million paid to minority shareholders of consolidated subsidiaries (€22 million in 2010), of which €9 million related to Puma and its subsidiaries (€20 million in 2010). The dividend paid by PPR to its own shareholders during the year came to €441 million, up 5.6% on 2010.

Acquisitions and disposals

PPR and Puma purchased a total of 1,328,928 Puma shares on the market during 2011 for an aggregate €300 million.

"Acquisitions of PPR shares" during the year corresponded to the purchase of 1,030,967 shares to be cancelled for a total cost of around €120 million.

"Other acquisitions and disposals of securities" in 2011 mainly concerned (i) the proceeds from the sale of Conforama, net of transaction costs and taxes and (ii) outflows arising from the acquisitions of Volcom and Sowind and Gucci's purchase of its franchisee in the Middle East.

In 2010, net proceeds from acquisitions and disposals of securities included (i) €411 million in cash flows relating to the deconsolidation of Conforama and (ii) cash outflows arising from Puma's acquisition of Cobra.

Other movements

This item included the impact of fluctuations in exchange rates and the effect of applying IAS 32 and 39 to debt.

1.6. NET INCOME AND DIVIDEND OF THE PARENT COMPANY

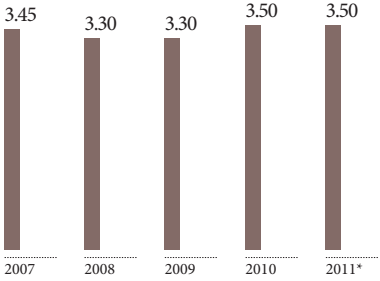
The parent company ended 2011 with net income of €664 million, compared with €529 million in 2010.

At the Annual General Meeting on April 27, 2012, the Board of Directors will recommend a dividend payment of €3.50 per share, unchanged from the previous year. If this dividend is approved, the total dividend payout – to be made in 2012 – would amount to €441 million.

This recommended dividend reflects PPR's goal of maintaining well-balanced payout ratios bearing in mind, on the one hand, changes in net income from continuing operations (excluding non-recurring items) attributable to owners of the parent and, on the other hand, the amount of available cash flow. PPR's payout ratios are as follows:

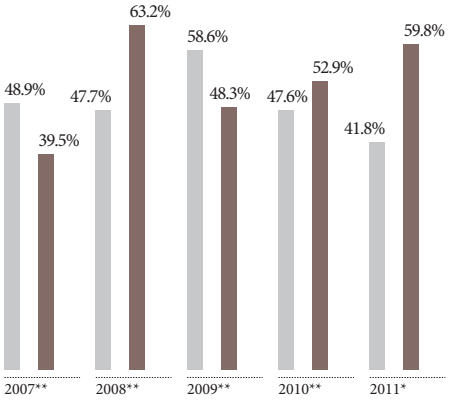
- 41.8% of net income from continuing operations (excluding non-recurring items) attributable to owners of the parent, versus 47.6% in 2010;
- 59.8% of available cash flow, compared with 52.9% in 2010.

DIVIDEND PER SHARE
(IN €)



* Subject to the approval of the Annual General Meeting.

PAYOUT RATIOS



* Subject to the approval of the Annual General Meeting.
** Reported, not restated.

1.7. TRANSACTIONS WITH RELATED PARTIES

The main transactions carried out with related parties are described in Note 34 to the consolidated financial statements.

1.8. SUBSEQUENT EVENTS

Acquisition of Brioni

On November 8, 2011, PPR announced that it was to acquire 100% of Brioni's share capital. The acquisition was finalised on January 11, 2012, after having received approval from the competition authorities.

Brioni is one of the world's most reputable men's fashion houses, owing to its exceptional and unique sartorial know-how. It is a profitable and growing business with its own sartorial workshops, the largest of which is located in Penne in the Abruzzo region (Italy). The company has 1,800 employees and is distributed in 74 boutiques, 32 of which are directly-owned stores, as well as through an extensive network of points-of-sale around the world.

By acquiring this prestigious brand synonymous with Italian masculine elegance, PPR is increasing its portfolio of luxury brands in the strong-growth high-end men's fashion segment. Brioni has significant intrinsic growth potential and offers an excellent strategic fit with other names in PPR's Luxury Division. PPR will enable Brioni to accelerate its expansion and boost its profitability, notably through a wider product range and geographic expansion in strong growth markets. The Group will give Brioni access to its expertise and know-how, leading it towards a new stage in its development while enabling it to preserve its unmatched know-how and remain faithful to its values of timeless elegance and refinement.

Brioni will be fully consolidated in PPR's financial statements as from January 1, 2012.

Fnac strategic offensive

On July 19, 2011, Fnac launched a new strategic offensive plan for conquest and expansion designed to cater for new customer requirements, technological changes and new modes of consumption, and renewed competition, notably on the Internet.

The strategic offensive is based on three key principles: expanding the product range to encompass the broader "Leisure & Technology" segment; giving priority to customer relations; and focusing especially on the family market.

To bring about the transformation, Fnac will take five courses of action: expanding the store network (programme to open new stores and develop a new network of smaller stores operated initially as directly-owned outlets and then under franchise contracts, renewing the store concept (grouping products in "worlds" to better guide customers); creating a "Kids world" in each store; fully integrating the online and in-store product ranges; and creating a new range of services (revamping the membership programme, trade-in and subscription offers for some technical product categories, training courses, set-up assistance, tailored remote assistance, etc.).

On January 13, 2012, Fnac also announced a cost-savings plan aimed at generating savings of €80 million over the full year to regain its competitiveness. The cost-savings plan consists of a major programme to reduce overheads, including a drastic reduction in routine expenditure, renegotiation of leasing costs for the entire network of stores, and a general review of technical services contracts concerning headquarters, stores and logistics sites in order to optimise terms and conditions. The plan also involves a suspension of recruitment in every country, a wage restraint policy and the cutting of 310 jobs in France (affecting only support functions at the headquarters and in stores) and 200 outside France (throughout the countries in which Fnac is present). Fnac's four Switzerland stores will also be run directly from France, and the Swiss headquarters will be streamlined.

Bond issue

On January 16, 2012, PPR issued €250 million of additional bonds in connection with its 3.75% bond issue maturing on April 8, 2015, bringing the total amount of the issue to €750 million.

1.9. OUTLOOK

Facing an uncertain economic environment in early 2012, the core strengths underpinning PPR's 2011 results will continue to propel its performance during the year.

PPR is confident that 2012 will be another year of robust revenue growth, and improvements in operating and financial performances.

2. INVESTMENT POLICY

In 2011, PPR pressed ahead with its strategy of reinforcing profitable high-growth activities. This strategy emphasises organic growth and international expansion, and is founded on renowned global and retail brands. It is implemented in the Luxury and Sport & Lifestyle markets alike.

The objective is to ensure the prosperity of each Group entity and leverage organic growth potential. 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.

2.1. FINANCIAL INVESTMENTS

2011

Financial investments represented net cash inflows of €707 million for 2011, with disposals well exceeding acquisitions of financial assets.

Acquisition of Volcom

On May 11, 2011, PPR launched a friendly cash tender offer for Volcom Inc. The acquisition represents a major step in the development of PPR's Sport & Lifestyle Division, providing it with an iconic apparel and accessories brand with a heritage in skateboarding, snowboarding and surfing. The transaction valued Volcom at USD 607.5 million, representing its equity capital.

Following the completion of PPR's tender offer by its wholly-owned subsidiary, Transfer Holding, Inc., on June 23, 2011, the Group acquired a controlling interest of 87.4% in Volcom's capital. Following a short-form merger of Transfer Holding, Inc. with and into Volcom, Inc., any remaining Volcom shares were exchanged for USD 24.50 per share in cash. PPR thus owns 100% of Volcom, Inc., which has been fully consolidated in the PPR group's financial statements since July 1, 2011.

Acquisition of a controlling interest in Sowind Group

On July 4, 2011, PPR announced the launch of a reserved capital increase by Sowind Group to be fully subscribed by PPR, following which PPR became Sowind's majority shareholder with a 50.1% ownership interest.

Sowind Group, which is one of the last independent Swiss watch manufacturers, has a presence in 60 countries, notably with the Girard-Perregaux and JeanRichard brands.

Based on a strategic partnership agreement signed in June 2008, PPR already held a 23% non-controlling interest in Sowind Group, which was accounted for under the equity method in the consolidated financial statements.

This transaction strengthens the position of PPR's Luxury Division in the Haute Horlogerie sector whilst supporting Sowind Group's international growth in terms of both product development and worldwide distribution.

Sowind Group has been fully consolidated in the PPR Group's financial statements since July 1, 2011.

Other changes in the Group's business portfolio

In 2011, PPR and Puma purchased a total of 1,328,928 Puma shares on the market for an aggregate €300 million. This raised PPR's stake in Puma from 71.6% as of December 31, 2010, to 79.9% as of December 31, 2011.

In the second half of 2011, PPR launched a process to sell the Redcats group and pull out of Fnac Italy.

On March 18, 2011, PPR announced that it had transferred Conforama shares to Steinhoff International and received the full amount of the transaction consistent with the terms announced on December 9, 2010.

2010

Financial investments represented net cash inflows of €341 million for 2010, with disposals well exceeding acquisitions of financial assets.

Sale of Conforama

On December 9, 2010, PPR announced that it had received a firm offer from the South-African group

Steinhoff International Holdings Ltd. to purchase Conforama. Under the terms of the offer, Steinhoff International will pay €1.2 billion to PPR as consideration for Conforama's shares and will also settle the current account loans owed by Conforama to PPR at the date the shares are transferred.

The transaction was approved by the employee representative bodies of PPR and Conforama in January 2011. It was completed during the first quarter of 2011 once it had received approval from the relevant competition authorities and subsequently Steinhoff International's shareholders in an Annual General Meeting.

For PPR, the sale constitutes another step forward in rolling out the strategy it has undertaken since 2006, which is aimed at gradually transforming PPR into an international group of global Luxury and Sport & Lifestyle brands.

Other changes in the Group's business portfolio

On April 8, 2010, Puma purchased a minority stake of 20.1% in Wilderness Holdings Limited, a company that operates in the ecotourism sector in South Africa and Botswana.

On April 16, 2010, Puma finalised the acquisition of Cobra, a golf equipment manufacturer. The acquisition included the Cobra brand, inventories, intellectual property rights and sponsorship agreements.

Lastly, on September 30, 2010, Fnac completed the sale of Fnac éveil & jeux to ID Group.

2.2. OPERATING INVESTMENTS

The Group conducts a targeted investment policy designed to reinforce both its image and the unique positioning of its brands and companies, as well as to increase its return on capital employed.

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 sector and logistics centres in the retail sector, and the development of IT systems.

Following on from 2010, which was marked by a solid economic recovery across the world, the global economy got off to a fairly buoyant start in 2011, then ran out of steam, particularly in developed countries. This was due to the structural weakness of the recovery, combined with the effect of a series of events that sent convulsions across the world markets, including the Arab Spring, the consequences of the earthquake, tsunami and ensuing nuclear disaster in Japan, and hikes in raw materials prices. The slowdown also reflects heightened sovereign debt tensions, which generated considerable uncertainty throughout the global economy and markets, particularly in the eurozone. However, emerging countries held up well against these recent adverse events and continued to grow steadily, albeit at a somewhat slower pace than in previous periods.

Against this backdrop, gross operating investments represented net cash outflows of €325 million in 2011, up 7% on 2010, on a comparable structure basis. In 2010, cash flows related to operating investments included PPR's purchase of the building in Place Vendôme in Paris that is the prestigious home to Boucheron's historic boutique and high jewellery workshop.

In 2011, 27% of the Group's gross operating investments concerned store opening programmes, and around 34% related to store conversions and/or renovations.

Investments outside France accounted for 78% of the total in 2011, highlighting the importance the Group attaches to its international expansion.

Net operating investments for 2011 take into account disposals of property, plant and equipment and intangible assets totalling €20 million (€43 million in 2010 on a comparable structure basis).

Luxury Division

In 2011, the Luxury Division continued to invest heavily in its directly-operated store network, via a major renovation and expansion programme and 117 net store additions (42 more than in 2010), including 25 in Greater China (Continental China, Hong Kong and Macao) and 28 in other emerging markets. With 32 openings in the fourth quarter, the total number of Luxury Division stores stood at 801 as of December 31, 2011.

In all, the Luxury Division's gross operating investments stood at €173 million in 2011. This was 35% up on 2010, chiefly as a result of expenditure on store openings, extensions and conversions.

Gucci

Gucci's gross operating investments reached €111 million in 2011, up by 28% on 2010. There was an increase in store-related investments, with a particularly pronounced rise in outlay for extending and refurbishing stores.

As of December 31, 2011, Gucci operated 376 stores directly, including 141 in emerging countries (58 in Greater China). There were 59 net store additions during the year (compared with 34 in 2010), including seven in Continental China and 19 in other emerging countries.

Bottega Veneta

Bottega Veneta's gross operating investments leapt 82% year on year to €29 million as of December 31, 2011. The year on year rise was led by a sharp increase in investments related to opening, extending and refurbishing stores.

Bottega Veneta's network of directly-operated stores totalled 170 outlets as of December 31, 2011, including 29 in Greater China and 30 in other emerging countries. There were 22 net store openings during the year (versus 13 in 2010), including six in Continental China.

Yves Saint Laurent

Gross operating investments by Yves Saint Laurent surged 7% year on year to €8 million as of December 31, 2011. Out of the total amount of investment expenditure, 45% was for store openings and 31% for refurbishing and extending stores.

The brand pursued its drive to optimise its store network during the year, opening nine new stores, including four in the Asia-Pacific region (excluding Japan), and closing four outlets in mature markets (including one in Japan). As of December 31, 2011, the Yves Saint Laurent brand operated 83 stores directly, including nine in Greater China and 18 in other emerging countries.

Other Luxury Division brands

Other brands in the Luxury Division reported gross operating investments amounting to €25 million in 2011, a rise of 38% compared to 2010.

The network of directly-operated stores owned by the Luxury Division's other brands totalled 172 outlets as of December 31, 2011, including 17 in Greater China and nine in other emerging countries. There were 31 net store openings in 2011 overall.

Sport & Lifestyle Division

Gross operating investments for the Sport & Lifestyle Division totalled €75 million in 2011, of which 34% was used for opening, extending and remodelling stores.

The Division's network of directly-operated stores totalled 564 outlets as of December 31, 2011, including 340 in emerging markets. There were 48 net store openings during the year.

Puma

Puma's gross operating investments increased 29% year on year to €71 million. Expenditure incurred for opening, extending and renovating sales outlets represented 35% of the total for the year, versus 19% in 2010.

In line with its strategic plan, in 2011 Puma opened nine new stores and closed 19 in mature markets, and inaugurated 43 new sales outlets in emerging markets. As of December 31, 2011, the brand operated a total of 535 stores directly, including 337 in emerging markets.

Other Sport & Lifestyle brands

During the last six months of 2011, Volcom's gross operating investments amounted to some €4 million.

Volcom's network of directly-operated stores totalled 29 as of December 31, 2011, including three in emerging markets.

Fnac

Fnac's gross operating investments increased by 24.8% in 2011 to €73 million. Out of this total €16 million related to Fnac Direct's online business and some 27% was used for projects outside France.

As of December 31, 2011, Fnac's store network comprised 148 outlets, including 63 outside France. Fnac opened eight new stores in 2011, including four in the fourth quarter. Five of the new stores were in France (including four out-of-town outlets) and three were in Spain.

3. RISK MANAGEMENT

3.1. 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 for the 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 investment grade 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 Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

With the exception of Cfao, in which PPR continues to hold a 42% stake, 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 29.3 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 Division.

These instruments are used either to hedge foreign currency trade receivables and payables, or to hedge highly probable forecast exposures and/or firm commitments. Each entity hedges the risk generated by using a currency other than its functional currency in its commercial dealings.

Fnac, Redcats and the Sport & Lifestyle Division 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 offices.

Foreign exchange risk hedging by the Luxury Division's entities 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 forecast 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 29.2 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 70%-fixed/30%-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 29.1 to the annual 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 subsidiaries 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 €4,135 million as of December 31, 2011, excluding lines drawable by Redcats, compared to €6,123.4 million as of December 31, 2010.

PPR has a Euro Medium Term Notes (EMTN) programme in Luxembourg for its bond issuances, representing €5 billion. As of December 31, 2011, €2,550 million of this amount had been used. The EMTN programme was extended on December 6, 2011 for a further one-year period. PPR's short-term debt is rated "A3" by Standard & Poor's, while its long-term debt is rated "BBB-" with a positive outlook.

The Group's bonds and 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. The bonds issued in 2009 and 2010 within the scope of the EMTN programme are all subject to change-of-control clauses entitling

bondholders to request early redemption at par if PPR's rating is downgraded to non-investment grade following a change of control. The bonds also include a "step-up coupon" clause in the event PPR's rating is downgraded to non-investment grade (see Notes 28.4 and 28.5).

Confirmed credit lines for PPR and PPR Finance SNC are subject to early repayment clauses in the event that the net debt/EBITDA ratio is 3.75 or lower (see Note 28.5.3 to the annual consolidated financial statements). This ratio is calculated on a proforma basis. As of December 31, 2011, PPR and PPR Finance SNC had not drawn down any of the confirmed credit lines subject to this covenant.

Euro bond issues are not subject to any financial ratio covenants.

The Group was in compliance with all these covenants as of December 31, 2011 and there is no foreseeable risk of breach.

Information relating to liquidity risk is presented in Note 28 to the annual consolidated financial statements, including the breakdown of Group debt by maturity and currency, and in Note 29.6 to the consolidated financial statements, which describes liquidity risk in accordance with IFRS 7.39.

3.2. STRATEGIC AND OPERATIONAL RISKS

Macroeconomic and social instability

As a result of the international financial crisis, growth has slowed down worldwide and most developed countries are facing budgetary crises due to increased public debt. Though growth remains high in emerging countries, it is coming under strain from the slowdown, or reversal, of economic growth in Europe and the United States.

As some countries risk default, and many others introduce austerity measures, we are also seeing signs of emerging social risks.

The balanced geographical coverage of its Luxury and Sport & Lifestyle Divisions limits the PPR Group's exposure to the impact of local recessions and enables it to reap the full benefit of continued high growth in emerging countries.

Raw materials and strategic skills

To meet its customers' expectations, the Luxury Division needs unhindered availability of raw materials that comply with its quality criteria, and sustained skills levels across its production teams. To these purposes, the PPR Group has forged special partnerships with key suppliers, and pursues a policy of actively seeking new partners. In addition, it develops vertical integration throughout the production chain by means of a programme of acquisitions and strategic business combinations.

To uphold know-how in its Luxury Division businesses, PPR runs personnel training and skills preservation operations, and internalises a number of functions that were previously subcontracted.

Fluctuation in raw materials prices

The rising price of raw materials used by the PPR Luxury Division correlates with high demand for leather, skins and precious stones. Rising prices of the raw materials used by the Sport & Lifestyle Division stem from variations in the prices of rubber, cotton and polyester, partially dependent on the price of oil. In the bulk of cases, rises in raw material prices can be wholly or partially offset by corresponding rises in the sale prices of finished products.

PPR pays careful attention to the traceability of supplies, and insists that suppliers and subcontractors comply with legislation and the Group's ethical rules. The Luxury Division is especially attentive to ensuring that supplies comply with international standards on mining conditions for gold, diamonds and precious stones. These factors tend to restrict the scope of alternative sourcing options for certain materials. The Group is nevertheless organised to regularly seek new suppliers capable of meeting its requirements on these issues.

Commercial appeal and brand value

The powerful global brands in PPR's Luxury and Sport & Lifestyle Divisions, such as Gucci and Puma, account for a very substantial portion of the Group's revenue. One of the Group's main operational risks therefore concerns the loss of commercial appeal and brand value that could arise from poor consideration of consumer expectations, market changes, loss of key partnerships, problems with product quality, or failure to comply with the Group's Corporate Social Responsibility principles.

Consumer expectations

The inability to anticipate changes in consumer expectations represents a major risk to PPR's business development. To counter this risk, PPR endeavours to streamline the supply cycle, cutting lead times between product design and launch phases. PPR also encourages its divisions to stay ahead of consumer trends by keeping a constant watch over market shifts (attending trade fairs, working with trend forecasting agencies, running consumer surveys, etc.).

One outcome has been for Luxury Division brands to broaden their offerings, increase the number of collections, and develop partnerships with renowned designers. Success and commercial appeal of collections are sought by running Creative Departments under the management of world-renowned designers, and by remaining true to the identity and fundamental values of the brand.

PPR's Sport & Lifestyle brands also play a major role as trend setters for consumers, by investing in R&D and offering new products and services.

Market changes

Consumption modes are changing fast, as electronic transactions continue to gain ground. This trend is most pronounced in convenience goods and cultural goods. Fnac is directly affected by this, and reports falling demand for published content products at its stores. Other factors affecting Fnac's business include slowdown in the release rate of technology goods, and shorter commercial lifecycles for this kind of product.

In addition, market disintermediation had led to intensified competition, between local and international retailers, and between web pure players and vendors developing B-to-C strategies.

These changes raise major challenges, which Fnac addresses by offering new goods and developing new services. Specifically, it has enhanced its e-business coverage, developed its online catalogues, introduced marketplace capabilities, stepped up home assistance services, extended its brand territory to the leisure sector, and broadened its product spectrum.

Fnac strengthens its appeal through its multiple communications strategies, judicious store locations, sustained international rollout programme, development of new store formats (such as its travel store) and a renowned e-commerce site.

Loss of key partnerships

Partnerships with celebrities, athletes, sports teams and other brands make a significant contribution to enhancing the Group's image. The risk of losing strategic partnerships is mitigated by renewing major contracts in advance, extending the partnership portfolio (as with Gucci's agreements with Fiat and Riva in 2011) and paying careful attention to the quality of relationships with figureheads and brand representatives.

Product quality, health and safety risks

Ensuring the quality of goods and compliance with stringent safety standards are among the main priorities of the Group.

In order to bring high-quality products to market that are compliant with these standards, the Group implements quality control processes covering all of the stages in the product lifecycle, from design through to marketing. Products are classified using quality and safety standards, while suppliers are referenced on the basis of technical audits and adherence to the PPR Code of Business Practices. Product quality and safety controls are 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 section 3 "Sustainability" of the Reference Document, pages 88 to 91.

All PPR Divisions have a "product" crisis management unit. In the event of known risk, they follow procedures ensuring that immediate and transparent information is provided to the public, and that defective products are recalled.

The Group has also taken out civil liability insurance to cover bodily harm or property damage to third parties caused by products considered defective (see paragraph in section 3.4. – "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 incident arises due to unethical behaviour on the part of entities or individuals under its control, or those with which it is involved in business relations.

All PPR Divisions have crisis management units that liaise with PPR headquarters.

The Group also monitors adherence by personnel to the PPR Group Charter and Code of Business Practices. Supplier contracts are conditional on adherence to the Corporate Social Responsibility Charter, which suppliers are also required to promote within their production units, failing which their contracts are terminated. Compliance with the Corporate Social Responsibility Charter is monitored by means of social audits at production sites (see section 3 "Sustainability" of the Reference Document, pages 86 to 88).

The Luxury Division is especially attentive to supplier and subcontractor observance of the SA 8000 social responsibility standard. It includes ethics clauses in its contracts with third parties, and audits of suppliers and subcontractors on compliance with SA 8000 requirements.

The Sport & Lifestyle Division also monitors supplier observance of its Social Accountability and Fundamental Environmental (SAFE) standards, which forbid child labour, unethical employment conditions, environmental damage and any business relationships with criminal organizations.

Counterfeiting and parallel distribution networks

PPR owns a large array of brands, models, designs and know-how, largely through its Luxury and Sport & Lifestyle Divisions. This portfolio constitutes intellectual property and a strategic asset for the Group.

The Group's legal departments manage the brand portfolio and intellectual property rights, and implement active and diversified policies to counter breaches of these rights. PPR actively opposes parallel distribution networks and illicit networks that sell counterfeit or copied goods, in particular by working to increase the traceability of its goods.

Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or supply contracts.

The Group owns or has license rights to the trademarks, patents and intellectual property rights that it exploits, free of any restrictions as to right of priority or use (and of rights likely to restrict such exploitation) in all relevant markets. The same applies to the corporate names and domain names of the subsidiaries or entities and to the Group's stores and outlet names and to the trademarks and signs of the goods and products manufactured and marketed by the various Group 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, such 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 or are likely to be involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities, as well as various governmental and competition authorities. Provisions have been set aside by the companies for the probable costs, as estimated by the entities and their experts. According to the Group entities' experts, no litigation currently in progress concerning Group companies presents a risk for the normal operations of the Group, or for its future development. Provisions have been set aside in the Group's 2011 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 have been qualified as arising outside the scope of normal business for Group companies.

The Group considers that the effective procedures and processes for identifying and managing its industrial and environmental risks within each of the entities concerned, which rely chiefly on the advice of duly authorised external organisations and advisors, 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.

Furthermore, the Group has granted various sellers' representations and warranties in connection with disposals of controlling interests in subsidiaries made over the last eight years (see Note 33.2. to the 2011 annual consolidated financial statements, on page 249 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 obligations as those directly applicable to its competitors on its different markets. None of its businesses are subject to specific rules or exemptions in any of the relevant territories.

The Company is not aware of any foreseeable regulatory or legislative changes in contradiction with the foregoing.

To the Company's knowledge, during the last 12 months (at least), no governmental, legal or arbitration proceedings (including any pending or threatened

proceedings of which the issuer 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.

Talent management

The Group recognises that the talent and creativity of its employees are one of the keys to its success. Its capacity to identify, attract and retain staff and nurture their skills is critical for the Group.

PPR's human resources policy therefore seeks to promote a stimulating and rewarding working environment, and to foster attachment to the Group and its values. This is done by means of training programmes and profit sharing. PPR also aims to boost its 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 section 3 "Sustainability" of the Reference Document, pages 65 to 70.

Special attention is given to Creative Directors and their teams, to develop powerful, lasting brand identities.

Information systems

Most of the Group's production and transaction processes rely on information systems. The maturity of the information systems in use across the Group, as regards suitability, security, rollout and functionality, is fairly heterogeneous. The Group runs an ongoing investment programme on adaptation, improvement, security and durability of its information systems. Business continuity and recovery plans are regularly updated, and their efficacy closely monitored.

Credit risk

Because of the nature of its businesses, a large proportion of PPR sales are not exposed to customer payment risks. This is true of direct customer sales by the Luxury Division and PPR retail businesses. For sales through wholesalers, there is no strong dependency whereby loss of particular customers might have a significant impact on business or income.

The Sport & Lifestyle Division is more exposed to payment default risks, which it manages by constant monitoring of amounts outstanding. As applicable, provisions are set aside against the value of the Division's assets. Credit risk is also minimized by appropriate insurance coverage.

3.3. COMPLIANCE RISKS

PPR's international presence exposes it to risks regarding non-compliance with legislation, owing to the complexity and changing nature of regulations arising from corporate and tax law, customs duties and import restrictions applied by certain countries. To guard against risks of non-compliance due to a lack of awareness of legislative change, PPR provides its Divisions and retail businesses with a regulatory watch service, through head office and support centres in the regions in which the Group operates.

3.4. RISK MANAGEMENT

The PPR risk management policy is based on the ongoing identification and evaluation of risks (see section "Internal control and risk management procedures" in the Chairman's report, page 125 of the Reference Document), risk prevention, protection of people and property, and safety and business continuity plans.

The risk management policy also includes the transfer of risks to insurance companies.

Insurance against risks

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; and
- 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 of a possible claim, especially in the areas 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 to face reasonably estimated potential occurrences of diverse risks (liability, damages and retailer counterparty). 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 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 acts 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;
- non-payment of receivables by third-party distributors, particularly in the event of default or insolvency.

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 cost of available insurance is disproportionate compared to the potential benefits of the coverage.

The PPR Group handles known and manageable risks given the current scientific and medical understanding, in a manner consistent 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 unforeseeable and uncertain consequences of accidents.

The levels of coverage in place for the main potential risks facing the Group as a whole as of January 1, 2011, were as follows:

- fire, explosions or water damage and the ensuing operating losses: €800 million;
- 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 2011: €2.1 million;
- claims covered by the Group itself through its internal reinsurance company, Printemps Réassurance, in 2011: €3.9 million.

Taking out reinsurance through the Group's reinsurance 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.

Since July 1, 2011, Printemps Réassurance has covered damages and operating losses of up to €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 2011 expenses): €16.33 million.

Specific additional premiums may also be taken out by certain subsidiaries or businesses or by virtue of local specificities in certain countries (occupational accidents, contribution to natural disaster funds, etc.). These are managed at the level of each company and/or country.

4. CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Comparative information for 2010 is presented in Note 2.23 to the consolidated financial statements.

4.1. CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in € millions)	Notes	2011	2010
CONTINUING OPERATIONS			
Revenue	**5**	**12,227.2**	**11,007.8**
Cost of sales		(6,003.3)	(5,639.2)
Gross margin		**6,223.9**	**5,368.6**
Payroll expenses	6-7	(1,836.6)	(1,636.7)
Other recurring operating income and expenses		(2,784.9)	(2,361.5)
Recurring operating income	**8**	**1,602.4**	**1,370.4**
Other non-recurring operating income and expenses	9	(58.1)	(141.2)
Operating income		**1,544.3**	**1,229.2**
Finance costs, net	10	(215.4)	(240.1)
Income before tax		**1,328.9**	**989.1**
Corporate income tax	11	(317.4)	(263.6)
Share in earnings of associates		46.6	34.7
Net income from continuing operations		**1,058.1**	**760.2**
o/w attributable to owners of the parent		999.0	709.4
o/w attributable to non-controlling interests		59.1	50.8
DISCONTINUED OPERATIONS			
Net income from discontinued operations	**12**	**(12.6)**	**255.1**
o/w attributable to owners of the parent		(12.7)	255.1
o/w attributable to non-controlling interests		0.1	
Net income of consolidated companies		**1,045.5**	**1,015.3**
Net income attributable to owners of the parent		986.3	964.5
Net income attributable to non-controlling interests		59.2	50.8
Net income attributable to owners of the parent		**986.3**	**964.5**
Earnings per share *(in €)*	13.1	7.82	7.62
Fully diluted earnings per share *(in €)*	13.1	7.81	7.61
Net income from continuing operations attributable to owners of the parent		**999.0**	**709.4**
Earnings per share *(in €)*	13.1	7.92	5.60
Fully diluted earnings per share *(in €)*	13.1	7.91	5.60
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		**1,054.9**	**834.5**
Earnings per share *(in €)*	13.2	8.36	6.59
Fully diluted earnings per share *(in €)*	13.2	8.35	6.59

4.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in € millions)	Notes	2011	2010
Net income		**1,045.5**	**1,015.3**
Foreign exchange gains		26.2	232.0
Cash flow hedges (1)		(22.2)	(39.0)
Available-for-sale financial assets (1)		(0.9)	0.8
Unrecognised surplus of pension plan assets		(7.0)	(3.7)
Actuarial gains and losses (1)		(10.5)	1.7
Share in other comprehensive income (expense) of associates		(10.0)	7.1
Other comprehensive income (expense), net of tax	**14**	**(24.4)**	**198.9**
Total comprehensive income		**1,021.1**	**1,214.2**
o/w attributable to owners of the parent		958.3	1,134.7
o/w attributable to non-controlling interests		62.8	79.5

(1) Net of tax.

4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010

Assets

(in € millions)	Notes	Dec. 31, 2011	Dec. 31, 2010
Goodwill	15	4,214.9	4,539.8
Brands and other intangible assets	16	10,331.1	10,200.4
Property, plant and equipment	17	1,372.0	1,423.6
Investments in associates	19	735.8	747.7
Non-current financial assets	20	279.5	271.4
Deferred tax assets	11.2	562.4	560.0
Other non-current assets		12.2	11.2
Non-current assets		**17,507.9**	**17,754.1**
Inventories	21	2,202.5	2,227.0
Trade receivables	22	1,087.4	954.7
Customer loans	23		238.2
Current tax receivables	11.2	95.2	124.4
Other current financial assets	23	45.3	50.3
Other current assets	23	575.5	1,947.6
Cash and cash equivalents	27	1,270.7	1,398.2
Current assets		**5,276.6**	**6,940.4**
Assets classified as held for sale	**12**	**2,169.3**	
TOTAL ASSETS		**24,953.8**	**24,694.5**

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2011	Dec. 31, 2010
Share capital	24	508.0	507.3
Capital reserves		2,511.3	2,498.1
Treasury shares		(114.6)	(10.1)
Translation adjustments		(11.0)	(38.4)
Remeasurement of financial instruments		(60.2)	(31.5)
Other reserves		8,091.5	7,673.8
Equity attributable to owners of the parent	**24**	**10,925.0**	**10,599.2**
Non-controlling interests		824.5	1,052.0
Total equity	**24**	**11,749.5**	**11,651.2**
Non-current borrowings	28	3,066.2	3,341.1
Provisions for pensions and other post-employment benefits	25	119.2	166.2
Other provisions	26	100.5	190.4
Deferred tax liabilities	11.2	2,846.9	2,850.8
Non-current liabilities		**6,132.8**	**6,548.5**
Current borrowings	28	1,611.4	1,877.6
Financing of customer loans	28		238.2
Other current financial liabilities	23-29	130.8	55.3
Trade payables	23	1,535.6	1,928.4
Provisions for pensions and other post-employment benefits	25	7.9	9.0
Other provisions	26	136.1	163.4
Current tax liabilities	11.2	338.4	386.8
Other current liabilities	23	1,712.1	1,836.1
Current liabilities		**5,472.3**	**6,494.8**
Liabilities associated with assets classified as held for sale	**12**	**1,599.2**	
TOTAL EQUITY AND LIABILITIES		**24,953.8**	**24,694.5**

4.4. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

(in € millions)	Notes	2011	2010
Net income from continuing operations		**1,058.1**	**760.2**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets		309.0	278.1
Other non-cash income and expenses		(133.4)	(37.6)
Cash flow from operating activities	32.1	**1,233.7**	**1,000.7**
Interest paid/received		212.8	243.4
Dividends received		(1.4)	
Net income tax payable	11.1	393.8	335.1
Cash flow from operating activities before tax, dividends and interest		**1,838.9**	**1,579.2**
Change in working capital requirement		(234.5)	(143.7)
Corporate income tax paid		(364.8)	(243.0)
Net cash from operating activities		**1,239.6**	**1,192.5**
Purchases of property, plant and equipment and intangible assets	32.2	(325.3)	(305.1)
Proceeds from disposals of property, plant and equipment and intangible assets		20.0	42.6
Acquisitions of subsidiaries, net of cash acquired	32.3	(436.7)	(68.4)
Proceeds from disposals of subsidiaries, net of cash transferred	32.3	1,171.2	450.1
Purchases of other financial assets		(36.7)	(39.2)
Proceeds from sales of other financial assets		(3.5)	(8.4)
Interest and dividends received		12.9	7.0
Net cash from investing activities		**401.9**	**78.6**
Increase/decrease in share capital and other transactions with owners	32.4	(324.9)	(84.3)
Treasury share transactions	32.5	(119.5)	(14.5)
Dividends paid to owners of the parent company		(441.0)	(417.4)
Dividends paid to non-controlling interests		(12.8)	(21.9)
Bond issues	28-32.6	159.0	524.7
Bond redemptions	28-32.6	(1,236.2)	(226.7)
Increase/decrease in other borrowings	28-32.6	447.7	(353.3)
Interest paid and equivalent		(210.4)	(244.9)
Net cash used in financing activities		**(1,738.1)**	**(838.3)**
Net cash from discontinued operations	12	92.5	71.5
Impact of exchange rate variations		(18.5)	2.2
Net increase (decrease) in cash and cash equivalents		**(22.6)**	**506.5**
Cash and cash equivalents at beginning of year	**32**	**1,224.9**	**718.4**
Cash and cash equivalents at end of year	**32**	**1,202.3**	**1,224.9**

4.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Before appropriation of net income) *(in € millions)*	Number of shares outstanding[1]	Share capital	Capital reserves	Treasury shares	Cumulative translation adjustments	Remeasurement of financial instruments	Other reserves and net income attributable to owners of the parent	Equity		
								Owners of the parent	Non-controlling interests	Total equity
As of January 1, 2010	**126,488,263**	**506.3**	**2,480.4**	**(7.0)**	**(226.3)**	**7.8**	**7,119.4**	**9,880.6**	**1,066.2**	**10,946.8**
Total comprehensive income					**204.3**	**(39.3)**	**969.7**	**1,134.7**	**79.5**	**1,214.2**
Share capital increase/ decrease	250,596	1.0	17.7					**18.7**		**18.7**
Treasury shares[3]	8,286			(3.1)			(7.4)	**(10.5)**		**(10.5)**
Valuation of share-based payment							15.9	**15.9**	2.2	**18.1**
Dividends paid							(417.4)	**(417.4)**	(21.4)	**(438.8)**
Changes in Group structure					(16.4)		(6.4)	**(22.8)**	(74.5)	**(97.3)**
As of December 31, 2010	**126,747,145**	**507.3**	**2,498.1**	**(10.1)**	**(38.4)**	**(31.5)**	**7,673.8**	**10,599.2**	**1,052.0**	**11,651.2**
Total comprehensive income					**27.4**	**(28.7)**	**959.6**	**958.3**	**62.8**	**1,021.1**
Share capital increase/ decrease	171,705	0.7	13.2					**13.9**		**13.9**
Treasury shares[3]	(979,313)			(104.5)			(9.9)	**(114.4)**		**(114.4)**
Valuation of share-based payment							14.7	**14.7**	1.5	**16.2**
Dividends paid							(441.0)	**(441.0)**	(12.8)	**(453.8)**
Changes in Group structure							(105.7)	**(105.7)**	(279.0)	**(384.7)**
As of December 31, 2011[2]	**125,939,537**	**508.0**	**2,511.3**	**(114.6)**	**(11.0)**	**(60.2)**	**8,091.5**	**10,925.0**	**824.5**	**11,749.5**

(1) Shares with a par value of €4 each.

(2) Number of shares outstanding as of December 31, 2011: 127,000,889.

(3) Net of tax.

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NOTE 1 INTRODUCTION

PPR, the Group's parent company, is a *société anonyme* (French joint stock 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 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, 2011 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, 2011 and authorised their publication on February 15, 2012. These consolidated financial statements will only be considered as final after their adoption by the Annual General Meeting.

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, 2011 were prepared in accordance with applicable international accounting standards published and adopted by the European Union and mandatorily applicable as of that date.

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, 2011

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1, 2011 and have been adopted by the European Union.

The following amendments and interpretations are mandatorily applicable as of January 1, 2011:

- IAS 24 revised – *Related Party Disclosures*;
- amendment to IAS 32 – *Classification of Rights Issues*;
- amendment to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*;
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*;
- amendments contained in the *Annual Improvements to IFRS*, issued in May 2010.

These amendments and interpretations are either not applicable to the Group or had no material impact on the consolidated financial statements.

2.2.2. Standards, amendments and interpretations not mandatorily applicable as of January 1, 2011

The Group elected not to early adopt the following amendments published by the IASB and optionally applicable as of January 1, 2011:

- amendments to IFRS 7 – *Financial Instruments: Disclosures - Transfers of Financial Assets*;
- amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income* (not yet adopted by the European Union).

The Group is currently assessing the impact of these amendments, as well as the impact of IFRS 10, IFRS 11, IFRS 12, the revised IAS 28 R and IAS 27 R, which are applicable to financial periods beginning on or after January 1, 2013 and have not yet been adopted by the European Union.

2.2.3. Summary of options used on the first-time adoption of IFRS

On its transition to International Financial Reporting Standards in 2005, the Group applied the IFRS adopted by the European Union and effective as of December 31, 2005 with retroactive effect from January 1, 2004 in accordance with IFRS 1, with the exception of the following 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 IAS 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.

The main assumptions made by the Group are detailed in specific sections of the notes to the consolidated financial statements, and in particular:

- 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 25 – Employee benefits;
- Note 26 – Provisions;
- Note 29 – Exposure to interest rate, foreign exchange and equity risk;
- Note 30 – 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 non-controlling interests.

Put options granted to non-controlling interests

The Group has undertaken to repurchase the non-controlling interests of shareholders of certain subsidiaries. The strike price of these put 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 permitted by the French financial markets authority (*Autorité des marchés financiers* – 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 to 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 (excluding discounting) 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 that 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 to 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 (excluding discounting) 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 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 equals or exceeds 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 companies. 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 acquisition method.

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) is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred by the acquirer at the date of exchange. Identifiable assets and liabilities are measured at their fair value on the acquisition date. Costs directly attributable to the business combination are 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 measured 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 other comprehensive income, the foreign exchange component is also recognised in other comprehensive income. 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 period;
- foreign exchange differences are recognised as 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 foreign subsidiaries are also recognised in "Other comprehensive income" (to the extent that the hedge is effective), 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 set out in IAS 38 is capitalised and amortised on a straight-line basis over its useful life, which is generally between three and ten 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 routine 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 three and ten 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 are 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, or over the term of the lease, whichever is shorter.

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 lease.

Capital gains on the sale and leaseback of assets are recognised in full 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 that, 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 using the retail, first-in-first-out (FIFO) or weighted average cost method, 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.

An impairment test is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, and CGUs or groups of CGUs may be impaired. 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 undergoing 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 once again exceeds the net carrying amount. Impairment losses in respect of goodwill may not be reversed.

Goodwill relating to the partial disposal of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

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 defined 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 the financial liability by discounting its estimated future cash flows until maturity or 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 a fair value hedging relationship 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 or 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 are allocated pro rata to 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 is 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 other comprehensive income. These amounts 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, mutual or similar funds, short-term investments and other highly liquid instruments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have 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 32.

2.11.6. Definition of Group consolidated net debt

The concept of net debt used by Group companies comprises gross debt including accrued interest receivable less net cash as defined by French national accounting board (*Conseil National de la Comptabilité* – CNC) recommendation No. 2009-R.03. 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 hedging relationship.

The financing of customer loans by fully-consolidated consumer credit businesses is presented in 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 agreement 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

Free share plans, stock purchase plans and stock 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 free 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 taxes

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 carrying amount recorded in the consolidated statement of financial position and the tax value of assets and liabilities, except for goodwill that is not deductible for tax purposes. 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 to the extent that 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 miscellaneous contingencies and losses are recognised as soon as a present obligation arises from past events, are likely to result in an outflow of resources embodying economic benefits, 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 is 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 paid into 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 non-current assets (or disposal groups) held for sale and discontinued operations.

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.

A non-current asset held for sale or discontinued operation 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. For all periods presented, the net income (loss) from these activities is shown on a separate line of the income statement ("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 revenue and expenses directly related to Group activities, whether these revenue 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 non-recurring operating income and expenses excluded from recurring operating income as defined by CNC recommendation No. 2009-R.03, include:

- non-recurring items corresponding to revenue and expenses that are unusual due to their frequency, nature or amount;
- 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.

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., stock subscription options), the dilution attached to the options is determined using the treasury shares 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 – in order to allocate resources to segments and assess their performance.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which separate financial information is available. 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. As of December 31, 2011, they comprised Gucci, Bottega Veneta, Yves Saint Laurent and Other Luxury brands, as well as the Sport & Lifestyle Division with Puma and other brands, and Fnac. Volcom has been integrated into the Sport & Lifestyle Division since July 1, 2011.

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

For 2011, the Group has identified non-current assets held for sale and discontinued operations within the meaning of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. These concern Redcats and Fnac Italy, as described in Note 12 to the consolidated financial statements.

In accordance with IFRS 5, the income statement and statement of cash flows for comparative periods have been restated. The impacts of restatements related to non-current assets held for sale and discontinued operations are as follows:

Consolidated income statement for the year ended December 31, 2010

(in € millions)	2010 Published in February 2011	IFRS 5	2010 restated
CONTINUING OPERATIONS			
Revenue	**14,605.1**	**(3,597.3)**	**11,007.8**
Cost of sales	(7,175.9)	1,536.7	(5,639.2)
Gross margin	**7,429.2**	**(2,060.6)**	**5,368.6**
Payroll expenses	(2,225.8)	589.1	(1,636.7)
Other recurring operating income and expenses	(3,672.1)	1,310.6	(2,361.5)
Recurring operating income	**1,531.3**	**(160.9)**	**1,370.4**
Other non-recurring operating income and expenses	(193.9)	52.7	(141.2)
Operating income	**1,337.4**	**(108.2)**	**1,229.2**
Finance costs, net	(254.2)	14.1	(240.1)
Income before tax	**1,083.2**	**(94.1)**	**989.1**
Corporate income tax	(304.0)	40.4	(263.6)
Share in earnings of associates	35.8	(1.1)	34.7
Net income from continuing operations	**815.0**	**(54.8)**	**760.2**
o/w attributable to owners of the parent	764.2	(54.8)	709.4
o/w attributable to non-controlling interests	50.8		50.8
DISCONTINUED OPERATIONS			
Net income from discontinued operations	**200.3**	**54.8**	**255.1**
o/w attributable to owners of the parent	200.3	54.8	255.1
o/w attributable to non-controlling interests			
Net income of consolidated companies	**1,015.3**		**1,015.3**
Net income attributable to owners of the parent	964.5		964.5
Net income attributable to non-controlling interests	50.8		50.8
Net income attributable to owners of the parent	**964.5**		**964.5**
Earnings per share *(in €)*	7.62		7.62
Fully diluted earnings per share *(in €)*	7.61		7.61
Net income from continuing operations attributable to owners of the parent	**764.2**	**(54.8)**	**709.4**
Earnings per share *(in €)*	6.04		5.60
Fully diluted earnings per share *(in €)*	6.03		5.60
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	**931.9**	**(97.4)**	**834.5**
Earnings per share *(in €)*	7.36		6.59
Fully diluted earnings per share *(in €)*	7.35		6.59

Consolidated statement of cash flows for the year ended December 31, 2010

(in € millions)	2010 Published in February 2011	IFRS 5	2010 restated
Net income from continuing operations	**815.0**	**(54.8)**	**760.2**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	329.4	(51.3)	278.1
Other non-cash income and expenses	22.5	(60.1)	(37.6)
Cash flow from operating activities	**1,166.9**	**(166.2)**	**1,000.7**
Interest paid/received	247.7	(4.3)	243.4
Dividends received			
Net income tax payable	363.3	(28.2)	335.1
Cash flow from operating activities before tax, dividends and interest	**1,777.9**	**(198.7)**	**1,579.2**
Change in working capital requirement	(143.6)	(0.1)	(143.7)
Change in customer loans	(7.5)	7.5	
Corporate income tax paid	(250.6)	7.6	(243.0)
Net cash from operating activities	**1,376.2**	**(183.7)**	**1,192.5**
Purchases of property, plant and equipment and intangible assets	(342.6)	37.5	(305.1)
Proceeds from disposals of property, plant and equipment and intangible assets	47.8	(5.2)	42.6
Acquisitions of subsidiaries, net of cash acquired	(68.4)		(68.4)
Proceeds from disposals of subsidiaries, net of cash transferred	436.3	13.8	450.1
Purchases of other financial assets	(40.9)	1.7	(39.2)
Proceeds from sales of other financial assets	(7.1)	(1.3)	(8.4)
Interest and dividends received	8.0	(1.0)	7.0
Net cash from investing activities	**33.1**	**45.5**	**78.6**
Share capital increase/decrease	(84.3)		(84.3)
Treasury share transactions	(14.5)		(14.5)
Dividends paid to owners of the parent company	(417.4)		(417.4)
Dividends paid to non-controlling interests	(21.9)		(21.9)
Bond issues	524.7		524.7
Bond redemptions	(226.7)		(226.7)
Increase/decrease in other borrowings	(358.5)	5.2	(353.3)
Interest paid and equivalent	(250.2)	5.3	(244.9)
Net cash used in financing activities	**(848.8)**	**10.5**	**(838.3)**
Net cash from (used in) discontinued operations	(86.8)	158.3	71.5
Impact of exchange rate variations	32.8	(30.6)	2.2
Net increase in cash and cash equivalents	**506.5**		**506.5**
Cash and cash equivalents at beginning of year	**718.4**		**718.4**
Cash and cash equivalents at end of year	**1,224.9**		**1,224.9**

NOTE 3 2011 HIGHLIGHTS

3.1. Changes in Group structure

The PPR Group consolidated financial statements for the year ended December 31, 2011 include the financial statements of the companies listed in Note 36.

3.1.1. Acquisition of Volcom

On May 11, 2011, PPR launched a friendly cash tender offer for Volcom, Inc. The acquisition represents a major step in the development of PPR's Sport & Lifestyle Division, providing it with an iconic apparel and accessories brand with a heritage in skateboarding,

snowboarding and surfing. The transaction valued Volcom at USD 607.5 million, representing its equity capital.

Following the completion of PPR's tender offer by its wholly-owned subsidiary, Transfer Holding, Inc., on June 23, 2011, the Group acquired a controlling interest of 87.4% in Volcom's capital. Following a short-form merger of Transfer Holding, Inc. with and into Volcom, Inc., any remaining Volcom shares were exchanged for USD 24.50 per share in cash. As a result, PPR now owns all of Volcom, Inc.'s common stock.

Volcom has been fully consolidated in the PPR Group's financial statements since July 1, 2011. The purchase price was allocated on a preliminary basis during the second half of 2011 with the Volcom and Electric brands recognised as intangible assets in the amount of USD 328 million, and the residual balance as goodwill.

3.1.2. Acquisition of a controlling interest in Sowind Group

On July 4, 2011, PPR announced the launch of a reserved capital increase by Sowind Group to be fully subscribed by PPR, following which PPR became Sowind's majority shareholder with a 50.1% ownership interest.

Sowind Group, which is one of the last independent Swiss watchmaking manufacturers, has a presence in 60 countries, notably with the Girard-Perregaux and JeanRichard brands.

Based on a strategic partnership agreement signed in June 2008, PPR already held a 23% non-controlling interest in Sowind Group, which was accounted for under the equity method in the consolidated financial statements.

This transaction strengthens the position of PPR's Luxury Division in the *haute horlogerie* sector whilst supporting Sowind Group's international growth in terms of both product development and worldwide distribution.

Sowind Group has been fully consolidated in the PPR Group's financial statements since July 1, 2011. A preliminary allocation of the purchase price was carried out during the second half of 2011 using the partial goodwill method. In accordance with the revised version of IFRS 3, the Group's previously held equity interest in Sowind Group was remeasured and the resulting change in value was recorded under "Other non-recurring operating income and expenses".

3.1.3. Other changes in the Group's business portfolio

In the second half of 2011, PPR launched a process to sell the Redcats group. As this process was still under way at the year-end, Redcats' contribution to PPR's 2011 consolidated income statement was presented under "Net income from discontinued operations" in accordance with the requirements of IFRS 5.

3.2. Other highlights

3.2.1. Launch of PPR HOME

After more than ten years of implementing its environmental and social approach across its global brands, on March 21, 2011, PPR announced the launch of PPR HOME, an ambitious and multi-tiered new sustainability initiative.

By moving beyond the traditional Corporate Social Responsibility model, PPR HOME is setting a new standard in sustainability and business practice in the Luxury Goods, Sport & Lifestyle and Retail segments.

PPR HOME will bring expertise, support and creativity to all PPR brands. An annual €10 million budget, in addition to the PPR brands' own initiatives, will be dedicated to PPR HOME. It will be indexed to the dividend paid by PPR.

The creation of PPR HOME demonstrates the PPR Group's commitment to limiting its impact on the environment by taking proactive steps to implement best business practices. PPR HOME will not only focus on working towards reducing and mitigating the Group's social and environmental impacts, but will also develop opportunities for the benefit of people and their environment in its business areas.

PPR HOME moves beyond the conventional CSR approach and promotes a new business paradigm whereby the attainment of sustainability is driven by creativity and innovation, and vice versa, to build businesses that deliver financial, social and environmental returns over the long term.

3.2.2. Enhanced financial strength

On January 14, 2011 PPR signed a €2.5 billion syndicated credit facility maturing in January 2016. This transaction was undertaken as part of the Group's liquidity management, and will enable PPR to (i) refinance its €2.75 billion syndicated loan taken out on March 22, 2005 and the €1.5 billion outstanding on the syndicated facility taken out to acquire Puma on April 25, 2007, and (ii) extend the maturity of its credit facilities and reinforce Group liquidity.

In April 2011, PPR successfully completed a partial redemption of its €800 million 8.625% bond issue expiring on April 3, 2014 with a view to improving the cost and structure of its debt. The redemption was for a total amount of €250 million.

3.2.3. Other significant event

On February 17, 2011, PPR announced a reorganisation of the Luxury Division. The Division now reports directly to François-Henri Pinault, Chairman and

CEO of PPR, and PPR and Gucci Group teams have been combined to better support brand growth. This reorganisation marks a new phase in the Group's strategy to further integrate its structure.

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 in 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.

4.1. Information by company

(in € millions)	Gucci	Bottega Veneta	Yves Saint Laurent
December 31, 2011			
Revenue	3,143.2	682.6	353.7
- Non-Group	3,143.2	682.6	353.7
- Group			
Recurring operating income (loss)	**947.7**	**204.6**	**40.9**
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	123.5	15.6	9.3
Other non-cash recurring operating income and expenses	(18.1)	(0.7)	0.7
Purchases of property, plant and equipment and intangible assets, gross	111.3	29,1	7.5
Segment assets	**7,996.5**	**609.3**	**1,134.2**
Segment liabilities	**1,823.2**	**164.6**	**401.1**
December 31, 2010			
Revenue	2,666.1	510.6	269.2
- Non-Group	2,666.1	510.6	269.2
- Group			
Recurring operating income (loss)	**757.2**	**130.2**	**9.4**
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	107.4	13.7	9.6
Other non-cash recurring operating income and expenses	(10.4)	(0.1)	(2.3)
Purchases of property, plant and equipment and intangible assets, gross	87.1	16.0	7.0
Segment assets[(1)]	**7,666.5**	**509.3**	**1,120.4**
Segment liabilities[(1)]	**1,690.2**	**104.4**	**466.6**

(1) As of December 31, 2010, segment assets and liabilities shown under "Corporate" chiefly comprised the contributions of Redcats and the receivable in respect of the disposal of Conforama.

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.

The presentation of operating segments was changed to reflect the new structure resulting from the reorganisation of the Luxury Division unveiled on February 17, 2011. The Luxury Division's head office expenses, which will now be assumed by all brands (especially the long-term performance-based compensation plan), have been allocated among each brand, with any residual head office expenses absorbed by the PPR holding companies. In accordance with IFRS 8, segment information as of December 31, 2011 has been restated to provide a meaningful comparison.

Other Luxury brands	Luxury Division	Puma	Other	Sport & Lifestyle Division	Fnac	Corporate	Total
737.5	**4,917.0**	3,009.0	146.7	**3,155.7**	4,164.9	(10.4)	**12,227.2**
737.1	**4,916.6**	2,999.0	146.7	**3,145.7**	4,164.9		**12,227.2**
0.4	**0.4**	10.0		**10.0**		(10.4)	
69.4	**1,262.6**	**333.2**	**13.5**	**346.7**	**102.6**	**(109.5)**	**1,602.4**
23.2	**171.6**	58.2	2.5	**60.7**	71.0	5.7	**309.0**
	(18.1)	(9.1)		**(9.1)**	(6.1)	4.6	**(28.7)**
25.0	**172.9**	71.1	3.7	**74.8**	73.0	4.6	**325.3**
1,396.4	**11,136.4**	**6,440.3**	**563.2**	**7,003.5**	**1,536.8**	**118.9**	**19,795.6**
351.2	**2,740.1**	**1,701.7**	**128.5**	**1,830.2**	**1,241.2**	**160.2**	**5,971.7**
564.8	**4,010.7**	2,706.4		**2,706.4**	4,302.7	(12.0)	**11,007.8**
564.1	**4,010.0**	2,695.1		**2,695.1**	4,302.7		**11,007.8**
0.7	**0.7**	11.3		**11.3**		(12.0)	
47.2	**944.0**	**337.1**		**337.1**	**191.9**	**(102.6)**	**1,370.4**
20.4	**151.1**	55.9		**55.9**	61.7	9.4	**278.1**
(1.0)	**(13.8)**	(3.6)		**(3.6)**	1.1	(5.0)	**(21.3)**
18.1	**128.2**	55.1		**55.1**	58.5	63.3	**305.1**
1,115.6	**10,411.8**	**6,233.6**		**6,233.6**	**1,539.5**	**3,357.6**	**21,542.5**
253.2	**2,514.4**	**1,606.2**		**1,606.2**	**1,278.3**	**1,253.8**	**6,652.7**

4.2. Information by geographic area

The presentation of revenue by geographic area is based on the geographic location of customers. Non-current segment assets are not broken down by geographic area since a significant portion of these assets consists of goodwill and brands, which are to be analysed based on the revenue they generate in each region, and not based on their geographic location.

(in € millions)	2011	2010
Western Europe	6,533.6	6,330.9
North America	1,496.6	1,215.4
Japan	983.5	875.7
Sub-total – mature markets	**9,013.7**	**8,422.0**
Eastern Europe, Middle East and Africa	540.5	445.3
South America	711.0	598.7
Asia-Pacific (excluding Japan)	1,962.0	1,541.8
Sub-total – emerging markets	**3,213.5**	**2,585.8**
Total revenue	**12,227.2**	**11,007.8**

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, 2011	Dec. 31, 2010
Goodwill	4,214.9	4,539.8
Brands and other intangible assets	10,331.1	10,200.4
Property, plant and equipment	1,372.0	1,423.6
Other non-current assets	12.2	11.2
Non-current segment assets	**15,930.2**	**16,175.0**
Inventories	2,202.5	2,227.0
Trade receivables	1,087.4	954.7
Customer loans		238.2
Other current assets	575.5	1,947.6
Segment assets	**19,795.6**	**21,542.5**
Investments in associates	735.8	747.7
Non-current financial assets	279.5	271.4
Deferred tax assets	562.4	560.0
Current tax receivables	95.2	124.4
Other current financial assets	45.3	50.3
Cash and cash equivalents	1,270.7	1,398.2
Assets classified as held for sale	2,169.3	
Total assets	**24,953.8**	**24,694.5**

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Deferred tax liabilities on brands	2,724.0	2,650.0
Financing of customer loans		238.2
Trade payables	1,535.6	1,928.4
Other current liabilities	1,712.1	1,836.1
Segment liabilities	**5,971.7**	**6,652.7**
Total equity	11,749.5	11,651.2
Non-current borrowings	3,066.2	3,341.1
Non-current provisions for pensions and other post-employment benefits	119.2	166.2
Other non-current provisions	100.5	190.4
Other deferred tax liabilities	122.9	200.8
Current borrowings	1,611.4	1,877.6
Other current financial liabilities	130.8	55.3
Current provisions for pensions and other post-employment benefits	7.9	9.0
Other current provisions	136.1	163.4
Current tax liabilities	338.4	386.8
Liabilities associated with assets classified as held for sale	1,599.2	
Total equity and liabilities	**24,953.8**	**24,694.5**

NOTE 5 REVENUE

(in € millions)	2011	2010
Net sales of goods	11,880.0	10,671.1
Net sales of services	196.0	203.9
Revenue from concessions and licences	126.1	114.8
Other revenue	25.1	18.0
Total	**12,227.2**	**11,007.8**

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, share-based payment expenses (see Note 7) and expenses relating to employee benefits recognised in recurring operating income (see Note 25).

(in € millions)	2011	2010
Luxury Division	(781.9)	(657.7)
Sport & Lifestyle Division	(414.1)	(354.1)
Fnac	(605.9)	(597.4)
Corporate	(34.7)	(27.5)
Total	**(1,836.6)**	**(1,636.7)**

In 2011, payroll expenses recorded under "Corporate" include a €4.8 million charge (€5.1 million in 2010) relating to the application of IFRS 2 to all transactions based on PPR shares (see Note 7.1).

The average headcount of continuing operations, on a full-time equivalent basis, breaks down as follows:

	2011	2010
Luxury Division	13,542	11,803
Sport & Lifestyle Division	10,492	9,697
Fnac	14,082	13,805
Corporate	258	276
Total	**38,374**	**35,581**

The total headcount of continuing operations is as follows:

	2011	2010
Luxury Division	15,085	12,830
Sport & Lifestyle Division	13,602	11,366
Fnac	17,948	17,897
Corporate	270	264
Total	**46,905**	**42,357**

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 Executive 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 NV. and Puma shares, the grant date is the date at which plans were individually approved by the Boards of Gucci Group NV. 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 PPR equity instruments

In accordance with the transitional provisions 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:

Stock option and free share plans	2001/1 Plan	2001/2 Plan	2002/1 Plan	2002/2 Plan
	Purchase options	Purchase options	Subscription options	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 Jan. 1, 2011	123,040	17,120	162,796	161,701
Number forfeited in 2011		290	7,073	7,283
Number exercised in 2011				
Number expired in 2011	123,040	16,830		
Number outstanding as of Dec. 31, 2011			155,723	154,418
Number exercisable as of Dec. 31, 2011			155,723	154,418
Strike price *(in €)*	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:

Stock option and free share plans	2003/1 Plan	2003/2 Plan	2004/1 Plan	2004/2 Plan	2005/1 Plan	2005/2 Plan	2005/3 Plan	2005/4 Plan	2006/1 Plan
	Subs-cription options	Subs-cription options	Subs-cription options	Subs-cription options	Subs-cription options	Subs-cription options	Subs-cription options	Subs-cription options	Purchase options
Grant date	07/09/2003	07/09/2003	05/25/2004	07/07/2004	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/23/2006
Expiry date	07/08/2013	07/08/2013	05/24/2014	07/06/2014	01/02/2015	05/18/2015	05/18/2015	07/05/2015	05/22/2014
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. 1,2011	59,376	550	205,805	25,000	6,730	169,174	32,400	10,400	287,949
Number forfeited in 2011	1,130		2,280			2,890			15,860
Number exercised in 2011	20,110	250	78,366	25,000	2,750	44,989	240		71,414
Number of shares issued									
Number expired in 2011									
Number outstanding as of Dec. 31,2011	38,136	300	125,159		3,980	121,295	32,160	10,400	200,675
Number exercisable as of Dec. 31,2011	38,136	300	125,129		3,980	121,295	32,160	10,400	200,675
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 €)*	118.86	112.96	119.91	125.70	117.50	118.72	125.70		120.12

Stock option and free share plans	2007/1 Plan	2007/2 Plan	2008/3 Plan	2009/1 Plan	2009/2 Plan	2010/1 Plan	2010/2 Plan	2011/1 Plan	2011/2 Plan
	Purchase options	Purchase options	Free shares	Free shares	Free shares	Free shares	Free shares	Free shares	Free shares
Grant date	05/14/2007	09/17/2007	10/22/2008	05/07/2009	05/07/2009	05/19/2010	05/19/2010	05/19/2011	05/19/2011
Expiry date	05/13/2015	09/16/2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Vesting of rights	(b)	(b)	(d)	(c)	(d)	(c)	(d)	(c)	(d)
Number of beneficiaries	248	14	194	302	161	274	108	184	76
Number initially granted	355,500	51,300	53,755	130,843	46,505	89,364	25,035	67,379	9,455
Number outstanding as of Jan. 1, 2011	298,530	47,600	51,455	117,500	42,910	87,145	24,215		
Number forfeited in 2011	11,188	1,300	2,660	580	1,225	4,425	65	195	330
Number exercised in 2011	240								
Number of shares issued				116,920					
Number expired in 2011									
Number outstanding as of Dec. 31, 2011	287,102	46,300	48,795		41,685	82,720	24,150	67,184	9,125
Number exercisable as of Dec. 31, 2011	287,102	46,300							
Strike price *(in €)*	127.58	127.58	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fair value at measurement date *(in €)*	20.99	24.74	21.39	41.15	32.21	72.63	60.62	83.53	69.91
Weighted average price of options exercised/ shares issued *(in €)*	129.50			121.35					

No new shares are issued on the exercise of stock purchase options or free share grants.

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) or 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 shares 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 stock purchase and stock 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 free 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 stock subscription and stock purchase 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:

Stock option and free share plans	2003/1 Plan	2003/2 Plan	2004/1 Plan	2004/2 Plan	2005/1 Plan	2005/2 Plan
	Subscription options	Subscription options	Subscription options	Subscription options	Subscription options	Subscription options
Volatility	33.25%	33.25%	25.65%	25.65%	23.75%	21.00%
Risk-free interest rate	4.08%	4.08%	4.45%	4.37%	3.83%	3.49%

Stock option and free share plans	2005/3 Plan	2005/4 Plan	2006/1 Plan	2007/1 Plan	2007/2 Plan	2008/3 Plan
	Subscription options	Subscription options	Purchase options	Purchase options	Purchase options	Free shares
Volatility	21.00%	20.50%	23.00%	23.00%	24.50%	42.00%
Risk-free interest rate	3.49%	3.38%	4.08%	4.49%	4.47%	4.06%

Stock option and free share plans	2009/1 Plan	2009/2 Plan	2010/1 Plan	2010/2 Plan	2011/1 Plan	2011/2 Plan
	Free shares	Free shares	Free shares	Free shares	Free shares	Free shares
Volatility	42.00%	40.00%	35.00%	35.00%	28.00%	28.00%
Risk-free interest rate	1.78%	4.06%	1.85%	1.85%	2.32%	2.32%

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 2011 in respect of stock option and free share plans was €8 million (€10.4 million in 2010), including €3.2 million shown within "Discontinued operations" (€5.3 million in 2010).

7.2. Share-based payment transactions settled in equity instruments of subsidiaries

Puma set up stock subscription option plans based on its own shares for certain employees. The characteristics of the plans still in effect as of December 31, 2011 and their movements during the year are as follows:

	2008/I Plan	2008/II Plan	2008/III Plan	2008/IV Plan
	Subscription options	Subscription options	Subscription options	Subscription options
Grant date	07/21/2008	04/14/2009	04/22/2010	04/15/2011
Expiry date	07/20/2013	04/13/2014	04/21/2015	04/21/2016
Number initially granted	113,000	139,002	126,184	151,290
Number outstanding as of Jan. 1, 2011	96,500	135,002	126,184	
Number exercised in 2011	85,100	127,502		
Number forfeited/(reinstated) in 2011	500	500	9,991	12,453
Number outstanding as of Dec. 31, 2011	10,900	7,000	116,193	138,837
Number exercisable as of Dec. 31, 2011	10,900	7,000		
Weighted average price of options exercised *(in €)*	238.19	224.99		

Rights vest after a two-year period.

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 is subject to a Puma share performance condition.

The value of services rendered by beneficiaries at the grant date is primarily determined on the basis of the following assumptions:

	2008/I Plan	2008/II Plan	2008/III Plan	2008/IV Plan
Volatility	29.10%	47.70%	34.50%	29.20%
Risk-free interest rate	4.60%	1.97%	1.60%	2.40%

In 2011, Puma recognised an expense of €6.5 million (€7.6 million in 2010).

7.3. Cash-settled share-based payment transactions

The Group (Gucci Group NV 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 NV.

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 Division.

The value of services rendered by beneficiaries is recalculated at the end of each reporting period by an independent expert using an option pricing model corresponding to the intrinsic value, to which a time value is added.

In 2011, Gucci Group NV recognised a €5.4 million expense in respect of SARs within recurring operating income (€7.4 million in 2010).

The strike price of SARs outstanding as of December 31, 2011 is between €40.18 and €103.90 and the weighted average remaining contractual term is 3.1 years (3.7 years as of end-2010).

The carrying amount of the liability relating to these SARs was €4.4 million as of December 31, 2011, with an intrinsic value of €3.5 million (€4.5 million and €4.0 million, respectively, as of December 31, 2010).

Plan movements	2011	2010
SARs outstanding as of January 1	**111,204**	**249,904**
Weighted average strike price (in €)	***78.31***	***57.97***
SARs granted during the year		
Weighted average strike price (in €)		
SARs exercised during the year	67,000	127,600
Weighted average strike price (in €)	*74.16*	*41.56*
SARs forfeited during the year		11,100
Weighted average strike price (in €)		*42.79*
SARs outstanding as of December 31	**44,204**	**111,204**
Weighted average strike price (in €)	***84.59***	***78.31***
SARs exercisable as of December 31	14,200	53,200
Weighted average strike price (in €)	*75.31*	*73.32*

7.3.2. Characteristics of SARs granted by Puma

The following SARs granted by Puma expired during 2011:

Plan movements in 2011	2004/III	2006/I
SARs outstanding as of January 1	150,000	37,750
SARs granted during the year		
SARs exercised during the year		
SARs forfeited during the year	150,000	37,750
SARs outstanding as of December 31		
SARs exercisable as of December 31		

In 2011, Puma recognised income of €0.1 million in respect of SARs within recurring operating income, compared to income of €1.9 million in 2010.

The carrying amount of the liability relating to Puma SARs was nil as of December 31, 2011 (€0.1 million as of December 31, 2010).

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)	2011	2010
Luxury Division	1,262.6	944.0
Sport & Lifestyle Division	346.7	337.1
Fnac	102.6	191.9
Corporate	(109.5)	(102.6)
Total	**1,602.4**	**1,370.4**

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €309 million in 2011 (€278.1 million in 2010). Other net non-cash operating income amounted to €28.7 million in 2011 (€21.4 million in 2010).

NOTE 9 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2011	2010
Non-recurring operating expenses	**(70.5)**	**(155.9)**
Restructuring costs	(23.7)	(26.0)
Asset impairment	(15.6)	(71.1)
Capital losses on disposals	(0.3)	(1.9)
Other	(30.9)	(56.9)
Non-recurring operating income	**12.4**	**14.7**
Capital gains on disposals	6.2	1.3
Other	6.2	13.4
Total	**(58.1)**	**(141.2)**

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 €58.1 million in 2011 and included the following items:

- restructuring costs of €23.7 million, mainly concerning Fnac and the Corporate;
- asset impairment totalling €15.6 million, chiefly relating to Fnac;
- other income and expenses primarily relating to claims and litigation in relation to third parties.

This line item amounted to an expense of €141.2 million in 2010 and included the following items:

- restructuring costs of €26 million;
- asset impairment totalling €71.1 million, primarily concerning Sergio Rossi goodwill (€18.0 million) and Puma Hellas assets (€31.0 million);
- other income and expenses primarily relating to claims and litigation in relation to third parties.

NOTE 10 FINANCE COSTS (NET)

This caption breaks down as follows:

(in € millions)	2011	2010
Cost of net debt	**(216.0)**	**(230.2)**
Income from cash and cash equivalents	10.3	7.1
Finance costs at amortised cost	(207.1)	(234.3)
Finance costs on financial liabilities at fair value through income	(25.9)	(25.9)
Gains and losses on borrowings hedged by fair value hedges	3.1	12.2
Gains and losses on fair value hedging derivatives	3.6	10.7
Other financial income and expenses	**0.6**	**(9.9)**
Net gains on available-for-sale financial assets	0.7	(0.2)
Gains and losses on financial liabilities at fair value through income	6.1	42.6
Foreign exchange gains and losses	(3.1)	0.5
Ineffective portion of cash flow hedges	11.0	(23.1)
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges)	0.4	(5.7)
Impact of discounting assets and liabilities	(7.5)	(15.1)
Other finance costs	(7.0)	(8.9)
Total	**(215.4)**	**(240.1)**

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)	2011	2010
Income before tax	**1,328.9**	**989.1**
Taxes paid out of operating income	(393.8)	(335.1)
Other taxes payable not impacting operating cash flow	(5.2)	(3.9)
Income tax payable	(399.0)	(339.0)
Deferred tax income/(expense)	81.6	75.4
Total tax charge	**(317.4)**	**(263.6)**
Effective tax rate	**23.88%**	**26.65%**

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)	2011
Tax rate applicable in France	**36.10%**
Impact of taxation of foreign subsidiaries	-10.82%
Theoretical tax rate	**25.28%**
Effect of items taxed at reduced rates	-0.16%
Effect of permanent differences	-6.23%
Effect of unrecognised temporary differences	0.42%
Effect of unrecognised tax losses carried forward	0.19%
Effect of changes in tax rates	0.01%
Other	4.37%
Effective tax rate	**23.88%**

The income tax rate applicable in France is the standard rate of 33.33%, plus the social surtax of 3.3% and a 5% one-off levy for French companies with revenue over €250 million, bringing the total to 36.10%.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

(in € millions)	2011	2010
Income before tax	1,328.9	989.1
Non-recurring items	(58.1)	(141.2)
Recurring income before tax	**1,387.0**	**1,130.3**
Total tax charge	(317.4)	(263.6)
Tax on non-recurring items	2.0	(1.2)
Recurring tax charge	**(319.4)**	**(262.4)**
Recurring tax rate	**23.03%**	**23.21%**

11.2. Movement in statement of financial position headings

11.2.1. Net current tax liabilities

(in € millions)	Dec. 31, 2010	Net income	Cash outflows relating to operating activities	Cash outflows relating to investing activities	Assets classified as held for sale and discontinued operations	Other changes in Group structure	Other items recognised in equity	Dec. 31, 2011
Current tax receivables	124.4							95.2
Current tax liabilities	(386.8)							(338.4)
Net current tax liabilities	**(262.4)**	**(393.8)**	**364.8**	**0.1**	**11.5**	**(4.3)**	**40.9**	**(243.2)**

11.2.2. Deferred tax

(in € millions)	Dec. 31, 2010	Net income	Assets classified as held for sale and discontinued operations	Other changes in Group structure	Other items recognised in equity	Dec. 31, 2011
Deferred tax assets	560.0					562.4
Deferred tax liabilities	(2,850.8)					(2,846.9)
Deferred tax	**(2,290.8)**	**81.6**	**8.6**	**(74.2)**	**(9.7)**	**(2,284.5)**

(in € millions)	Dec. 31, 2010	Net income	Assets classified as held for sale and discontinued operations	Other changes in Group structure	Other items recognised in equity	Dec. 31, 2011
Intangible assets	(2,675.2)	(0.5)	43.8	(85.6)	(6.8)	(2,724.3)
Property, plant and equipment	34.5	0.9	(2.5)	(1.0)	(1.8)	30.1
Other non-current assets	(6.8)	1.2	(3.3)	0.3	0.1	(8.5)
Other current assets	178.2	37.4	32.5	4.6	5.7	258.4
Total equity	(17.2)	1.3	9.8		(12.5)	(18.6)
Borrowings	(5.9)	(1.7)				(7.6)
Provisions for pensions and other post-employment benefits	26.4	17.6	(3.8)		2.3	42.5
Other provisions	61.1	(18.2)	(13.1)	6.2	(0.7)	35.3
Other current liabilities	45.6	42.5	(5.8)	0.6	4.3	87.2
Recognised tax losses and tax credits	68.5	1.1	(49.0)	0.7	(0.3)	21.0
Net deferred tax assets (liabilities)	**(2,290.8)**	**81.6**	**8.6**	**(74.2)**	**(9.7)**	**(2,284.5)**
Deferred tax assets	560.0					562.4
Deferred tax liabilities	(2,850.8)					(2,846.9)
Deferred tax	**(2,290.8)**	**81.6**	**8.6**	**(74.2)**	**(9.7)**	**(2,284.5)**

11.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €2,337.2 million as of December 31, 2011 (€1,954.7 million as of December 31, 2010).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

(in € millions)

As of January 1, 2010	**1,844.8**
Losses generated during the year	364.2
Losses utilised and time barred during the year	(64.9)
Effect of changes in Group structure and exchange rate adjustments	(189.4)
As of December 31, 2010	**1,954.7**
Losses generated during the year	510.4
Losses utilised and time barred during the year	(143.7)
Effect of changes in Group structure and exchange rate adjustments	15.8
As of December 31, 2011	**2,337.2**
Ordinary tax loss carry-forwards	**474.1**
Expiring in less than five years	260.0
Expiring in more than five years	214.1
Indefinite tax loss carry-forwards	**1,863.1**
Total	**2,337.2**

Deductible temporary differences for which no deferred tax asset was recognised as of December 31, 2011 amounted to a negative €9 million (a negative €0.2 million as of December 31, 2010).

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2011.

NOTE 12 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In the second half of 2011, PPR launched a process to sell the Redcats group as well as the divestment of Fnac Italy. As this process was still under way at the year-end, the contribution of Redcats and Fnac Italy to PPR's 2011 consolidated income statement was presented under "Net income from discontinued operations" in accordance with the requirements of IFRS 5.

For all periods presented, non-current assets held for sale and discontinued operations, comprise the business activities of Redcats, Fnac Italy, Fnac Service, Conforama, Fnac éveil et jeux, Cfao, YSL Beauté and Surcouf.

In accordance with IFRS 5, depreciation is no longer charged against disposal groups and related assets as from the date they are classified as non-current assets held for sale and discontinued operations.

For all periods presented, the net income (loss) from these activities is shown on a separate line of the income statement ("Discontinued operations"), and restated in the statement of cash flows.

The assets and liabilities relating to assets held for sale 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 non-current assets held for sale and discontinued operations are as follows:

(in € millions)	2011	2010
Revenue	**3,472.2**	**6,434.2**
Cost of sales	(1,571.5)	(3,337.6)
Gross margin	**1,900.7**	**3,096.6**
Payroll expenses	(561.4)	(1,059.7)
Other recurring operating income and expenses	(1,263.1)	(1,763.7)
Recurring operating income	**76.2**	**273.2**
Other non-recurring operating income and expenses	(38.8)	(54.8)
Operating income	**37.4**	**218.4**
Finance costs, net	(19.3)	(34.0)
Income before tax	**18.1**	**184.4**
Corporate income tax	(22.5)	(66.5)
Share in earnings of associates	1.3	1.3
Net income (loss) on the disposal of discontinued operations	(9.5)	135.9
Net income	**(12.6)**	**255.1**
o/w attributable to owners of the parent	(12.7)	255.1
o/w attributable to non-controlling interests	0.1	

(in € millions)	2011	2010
Net cash from (used in) operating activities	(125.4)	229.0
Net cash from (used in) investing activities	(28.5)	(105.7)
Net cash from (used in) financing activities	271.2	(28.9)
Impact of exchange rate variations	(14.3)	30.6
Net change in cash and cash equivalents	**103.0**	**125.0**
Opening cash and changes in intra-Group cash flows	(10.5)	(53.5)
Net cash from discontinued operations (1)	**92.5**	**71.5**

(1) Line item in the consolidated statement of cash flows.

The impact of held-for-sale assets (Redcats) on the Group's consolidated statement of financial position was as follows:

(in € millions)	2011	2010
Assets classified as held for sale	**2,169.3**	
Liabilities associated with assets classified as held for sale	**1,599.2**	

Liabilities associated with assets classified as held for sale include €244.5 million in gross borrowings financing Redcats' customer loans.

At December 31, 2011, the main disposal group corresponds to Redcats, which has announced the sale of its subsidiary Somewhere, and the filing for Chapter 11 protection by its subsidiary United Retail Group Inc. The contribution of the Redcats group (excluding these businesses for the years presented) breaks down as follows:

(in € millions)	2011	2010
Revenue	**3,047.9**	**3,121.5**
Recurring operating income	**115.6**	**177.4**
as a% of revenue	***3.8%***	***5.7%***
EBITDA	152.8	215.0
as a% of revenue	*5.0%*	*6.9%*
Gross operating investments	34.3	31.2

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. Potentially dilutive shares correspond to shares granted to employees as part of equity-settled share-based payment plans (see Note 7).

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, 2011

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**986.3**	**999.0**	**(12.7)**
Weighted average number of ordinary shares outstanding	126,900,161	126,900,161	126,900,161
Weighted average number of treasury shares	(747,618)	(747,618)	(747,618)
Weighted average number of ordinary shares	**126,152,543**	**126,152,543**	**126,152,543**
Basic earnings per share *(in €)*	**7.82**	**7.92**	**(0.10)**
Net income attributable to ordinary shareholders	**986.3**	**999.0**	**(12.7)**
Convertible and exchangeable instruments			
Diluted net income attributable to owners of the parent	**986.3**	**999.0**	**(12.7)**
Weighted average number of ordinary shares	126,152,543	126,152,543	126,152,543
Potentially dilutive ordinary shares	118,442	118,442	118,442
Weighted average number of diluted ordinary shares	**126,270,985**	**126,270,985**	**126,270,985**
Fully diluted earnings per share *(in €)*	**7.81**	**7.91**	**(0.10)**

Earnings per share as of December 31, 2010

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**964.5**	**709.4**	**255.1**
Weighted average number of ordinary shares outstanding	126,669,005	126,669,005	126,669,005
Weighted average number of treasury shares	(59,724)	(59,724)	(59,724)
Weighted average number of ordinary shares	**126,609,281**	**126,609,281**	**126,609,281**
Basic earnings per share *(in €)*	**7.62**	**5.60**	**2.02**
Net income attributable to ordinary shareholders	**964.5**	**709.4**	**255.1**
Convertible and exchangeable instruments			
Diluted net income attributable to owners of the parent	**964.5**	**709.4**	**255.1**
Weighted average number of ordinary shares	126,609,281	126,609,281	126,609,281
Potentially dilutive ordinary shares	123,869	123,869	123,869
Weighted average number of diluted ordinary shares	**126,733,150**	**126,733,150**	**126,733,150**
Fully diluted earnings per share *(in €)*	**7.61**	**5.60**	**2.01**

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)	2011	2010
Net income attributable to ordinary shareholders	**999.0**	**709.4**
Other non-recurring operating income and expenses	(58.1)	(141.2)
Income tax on other non-recurring operating income and expenses	2.0	(1.2)
Non-controlling interests in other non-recurring operating income and expenses	0.2	17.3
Net income excluding non-recurring items	**1,054.9**	**834.5**
Weighted average number of ordinary shares outstanding	126,900,161	126,669,005
Weighted average number of treasury shares	(747,618)	(59,724)
Weighted average number of ordinary shares	**126,152,543**	**126,609,281**
Basic earnings per share excluding non-recurring items *(in €)*	**8.36**	**6.59**
Net income excluding non-recurring items	**1,054.9**	**834.5**
Convertible and exchangeable instruments		
Diluted net income attributable to owners of the parent	**1,054.9**	**834.5**
Weighted average number of ordinary shares	126,152,543	126,609,281
Potentially dilutive ordinary shares	118,442	123,869
Weighted average number of diluted ordinary shares	**126,270,985**	**126,733,150**
Fully diluted earnings per share *(in €)*	**8.35**	**6.59**

NOTE 14 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income (expense) include:

- gains and losses arising from translating the financial statements of foreign operations;
- the effective portion of gains and losses on cash flow hedging instruments;
- 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	232.0		232.0
Cash flow hedges	(38.1)	(0.9)	(39.0)
- change in fair value	*(112.9)*		
- gains and losses transferred to income	*74.8*		
Available-for-sale assets	1.2	(0.4)	0.8
- change in fair value	*1.2*		
- gains and losses transferred to income			
Unrecognised surplus of pension plan assets	(3.7)		(3.7)
Actuarial gains and losses	1.2	0.5	1.7
Share in other comprehensive income (expense) of associates	7.1		7.1
Other comprehensive income (expense) as of December 31, 2010	**199.7**	**(0.8)**	**198.9**

(in € millions)	Gross	Income tax	Net
Currency translation adjustments	26.2		26.2
Cash flow hedges	(4.4)	(17.8)	(22.2)
- change in fair value	*(46.3)*		
- gains and losses transferred to income	*41.9*		
Available-for-sale assets	(1.4)	0.5	(0.9)
- change in fair value	*(1.4)*		
- gains and losses transferred to income			
Unrecognised surplus of pension plan assets	(7.0)		(7.0)
Actuarial gains and losses	(11.7)	1.2	(10.5)
Share in other comprehensive expense of associates	(10.0)		(10.0)
Other comprehensive expense as of December 31, 2011	**(8.3)**	**(16.1)**	**(24.4)**

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 margin.

Gains and losses on available-for-sale financial assets transferred to income are recognised under net finance costs.

NOTE 15 GOODWILL

(in € millions)	Gross	Impairment losses	Net
Goodwill as of January 1, 2010	**6,664.4**	**(1,121.1)**	**5,543.3**
Acquisitions	3.2		3.2
Assets classified as held for sale and discontinued operations	(1,429.7)	369.5	(1,060.2)
Impairment losses		(46.0)	(46.0)
Put options granted to non-controlling shareholders	33.6		33.6
Translation adjustments	84.6	(18.7)	65.9
Other movements	0.1	(0.1)	
Goodwill as of December 31, 2010	**5,356.2**	**(816.4)**	**4,539.8**
Acquisitions	307.3		307.3
Assets classified as held for sale and discontinued operations	(1,413.8)	729.3	(684.5)
Impairment losses (see Note 18)			
Put options granted to non-controlling shareholders	27.3		27.3
Translation adjustments	26.2	(0.5)	25.7
Other movements	(0.3)	(0.4)	(0.7)
Goodwill as of December 31, 2011	**4,302.9**	**(88.0)**	**4,214.9**

All goodwill recognised in 2011 was allocated to cash-generating units at year-end.

The breakdown of the net amount of goodwill by activity is as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Luxury Division	2,266.3	2,098.1
Sport & Lifestyle Division	1,544.9	1,353.4
Fnac	403.7	404.1
Redcats		684.2
Total	**4,214.9**	**4,539.8**

NOTE 16 BRANDS AND OTHER INTANGIBLE ASSETS

(in € millions)	Brands	Other intangible assets	Total
Gross amount as of December 31, 2010	**9,910.0**	**943.8**	**10,853.8**
Changes in Group structure	226.9	6.5	233.4
Acquisitions		81.0	81.0
Assets classified as held for sale and discontinued operations	(83.6)	(184.7)	(268.3)
Other disposals		(15.8)	(15.8)
Translation adjustments	29.7	2.9	32.6
Other movements		2.3	2.3
Gross amount as of December 31, 2011	**10,083.0**	**836.0**	**10,919.0**
Accumulated amortisation and impairment as of December 31, 2010	**(54.4)**	**(599.0)**	**(653.4)**
Changes in Group structure		(3.5)	(3.5)
Assets classified as held for sale and discontinued operations	21.1	102.8	123.9
Other disposals		13.5	13.5
Amortisation	(2.0)	(65.6)	(67.6)
Impairment losses (see Note 18)			
Translation adjustments		(0.8)	(0.8)
Other movements			
Accumulated amortisation and impairment as of December 31, 2011	**(35.3)**	**(552.6)**	**(587.9)**
Carrying amount as of December 31, 2010	**9,855.6**	**344.8**	**10,200.4**
Changes in Group structure	226.9	3.0	229.9
Acquisitions		81.0	81.0
Assets classified as held for sale and discontinued operations	(62.5)	(81.9)	(144.4)
Other disposals		(2.3)	(2.3)
Amortisation	(2.0)	(65.6)	(67.6)
Impairment losses (see Note 18)			
Translation adjustments	29.7	2.1	31.8
Other movements		2.3	2.3
Carrying amount as of December 31, 2011	**10,047.7**	**283.4**	**10,331.1**

(in € millions)	Brands	Other intangible assets	Total
Gross amount as of December 31, 2009	**9,797.2**	**927.4**	**10,724.6**
Changes in Group structure	106.8	1.7	108.5
Acquisitions		73.8	73.8
Assets classified as held for sale and discontinued operations		(57.0)	(57.0)
Other disposals		(31.6)	(31.6)
Translation adjustments	6.0	24.0	30.0
Other movements		5.5	5.5
Gross amount as of December 31, 2010	**9,910.0**	**943.8**	**10,853.8**
Accumulated amortisation and impairment as of December 31, 2009	**(31.7)**	**(570.2)**	**(601.9)**
Changes in Group structure			
Assets classified as held for sale and discontinued operations		35.2	35.2
Other disposals		26.6	26.6
Amortisation	(2.0)	(75.4)	(77.4)
Impairment losses	(21.0)		(21.0)
Translation adjustments	0.2	(13.4)	(13.2)
Other movements	0.1	(1.8)	(1.7)
Accumulated amortisation and impairment as of December 31, 2010	**(54.4)**	**(599.0)**	**(653.4)**
Carrying amount as of December 31, 2009	**9,765.5**	**357.2**	**10,122.7**
Changes in Group structure	106.8	1.7	108.5
Acquisitions		73.8	73.8
Assets classified as held for sale and discontinued operations		(21.8)	(21.8)
Other disposals		(5.0)	(5.0)
Amortisation	(2.0)	(75.4)	(77.4)
Impairment losses	(21.0)		(21.0)
Translation adjustments	6.2	10.6	16.8
Other movements	0.1	3.7	3.8
Carrying amount as of December 31, 2010	**9,855.6**	**344.8**	**10,200.4**

The breakdown of net brand value by activity is as follows:

(in € millions)	Dec. 31,2011	Dec. 31,2010
Luxury Division	6,184.3	6,186.3
Sport & Lifestyle Division	3,863.4	3,606.8
Redcats		62.5
Total	**10,047.7**	**9,855.6**

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2010	**855.1**	**2,403.1**	**266.0**	**3,524.2**
Changes in Group structure	17.2	34.2	12.0	63.4
Acquisitions	50.6	185.8	79.5	315.9
Assets classified as held for sale and discontinued operations	(235.5)	(409.5)	(38.7)	(683.7)
Disposals	(15.0)	(80.7)	(17.7)	(113.4)
Translation adjustments	8.8	36.2	3.0	48.0
Other movements	(0.8)	24.7	(20.5)	3.4
Gross amount as of December 31, 2011	**680.4**	**2,193.8**	**283.6**	**3,157.8**
Accumulated depreciation and impairment as of December 31, 2010	**(308.2)**	**(1,640.3)**	**(152.1)**	**(2,100.6)**
Changes in Group structure		(5.2)	(14.6)	(19.8)
Assets classified as held for sale and discontinued operations	165.3	324.1	25.6	515.0
Disposals	2.9	76.3	14.2	93.4
Depreciation	(18.2)	(204.6)	(23.7)	(246.5)
Impairment losses (see Note 18)				
Translation adjustments	(2.1)	(22.1)	(1.8)	(26.0)
Other movements	(0.2)	(1.9)	0.8	(1.3)
Accumulated depreciation and impairment as of December 31, 2011	**(160.5)**	**(1,473.7)**	**(151.6)**	**(1,785.8)**
Carrying amount as of December 31, 2010	**546.9**	**762.8**	**113.9**	**1,423.6**
Changes in Group structure	17.2	29.0	(2.6)	43.6
Acquisitions	50.6	185.8	79.5	315.9
Assets classified as held for sale and discontinued operations	(70.2)	(85.4)	(13.1)	(168.7)
Disposals	(12.1)	(4.4)	(3.5)	(20.0)
Depreciation	(18.2)	(204.6)	(23.7)	(246.5)
Impairment losses (see Note 18)				
Translation adjustments	6.7	14.1	1.2	22.0
Other movements	(1.0)	22.8	(19.7)	2.1
Carrying amount as of December 31, 2011	**519.9**	**720.1**	**132.0**	**1,372.0**
o/w assets owned outright	467.1	720.1	129.3	**1,316.5**
o/w assets held under finance leases	52.8		2.7	**55.5**

(in € millions)	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2009	**1,390.1**	**2,782.5**	**308.8**	**4,481.4**
Changes in Group structure	(3.3)	(0.7)	(0.2)	(4.2)
Acquisitions	63.0	171.3	66.9	301.2
Assets classified as held for sale and discontinued operations	(614.0)	(574.9)	(65.9)	(1,254.8)
Disposals	(30.6)	(100.7)	(17.4)	(148.7)
Translation adjustments	38.3	97.1	11.5	146.9
Other movements	11.6	28.5	(37.7)	2.4
Gross amount as of December 31, 2010	**855.1**	**2,403.1**	**266.0**	**3,524.2**
Accumulated depreciation and impairment as of December 31, 2009	**(604.4)**	**(1,824.2)**	**(191.3)**	**(2,619.9)**
Changes in Group structure	3.2	2.6	0.2	6.0
Assets classified as held for sale and discontinued operations	332.0	356.2	50.3	738.5
Disposals	7.4	94.4	19.0	120.8
Depreciation	(31.1)	(213.7)	(22.3)	(267.1)
Impairment losses				
Translation adjustments	(15.1)	(57.6)	(6.7)	(79.4)
Other movements	(0.2)	2.0	(1.3)	0.5
Accumulated depreciation and impairment as of December 31, 2010	**(308.2)**	**(1,640.3)**	**(152.1)**	**(2,100.6)**
Carrying amount as of December 31, 2009	**785.7**	**958.3**	**117.5**	**1,861.5**
Changes in Group structure	(0.1)	1.9		1.8
Acquisitions	63.0	171.3	66.9	301.2
Assets classified as held for sale and discontinued operations	(282.0)	(218.7)	(15.6)	(516.3)
Disposals	(23.2)	(6.3)	1.6	(27.9)
Depreciation	(31.1)	(213.7)	(22.3)	(267.1)
Impairment losses				
Translation adjustments	23.2	39.5	4.8	67.5
Other movements	11.4	30.5	(39.0)	2.9
Carrying amount as of December 31, 2010	**546.9**	**762.8**	**113.9**	**1,423.6**
o/w assets owned outright	491.1	762.8	107.2	**1,361.1**
o/w assets held under finance leases	55.8		6.7	**62.5**

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 activity in Notes 15 and 16.

18.1. Assumptions underlying impairment tests

The pre-tax discount and perpetual growth rates applied to expected cash flows in connection with the economic assumptions and forecast operating conditions retained by the Group are as follows:

	Discount rate		Perpetual growth rate	
	2011	2010	2011	2010
Luxury Division	9.4%-11.9%	9.0%-10.9%	3.5%	3.5%
Sport & Lifestyle Division	10.8%	10.4%	2.5%	2.5%
Fnac	10.4%-16.2%	10.3%-15.9%	0.5%-4.0%	0.5%-4.0%

18.2. Impairment tests on major items

In the case of the Gucci CGU, which accounts for a significant portion of the goodwill in the Luxury Division, 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 future cash flows, taking into account the time value and specific risks associated with the CGU. 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 9.4%.

In the case of the Gucci brand, which is the highest-valued brand in the Luxury Division, 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 15.0%, a 3.5% perpetual growth rate and a 9.8% pre-tax discount rate.

In the case of the Puma CGU, which accounts for a significant portion of the goodwill in the Sport & Lifestyle Division, 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 future cash flows, taking into account the time value and specific risks associated with the CGU. 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 10.8%.

For information purposes, Puma's market capitalisation was €3.4 billion as of December 31, 2011. This valuation does not represent a relevant indication of impairment given the limited free float and resulting lack of liquidity of the Puma share. As of December 31, 2011, PPR holds a near-80% controlling interest in Puma.

In the case of the Puma brand, which is the highest-valued brand in the Sport & Lifestyle Division, 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 10.6% pre-tax discount rate.

In respect of the key assumptions taken as a whole, the impairment sensitivity analyses did not identify any scenarios in which the carrying amount would be likely to materially exceed the recoverable amount.

18.3. Impairment losses recognised during the period

The impairment tests carried out by the Group in 2011 did not lead to the recognition of any impairment losses.

NOTE 19 INVESTMENTS IN ASSOCIATES

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Investments in associates	735.8	747.7

As of December 31, 2011, investments in associates mainly comprised the investments in Cfao and Wilderness, further to the full consolidation of the Sowind Group as of July 1, 2011, the effective date of control by PPR.

On December 3, 2009, PPR ceased to exercise control over Cfao, following the subsidiary's floatation on Euronext Paris. As of December 31, 2011 the Group retained a 42.0% interest in Cfao's capital and voting rights, and is therefore considered to exercise significant influence over the company. PPR's residual interest in Cfao is accounted for by the equity method in the Group's consolidated financial statements.

As Cfao's results for 2011 were not available at the end of the reporting period, the Group's share of Cfao's net income (€44.8 million) is estimated based on the entity's most recently published interim earnings figures (i.e., based on Cfao's first-half 2011 results as regards these consolidated financial statements).

The table below shows the key financial indicators of the Cfao group:

(in € millions)	June 30, 2011 (6 months)	Dec. 31, 2010 (12 months)
Total Assets	1,989.7	1,918.3
Total Equity	638.2	646.7
Revenue	1,486.5	2,676.2
Net income of consolidated companies	72.2	140.3
Net income attributable to owners of the parent	49.2	100.2

Cfao's consolidated financial statements are available on Cfao's website, at http://www.cfaogroup.com.

The market value of the Group's interest in Cfao is €676.2 million based on the Cfao share price of €26.18 as of December 31, 2011.

NOTE 20 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Non-consolidated investments	41.9	36.2
Derivative financial instruments (see Note 29)	13.3	12.4
Available-for-sale financial assets	10.3	5.5
Loans and receivables due from non-consolidated investments	57.6	67.1
Deposits and guarantees	112.1	107.4
Other	44.3	42.8
Total	**279.5**	**271.4**

NOTE 21 INVENTORIES

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Commercial inventories	2,436.5	2,406.6
Industrial inventories	310.0	292.7
Gross amount	**2,746.5**	**2,699.3**
Allowances	(544.0)	(472.3)
Carrying amount	**2,202.5**	**2,227.0**

Movements in allowances	2011
As of January 1	**(472.3)**
Net charges	(84.1)
Changes in Group structure	(38.6)
Assets classified as held for sale and discontinued operations	62.3
Translation adjustments	(11.3)
As of December 31	**(544.0)**

The carrying amount of inventories pledged to secure liabilities was €127.9 million as of December 31, 2011 (€78.3 million as of December 31, 2010).

NOTE 22 TRADE RECEIVABLES

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Trade receivables	1,169.8	1,059.9
Allowances	(82.4)	(105.2)
Carrying amount	**1,087.4**	**954.7**

Movements in allowances	2011
As of January 1	**(105.2)**
Net charges	2.3
Changes in Group structure	(10.1)
Assets classified as held for sale and discontinued operations	31.2
Translation adjustments	(0.6)
As of December 31	**(82.4)**

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Not past due	856.7	797.4
Less than one month past due	130.1	90.3
One to six months past due	96.0	76.0
More than six months past due	87.0	96.2
Allowance for doubtful receivables	(82.4)	(105.2)
Carrying amount	**1,087.4**	**954.7**

The carrying amount of trade receivables pledged to secure liabilities was €1.8 million as of December 31, 2011 (€13.1 million as of December 31, 2010).

NOTE 23 OTHER CURRENT ASSETS AND LIABILITIES

(in € millions)	Dec. 31, 2010	Working capital cash flows	Other cash flows	Assets held for sale and discontinued operations	Changes in Group structure	Translation adjustments and other	Dec. 31, 2011
Inventories	2,227.0	303.0		(467.2)	115.2	24.5	2,202.5
Trade receivables	954.7	159.2		(94.0)	57.9	9.6	1,087.4
Other current financial assets and liabilities	(5.0)	1.7	11.9	(9.7)	0.3	(84.7)	(85.5)
Current tax receivables/payables	(262.4)		(28.9)	11.5	(4.3)	40.9	(243.2)
Trade payables	(1,928.4)	(55.9)		512.0	(61.9)	(1.4)	(1,535.6)
Other	111.5	(173.5)	(1,264.9)	132.2	(6.3)	64.4	(1,136.6)
Other current assets and liabilities	**1,097.4**	**234.5**	**(1,281.9)**	**84.8**	**100.9**	**53.3**	**289.0**
Customer loans	238.2			(238.2)			

Other current financial assets and liabilities primarily comprise derivative financial instruments (see Note 29). As of December 31, 2010 "Other" included the receivable relating to the sale of Conforama (€1,204 million), which was paid to PPR during the first quarter of 2011.

Given the nature of its activities, the Group's exposure to customer default would not have a material impact on its business, financial position or net assets.

NOTE 24 EQUITY

Share capital amounted to €508,003,556 as of December 31, 2011, comprising 127,000,889 fully paid-up shares with a par value of €4 each (126,829,184 shares with a par value of €4 each as of December 31, 2010).

24.1. PPR treasury shares and options on PPR shares

In 2011, the Group made a net acquisition of 979,313 treasury shares, resulting from the following transactions:

- acquisition of 1,249,100 shares under the liquidity agreement;
- sale of 1,319,100 shares under the liquidity agreement;
- acquisition of 1,030,967 shares to be cancelled;
- acquisition of 116,920 shares to be allotted to employees under 2009 free share plans;
- allotment of 116,920 shares to employees under the May 2009 free share plans maturing in May 2011;
- acquisition of 90,000 shares to be allotted to employees under the 2006 and 2007 stock purchase option plan;
- sale of 71,654 shares to employees under the 2006 stock purchase option plan.

As a result of the various stock subscription options exercised in 2011, the share capital rose by 171,705 shares, bringing PPR's share capital to 127,000,889 shares as of December 31, 2011.

On May 26, 2004, PPR signed an agreement with a financial broker in order to improve 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 French Association of Financial and Investment Firms (*Association Française des Marchés Financiers* – AMAFI) and approved by the 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, 2011, PPR did not hold any treasury shares in connection with the liquidity agreement (versus 70,000 treasury shares held under the agreement as of December 31, 2010). Outside the scope of the liquidity agreement, PPR held 1,061,352 treasury shares (12,039 treasury shares held as of December 31, 2010).

24.2. Appropriation of 2011 net income

At the Ordinary General Meeting called to approve the financial statements for the year ended December 31, 2011, the Board of Directors will recommend a dividend of €3.50 per share in respect of 2011, representing a total of €440.8 million (excluding treasury shares).

The dividend paid in respect of 2010 was €3.50 per share.

NOTE 25 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.

25.1. Changes during the year

Changes in the present value of the obligation in respect of defined benefit plans are shown below:

(in € millions)	2011	2010
Present value of obligation as of January 1	**358.7**	**400.6**
Current service cost	13.9	13.5
Contributions paid by beneficiaries	3.3	2.8
Interest cost	17.0	15.2
Benefits paid	(18.3)	(18.8)
Past service cost	(3.4)	1.3
Actuarial gains and losses	13.3	0.2
Curtailments and settlements	(5.1)	(11.0)
Changes in Group structure	0.1	(1.5)
Assets classified as held for sale and discontinued operations		(60.6)
Exchange differences	6.2	17.0
Present value of obligation as of December 31	**385.7**	**358.7**

As of December 31, 2011, the present value of the obligation amounted to €385.7 million, breaking down as:

- €107.0 million in respect of wholly unfunded plans (€93.7 million as of end-2010);
- €278.7 million in respect of fully or partially funded plans (€265.0 million as of end-2010).

The breakdown in the present value of the obligation by type of plan and country as of December 31, 2011 was as follows:

(in € millions)	2011	2010
Retirement gratuities – France	82.2	77.2
Long-service awards – France	1.8	1.1
Statutory termination indemnities (TFR) – Italy	20.9	21.4
Supplementary plans – United Kingdom	136.0	127.9
Supplementary plans (LPP) – Switzerland	51.1	50.8
Other	93.7	80.3
Present value of obligation as of December 31	**385.7**	**358.7**

Changes in the fair value of defined benefit plan assets are shown below:

(in € millions)	2011	2010
Fair value of defined benefit plan assets as of January 1	**189.3**	**196.7**
Contributions paid by employer	13.4	16.1
Contributions paid by beneficiaries	3.3	2.8
Expected return on plan assets	8.4	8.5
Benefits paid	(17.4)	(18.8)
Actuarial gains and losses	2.1	1.4
Settlements	(1.7)	
Changes in Group structure	0.1	
Assets classified as held for sale and discontinued operations		(26.9)
Exchange differences	5.2	9.5
Fair value of defined benefit plan assets as of December 31	**202.7**	**189.3**

The Group expects to pay an estimated €7.2 million in contributions in 2012.

Funded defined benefit plan assets break down as follows:

- insurance policies account for 16.8% of the total fair value of plan assets (24.5% as of end-2010);
- equity instruments account for 19.3% (22.9% as of end-2010);
- debt instruments account for 54.9% (48.0% as of end-2010);
- other assets account for 9.0% (4.6% as of end-2010).

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)	2011	2010	2009	2008	2007
Present value of obligation	385.7	358.7	400.6	462.8	563.3
Fair value of defined benefit plan assets	(202.7)	(189.3)	(196.7)	(204.1)	(296.0)
Funding shortfall/(surplus)	**183.0**	**169.4**	**203.9**	**258.7**	**267.3**
Unrecognised past service cost	(0.8)	(0.9)	(2.1)	(7.0)	(8.4)
Amount not recognised in assets	12.0	4.7	0.9	5.4	8.3
Fair value of redemption rights	0.8	2.0	1.5	1.5	
Provisions (net assets) recognised in the statement of financial position	**195.0**	**175.2**	**204.2**	**258.6**	**267.2**
o/w provisions – continuing operations	127.1	175.2	204.2	258.4	267.2
o/w provisions – discontinued operations	67.9			0.2	
Experience adjustments on plan liabilities	1.9%	1.7%	1.6%	0.1%	0.9%
Experience adjustments on plan assets	1.0%	0.7%	3.1%	13.1%	1.0%

25.2. Expenses recognised

The total expense of €14.7 million recognised in respect of defined benefit plans breaks down as follows:

(in € millions)	2011	2010
Current service cost	13.9	13.5
Interest cost	17.0	16.0
Expected return on plan assets	(8.4)	(8.5)
Actuarial gains/losses recognised in income	0.1	(0.1)
Past service cost taken to income	(3.4)	1.7
Curtailments and settlements	(4.5)	(11.0)
Total expense	**14.7**	**11.6**
o/w recognised in operating expenses	8.9	2.6
in finance costs, net	5.7	9.0
in discontinued operations	0.1	

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 2011, actuarial losses were recognised for a total of €11.7 million.

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €92.3 million as of December 31, 2011.

25.3. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's obligations are as follows:

	Total France		Total Switzerland		Total Italy		Total UK	
	2011	2010	2011	2010	2011	2010	2011	2010
Discount rate	4.50%	4.50%	2.50%	3.00%	4.50%	4.50%	4.75%	5.20%
Expected return on plan assets	4.50%	4.75%	3.21%	4.25%			4.90%	5.63%
Expected rate of increase in salaries	2.78%	2.78%	1.92%	2.25%	3.95%	3.95%	0.75%	0.75%

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 26 PROVISIONS

(in € millions)	Dec. 31, 2010	Charge	Reversal (utilised provision)	Reversal (surplus provision)	Translation adjustments	Assets held for sale and discontinued operations	Other	Dec. 31, 2011
Provisions for restructuring costs	15.6					(15.6)		
Provisions for claims and litigation	61.4	1.4	(4.2)	(30.0)	(0.1)	(7.6)	(5.7)	15.2
Other non-current provisions	113.4			(35.0)	0.8	(1.3)	7.4	85.3
Non-current provisions	**190.4**	**1.4**	**(4.2)**	**(65.0)**	**0.7**	**(24.5)**	**1.7**	**100.5**
Provisions for restructuring costs	81.1	36.5	(38.7)	(1.8)	(1.6)	(29.0)		46.5
Provisions for claims and litigation	55.6	3.0	(13.0)	(6.1)	(0.1)	(7.7)	36.1	67.8
Other current provisions	26.7	4.0		(1.1)		(9.3)	1.5	21.8
Current provisions	**163.4**	**43.5**	**(51.7)**	**(9.0)**	**(1.7)**	**(46.0)**	**37.6**	**136.1**
Total	**353.8**	**44.9**	**(55.9)**	**(74.0)**	**(1.0)**	**(70.5)**	**39.3**	**236.6**
Impact on income		**(44.9)**		**74.0**				**29.1**
- Impact on recurring operating income		(8.9)		2.7				(6.2)
- Impact on other non-recurring operating income and expenses		(32.0)		6.3				(25.7)
- Impact on net finance costs								
- Impact on income taxes								
- Impact on income (loss) from discontinued operations		(4.0)		65.0				61.0

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.

NOTE 27 CASH AND CASH EQUIVALENTS

27.1. Breakdown by category

Cash and cash equivalents break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Cash	939.9	1,173.1
Cash equivalents	330.8	225.1
Total	**1,270.7**	**1,398.2**

As of December 31, 2011, cash equivalents include UCITS, certificates of deposit and term deposits with a maturity of less than three months.

Conforama's outstanding cash current account with PPR was included in "Cash and cash equivalents" as of December 31, 2010.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in March 2008 and updated in 2011. 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 and the AMF's recommendations. As of December 31, 2011, no reclassifications were made as a result of these reviews.

27.2. Breakdown by currency

(in € millions)	Dec. 31, 2011	%	Dec. 31, 2010	%
EUR	631.2	49.7%	792.5	56.7%
USD	199.6	15.7%	141.0	10.1%
CHF	71.0	5.6%	44.3	3.2%
JPY	52.2	4.1%	71.6	5.1%
CNY	49.5	3.9%	78.4	5.6%
HKD	37.2	2.9%	41.1	2.9%
GBP	30.0	2.4%	63.6	4.5%
Other currencies	200.0	15.7%	165.7	11.9%
Total	**1,270.7**		**1,398.2**	

NOTE 28 BORROWINGS

28.1. Breakdown of borrowings by maturity

(in € millions)	Dec. 31, 2011	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	**3,066.2**		**889.8**	**992.5**	**527.8**	**21.5**	**634.6**
Bonds	2,348.1		796.7	704.8	498.0		348.6
Confirmed lines of credit							
Other bank borrowings	435.1		87.4	282.5	23.0	18.1	24.1
Obligations under finance leases	60.0		3.8	3.6	3.5	3.4	45.7
Employee profit-sharing							
Other borrowings	223.0		1.9	1.6	3.3		216.2
Current borrowings	**1,855.9**	**1,855.9**					
Bonds	191.8	191.8					
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	457.6	457.6					
Other bank borrowings	115.4	115.4					
Obligations under finance leases	4.2	4.2					
Employee profit-sharing							
Bank overdrafts	68.4	68.4					
Commercial paper	823.5	823.5					
Other borrowings	195.0	195.0					
Total	**4,922.1**	**1,855.9**	**889.8**	**992.5**	**527.8**	**21.5**	**634.6**
%		**37.7%**	**18.1%**	**20.2%**	**10.7%**	**0.4%**	**12.9%**

(in € millions)	Dec. 31, 2010	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	**3,341.1**		**330.8**	**861.2**	**1,117.0**	**505.7**	**526.4**
Bonds	2,789.8		196.2	796.0	951.7	497.5	348.4
Confirmed lines of credit							
Other bank borrowings	293.9		50.9	55.8	161.2	4.3	21.7
Obligations under finance leases	64.1		4.6	4.4	4.1	3.9	47.1
Employee profit-sharing	2.2		1.1	1.1			
Other borrowings	191.1		78.0	3.9			109.2
Current borrowings	**2,115.8**	**2,115.8**					
Bonds	803.9	803.9					
Confirmed lines of credit	8.0	8.0					
Drawdowns on unconfirmed lines of credit	464.7	464.7					
Other bank borrowings	259.6	259.6					
Obligations under finance leases	5.0	5.0					
Employee profit-sharing	0.9	0.9					
Bank overdrafts	173.3	173.3					
Commercial paper	198.9	198.9					
Other borrowings	201.5	201.5					
Total	**5,456.9**	**2,115.8**	**330.8**	**861.2**	**1,117.0**	**505.7**	**526.4**
%		**38.8%**	**6.0%**	**15.8%**	**20.5%**	**9.3%**	**9.6%**

All gross borrowings as of December 31, 2011 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, 2011, a fair value adjustment of €4.5 million (€7.6 million as of December 31, 2010) was recognised in respect of borrowings – mainly bond issues – partially or fully hedged in a fair value hedging relationship.

Bond issues represented 51.6% of gross borrowings as of December 31, 2011 and 65.9% as of end-2010.

Borrowings with a maturity of more than one year represented 62.3% of total gross borrowings as of December 31, 2011 and 61.2% as of December 31, 2010.

The total amount of confirmed lines of credit (excluding facilities available to Redcats) was €4,170.1 million at the end of the reporting period, including €35.1 million available 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 Redcats customer loans contributed €244.5 million to gross borrowings as of December 31, 2011.

28.2. Breakdown by repayment currency

(in € millions)	Dec. 31, 2011	Non-current borrowings	Current borrowings	%	Dec. 31, 2010	%
EUR	4,041.5	2,565.9	1,475.6	82.1%	4,801.4	88.0%
JPY	468.6	216.2	252.4	9.5%	437.9	8.0%
CHF	193.0	139.6	53.4	3.9%	47.2	0.9%
USD	93.7	48.6	45.1	1.9%	92.9	1.7%
GBP	90.2	88.8	1.4	1.8%	9.1	0.2%
Other currencies	35.1	7.1	28.0	0.8%	68.4	1.2%
Total	**4,922.1**	**3,066.2**	**1,855.9**		**5,456.9**	

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

28.3. Breakdown of gross borrowings by category

The PPR Group gross borrowings break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Bonds	2,539.9	3,593.7
Other bank borrowings	550.5	553.5
Confirmed lines of credit		8.0
Drawdowns on unconfirmed lines of credit	457.6	464.7
Commercial paper	823.5	198.9
Obligations under finance leases	64.2	69.1
Employee profit-sharing		3,1
Bank overdrafts	68.4	173.3
Other borrowings	418.0	392.6
Total	**4,922.1**	**5,456.9**

Group borrowings primarily consist of bonds, bank borrowings, drawdowns on confirmed lines of credit and commercial paper issues, which account for 88.0% of gross borrowings as of December 31, 2011 (87.0% as of December 31, 2010).

As of December 31, 2011, other borrowings include €316.6 million in respect of put options granted to minority shareholders (see Note 2.3.2), including the liability in respect of the put option granted to Sowind's minority shareholder.

28.4. Bond issues

PPR bond issues

The Group has a Euro Medium Term Notes (EMTN) programme capped at €5,000 million as of December 31, 2011.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier* – CSSF) on December 6, 2011. The programme existing as of December 31, 2011 expires on December 6, 2012.

As of December 31, 2011, the bonds issued under this programme totalled €2,550.1 million.

All borrowings benefit from the rating awarded to the PPR Group by Standard & Poor's ("BBB-" with a positive 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	Dec. 31, 2011	Dec. 31, 2010
800.0[1]	5.25% fixed	5.34%	03/29/2004	3-month Euribor floating rate swap for €650 million *Documented under IFRS*	03/29/2011		803.9
600.0[2]	4.00% fixed	4.08% & 4.79%	06/29/2005 & 06/19/2006	-	01/29/2013	**597.2**	594.7
200.0[3]	6.405% fixed	-	05/16/2008	-	11/16/2012	**191.8**	196.2
200.0[4]	6.536% fixed	-	05/16/2008	-	05/16/2013	**199.5**	201.3
550.1[5]	8.625% fixed	8.86% & 7.86%	04/03/2009	-	04/03/2014	**551.1**	799.5
150.0[6]	7.75% fixed	7.94%	06/03/2009	6-month Euribor floating rate swap for €150 million *Documented under IFRS*	06/03/2014	**153.7**	152.2
150.0[7]	6.50% fixed	6.57%	06/29/2009	-	06/29/2017	**149.4**	149.3
200.0[8]	6.50% fixed	6.57%	11/06/2009	-	11/06/2017	**199.2**	199.1
500.0[9]	3.75% fixed	3.87%	04/08/2010	-	04/08/2015	**498.0**	497.5

(1) 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.

(2) 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.

(3) 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.

(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 €238.2 million and a minimum of €138.2 million, maturing on May 16, 2013.

(5) Issue price: bond issue, comprised of 550,100 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, raising the issue to 800,000 bonds. A total of 249,900 of these bonds were redeemed on April 26, 2011.
Redemption: in full on April 3, 2014.

(6) 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.

(7) 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.

(8) 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.

(9) Issue price: bond issue on April 8, 2010, comprised of 500,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on April 8, 2015.

All bonds issued in 2009 and 2010 within the scope of the EMTN programme are subject to a change-of-control clause, which entitles bondholders to seek redemption at par if, following a change of control, PPR's rating were downgraded to non-investment grade. The bonds also include 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, 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".

28.5. Main bank borrowings and confirmed lines of credit

28.5.1. Breakdown of main bank borrowings

The Group has the following bank borrowings:

Long- and medium-term borrowings contracted by PPR

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	Dec. 31, 2011	Dec. 31, 2010
83.0	Floating 3-month Euribor +3.09%	-	06/24/2009	3-month Euribor floating rate swap for the full amount *Not documented under IFRS*	06/24/2014	**83.0**	83.0
69.5	Floating 3-month Euribor +3.30%	-	06/24/2009	3-month Euribor floating rate swap for the full amount *Not documented under IFRS*	06/24/2014	**69.5**	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	Dec. 31, 2011	Dec. 31, 2010
50.0	Floating 3-month Euribor +0.20%	-	12/15/2006	-	12/15/2011		50.0

Long- and medium-term borrowings contracted by the Luxury Division

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	Dec. 31, 2011	Dec. 31, 2010
38.6(1)	Floating USD Libor +1.00%	-	08/08/03	-	08/15/13	**7.7**	11.2
35.0(2)	Floating Euribor +0.70%	-	03/29/04	-	06/30/14	**6.7**	9.2
84.8(3)	Floating JPY Tibor +0.35%	-	09/15/06	-	09/15/11		46.9
39.9(4)	1.26% fixed	-	03/31/08	-	03/31/11		18.4
74.9(5)	1.536% fixed	-	04/30/08	-	04/28/11		57.5
55.3(6)	Floating JPY Tibor +0.65%	-	11/15/10	-	11/15/13	**49.7**	50.3
39.9(7)	Floating JPY Tibor +0.35%	-	03/31/11	-	03/31/16	**35.9**	
59.9(8)	Floating JPY Tibor +0.38%	-	05/15/11	-	04/15/14	**56.7**	
39.9(9)	Floating JPY Tibor +0.45%	-	12/14/11	-	12/14/14	**39.9**	
42.4(10)	Floating JPY Tibor +0.45%	-	12/14/11	-	9/15/16	**42.4**	

(1) Redeemable loan contracted by Gucci America Inc. for USD 50 million (€38.6 million). The outstanding balance on this loan was USD 10 million (€7.7 million) as of December 31, 2011.

(2) Loan redeemable as of 2006 initially contracted for €35 million.

(3) Redeemable loan contracted in December 2006 for JPY 8,500 million (€84.8 million).

(4) Loan contracted in March 2008 for JPY 4,000 million (€39.9 million).

(5) Loan contracted in April 2008 for JPY 7,500 million (€74.9 million).

(6) Redeemable loan contracted in November 2010 for JPY 5,540 million (€55.3 million). The outstanding balance on this loan was JPY 4,980 million (€49.7 million) as of December 31, 2011.

(7) Redeemable loan contracted in March 2011 for JPY 4,000 million (€39.9 million). The outstanding balance on this loan was JPY 3,600 million (€35.9 million) as of December 31, 2011.

(8) Redeemable loan contracted in May 2011 for JPY 6,000 million (€59.9 million). The outstanding balance on this loan was JPY 5,680 million (€56.7 million) as of December 31, 2011.

(9) Loan contracted in December 2011 for JPY 4,000 million (€39.9 million).

(10) Loan contracted in December 2011 for JPY 4,250 million (€42.4 million).

28.5.2. Confirmed lines of credit available to the Group

As of December 31, 2011, the Group had access to €4,551.0 million in confirmed credit facilities (versus €6,174.2 million as of December 31, 2010).

28.5.3. Breakdown of confirmed lines of credit

PPR and PPR Finance SNC: €3,901.0 million breaking down by maturity as follows:

(in € millions)	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Confirmed lines of credit	**3,901.0**	40.0	3,861.0		**5,776.0**

The confirmed lines of credit include a syndicated line for €2.5 billion set up on January 14, 2011 and maturing in January 2016. This facility allows the Group to refinance its €2.75 billion syndicated credit line taken out on March 22, 2005 and the €1.5 billion outstanding on the syndicated credit line set up for the friendly takeover bid for Puma AG in 2007.

As of December 31, 2011, no amounts had been drawn down under the January 2011 syndicated facility.

Total confirmed undrawn credit lines available to PPR and PPR Finance SNC as of December 31, 2011 amounted to €3,901.0 million.

Other confirmed lines of credit: €650.0 million breaking down by maturity as follows:

(in € millions)	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Redcats[1]	380.9	184.5	196.4		139.0
Puma[2]	253.6	253.6			259.2
Volcom[3]	15.5	15.5			
	650.0	453.6	196.4		**398.2**

(1) Redcats: including €270 million, USD 60 million (€46.4 million) and SEK 575 million (€64.5 million). As of December 31, 2011, Redcats had drawn down a total of €290.8 million.

(2) Puma: including €35.1 million drawn down in the form of bank borrowings at the end of December 2011.

(3) Volcom: USD 20 million (€15.5 million).

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 include 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.

As of December 31, 2011, PPR and PPR Finance SNC had not drawn down any of the €3,901.0 million available under confirmed credit lines subject to this covenant.

The Group was in compliance with all these covenants as of December 31, 2011 and there is no foreseeable risk of breach.

The Group has access to confirmed credit lines totalling €4,170.1 million (excluding facilities available to Redcats).

The undrawn balance on these confirmed lines of credit as of December 31, 2011 was €4,135.0 million (€6,123.4 million as of December 31, 2010).

The undrawn confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €823.5 million remained outstanding as of December 31, 2011 (€198.9 million as of December 31, 2010).

NOTE 29 EXPOSURE TO INTEREST RATE, FOREIGN EXCHANGE AND EQUITY RISK

The Group uses derivative financial instruments to manage its exposure to market risks.

Derivatives used by the Group as of December 31, 2011 are described below.

29.1. 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)	Dec. 31, 2011	Y+1	Y+2	Y+3	Y+4	Y+5 Beyond	Dec. 31,2010
Swaps: fixed-rate lender	150.0			150.0			884.8
Swaps: fixed-rate borrower	150.0	150.0					150.0
Purchases of collars							150.0
Other interest rate instruments[1]	152.5			152.5			152.5
Total	**452.5**	**150.0**		**302.5**			**1,337.3**

(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 €150 million to hedge PPR bond issues;
- fix the rate of floating-rate borrowings: the Group has entered into interest rate swaps as a fixed-rate borrower in an amount of €150 million.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2011, documented and non-documented financial instruments can be analysed as follows:

(in € millions)	Dec. 31, 2011	Fair value hedges	Cash flow hedges	Non-documented hedges
Swaps: fixed-rate lender	150.0	150.0		
Swaps: fixed-rate borrower	150.0			150.0
Other interest rate instruments	152.5			152.5
Total	**452.5**	**150.0**		**302.5**

These interest rate derivatives are recognised in the statement of financial position at their market value at 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, 2011, fair value hedges concerned fixed-rate bonds issued by the Group in June 2009, hedged by interest rate swaps for a nominal amount of €150 million.

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 subsequently taken to income when the hedged position itself affects income. The ineffective portion impacts net finance costs for the period.

As of December 31, 2011, the Group had no cash flow hedges.

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, 2011, derivative instruments that did not qualify for hedge accounting under IAS 39 primarily comprised options in the form of interest rate swaps 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:

(in € millions)

		2011 maturities			
	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Fixed-rate financial assets	**346.8**	341.5	4.8	0.5	**1,276.3**
Bonds	2,539.9	191.8	1,999.5	348.6	3,593.7
Commercial paper	821.5	821.5			58.9
Other borrowings	108.9	101.9	7.0		216.1
Fixed-rate financial liabilities	**3,470.3**	1,115.2	2,006.5	348.6	**3,868.7**

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

(in € millions)

		2011 maturities			
	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Floating-rate financial assets	**1,023.4**	998.8	11.6	13.0	**1,440.1**
Bonds					
Commercial paper	2.0	2.0			140.0
Other borrowings	1,449.8	738.7	425.1	286.0	1,448.2
Floating-rate financial liabilities	**1,451.8**	740.7	425.1	286.0	**1,588.2**

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:

		2011 maturities			
(in € millions)	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Fixed-rate financial assets	**346.8**	341.5	4.8	0.5	**1,276.3**
Bonds	2,386.2	191.8	1,845.8	348.6	2,791.6
Commercial paper	821.5	821.5			124.1
Other borrowings	258.9	251.9	7.0		366.1
Fixed-rate financial liabilities	**3,466.6**	1,265.2	1,852.8	348.6	**3,281.8**

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

		2011 maturities			
(in € millions)	Dec. 31, 2011	Less than one year	One to five years	More than five years	Dec. 31, 2010
Floating-rate financial assets	**1,023.4**	998.8	11.6	13.0	**1,440.1**
Bonds	153.7		153.7		802.1
Commercial paper	2.0	2.0			74.8
Other borrowings	1,299.8	588.7	425.1	286.0	1,298.2
Floating-rate financial liabilities	**1,455.5**	590.7	578.8	286.0	**2,175.1**

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:

		Before hedging		After hedging	
(in € millions)	Dec. 31, 2011	Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	**4,922.1**	**3,470.3**	**1,451.8**	**3,466.6**	**1,455.5**
%		70.5%	29.5%	70.4%	29.6%

		Before hedging		After hedging	
(in € millions)	Dec. 31, 2010	Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	**5,456.9**	**3,868.7**	**1,588.2**	**3,281.8**	**2,175.1**
%		70.9%	29.1%	60.1%	39.9%

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 €5.8 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, 2011. As of December 31, 2010, the impact of a sudden 50 basis point increase or decrease in interest rates was estimated at €5.6 million (assumption consistent with relative interest rate levels observed at year-end).

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, 2011.

(in € millions)	Impact on reserves	Impact on income
As of December 31, 2011		
Increase of 50 basis points		2.9
Decrease of 50 basis points		(3.3)
As of December 31, 2010		
Increase of 50 basis points		5.8
Decrease of 50 basis points		(6.2)

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.

These amounts are shown before tax.

29.2. 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 2011	Dec. 31 2010
Currency forwards and currency swaps	(1,251.2)	(397.7)
Currency options – export tunnels	(594.7)	(342.1)
Currency options – purchases	172.4	210.6
Currency options – sales	(79.9)	(8.0)
Total	**(1,753.4)**	**(537.2)**

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 option 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, 2011, documented and non-documented derivative instruments were as follows:

(in € millions)	Dec. 31, 2011	EUR	USD	JPY
Cash flow hedges				
Forward purchases and forward purchase swaps	**1,081.4**	1.8	1,047.5	
Forward sales and forward sale swaps	**(1,306.5)**	(25.3)	(299.2)	
Currency options – purchases of export tunnels	**(594.7)**		(282.1)	(312.6)
Fair value hedges				
Forward purchases and forward purchase swaps	**253.8**	0.8	150.8	20.0
Forward sales and forward sale swaps	**(786.1)**	(16.7)	(144.8)	(84.0)
Not documented				
Forward purchases and forward purchase swaps	**159.9**		101.4	3.5
Forward sales and forward sale swaps	**(653.7)**	(28.3)	(503.9)	(3.5)
Currency options – purchases	**172.4**		170.5	
Currency options – sales	**(79.9)**	(10.9)	(20.8)	(2.3)
Maturity				
Less than one year				
Forward purchases and forward purchase swaps	**1,483.5**	2.6	1,288.1	23.5
Forward sales and forward sale swaps	**(2,734.3)**	(70.3)	(947.9)	(87.5)
Currency options – purchases of export tunnels	**(567.8)**		(282.1)	(285.7)
Currency options – purchases	**172.4**		170.5	
Currency options – sales	**(79.9)**	(10.9)	(20.8)	(2.3)
More than one year				
Forward purchases and forward purchase swaps	**11.6**		11.6	
Forward sales and forward sale swaps	**(12.0)**			
Currency options – purchases of export tunnels	**(26.9)**			(26.9)
Currency options – purchases				
Currency options – sales				

Foreign exchange derivatives are recognised in the statement of financial position at their market value at 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, 2011, 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 brands in the Luxury Division.

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.

GBP	CHF	NOK	HKD	CNY	KRW	Other	Dec. 31, 2010
16.9	1.8	1.3	5.4			6.7	**909.8**
(138.0)	(40.8)	(40.3)	(239.1)	(267.2)	(105.8)	(150.8)	**(1,074.7)**
							(342.1)
21.4	21.5		26.8	0.4		12.1	**239.6**
(97.5)	(111.5)		(68.6)	(157.2)	(15.0)	(90.8)	**(496.9)**
42.1	12.7		0.2				**446.6**
(43.1)	(25.1)	(38.1)			(0.6)	(11.1)	**(422.1)**
1.3						0.6	**210.6**
(15.2)	(12.1)	(9.7)				(8.9)	**(8.0)**
80.4	36.0	1.3	32.4	0.4		18.8	**1,581.8**
(275.5)	(174.5)	(78.4)	(307.7)	(421.9)	(120.1)	(250.5)	**(1,973.5)**
							(314.8)
1.3						0.6	**210.6**
(15.2)	(12.1)	(9.7)				(8.9)	**(8.0)**
							14.2
(3.1)	(2.9)			(2.5)	(1.3)	(2.2)	**(20.2)**
							(27.3)

As of December 31, 2011, the exposure to foreign exchange risk on the statement of financial position was as follows:

(in € millions)	Dec. 31, 2011	EUR	USD	JPY
Monetary assets	**2,342.3**	16.5	880.3	189.3
Monetary liabilities	**1,632.1**	1.7	622.0	478.9
Gross exposure in the statement of financial position	710.2	14.8	258.3	(289.6)
Forecast gross exposure	865.2	31.2	(524.0)	314.7
Gross exposure before hedging	**1,575.4**	**46.0**	**(265.7)**	**25.1**
Hedging instruments	(1,662.0)	(50.3)	226.4	(378.9)
Gross exposure after hedging	**(86.6)**	**(4.3)**	**(39.3)**	**(353.8)**

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 applicable 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 foreign exchange position of the statement of financial 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 euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would be as follows:

As of December 31, 2011	Impact on reserves		Impact on income	
(in € millions)	10% increase	10% decrease	10% increase	10% decrease
USD	(43.2)	51.8	(7.6)	13.8
JPY	27.6	(34.7)	0.6	
CNY	24.3	(29.7)	(0.6)	0.7

As of December 31, 2010	Impact on reserves		Impact on income	
(in € millions)	10% increase	10% decrease	10% increase	10% decrease
USD	(43.2)	52.6	(5.1)	11.7
JPY	23.9	(29.7)	0.3	0.1
CNY	14.9	(18.2)	0.1	(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.

29.3. 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, 2011, 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.

GBP	CHF	NOK	HKD	CNY	KRW	Other	Dec. 31, 2010
130.1	219.0	4.1	74.4	244.9	47.9	535.8	**1,415.2**
153.1	218.4	11.7	7.3	17.8	0.2	121.0	**1,305.1**
(23.0)	0.6	(7.6)	67.1	227.1	47.7	414.8	110.1
133.6	44.4	83.1	234.7	267.2	106.4	173.9	429.1
110.6	**45.0**	**75.5**	**301.8**	**494.3**	**154.1**	**588.7**	**539.2**
(191.2)	(166.2)	(48.8)	(275.5)	(424.0)	(121.4)	(232.1)	(550.4)
(80.6)	**(121.2)**	**26.7**	**26.3**	**70.3**	**32.7**	**356.6**	**(11.2)**

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 €20.7 million on the Group's pre-tax consolidated income and would result in a €20.7 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 €23.1 million on the Group's pre-tax consolidated income and would result in a €23.1 million increase in the value of bond debt on the statement of financial position.

29.4. 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.

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, 2011, the value of indexed bond issues includes an adjustment of €6.6 million related to changes in PPR's issuer spread since the issuance 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 €0.6 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 €0.6 million and reduce the finance cost for the year by the same amount.

The bonds issued in 2009 and 2010 under the EMTN programme include a "step-up coupon" in the event PPR's rating is downgraded to non-investment grade. This would increase the coupon payable on each issue by 1.25%, and could lead to an increase of €19.4 million in finance costs over a full year.

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.

29.5. Derivative instruments at market value

As of December 31, 2011, 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 risk 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)	Dec. 31, 2011	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2010
Derivative assets	**45.0**	**13.3**	**31.7**		**60.7**
Non-current	**13.3**	13.3			**12.4**
At fair value through income	1.9	1.9			2.6
Cash flow hedges					
Fair value hedges	11.4	11.4			9.8
Current	**31.7**		**31.7**		**48.3**
At fair value through income	2.5		2.5		11.5
Cash flow hedges	29.2		29.2		3.4
Fair value hedges					33.4
Derivative liabilities	**130.8**	**1.1**	**129.7**		**55.3**
Non-current					
At fair value through income					
Cash flow hedges					
Fair value hedges					
Current	**130.8**	**1.1**	**129.7**		**55.3**
At fair value through income	21.0	1.1	19.9		8.7
Cash flow hedges	104.1		104.1		46.6
Fair value hedges	5.7		5.7		
Total	**(85.8)**	**12.2**	**(98.0)**		**5.4**

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 €11.4 million as of December 31, 2011 and €39.9 million as of December 31, 2010.

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2011 are presented in Note 14.

29.6. 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 €4,170.1 million (excluding facilities available to Redcats). As of December 31, 2011, this includes €4,135.0 million not yet drawn and available cash of €1,270.7 million.

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 captions, which amounted to €1,270.7 million and €1,087.4 million, respectively, as of December 31, 2011.

(in € millions)	Dec. 31, 2011 Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	2,539.9	(2,478.6)	(163.6)	(1,965.0)	(350.0)
Commercial paper	823.5	(825.0)	(825.0)		
Other borrowings	1,558.7	(1,977.7)	(1,029.2)	(626.2)	(322.3)
Trade payables	1,535.6	(1,535.6)	(1,535.6)		
Other non-derivative financial instruments associated with assets classified as held for sale	768.3	(778.3)	(624.8)	(153.3)	(0.2)
Derivative financial instruments					
Interest rate hedges	(12.2)				
Interest rate swaps		10.6	0.9	9.7	
Other interest rate instruments					
Foreign exchange hedges	98.0				
Currency forwards and currency swaps					
Outflows		(3,559.8)	(3,541.1)	(18.7)	
Inflows		3,543.2	3,524.1	19.1	
Other foreign exchange instruments					
Outflows		(789.4)	(762.5)	(26.9)	
Inflows		756.6	730.3	26.3	
Total	**7,311.8**	**(7,634.0)**	**(4,226.5)**	**(2,735.0)**	**(672.5)**

(in € millions)	Dec. 31, 2010 Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,593.7	(3,484.0)	(800.0)	(2,334.0)	(350.0)
Commercial paper	198.9	(198.9)	(198.9)		
Other borrowings	1,664.3	(2,326.9)	(1,175.3)	(907.4)	(244.2)
Trade payables	1,928.4	(1,928.4)	(1,928.4)		
Derivative financial instruments					
Interest rate hedges	(38.8)				
Interest rate swaps		42.8	31.2	11.6	
Other interest rate instruments		(1.5)	(1.5)		
Foreign exchange hedges	33.4				
Currency forwards and currency swaps					
Outflows		(3,254.8)	(3,229.0)	(25.8)	
Inflows		3,232.5	3,206.7	25.8	
Other foreign exchange instruments					
Outflows		(431.7)	(404.4)	(27.3)	
Inflows		415.3	388.4	26.9	
Total	**7,379.9**	**(7,935.6)**	**(4,111.2)**	**(3,230.2)**	**(594.2)**

NOTE 30 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, 2011 are presented below:

	Dec. 31, 2011		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	279.5	279.5		52.2	214.0		11.4	1.9
Current assets								
Trade receivables	1,087.4	1,087.4				1,087.4		
Customer loans								
Other current financial assets	45.3	45.3			13.6		29.2	2.5
Cash and cash equivalents	1,270.7	1,270.7	330.8			939.9		
Non-current liabilities								
Non-current borrowings	3,066.2	3,216.0	199.5			2,866.7		
Current liabilities								
Current borrowings	1,611.4	1,611.4	191.8			1,419.6		
Financing of customer loans								
Other current financial liabilities	130.8	130.8					109.8	21.0
Trade payables	1,535.6	1,535.6				1,535.6		

(in € millions)	Dec. 31, 2010		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	271.4	271.4		41.7	217.3		9.8	2.6
Current assets								
Trade receivables	954.7	954.7				954.7		
Customer loans	238.2	238.2				238.2		
Other current financial assets	50.3	50.3			2.0		36.8	11.5
Cash and cash equivalents	1,398.2	1,398.2	225.1			1,173.1		
Non-current liabilities								
Non-current borrowings	3,341.1	3,375.9	397.5			2,943.6		
Current liabilities								
Current borrowings	1,877.6	1,880.2				1,877.6		
Financing of customer loans	238.2	238.2				238.2		
Other current financial liabilities	55.3	55.3					46.6	8.7
Trade payables	1,928.4	1,928.4				1,928.4		

As of December 31, 2011, the following methods were used to price financial instruments:

- 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, 2011 for the listed securities.

- Financial instruments other than derivatives recorded in liabilities

The market value of listed bonds was determined on the basis of the last 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 as of the end of the reporting period. For indexed bond issues, the valuation also takes into account the PPR share price and volatility assumptions.

- Derivative financial instruments

The market value of derivative financial instruments was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that factor in market conditions at 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 category: financial instruments quoted on an active market;

Level 2 category: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;

Level 3 category: 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, 2011:

	Fair value hierarchy			
(in € millions)	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	Dec. 31, 2011
Non-current assets				
Non-current financial assets	10.3	13.3		23.6
Current assets				
Trade receivables				
Customer loans				
Other current financial assets		31.7		31.7
Cash and cash equivalents	55.1	275.7		330.8
Non-current liabilities				
Non-current borrowings		199.5		199.5
Current liabilities				
Current borrowings		191.8		191.8
Financing of customer loans				
Other current financial liabilities		130.8		130.8
Trade payables				

	Fair value hierarchy			
(in € millions)	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	Dec. 31, 2010
Non-current assets				
Non-current financial assets	5.5	12.4		17.9
Current assets				
Trade receivables				
Customer loans				
Other current financial assets		48.3		48.3
Cash and cash equivalents	45.4	179.7		225.1
Non-current liabilities				
Non-current borrowings		397.5		397.5
Current liabilities				
Current borrowings				
Financing of customer loans				
Other current financial liabilities		55.3		55.3
Trade payables				

NOTE 31 NET DEBT

Group net debt breaks down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Gross borrowings excluding the financing of customer loans	4,677.6	5,218.7
Fair value hedges (interest rate)	(11.4)	(39.9)
Cash and cash equivalents	(1,270.7)	(1,398.2)
Net debt	**3,395.5**	**3,780.6**

NOTE 32 STATEMENT OF CASH FLOWS

Cash and cash equivalents net of bank overdrafts amounted to €1,202.3 million as of December 31, 2011, reflecting total cash and cash equivalents presented in the statement of cash flows.

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Cash and cash equivalents as reported in the statement of financial position	**1,270.7**	**1,398.2**
Bank overdrafts	(68.4)	(173.3)
Cash and cash equivalents as reported in the statement of cash flows	**1,202.3**	**1,224.9**

32.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

(in € millions)	2011	2010
Net income from continuing operations	**1,058.1**	**760.2**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	309.0	278.1
Expenses relating to share-based payment	13.0	12.7
Impairment losses on non-current operating assets	15.6	71.1
Gains/(losses) on asset disposals, net of tax	(6.2)	(1.3)
Income/(expenses) in respect of fair value movements	(3.6)	(49.3)
Deferred tax	(81.6)	(75.4)
Share in earnings of associates	(46.6)	(34.7)
Dividends received from associates	21.6	20.1
Other non-cash income and expenses	(45.6)	19.2
Cash flow from operating activities	**1,233.7**	**1,000.7**

32.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €325.3 million in 2011 (€305.1 million in 2010).

Purchases of property, plant and equipment under finance leases were not material in 2011 (€0.1 million in 2010).

32.3. Acquisitions and disposals of subsidiaries

(in € millions)	2011	2010
Acquisitions of subsidiaries, net of cash acquired	(436.7)	(68.4)
Proceeds from disposals of subsidiaries, net of cash transferred	1,171.2	450.1
Total	**734.5**	**381.7**

In 2011, acquisitions of subsidiaries mainly concerned Volcom, Inc. and Sowind group (see Note 3.1.2). Proceeds from disposals of subsidiaries related mainly to the amount collected on the sale of shares in Conforama during the first quarter of 2011.

In 2010, acquisitions of subsidiaries mainly concerned Cobra, a golf equipment manufacturer, while proceeds from the disposal of subsidiaries essentially included cash flows related to the deconsolidation of Conforama.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 is shown on the line "Net cash from discontinued operations".

32.4. Share capital increase/decrease and other transactions with owners

In 2011, transactions with owners mainly concern (i) PPR and Puma's acquisition of Puma shares, bringing the Group's interest to nearly 80% as of December 31, 2011; and (ii) the acquisition by Puma of additional shares in its subsidiaries.

32.5. Treasury share transactions

In 2011, the impact of acquisitions and disposals of treasury shares resulted from (see Note 24.1):

- the acquisition of 1,249,100 shares and the disposal of 1,319,100 shares held under the liquidity agreement, resulting in a net inflow of €9.2 million;
- the disposal of 71,654 shares for €7.3 million following the exercise of stock purchase options under the 2006 plan;
- the acquisition of 90,000 shares in connection with future subscriptions under the 2006 and 2007 stock purchase option plans for €10.9 million;
- the acquisition of 1,030,967 shares to be cancelled for an amount of €110.8 million;
- the acquisition of 116,920 shares in connection with 2009 free share plans for €14.3 million.

In 2010, the impact of acquisitions and disposals of treasury shares resulted from:

- the acquisition of 1,032,186 shares and the disposal of 962,186 shares held under the liquidity agreement, resulting in a net outflow of €8.3 million;
- the disposal of 28,826 shares for €2.9 million following the exercise of stock purchase options under the 2006 plan;
- the acquisition of 40,000 shares in connection with the 2008 free share plans for €4.6 million;
- the acquisition of 37,000 shares in connection with subscriptions under the 2006 stock purchase option plan and future subscriptions under the 2007 stock purchase option plan, for €4.4 million.

32.6. Debt issues and redemptions

(in € millions)	2011	2010
Bond issues	159.0	524.7
Bond redemptions	(1,236.2)	(226.7)
Increase/decrease in other borrowings	447.7	(353.3)
Total	**(629.5)**	**(55.3)**

Debt issues primarily concern financing set up for Gucci in JPY.

Bond redemptions in 2011 chiefly concerned the 2004 €800 million bond issue redeemed on March 29, 2011 and the April 2009 bonds issued for an initial €800 million and partially redeemed on April 26, 2011 in an amount of €249.9 million.

Changes in other borrowings include issues and redemptions of commercial paper.

NOTE 33 CONTINGENT LIABILITIES, CONTRACTUAL COMMITMENTS NOT RECOGNISED AND OTHER CONTINGENCIES

33.1. 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, 2011, 0.07% of issued capital had not yet been voluntarily tendered to the offer.

33.2. Commitments given and received following asset disposals

Vendor warranties given by the Group on the sale of companies are summarised below:

Disposals	Vendor warranties
May 2003 Sale of Guilbert Contract to Office Depot	Tax warranties covering periods not yet time barred.
June 2003 Sale of Pinault Bois & Matériaux to Wolseley	The warranty granted by Saprodis is limited to a specific warranty for certain damages relating to health, safety and the environment. This warranty expires on July 7, 2014 and is capped at €50 million.
June 2008 Sale of YSL Beauté	Vendor warranty only covering tax-related or similar claims expiring when the period becomes time-barred, plus three months. This warranty is capped at €150 million.
December 2010 Sale of Conforama	Standard vendor warranty expiring March 18, 2013, with warranties covering tax-related or similar claims expiring when the period becomes time-barred. This warranty is capped at €120 million. This disposal is related to the commitment by PPR to continue commercial relations between Conforama and the BNP Paribas group as regards customer loans.

In addition to the vendor warranties described above, minor vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

33.3. Other commitments given

33.3.1. 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, 2011	Dec. 31, 2010
Non-current borrowings (see Note 28)	1,855.9	2,431.6	634.6	4,922.1	5,456.9
Operating lease agreements	545.6	1,229.1	647.8	2,422.5	2,320.8
Binding purchase commitments	92.6	51.0		143.6	124.3
Total commitments given	**2,494.1**	**3,711.7**	**1,282.4**	**7,488.2**	**7,902.0**
Total commitments received					

Operating leases

The amount of contractual obligations presented on the line "Operating lease agreements" represents future minimum lease payments under operating lease agreements for the period, which cannot be cancelled by the lessee. These mainly include non-cancellable rental payments in respect of stores, logistics hubs and other buildings (head offices and administrative offices).

As of December 31, 2011, total future minimum lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €15.6 million (€14.8 million as of December 31, 2010).

The 2011 rental charge in respect of minimum lease payments amounted to €589.0 million (€544.2 million in 2010), and the charge for contingent payments was €270.0 million (€231.1 million in 2010), based on actual revenue.

Sub-lease revenue totalled €4.6 million in 2011 (€4.3 million in 2010).

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, 2011	Dec. 31, 2010
Less than one year	8.9	8.5
One to five years	30.3	29.9
More than five years	59.8	66.3
	99.0	**104.7**
Finance costs included	(33.0)	(35.6)
Present value of future minimum lease payments	**66.0**	**69.1**

As of December 31, 2011, the Group does not expect to receive future minimum lease payments under non-cancellable sub-lease agreements.

33.3.2. 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 as of Dec. 31, 2011	Statement of financial position total (carrying amount)	Corresponding %	Amount of assets pledged as of Dec. 31, 2010
Intangible assets				10,331.1		
Property, plant and equipment	02/24/2004	06/18/2017	198.5	1,372.0	14.5%	202.9
Non-current financial assets				279.5		
Total non-current assets pledged as collateral			**198.5**	**11,982.6**	**1.7%**	**202.9**

33.3.3. 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 1.5 million training hours as of December 31, 2011 and December 31, 2010.

33.3.4. Other commitments

Other commitments break down as follows:

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	Dec. 31, 2011	Dec. 31, 2010
Confirmed lines of credit (see Note 28)	493.6	4,057.4		4,551.0	6,174.2
Letters of credit	7.9	17.7		25.6	26.5
Other guarantees received	21.5	0.4	0.2	22.1	3.5
Total commitments received	**523.0**	**4,075.5**	**0.2**	**4,598.7**	**6,204.2**
Guarantees given to banks responsible for cash pooling arrangements	4.2			4.2	3.7
Rent guarantees, property guarantees	8.0	23.9	13.1	45.0	34.3
Sponsoring and advertising commitments	99.3	244.3	73.1	416.7	257.9
Other commitments	72.3	12.5	30.8	115.6	76.4
Total commitments given	**183.8**	**280.7**	**117.0**	**581.5**	**372.3**

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.

33.4. Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or supply contracts.

33.5. Litigation

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel.

A dispute has been pending since 2009 between Puma SE and its former exclusive distributor in Spain in relation to the terms of expiry of the distribution agreements. Arbitration proceedings have been pending since December 2011 further to prior arbitration proceedings that gave rise to an award, which was cancelled by the Madrid Court in June, at the request of Puma SE. The Group believes that it is not exposed to a risk

of loss of its ownership rights to the Puma trademark in Spain and that the potential associated risk will not exceed the value of the supplemental rights in the trademarks that the Group may be awarded at the outcome of the pending proceedings.

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 its net 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.

The Group is not aware of any other dispute or arbitration, which has had in the recent past, or is likely to have in the future, a significant impact on the financial position, activity or earnings of the Company or Group.

NOTE 34 TRANSACTIONS WITH RELATED PARTIES

34.1. Related parties controlling the Group

PPR is controlled by Artémis, which in turn is wholly owned by Société Financière Pinault. As of December 31, 2011, the Artémis group held 40.6% of PPR's share capital and 55.1% of its voting rights.

The main transactions carried out between PPR's consolidated companies and Artémis in 2011 are described below:

- payment of the 2010 dividend totalling €180.7 million (€170.3 million for 2009);
- recognition of fees totalling €3.6 million (€4.4 million in 2010) for (i) business development consulting services and complex transaction support, and (ii) the supply of development opportunities, new business and cost reduction solutions. These fees are governed by an agreement reviewed by the Audit Committee and approved by the Board of Directors.

34.2. 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)	2011	2010
Trade receivables	1.8	0.6
Sales of goods and services	16.5	9.4

34.3. Senior executive remuneration

The table below shows remuneration paid to members of the Board of Directors and the Group's Executive Committee:

(in € millions)	2011	2010
Short-term benefits	22.7	17.3
Post-employment benefits	1.0	2.7
Other long-term benefits	0.3	
Termination indemnities	3.8	2.3
Share-based payment	6.7	7.4
Total	**34.5**	**29.7**

Short-term benefits and termination benefits correspond to amounts paid during the year; post-employment benefits and share-based payment correspond to the amounts recognised as expenses. Termination indemnities of €8.3 million were also paid in 2011.

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 35 SUBSEQUENT EVENTS

35.1. Acquisition of Brioni

On November 8, 2011, PPR announced that it was to acquire 100% of Brioni's share capital. The acquisition was finalised on January 11, 2012, after having received approval from the competition authorities.

Brioni is one of the world's most reputable men's fashion Houses, thanks to its exceptional and unique know-how. Brioni is a profitable and growing business with its own workshops, the largest of which is located in Penne in the Abruzzo region (Italy). The company has 1,800 employees and the Brioni brand is distributed in 74 boutiques, 32 of which are directly-owned stores, as well as through an extensive network of points-of-sale around the world.

By acquiring this prestigious brand synonymous with Italian masculine elegance, PPR is increasing its portfolio of luxury brands in the strong-growth high-end men's fashion segment. Brioni has significant intrinsic growth potential and offers an excellent strategic fit with other names in PPR's Luxury Division. PPR will enable Brioni to accelerate its expansion and boost its profitability, notably through a wider product range and geographic expansion in strong growth markets. The Group will give Brioni access to its expertise and know-how, leading it towards a new stage in its development while enabling it to preserve its unmatched know-how and remain faithful to its values of timeless elegance and refinement.

Brioni will be fully consolidated in PPR's financial statements as from January 1, 2012.

35.2. Fnac strategic offensive

On July 19, 2011, Fnac launched a new strategic offensive plan for conquest and expansion designed to cater for new customer requirements, technological changes and new modes of consumption, and renewed competition, notably on the Internet.

The strategic offensive is based on three key principles: expanding the product range to encompass the broader "Leisure & Technology" segment; giving priority to customer relations; and focusing especially on the family market.

To bring about the transformation, Fnac will take five courses of action: expanding the store network (programme to open new stores and develop a new network of smaller stores operated initially as wholly-owned outlets and then under franchise contracts; renewing the store concept (grouping products in "worlds" to better guide customers); creating a "Kids world" in each store; fully integrating the online and in-store product ranges; and creating a new range of services (revamping the membership program, trade-in and subscription offers for some technical product categories, training courses, set-up assistance, tailored remote assistance, etc.).

On January 13, 2012, Fnac also announced a cost-savings plan aimed at generating savings of €80 million over the full year to regain its competitiveness. The cost savings plan consists of a major programme to reduce overheads, including a drastic reduction in routine expenditure, renegotiation of leasing costs for the entire network of stores, and a general review of technical services contracts concerning headquarters, stores and logistics sites in order to optimise terms and conditions. The plan also involves a suspension of recruitment in every country, a wage restraint policy and the cutting of 310 jobs in France (affecting only support functions at the headquarters and in stores) and 200 outside France (throughout the countries in which Fnac is present). Fnac's four Switzerland stores will also be run directly from France, and the Swiss headquarters will be streamlined.

35.3. Bond issue

On January 16, 2012, PPR issued €250 million of additional bonds in connection with its 3.75% bond issue maturing on April 8, 2015, bringing the total amount of the issue to €750 million.

NOTE 36 LIST OF CONSOLIDATED SUBSIDIARIES

AS OF DECEMBER 31, 2011

Details of Group subsidiaries are provided below.

Full consolidation: F

Equity method: E

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
PPR	**Parent company**			
LUXURY DIVISION				
France				
BALENCIAGA SA [1]	F	100.00	F	100.00
BOTTEGA VENETA FRANCE SAS	F	100.00	F	100.00
BOUCHERON HOLDING SAS	F	100.00	F	100.00
BOUCHERON PARFUM SAS	F	100.00	F	100.00
BOUCHERON SAS	F	100.00	F	100.00
BOUCHERON.COM SAS	F	100.00	F	100.00
C. MENDES SAS	F	100.00	F	100.00
GG FRANCE 11 SAS	F	100.00	F	100.00
GG FRANCE HOLDING SAS	F	100.00	F	100.00
GG FRANCE SERVICES SAS	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 SAS	F	100.00	F	100.00
SOWIND FRANCE SAS	F	50.00	E	23.00
STELLA McCARTNEY FRANCE SAS [1]	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 [1]	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 GmbH	F	50.00	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	F	100.00
YVES SAINT LAURENT BELGIUM SPRL [1]	Liquidation		F	100.00
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 SL	F	100.00	F	100.00
SERGIO ROSSI ESPANA SL	F	100.00	F	100.00
YVES SAINT LAURENT SPAIN SA	F	100.00	F	100.00
United Kingdom				
ALEXANDER McQUEEN TRADING Ltd [1]	F	100.00	F	100.00
AUTUMNPAPER Limited [1]	F	100.00	F	100.00
BALENCIAGA UK Ltd [1]	F	100.00	F	100.00
BIRDSWAN SOLUTIONS Ltd [1]	F	100.00	F	100.00
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
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	F	50.00	E	23.00
STELLA McCARTNEY Limited [1]	F	100.00	F	100.00
YVES SAINT LAURENT UK Ltd	F	100.00	F	100.00

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
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
CALZATURIFICIO FLORA Srl	F	100.00	F	100.00
CONCERIA BLU TONIC SpA	F	51.00	F	51.00
BOTTEGA VENETA Srl	F	100.00	F	100.00
CAPRI GROUP Srl	F	100.00	F	100.00
CARAVEL PELLI PREGIATE SpA	F	100.00	F	100.00
DESIGN MANAGEMENT Srl	F	100.00	F	100.00
GARPE Srl (1)	F	100.00	Creation	
GAUGUIN Srl	F	100.00	F	100.00
G-CARDS EUROPE 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
GGW ITALIA Srl	F	100.00	F	100.00
GJP Srl	F	100.00	F	100.00
GPA Srl (1)	F	100.00	F	100.00
GUCCI IMMOBILLARE LECCIO Srl (1)	F	100.00	F	100.00
GUCCI LOGISTICA SpA	F	100.00	F	100.00
GUCCIO GUCCI SpA	F	100.00	F	100.00
GT Srl (1)	F	100.00	F	100.00
LUXURY GOODS ITALIA SpA	F	100.00	F	100.00
LUXURY GOODS OUTLET Srl	F	100.00	F	100.00
MANIFATTURA VENETA PELLETERIE Srl	F	51.00	Creation	
PIGINI Srl (1)	F	100.00	F	100.00
REGAIN 1957 Srl (1)	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
SOWIND ITALIA Srl	F	50.00	E	23.00
STELLA McCARTNEY ITALIA Srl	F	100.00	F	100.00
TIGER FLEX Srl (1)	F	100.00	F	100.00
TRAMOR Srl	F	100.00	Acquisition	

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
YVES SAINT LAURENT DEVELOPMENT Srl	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
CASTERA SARL	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 HOLDING BV	F	100.00	F	100.00
GEMINI ARUBA NV	F	100.00	F	100.00
GG MIDDLE EAST BV	F	100.00	F	100.00
GUCCI ASIAN HOLDING BV	F	100.00	F	100.00
GUCCI NETHERLANDS 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				
BOUCHERON INTERNATIONAL SA	Liquidation		F	100.00
BOUCHERON (SUISSE) SA	F	100.00	F	100.00
LUXURY GOODS INTERNATIONAL SA	F	100.00	F	100.00
LUXURY GOODS LOGISTIC SA	F	51.00	F	51.00
LUXURY GOODS OPERATIONS SA	F	51.00	F	51.00
LUXURY GOODS OUTLET EUROPE SAGL	F	100.00	F	100.00
LUXURY TIMEPIECES INTERNATIONAL SA	F	100.00	F	100.00
SOWIND GROUP SA	F	50.00	E	23.00
SOWIND SA	F	50.00	E	23.00
Sweden				
GUCCI SWEDEN AB	F	100.00	F	100.00
Brazil				
BOTTEGA VENETA HOLDING Ltda	F	100.00	Creation	

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
GUCCI BRASIL IMPORTACAO E EXPORTACAO Ltda	F	100.00	F	100.00
Canada				
G. BOUTIQUES Inc.	F	100.00	F	100.00
GUCCI SHOPS OF CANADA Inc.	F	100.00	F	100.00
LUXURY TIMEPIECES (CANADA) Inc.	F	100.00	F	100.00
United States				
BALENCIAGA AMERICA Inc. (1)	F	100.00	F	100.00
BOTTEGA VENETA Inc.	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
LUXURY HOLDINGS Inc.	F	100.00	F	100.00
SERGIO ROSSI USA Inc.	F	100.00	F	100.00
STELLA McCARTNEY AMERICA Inc. (1)	F	100.00	F	100.00
TRADEMA OF AMERICA Inc.	F	50.00	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				
BOTTEGA VENETA MEXICO, S DE RL de CV	F	100.00	F	100.00
BOTTEGA VENETA SERVICIOS, S DE RL de CV	F	100.00	Creation	
GUCCI IMPORTACIONES SA de CV	F	100.00	F	100.00
GUCCI MEXICO SA de CV	F	100.00	F	100.00
RETAIL LUXURY SERVICIOS SA de CV	F	100.00	F	100.00
Australia				
BOTTEGA VENETA AUSTRALIA Pty Ltd	F	100.00	F	100.00
GUCCI AUSTRALIA Pty Ltd	F	100.00	F	100.00
New Zealand				
GUCCI NEW ZEALAND Ltd	F	100.00	F	100.00
China				
ALEXANDER McQUEEN (HONG KONG) Limited	F	51.00	Creation	
BALENCIAGA ASIA PACIFIC Limited	F	100.00	F	100.00
BALENCIAGA FASHION SHANGAI CO., Ltd	F	100.00	F	100.00
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
BOTTEGA VENETA SHANGHAI COMMERCIAL ENTERPRISE	F	100.00	Creation	
GUCCI (CHINA) TRADING Ltd	F	100.00	F	100.00
GUCCI GROUP ASIA PACIFIC Ltd	F	100.00	F	100.00
GUCCI GROUP (HONG KONG) Limited	F	100.00	F	100.00
GUCCI MACAU Limited	F	100.00	F	100.00
GUCCI (SHANGHAI) ENTREPRISE MANAGEMENT Ltd	F	100.00	Creation	
GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd	F	100.00	Creation	
LUXURY TIMEPIECES (HONG KONG) Limited	F	100.00	F	100.00
LUXURY TIMEPIECES (HONG KONG) Limited SHANGAI REPRESENTATIVE OFFICE	F	100.00	F	100.00
SERGIO ROSSI (SHANGHAI) TRADING Ltd	F	100.00	Creation	
SOWIND ASIA Ltd	F	50.00	E	23.00
YVES SAINT LAURENT (SHANGHAI) TRADING Limited	F	100.00	F	100.00
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 (1)	F	100.00	F	100.00
LUXURY GOODS RETAIL PRIVATE Ltd (LGR)	F	51.00	F	51.00
Japan				
BALENCIAGA JAPAN 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

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
GUCCI GROUP JAPAN Limited	F	100.00	F	100.00
GUCCI YUGEN KAISHA	F	100.00	F	100.00
LUXURY TIMEPIECES JAPAN Limited	F	100.00	F	100.00
SOWIND JAPON KK	F	50.00	E	23.00
United Arab Emirates				
LUXURY GOODS GULF LLC	F	49.00	Creation	
Kuwait				
LUXURY GOODS KUWAIT Wll	F	49.00	F	49.00
Qatar				
LUXURY GOODS QATAR LLC	F	49.00	F	49.00
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 (1)	F	100.00	F	100.00
GUCCI GROUP WATCHES TAIWAN Limited	F	100.00	F	100.00
Thailand				
GUCCI THAILAND CO Ltd	F	100.00	F	100.00
Greece				
LUXURY GOODS GREECE AE	F	51.00	Creation	
FNAC				
FNAC SA	F	100.00	F	100.00
France				
ALIZE - SFL	F	100.00	F	100.00
ATTITUDE	F	100.00	F	100.00
CODIREP	F	100.00	F	100.00
FRANCE BILLET	F	100.00	F	100.00
FNAC APPRO GROUPE	F	100.00	Creation	
FNAC DIRECT	F	100.00	F	100.00
FNAC GLOBAL SERVICES	F	100.00	F	100.00
FNAC LOGISTIQUE	F	100.00	F	100.00
FNAC PARIS	F	100.00	F	100.00
FNAC PERIPHERIE	F	100.00	F	100.00
FNAC SERVICE	F	100.00	F	100.00
FNAC SPECTACLES	F	100.00	Creation	
FNAC TOURISME	F	100.00	F	100.00
FORM@HOME	F	100.00	F	100.00
LYSIANE THOMAS DIFFUSION	F	100.00	Creation	
MSS	F	100.00	F	100.00
RELAIS FNAC	F	100.00	F	100.00
Belgium				
FNAC BELGIUM	F	100.00	F	100.00
Spain				
GRANDES ALMACENES FNAC ESPANA	F	100.00	F	100.00
Italy				
FNAC ITALIA SpA	F	100.00	F	100.00
Monaco				
FNAC MONACO	F	100.00	F	100.00
Portugal				
FNAC PORTUGAL	F	100.00	F	100.00
Switzerland				
FNAC SUISSE SA	F	100.00	F	100.00
Brazil				
FNAC BRASIL	F	100.00	F	100.00
REDCATS				
REDCATS	F	100.00	F	100.00
France				
CYRILLUS	F	100.00	F	100.00
DIAM	F	100.00	F	100.00
LA REDOUTE	F	100.00	F	100.00
LES AUBAINES MAGASINS	F	100.00	F	100.00
LES DEFIS DE VERT BAUDET	F	100.00	F	100.00
MOVITEX	F	100.00	F	100.00
REDCATS INTERNATIONAL	F	100.00	F	100.00
REDCATS INTERNATIONAL HOLDING	F	100.00	F	100.00
REDCATS MANAGEMENT SERVICES	F	100.00	F	100.00
LA REDOUTE MAG	F	100.00	F	100.00
REF BRESIL	F	99.90	F	100.00
SADAS	F	100.00	F	100.00
LES TROUVAILLES	F	100.00	F	100.00
RELAIS COLIS	F	100.00	F	100.00
SOMEWHERE	F	100.00	F	100.00

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
SOMEWHERE STOCK	F	100.00	F	100.00
THOMAS INDUSTRIES	F	100.00	F	100.00
VBMAG	F	100.00	F	100.00
ELLOS France	F	100.00	F	100.00
TOGETHER FOR KIDS - TFK	Disposal	F	100.00	
GIORNICA	F	100.00	Acquisition	
REDCATS BUSINESS DEVELOPMENT	F	100.00	Creation	
Germany				
CYRILLUS GmbH	F	100.00	F	100.00
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
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	Liquidation		F	100.00
CYRILLUS UK	F	100.00	F	100.00
EMPIRE STORE Limited	Liquidation		F	100.00
HOLDSWORTH COLLECTION Limited	F	100.00	F	100.00
HOME SHOPPING COURIERS Limited	Liquidation		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

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
SPORTS AND PASTIMES Limited	Liquidation		F	100.00
THE BARGAIN STREET SHOP	Liquidation		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 INTERNATIONAL HOLDING BV	Liquidation		F	100.00
Portugal				
REDCATS Portugal	F	100.00	F	100.00
Russia				
LA REDOUTE RUS	F	100.00	F	100.00
Sweden				
ELLOS AB	F	100.00	F	100.00
JOTEX AB	F	100.00	F	100.00
REDCATS NORDIC AB	F	100.00	F	100.00
REDCATS FINANS AB	F	100.00	F	100.00
REDOUTE SVERIGE AB	F	100.00	F	100.00
Switzerland				
CYRILLUS SUISSE	F	100.00	F	100.00
REDCATS SUISSE	F	100.00	F	100.00
Brazil				
REDCATS DO BRASIL	F	100.00	F	100.00
Canada				
REDCATS USA CANADA HOLDING Inc.	F	100.00	Creation	
United States				
AVENUE GIFT CARDS, Inc.	F	100.00	F	100.00
BNY SERVICE CORPORATION	F	100.00	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

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
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
TGW GIFT CARDS Inc.	F	100.00	Creation	
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
RUSA TEXAS LLC	F	100.00	F	100.00
Hong Kong				
REDCATS ASIA	F	100.00	F	100.00
REDCATS ASIA GLOBAL SOURCING SERVICES	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 TEKSTIL ITHALAT VE IHRACAT TICARET	F	100.00	F	100.00
China				
REDCATS COMMERCE ET TRADING	F	100.00	Creation	
PUMA				
PUMA SE (GERMANY)	F	79.87	F	71.58
France				
DOBOTEX FRANCE SAS (1)	F	100.00	F	100.00
PUMA FRANCE SAS	F	100.00	F	100.00
PUMA SPEEDCAT SAS	F	100.00	F	100.00

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
Germany				
DOBOTEX DEUTSCHLAND GmbH (1)	F	100.00	F	100.00
BRANDON GERMANY GmbH	F	100.00	F	100.00
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 GmbH	F	100.00	F	100.00
DOBOTEX ÖSTERREICH GmbH	F	100.00	F	100.00
Bulgaria				
PUMA BULGARIA EOOD	F	100.00	F	100.00
Cyprus				
PUMA CYPRUS Ltd (1)	F	100.00	F	100.00
Croatia				
PUMA SPORT HRVATSKA D OO	F	100.00	F	100.00
Denmark				
PUMA DENMARK A/S	F	100.00	F	100.00
Spain				
PUMA SPORTS SPAIN SL	F	100.00	F	100.00
DOBOTEX SPAIN SL (1)	F	100.00	Creation	
Estonia				
PUMA ESTONIA OU	F	100.00	F	100.00
Finland				
BRANDON OY	F	100.00	F	100.00
PUMA FINLAND OY	F	100.00	F	100.00
TRETORN FINLAND OY	F	100.00	F	100.00
United Kingdom				
DOBOTEX UK Ltd (1)	F	100.00	F	100.00
BRANDON MERCHANDISE UK Ltd	F	100.00	F	100.00
PUMA PREMIER Ltd	F	100.00	F	100.00
PUMA UNITED KINGDOM Ltd	F	100.00	F	100.00
Greece				
PUMA HELLAS SA (1)	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

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
Italy				
DOBOTEX ITALIA Srl (1)	F	100.00	F	100.00
PUMA ITALIA Srl	F	100.00	F	100.00
Lithuania				
PUMA BALTIC 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	F	100.00
PUMA NORWAY AS	F	100.00	F	100.00
TRETORN NORWAY AS	F	100.00	F	100.00
Netherlands				
DOBO LOGIC BV (1)	F	100.00	F	100.00
DOBO NEXTH BV (1)	F	100.00	F	100.00
DOBOTEX BV (1)	F	100.00	F	100.00
DOBOTEX INTERNATIONAL BV (1)	F	100.00	F	100.00
PUMA BENELUX BV	F	100.00	F	100.00
Poland				
PUMA POLSKA SPOLKA ZOO	F	100.00	F	100.00
Portugal				
PUMA PORTUGAL ARTIGOS DESPORTIVOS Lda	F	100.00	F	100.00
Czech Republic				
PUMA CZECH REPUBLIC 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
Serbia				
PUMA SERBIA DOO	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	F	100.00
BRANDON COMPANY AB	F	100.00	F	100.00
BRANDON SERVICES AB	F	51.20	F	51.20
BRANDON LOGISTICS AB	F	100.00	F	100.00
BRANDON STOCKHOLM AB	F	100.00	F	100.00
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	F	100.00
Switzerland				
DOBOTEX SWITZERLAND AG (1)	F	100.00	F	100.00
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
Argentina				
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				
COBRA GOLF Inc.	F	100.00	F	100.00
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	F	100.00
PUMA WHEAT ACCESSORIES Ltd	F	100.00	Creation	
JANED LLC	F	100.00	Acquisition	
British Virgin Islands				
LIBERTY CHINA HOLDING Ltd (1)	F	100.00	F	100.00
Mexico				
IMPORTACIONES RDS SA de CV	F	100.00	F	100.00
PUMA MEXICO SPORT SA de CV	F	100.00	F	100.00
SERVICIOS PROFESIONALES RDS SA de CV	F	100.00	F	100.00

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
Peru				
DISTRIUBUIDORA DEPORTIVA PUMA SAC	F	100.00	F	100.00
DISTRIUBUIDORA DEPORTIVA PUMA TACNA SAC	F	100.00	Creation	
Uruguay				
PUMA SPORTS LA SA	F	100.00	F	100.00
Botswana				
WILDERNESS HOLDINGS Ltd	E	20.10	E	20.10
South Africa				
PUMA SPORTS DISTRIBUTORS (PTY) Limited	F	100.00	F	100.00
PUMA SPORTS SA	F	100.00	F	100.00
Australia				
KALOLA 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 (1)	F	100.00	F	100.00
Turkey				
PUMA SPOR GIYIM SANANYI VE TICARET AS	F	100.00	F	100.00
China				
DOBOTEX CHINA Ltd (1)	F	100.00	F	100.00
PUMA CHINA Ltd	F	100.00	F	100.00
GUANGZHOU WORLD CAT INFORMATION CONSULTING SERVICES CO. Ltd	F	100.00	Creation	
Hong Kong				
DEVELOPMENT SERVICES Ltd	F	100.00	F	100.00
DOBO CAT Ltd (1)	F	100.00	F	100.00
DOBOTEX Ltd (1)	F	100.00	F	100.00
PUMA ASIA PACIFIC Ltd	F	100.00	F	100.00
PUMA HONG KONG Ltd	F	100.00	F	100.00
WORLD CAT Ltd	F	100.00	F	100.00
India				
PUMA SPORTS INDIA PVT Ltd	F	100.00	F	100.00
PUMA INDIA RETAIL PVT Ltd (1)	F	100.00	F	100.00
WORLD CAT SOURCING INDIA Ltd	F	100.00	F	100.00
Japan				
PUMA JAPAN KK	F	100.00	F	100.00
Korea				
PUMA KOREA Ltd	F	100.00	F	100.00
DOBOTEX KOREA Ltd (1)	F	100.00	F	100.00
Malaysia				
PUMA SPORTS GOODS Sdn Bhd (1)	F	100.00	F	100.00
Singapore				
PUMA SPORTS SINGAPORE Pte Ltd (1)	F	100.00	F	100.00
WORLD CAT (S) Pte Ltd	Liquidation		F	100.00
Taiwan				
PUMA TAIWAN SPORTS Ltd (1)	F	100.00	F	100.00
WORLD CAT TRADING CO. Ltd	Liquidation		F	100.00
Vietnam				
WORLD CAT VIETNAM CO. Ltd	F	100.00	F	100.00
VOLCOM				
VOLCOM Inc.	F	100.00	Acquisition	
United States				
VOLCOM RETAIL Inc.	F	100.00	Acquisition	
VOLCOM ENTERTAINMENT Inc.	F	100.00	Acquisition	
LS&S RETAIL Inc.	F	100.00	Acquisition	
VOLCOM OUTLET Inc.	F	100.00	Acquisition	
ELECTRIC VISUAL Evolution LLC	F	100.00	Acquisition	
Switzerland				
VOLCOM INTERNATIONAL SARL	F	100.00	Acquisition	
WELCOM DISTRIBUTION SARL	F	100.00	Acquisition	
Spain				
VOLCOM DISTRIBUTION SPAIN SL	F	100.00	Acquisition	
ELECTRIC VISUAL EVOLUTION SPAIN	F	100.00	Acquisition	
France				
VOLCOM SAS	F	100.00	Acquisition	
VOLCOM RETAIL FRANCE	F	100.00	Acquisition	
SARL ELECTRIC EUROPE	F	100.00	Acquisition	

Company	% interest			
	Dec. 31, 2011		Dec. 31, 2010	
United Kingdom				
VOLCOM DISTRIBUTION (UK) Limited	F	100.00	Acquisition	
VOLCOM RETAIL (UK) Limited	F	100.00	Acquisition	
Australia				
VOLCOM AUSTRALIA HOLDING COMPANY Pty Ltd	F	100.00	Acquisition	
VOLCOM AUSTRALIA Pty Ltd	F	100.00	Acquisition	
ELECTRIC VISUAL EVOLUTION AUSTRALIA Pty Ltd	F	100.00	Acquisition	
New Zealand				
VOLCOM NEW ZEALAND Limited	F	100.00	Acquisition	
ELECTRIC VISUAL EVOLUTION NEW ZEALAND Limited	F	100.00	Acquisition	
Japan				
VOLCOM JAPAN GODOGAISHIYA	F	100.00	Acquisition	
HOLDING COMPANIES AND OTHER				
France				
BUYCO	F	100.00	F	100.00
CAUMARTIN PARTICIPATIONS	F	100.00	F	100.00
CFAO	E	41.99	E	41.99
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
SAPARDIS	F	100.00	F	100.00
GG FRANCE 10 SAS	F	100.00	F	100.00
GG FRANCE 13 SAS	F	100.00	F	100.00
YSL BEAUTE CONSULTING SAS	F	100.00	F	100.00
YVES SAINT LAURENT SERVICES SAS	F	100.00	F	100.00
United Kingdom				
GUCCI GROUP SERVICES Limited	F	100.00	F	100.00
Germany				
BLITZSTART	F	100.00	Acquisition	
Italy				
PPR ITALIA Srl	F	100.00	F	100.00
GUCCI SERVICE ITALIA SpA	F	100.00	F	100.00
REXCOURTA SpA	F	100.00	F	100.00
Luxembourg				
PPR INTERNATIONAL	F	100.00	F	100.00
PRINTEMPS REASSURANCE	F	100.00	F	100.00
GUCCI LUXEMBOURG SA	F	100.00	F	100.00
Netherlands				
GUCCI GROUP NV (NETHERLANDS)	F	99.93	F	99.93
GUCCI INTERNATIONAL NV	F	100.00	F	100.00
GUCCI PARTICIPATION BV	F	100.00	F	100.00
SCHOLEFIELD GOODMAN BV	F	100.00	F	100.00
Switzerland				
PPR MARKETING SERVICES	Disposal		F	100.00
LUXURY GOODS SERVICES SA	F	100.00	F	100.00
China				
PPR ASIA Limited	F	100.00	Creation	
United States				
PPR AMERICAS Inc.	F	100.00	F	100.00

(1) Income of these consolidated companies is consolidated based on the Group's contractual share in their operations which may differ from the Group's share in capital.

5. STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

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 users. 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 and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying consolidated financial statements of PPR S.A.;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements, based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and the assets and liabilities of the Group as of December 31, 2011 and of the results of its operations for the period then ended in accordance with the IFRSs as adopted in the European Union.

2. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we hereby report on the following:

- During the course of the second half of the fiscal year, your Company systematically tests its goodwill and assets with an indefinite life for impairment and also determines whether there is an indication of long-lived asset impairment loss, under the methods described in Note 2.10 to the consolidated financial statements. We have examined the method used to perform such impairment tests, the cash flow forecasts and the assumptions used.
- Your Company raises the provisions described in Note 2.16 to the consolidated financial statements. Our procedures more particularly consisted in assessing the data and assumptions underlying such estimates, in verifying, on a test basis, the Company's calculations and in examining the Management approval procedures of these estimates. We have assessed the reasonableness of those estimates on these bases.
- Note 2.17 to the consolidated financial statements details the method used to measure post-employment and other long-term employee benefits. These commitments have been measured by independent actuaries. Our procedures consisted in examining the data used, in assessing the assumptions made and in verifying that Note 25 to the consolidated financial statements provides appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and contributed to the expression of our opinion in the first part of this report.

3. Specific verification

We have also performed the other procedures required by law on the information on the Group given in the management report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 19, 2012
The Statutory Auditors

KPMG Audit *A Department of KPMG SA* Jean-Luc Decornoy and Hervé Chopin	Deloitte & Associés Antoine de Riedmatten

6. PARENT COMPANY FINANCIAL STATEMENTS

6.1. BALANCE SHEET - ASSETS

AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010

ASSETS *(in € millions)*	Notes	Dec. 31, 2011	Dec. 31, 2010
Non-current assets			
Investments			
Gucci Group N.V.		2,556.6	2,556.6
Redcats		1,171.6	1,406.0
Conforama Holding			617.7
Financière Marothi		4,648.1	4,648.1
Sapardis		1,804.0	1,804.0
Discodis		299.7	299.7
Other		105.9	106.0
Other long-term investments (1)		111.5	10.6
Impairment		(646.0)	(340.4)
	3	10,051.4	11,108.3
Intangible assets and property, plant and equipment		19.3	18.5
Depreciation, amortisation and impairment		(15.0)	(14.0)
	4	4.3	4.5
Non-current assets		**10,055.7**	**11,112.8**
Current assets			
Receivables (2) (3)	5	67.6	125.8
Marketable securities	6	61.3	49.5
Cash (3)	6	0.2	2.9
Current assets		**129.1**	**178.2**
TOTAL ASSETS		**10,184.8**	**11,291.0**
(1) o/w due in less than one year:		*111.0*	*8.9*
(2) o/w due in more than one year:		*0.0*	*0.0*
(3) o/w concerning associates:		*30.2*	*30.8*

6.2. BALANCE SHEET - SHAREHOLDERS' EQUITY AND LIABILITIES

AS OF DECEMBER 31, 2011 AND DECEMBER 31, 2010

SHAREHOLDERS' EQUITY AND LIABILITIES *(in € millions)*	Notes	Dec. 31, 2011	Dec. 31, 2010
Shareholders' equity			
Share capital		508.0	507.3
Additional paid-in capital		2,135.3	2,122.1
Reserves	7	1,589.5	1,589.3
Retained earnings		1,672.3	1,584.1
Net income for the year		663.6	529.3
Shareholders' equity		**6,568.7**	**6,332.1**
Provisions	**8**	**66.4**	**128.8**
Liabilities			
Bonds[1]	9.1	2,550.1	3,600.0
Other borrowings[1][3]	9.1	938.6	1,109.9
Other liabilities[2][3]	10	61.0	120.2
		3,549.7	**4,830.1**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**10,184.8**	**11,291.0**
(1) o/w due in more than one year:		*2,502.6*	*2,952.5*
(2) o/w due in more than one year:		*0.0*	*1.0*
(3) o/w concerning associates:		*705.7*	*826.2*

6.3. INCOME STATEMENT

For the years ended December 31, 2011 and December 31, 2010

(in € millions)	Notes	2011	2010
Operating income		55.8	51.6
Operating expenses		(84.4)	(69.9)
Net operating loss	**12**	**(28.6)**	**(18.3)**
Dividends		665.2	713.0
Other financial income and expenses		(214.5)	(212.1)
Net financial income	**13**	**450.7**	**500.9**
Recurring income before tax		**422.1**	**482.6**
Net non-recurring income/(expense)	14	124.9	(14.8)
Employee profit-sharing		(2.1)	(2.1)
Income tax	15	118.7	63.6
Net income for the year		**663.6**	**529.3**

6.4. STATEMENT OF CASH FLOWS

For the years ended December 31, 2011 and December 31, 2010

(in € millions)	2011	2010
Dividends received	665.2	713.0
Interest on borrowings	(174.0)	(215.1)
Income tax received/(paid)	63.8	36.6
Other	(118.3)	(36.4)
Change in cash resulting from operating activities	**436.7**	**498.1**
(Acquisitions)/disposals of operating assets	26.5	(3.3)
Change in long-term investments	1,194.2	(5.9)
Change in cash resulting from investing activities	**1,220.7**	**(9.2)**
Net change in borrowings	(1,221.1)	(100.9)
Share capital increases	13.9	18.7
Dividends paid by PPR	(441.1)	(417.4)
Change in cash resulting from financing activities	**(1,648.3)**	**(499.6)**
Change in cash and cash equivalents	**9.1**	**(10.7)**
Cash and cash equivalents at beginning of year	**52.4**	**63.1**
Cash and cash equivalents at end of year	**61.5**	**52.4**

6.5. 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, 2009	**126,578,588**	**506.3**	**2,104.4**	**2,873.0**	**717.6**	**6,201.3**
Appropriation of 2009 net income				717.6	(717.6)	-
Dividends paid				(417.4)		(417.4)
Exercise of stock options	250,596	1.0	17.7			18.7
Changes in tax-driven provisions				0.2		0.2
2010 net income					529.3	529.3
As of December 31, 2010	**126,829,184**	**507.3**	**2,122.1**	**3,173.4**	**529.3**	**6,332.1**
Appropriation of 2010 net income				529.3	(529.3)	-
Dividends paid				(441.1)		(441.1)
Exercise of stock options	171,705	0.7	13.2			13.9
Changes in tax-driven provisions				0.2		0.2
2011 net income					663.6	663.6
As of December 31, 2011	**127,000,889**	**508.0**	**2,135.3**	**3,261.8**	**663.6**	**6,568.7**

6.6. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Note 1. 2011 highlights

On December 9, 2010, PPR announced that it had received a firm offer from the South African group Steinhoff International Holdings Ltd to purchase Conforama Holding for a price equal to 100% of Conforama's shares (€1.2 billion). The transfer of said shares to Steinhoff was completed on March 18, 2011, once the conditions precedent had been met.

In 2011, PPR redeemed at maturity its €800 million March 2004 bond issue. It also redeemed ahead of maturity €249.9 million of its €800 million April 2009 bond issue.

Note 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 standards 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 Emerging Issues Taskforce of the CNC (French accounting standards authority – *Conseil national de la comptabilité*) on June 15, 2007, the Company elected to recognise acquisition fees as part of the cost of investments.

As of the end of the reporting period, the gross amount of 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 this market value is 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 stock 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 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 resulting 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 the French national accounting board (*Conseil national de la comptabilité* – CNC) regulation no. 2000.06 and include pension and other employee benefit obligations pursuant to recommendation no. 2003.R.01 of July 22, 2004.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in 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. 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 stock option plans and employee free share plans.

2.7. Tax consolidation

PPR has set up a tax consolidation group in France 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 tax consolidation group.

Note 3. Net long-term investments

(in € millions)	As of Dec. 31, 2010	Increase	Decrease	As of Dec. 31, 2011
Gross carrying amount				
Investments	**11,438.1**	**144.0**	**(996.2)**	**10,585.9**
Gucci Group NV	2,556.6			2,556.6
Redcats	1,406.0		(234.4)(2)	1,171.6
Conforama Holding	617.7	144.0	(761.7)	
Financière Marothi	4,648.1			4,648.1
Sapardis	1,804.0			1,804.0
Discodis	299.7			299.7
Caumartin Participations	82.4			82.4
Printemps Réassurance	10.2			10.2
Conseil et Assistance	7.7			7.7
Other	5.7		(0.1)	5.6
Other long-term investments	**10.6**	**247.0**	**(146.1)**	**111.5**
Treasury shares (liquidity agreement)(1)	8.7	136.2	(144.9)	
Treasury shares (to be cancelled)(1)		110.8		110.8
Other investments	0.2		(0.2)	
Loans	0.6			0.6
Deposits and guarantees	1.1		(1.0)	0.1
Gross carrying amount	**11,448.7**	**391.0**	**(1,142.3)**	**10,697.4**
Impairment losses				
Investments	**(340.3)**	**(306.0)**	**0.4**	**(645.9)**
Redcats	(332.0)	(306.0)		(638.0)
Conseil et Assistance	(5.1)		0.4	(4.7)
Other	(3.2)			(3.2)
Other long-term investments	**(0.1)**			**(0.1)**
Other investments	(0.1)			(0.1)
Impairment losses	**(340.4)**	**(306.0)**	**0.4**	**(646.0)**
NET CARRYING AMOUNT	**11,108.3**			**10,051.4**

(1) The amount corresponding to treasury shares is unavailable and recognised in tax-driven reserves.

(2) Redcats capital decrease.

Treasury share transactions

In 2011, the Group made a net acquisition of 979,313 treasury shares, resulting from the following transactions:

- acquisition of 1,249,100 shares under the liquidity agreement;
- sale of 1,319,100 shares under the liquidity agreement;
- acquisition of 1,030,967 shares to be cancelled;
- acquisition of 116,920 shares in connection with free share plans. An additional 116,920 shares were granted to employees under the 2009 free share plans which mature in May 2011;
- acquisition of 90,000 shares in connection with stock purchase option plans; 71,414 options were exercised under the 2006 plan and 240 options under the 2007 plan.

As a result of the various stock subscription options exercised in 2011, the share capital rose by 171,705 shares, bringing PPR's total share capital to 127,000,889 shares as of December 31, 2011 (€4 par value).

As of December 31, 2011, the Group held no call options on its own shares to cover stock purchase and stock subscription option plans.

On May 26, 2004, PPR signed an agreement with a financial broker in order to improve the liquidity of the PPR share and ensure share price stability.

This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets 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, 2011, PPR held no treasury shares in connection with the liquidity agreement.

Outside the scope of the liquidity agreement, PPR holds 1,030,967 treasury shares intended for cancellation, 2,152 treasury shares to be granted to employees under the 2010 free share plans which mature in 2012, and 28,233 treasury shares in connection with stock purchase option plans. As of December 31, 2011, 70,000 treasury shares were held by the Company in connection with the liquidity agreement, while 12,039 treasury shares were held at the same date outside the scope of said agreement.

Note 4. Intangible assets and property, plant and equipment

Movements in intangible assets and property, plant and equipment are presented below:

(in € millions)	Land and buildings	Plant and equipment	Other	Total
Gross carrying amount				
December 31, 2010	2.7	0.4	15.4	18.5
Acquisitions			2.2	2.2
Disposals			(1.4)	(1.4)
December 31, 2011	**2.7**	**0.4**	**16.2**	**19.3**
Depreciation, amortisation and provisions				
December 31, 2010	(1.9)	(0.3)	(11.8)	(14.0)
Additions	(0.2)		(2.1)	(2.3)
Reversals on disposals			1.3	1.3
December 31, 2011	**(2.1)**	**(0.3)**	**(12.6)**	**(15.0)**
Net carrying amount				
December 31, 2010	0.8	0.1	3.6	4.5
December 31, 2011	**0.6**	**0.1**	**3.6**	**4.3**

Other non-current assets mainly include improvements, head office equipment and furniture, and other intangible assets (software).

Note 5. Receivables

These line items break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Tax consolidation current accounts	15.5	21.0
Interest rate swap and forex suspense account	6.9	31.9
Receivable in respect of the sale of France Printemps	-	26.4
Receivable in respect of the sale of PPR Luxembourg	-	10.8
Receivable in respect of the sale of Conforama	19.8	-
Group customers	7.9	9.5
Group customers - Accrued income	6.8	-
Bond issue premiums	0.3	2.2
Other	8.4	11.1
Prepaid expenses	2.0	12.9
TOTAL	**67.6**	**125.8**
o/w concerning associates	30.2	30.5

Prepaid expenses mainly relate to unexercised call purchase premiums expiring in 2011, totalling €10.6 million at December 31, 2010.

Note 6. Marketable securities and cash

These line items break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Treasury shares pending employee grants	0.3	0.3
Treasury shares pending allocation to stock purchase option plans	3.5	1.2
Listed securities	60.9	51.1
Impairment of listed securities	(3.4)	(3.1)
Marketable securities	**61.3**	**49.5**
Bank deposits and fund transfers	0.2	2.6
Cash current accounts	-	0.3
Cash	**0.2**	**2.9**
CASH AND CASH EQUIVALENTS	**61.5**	**52.4**
o/w concerning associates		0.3

Listed securities are mainly comprised of mutual funds (Sicav) for €55.1 million (€45.4 million as of December 31, 2010).

Note 7. Reserves

The Company's reserves before the appropriation of net income break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
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	4.2	4.0
TOTAL	**1,589.5**	**1,589.3**

Note 8. Provisions

(in € millions)	Dec. 31, 2010	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Reclassification	Dec. 31, 2011
Disputes	103.1		11.3	45.5	(2.2)	44.1
Risks relating to subsidiaries		3.8				3.8
Pensions and other employee benefit obligations	5.6	0.4		0.3		5.7
Call purchase premiums	9.5			9.5		
Other contingencies	10.6				2.2	12.8
TOTAL	**128.8**	**4.2**	**11.3**	**55.3**		**66.4**
o/w:						
operating items				0.3		
financial items		0.4		9.5		
non-recurring items		3.8	11.3	45.5		

The main actuarial assumptions used to determine pensions and other employee benefit obligations in 2011 and 2010 are:

- discount rate: 4.50%;
- salary increase rate: 3.00%.

Note 9. Borrowings

Bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2011	Dec. 31, 2010
Bond issue[1]	5.25% fixed	03/29/2004	3-month Euribor floating rate swap for €650 million	03/29/2011		800.0
Bond issue[2]	4.00% fixed	06/29/2005 & 06/19/2006	-	01/29/2013	**600.0**	600.0
Bond issue[3]	6.405% fixed	05/16/2008	-	11/16/2012	**200.0**	200.0
Bond issue[4]	6.536% fixed	05/16/2008	-	05/16/2013	**200.0**	200.0
Bond issue[5]	8.625% fixed	04/03/2009	-	04/03/2014	**550.1**	800.0
Bond issue[6]	7.75% fixed	06/03/2009	3-month Euribor floating rate swap for €150 million	06/03/2014	**150.0**	150.0
Bond issue[7]	6.50% fixed	06/29/2009	-	06/29/2017	**150.0**	150.0
Bond issue[8]	6.50% fixed	11/06/2009	-	11/06/2017	**200.0**	200.0
Bond issue[9]	3.75% fixed	04/08/2010	-	04/08/2015	**500.0**	500.0

(1) 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.

(2) 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.

(3) 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 €84.641503 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.

(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 €84.641503 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.

(5) Issue price: bond issue, comprised of 550,100 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. A total of 249,900 of these bonds were redeemed on April 26, 2011.
Redemption: in full on April 3, 2014.

(6) 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.

(7) 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.

(8) 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.

(9) Issue price: bond issue on April 8, 2010, comprised of 500,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on April 8, 2015.

All bonds issued in 2009 and 2010 under the EMTN programme are subject to change-of-control clauses entitling bondholders to request early redemption at par if PPR's rating is downgraded to non-investment grade following a change of control. They are also subject to a "step-up coupon" clause in the event that PPR's rating is downgraded to non-investment grade.

9.1. Breakdown by type of liability

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Bonds	**2,550.1**	**3,600.0**
Interest on bond issues	101.2	149.5
Long- and medium-term borrowings	152.5	152.5
Interest on long- and medium-term borrowings	0.1	0.1
Confirmed credit lines	-	-
Interest on confirmed credit lines	-	-
Current bank loans	-	0.7
Cash current accounts	683.6	805.9
Interest on cash current accounts	1.2	1.2
Other borrowings	**938.6**	**1,109.9**
TOTAL	**3,488.7**	**4,709.9**
o/w concerning associates	684.8	807.1

As of December 31, 2011 and 2010, no borrowings were secured by collateral.

9.2. Breakdown by maturity

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Less than one year	986.1	1,757.4
One to five years	2,152.6	2,602.5
More than five years	350.0	350.0
TOTAL	**3,488.7**	**4,709.9**

9.3. Net debt

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Borrowings	3,488.7	4,709.9
Marketable securities	(61.3)	(49.5)
Cash	(0.2)	(2.9)
TOTAL	**3,427.2**	**4,657.5**

9.4. Information on interest rates

	Dec. 31, 2011	Dec. 31, 2010
Average interest rate over the year	4.96%	4.49%
% average debt at fixed rates	69%	58%
% average debt at floating rates	31%	42%

Note 10. Other liabilities

These line items break down as follows:

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Income tax expense	-	-
Tax consolidation current accounts	11.9	10.5
Tax losses owed to subsidiaries (tax consolidation)	-	68.5
Tax and employee-related liabilities	15.0	12.9
Other	34.1	28.3
TOTAL	**61.0**	**120.2**
o/w concerning associates	20.9	19.1

Note 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, 2011	Y+1	Y+2	Y+3	Y+4	Y+5	>Y+5	Dec. 31, 2010
Purchase of PPR call options								
Number of shares								648,105
PPR maximum commitment *(in € millions)*								111.7

As of December 31, 2011, PPR no longer held any options. As of December 31, 2010, outstanding call option commitments comprised 648,105 call options, including 298,105 options set up in September 2004 and 350,000 options purchased in June 2007 for allocation to employee stock purchase option plans.

11.2. Interest rate hedges

(in € millions)	Dec. 31, 2011	Y+1	Y+2	Y+3	Y+4	Y+5	>Y+5	Dec. 31, 2010
Swaps: fixed-rate lender	150.0			150.0				800.0
Other interest rate instruments[1]	152.5			152.5				152.5

(1) Including floating-for-floating rate swaps.

As part of the Group's policy of hedging interest rate risk, PPR may set up interest rate swaps in connection with certain fixed-rate bond issues.

As of December 31, 2011, these transactions concerned the bond issue maturing in June 2014, which was swapped in full against 6-month Euribor for €150 million.

PPR has 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. Foreign exchange hedges

(in € millions)	Dec. 31, 2011	Y+1	Y+2	Y+3	Y+4	Y+5	>Y+5	Dec. 31, 2010
Forward purchases and forward purchase swaps	13.2			13.2				34.9

As of December 31, 2011, PPR set up a foreign exchange hedge in pounds sterling. This hedge had a fair value of €0.9 million as of the end of the reporting period.

11.4. Stock option plans and free share plans

The nature and main characteristics of the plans are indicated in the tables below:

Stock option and free share plans	2001/1 Plan	2001/2 Plan	2002/1 Plan	2002/2 Plan
	Purchase options	Purchase options	Subscription options	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
Vesting of rights	(a)	(a)	(a)	(a)
Number of beneficiaries	722	206	1,074	1,053
Number initially granted	340,240	87,260	438,296	410,271
Number outstanding as of Jan. 1, 2011	123,040	17,120	162,796	161,701
Number forfeited in 2011		290	7,073	7,283
Number exercised in 2011				
Number of shares issued				
Number expired in 2011	123,040	16,830		
Number outstanding as of Dec. 31, 2011			155,723	154,418
Number exercisable as of Dec. 31, 2011			155,723	154,418
Strike price (*in €*)	225.01	225.01	128.10	140.50

Stock option and free share plans	2003/1 Plan	2003/2 Plan	2004/1 Plan	2004/2 Plan	2005/1 Plan	2005/2 Plan
	Subscription options	Subscription options	Subscription options	Subscription options	Subscription options	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 as of Jan. 1, 2011	59,376	550	205,805	25,000	6,730	169,174
Number forfeited in 2011	1,130		2,280			2,890
Number exercised in 2011	20,110	250	78,366	25,000	2,750	44,989
Number of shares issued						
Number expired in 2011						
Number outstanding as of Dec. 31, 2011	38,136	300	125,159		3,980	121,295
Number exercisable as of Dec. 31, 2011	38,136	300	125,159		3,980	121,295
Strike price (*in €*)	66.00	67.50	85.57	84.17	75.29	78.01

Stock option and free share plans	2005/3 Plan	2005/4 Plan	2006/1 Plan	2007/1 Plan	2007/2 Plan	2008/3 Plan
	Subscription options	Subscription options	Purchase options	Purchase options	Purchase options	Free shares
Grant date	05/19/2005	07/06/2005	05/23/2006	05/14/2007	09/17/2007	10/22/2008
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)	(d)
Number of beneficiaries	22	15	450	248	14	194
Number initially granted	39,960	20,520	403,417	355,500	51,300	53,755
Number outstanding as of Jan. 1, 2011	32,400	10,400	287,949	298,530	47,600	51,455
Number cancelled in 2011			15,860	11,188	1,300	2,660
Number exercised in 2011	240		71,414	240		
Number of shares issued						
Number expired in 2011						
Number outstanding as of Dec. 31, 2011	32,160	10,400	200,675	287,102	46,300	48,795
Number exercisable as of Dec. 31, 2011	32,160	10,400	200,675	287,102	46,300	
Strike price (*in €*)	78.97	85.05	101.83	127.58	127.58	N/A

Stock option and free share plans	2009/1 Plan	2009/2 Plan	2010/1 Plan	2010/2 Plan	2011/1 Plan	2011/2 Plan
	Free shares	Free shares	Free shares	Free shares	Free shares	Free shares
Grant date	05/07/2009	05/07/2009	05/19/2010	05/19/2010	05/19/2011	05/19/2011
Expiry date	N/A	N/A	N/A	N/A	N/A	N/A
Vesting of rights	(c)	(d)	(c)	(d)	(c)	(d)
Number of beneficiaries	302	161	274	108	184	76
Number initially granted	130,843	46,505	89,364	25,035	67,379	9,455
Number outstanding as of Jan. 1, 2011	117,500	42,910	87,145	24,215		
Number forfeited in 2011	580	1,225	4,425	65	195	330
Number exercised in 2011						
Number of shares issued	116,920					
Number expired in 2011						
Number outstanding as of Dec. 31, 2011		41,685	82,720	24,150	67,184	9,125
Number exercisable as of Dec. 31, 2011						
Strike price (*in €*)	N/A	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) or 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 effectively 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 effectively granted is subject to stock market performance conditions. These shares are not subject to a non-transferability period.

11.5. Other off-balance sheet commitments

(in € millions)	Dec. 31, 2011	Dec. 31, 2010
Endorsements and guarantees in favour of:		
associates	-	-
third parties outside the Group	0.9	0.9
Endorsements and guarantees	**0.9**	**0.9**
Collateral: in favour of subsidiaries	**-**	**-**
in favour of third parties	**-**	**-**

Note 12. Net operating loss

Net operating loss breaks down as follows:

(in € millions)	2011	2010
Group management fees	38.6	36.3
Property rental income	3.1	7.3
Payroll expenses	(21.9)	(21.9)
External purchases and expenses, taxes	(53.4)	(48.3)
Depreciation, amortisation and provisions	(2.0)	3.2
Other income and expenses	7.0	5.1
TOTAL	**(28.6)**	**(18.3)**

Note 13. Net financial income

Net financial income breaks down as follows:

(in € millions)	2011	2010
Net interest expense	**(214.5)**	**(212.1)**
Expenses and interest on non-Group debt	(199.5)	(197.9)
Interest on Group current accounts	(15.0)	(14.2)
Income and expenses on long-term investments	**665.2**	**713.0**
Dividends	665.2	713.0
TOTAL	**450.7**	**500.9**
o/w concerning associates		
Interest on inter-company current accounts	(15.0)	(14.2)
Dividends	665.2	713.0

Note 14. Net non-recurring income/(expense)

Net non-recurring income/(expense) breaks down as follows:

(in € millions)	2011	2010
Net proceeds from disposals of operating assets	28.5	-
Net proceeds from disposals of securities, impairment losses and related transactions	111.0	(5.8)
Cost of disputes, litigation and restructuring	38.8	(6.5)
Other non-recurring income/(expense)	(53.4)	(2.5)
TOTAL	**124.9**	**(14.8)**

In 2011, net non-recurring income chiefly includes proceeds on the disposal of Conforama and the write-down taken against Redcats shares.

Note 15. Income tax

This line item breaks down as follows:

(in € millions)	2011	2010
Tax consolidation benefit	45.7	58.3
Tax losses owed to subsidiaries (tax consolidation)	68.5	-
Other	4.5	5.3
TOTAL	**118.7**	**63.6**

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 84 companies in 2011 and 74 in 2010.
If no tax consolidation arrangement had existed, the Company would not have paid any income tax.

Note 16. Other information

16.1. Average headcount

The Company had an average of 118 employees in 2011 compared to 112 in 2010.

As of December 31, 2011, the number of unused training hours vested by employees under the individual training entitlement (*Droit Individuel à la Formation* – DIF) was 7,012 as compared to 7,051 as of December 31, 2010.

16.2. Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

(in € thousands)	KPMG Audit		Deloitte & Associés	
	2011	2010	2011	2010
Statutory audit, certification, review of parent company and consolidated financial statements	323	292	292	323
Other audit-related services	53	452	153	71
Other services provided	-	2,250	-	-
TOTAL	**376**	**2,994**	**445**	**394**

16.3. Consolidating company

PPR is controlled by Artémis, which holds 40.6% of its share capital.

Artémis is wholly owned by Financière Pinault.

Note 17. Subsequent events

On January 16, 2012, PPR issued €250 million of additional bonds in connection with its 3.75% coupon bond issue maturing on April 8, 2015.

Note 18. Subsidiaries and investments

(in € millions)		Share capital	Shareholders' equity excl. share capital and net income
I - DETAILED INFORMATION			
A - Subsidiaries (more than 50%) owned and representing over 1% of share capital			
Caumartin Participations	France	6,132	74,667
Conseil et Assistance	France	2,010	864
Discodis	France	153,567	24,001
Financière Marothi	France	2,351,188	1,952,428
Redcats	France	401	528,748
Sapardis	France	1,799,936	(152,314)
Printemps Réassurances	Luxembourg	9,945	0
B - Investments (less than 50%) owned and representing over 1% of share capital)			
Gucci Group N.V.	Netherlands	108,246[1]	2,969,563[1]
II - SUMMARY INFORMATION			
A - Subsidiaries not listed in I			
French subsidiaries			
Non-French subsidiaries			
B - Investments not listed in I			
French investments			
Non-French investments			

(1) Based on accounts as of December 31, 2010.

	% of capital held	Carrying amount of shares		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
		Gross	Net					
	99.99	82,365	82,365				172,571	325,854
	90.00	7,724	2,969				425	
	99.99	299,735	299,735				21,594	28,794
	99.99	4,648,062	4,648,062				788	
	99.99	1,171,625	533,625			24,464	(12,431)	99,997
	100.00	1,804,000	1,804,000				(27,847)	
	100.00	10,188	10,188					
	33.46	2,556,624	2,556,624			45,922 (1)	550,398 (1)	210,574
		3,017	1,778					
		1,968	0					
			0					
		612	612					
		10,585,920	**9,939,958**					

6.7. FIVE-YEAR FINANCIAL SUMMARY

	2011	2010	2009	2008	2007
Share capital at year-end					
Share capital *(in €)*	508,003,556	507,316,736	506,314,352	506,221,508	512,327,756
Number of ordinary shares outstanding	127,000,889	126,829,184	126,578,588	126,555,377	128,081,939
Maximum number of potential shares to be issued	641,571	833,932	1,127,714	1,366,355	1,530,613
by conversion of bonds					
by exercise of stock subscription options	641,571	833,932	1,127,714	1,366,355	1,530,613
Operations and results for the year *(in € thousands)*					
Income from operating activities	38,622	36,290	39,644	42,429	42,339
Net income before tax, employee profit-sharing, depreciation, amortisation and provisions	794,979	445,002	910,418	4,550	678,235
Income tax (expense)/benefit	118,722	63,554	111,193	102,620	67,544
Employee profit-sharing for the year	2,120	2,087	1,501	1,804	1,966
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	663,606	529,279	717,634	76,521	742,871
Dividend distribution	440,895[2]	443,902	417,709	417,633	441,883
Data per share *(in €)*					
Net income after tax and employee profit-sharing but before depreciation, amortisation and provisions	7.18	3.99	8.06	0.83	5.81
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	5.23	4.17	5.67	0.60	5.80
Net dividend per share[3]	3.50[1]	3.50	3.30	3.30	3.45
Employee data					
Average number of employees during the year	118	112	110	111	112
Total annual payroll *(in € thousands)*	15,667	15,481	13,111	15,836	11,019
Total employee benefits paid during the year (social security, social works, etc.) *(in € thousands)*	6,213	6,389	13,549	6,654	4,742

(1) Subject to approval by the Annual General Meeting.

(2) After the share cancellation of February 15, 2012.

(3) Pursuant to Article 243 bis of the French Tax Code (Code général des impôts)*, the full amount of the dividend paid to individuals who are tax residents in France qualifies for the 40% tax credit provided for under Article 158-3 2 of the French Tax Code.*

7. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

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 users. 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 Company 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 Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the shareholders,

In accordance with our appointment as statutory auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying financial statements of PPR SA;
- the justification of our assessments;
- the specific procedures and disclosures 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.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These 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 includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2011 and the results of its operations for the period then ended in accordance with accounting principles generally accepted in France.

2. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de Commerce*) governing the justification of our assessments, we hereby report on the following:

Note 2.1 to the financial statements describes the accounting policies relating to the measurement of long-term investments.

As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods and their proper application.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3. Specific procedures and disclosures

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and the documents addressed to the shareholders in respect of 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 remunerations and benefits received by the corporate officers and any other commitments made in their favor, 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 your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the management report contains the appropriate disclosures as to the identity of and voting rights held by shareholders.

Paris La Défense and Neuilly-sur-Seine, March 19, 2012

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A Department of KPMG SA	
Jean-Luc Decornoy and Hervé Chopin	Antoine de Riedmatten

8. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS WITH THIRD PARTIES

ANNUAL GENERAL MEETING HELD TO APPROVE THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Annual General Meeting and having continuing effect during the year, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the Annual General Meeting

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Annual General Meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments previously approved by the Annual General Meeting

Agreements and commitments authorized in previous years and having continuing effect during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

Retirement commitment in favour of Mr. Jean-François Palus

On January 22 and April 8, 2010, your Board of Directors authorized PPR and the companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code to grant retirement benefits to Mr. Jean-François Palus, Director and Deputy CEO of PPR, due to his exceptional contribution to the business development of the Luxury Division. This authorisation resulted in the allocation of €3,568,000 (this capital will

be managed by PPR or a company controlled by it, or invested in a top-tier asset management company) to fund his retirement benefits (with reversion rights to his beneficiaries in the event of death) payable as from the legal retirement age. His presence in the Group is not a requirement at that date, provided that he has not left the Group before December 31, 2014 for personal reasons.

The appropriation of these retirement benefits by Mr. Jean-François Palus is subject to his meeting the performance conditions attached to his variable compensation, for fiscal years 2009 and 2010, in his capacity as Deputy CEO of PPR. On April 8, 2010 and February 16, 2011, your Board of Directors duly noted that the performance conditions were met for fiscal years 2009 and 2010, respectively.

In consideration of these authorisations of your Board of Directors, the Supervisory Board of Gucci Group NV (held 99.93% directly and indirectly by PPR SA) decided, on December 10, 2010, to grant Mr. Jean-François Palus, in his capacity as a member of the Supervisory Board of Gucci Group NV since May 30, 2006, an irrevocable pension right in respect of retirement benefits, in accordance with the terms and conditions provided for in the authorisation of your Board of Directors, based on a capital of €3,568,000, inasmuch as PPR acknowledges, at a given date, that this right is no longer subject to the fulfilment of any conditions.

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:

- 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 cost-cutting measures.

At its March 10, 1999 meeting, the PPR Supervisory Board authorized payment for these services amounting to 0.037% of consolidated net revenue (excluding VAT).

In line with the appropriate modifications of PPR's corporate governance rules, the PPR Board of Directors resolved on July 6, 2005, 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 price given the benefits provided and the economies of means realized in the common interest.

The methods for assessing the contractually-agreed amount were reviewed by the Audit Committee, which, at its meeting of February 14, 2011, noted that PPR had continued to benefit, during 2010, 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.

At its February 15, 2012 meeting, the Board of Directors duly noted remuneration of €3,356,455 (excluding VAT) in respect of 2011, it being specified that the revenue of the Puma group was excluded from the calculation of this fee, as was the case in previous years and so was revenue from discontinued operations.

Paris La Défense and Neuilly-sur-Seine, March 19, 2012

The Statutory Auditors

KPMG Audit	Deloitte & Associés
A Department of KPMG SA	
Jean-Luc Decornoy and Hervé Chopin	Antoine de Riedmatten

9. FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS IN 2011

(in € thousands)	KPMG AUDIT				DELOITTE & ASSOCIÉS				TOTAL FEES		
	AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	Change
Statutory audit											
Certification, review of parent company and consolidated financial statements	3,684.0	3,394.0	86%	52%	3,167.0	2,891.0	74%	72%	6,851.0	6,285.0	9.0%
Issuer	*348.0*	*436.0*	*8%*	*7%*	*404.0*	*335.0*	*9%*	*8%*	*752.0*	*771.0*	*-2.5%*
Fully consolidated subsidiaries	*3,336.0*	*2,958.0*	*78%*	*45%*	*2,763.0*	*2,556.0*	*65%*	*64%*	*6,099.0*	*5,514.0*	*10.6%*
Other work and audit-related services	93.0	2,834.0	2%	43%	333.0	603.0	8%	15%	426.0	3,437.0	-87.6%
Issuer	*53.0*	*2,702.0*	*1%*	*41%*	*216.0*	*71.0*	*5%*	*2%*	*269.0*	*2,773.0*	*-90.3%*
Fully consolidated subsidiaries	*40.0*	*132.0*	*1%*	*2%*	*117.0*	*532.0*	*3%*	*13%*	*157.0*	*664.0*	*-76.4%*
Sub-total	**3,777.0**	**6,228.0**	**89%**	**95%**	**3,500.0**	**3,494.0**	**82%**	**87%**	**7,277.0**	**9,722.0**	**-25.1%**
Other services provided by the networks to fully consolidated subsidiaries											
Legal, tax, and employment-related services	479.0	150.0	11%	2%	613.0	258.0	14%	6%	1,092.0	408.0	167.6%
Other	5.0	212.0	0%	3%	153.0	252.0	4%	6%	158.0	464.0	-65.9%
Sub-total	**484.0**	**362.0**	**11%**	**5%**	**766.0**	**510.0**	**18%**	**13%**	**1,250.0**	**872.0**	**43.3%**
TOTAL	**4,261.0**	**6,590.0**	**100%**	**100%**	**4,266.0**	**4,004.0**	**100%**	**100%**	**8,527.0**	**10,594.0**	**-19.5%**

CHAPTER 6

Share capital and ownership structure

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1. SHARE CAPITAL

1.1. SHARE CAPITAL

Share capital as of December 31, 2011

As of December 31, 2011, the share capital amounted to €508,003,556 and was divided into 127,000,889 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 169,998,902 (less the number of treasury shares, which do not carry voting rights).

At the same date, to the Company's knowledge:

- the Directors directly held 0.043% of the share capital, representing 0.042% of the voting rights;
- the Company directly held 1,061,352 treasury shares, but did not hold any shares under the liquidity agreement; none of the Company's shares were held by controlled companies.

On the issue date of this document, the share capital amounted to €503,879,688 and is divided into 125,969,922 shares with a par value of €4 each, all fully paid up.

Share capital movements over the past seven years

Year	Description of transaction	Additional paid-in capital	Nominal amount of capital changes	Successive amounts of Company capital (as of Dec. 31)	Aggregate number of ordinary €4 shares
2011	Exercise of options	€13,202,936	€686,820		171,705
		€13,202,936	**€686,820**	**€508,003,556**	**127,000,889**
2010	Exercise of options	€17,724,677	€1,002,384		250,596
		€17,724,677	**€1,002,384**	**€507,316,736**	**126,829,184**
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 Océane bonds	€686,314,610	€33,332,424		8,333,106
	Cancellation of shares	€(36,386,197)	€(1,576,248)		(-394,062)
		€649,928,413	**€31,756,176**	**€513,549,096**	**128,387,274**
2005	Exercise of options	€512,491	€55,000		13,750
	Cancellation of shares	€(154,460,000)	€(8,000,000)		(-2,000,000)
		€(153,947,509)	**€(7,945,000)**	**€481,792,920**	**120,448,230**

1.2. TREASURY SHARES HELD BY THE COMPANY AND ITS SUBSIDIARIES

Acquisition of treasury shares by the Company

On May 26, 2004, PPR signed an agreement with a financial broker in order to improve the liquidity of the PPR share and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association Française*

des Marchés Financiers – AMAFI) and approved by the French financial markets 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.

The Annual General Meeting on May 7, 2009 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. This programme specifies a maximum purchase price of €125 per share and states that the number of shares purchased may not exceed 10% of the share capital.

The Annual General Meeting on May 19, 2011 authorised the Board of Directors to trade in Company shares for a period of 18 months, under the same terms and conditions, with a maximum purchase price of €160 per share.

On April 27, 2012, the Annual General Meeting will be asked to approve an authorisation to trade in Company shares under a new buy-back programme.

Buy-backs and sales of shares during 2011 – Trading costs – Number of treasury shares held as of December 31, 2011

Share buy-backs

- 1,236,294 shares were bought back by the Company pursuant to the authorisation given by the Annual General Meeting on May 19, 2010, at an average price of €112.63;
- 1,250,693 shares were bought back by the Company pursuant to the authorisation given by the Annual General Meeting on May 19, 2011, at an average price of €106.36.

In 2011, PPR therefore bought back a total of 2,486,987 shares at an average price of €109.48, for the following purposes:

- 116,920 shares to be granted to employees under free share plans;
- 90,000 shares to be granted under stock purchase option plans;
- 1,249,100 shares purchased under the liquidity agreement;
- 1,030,967 shares to be cancelled.

Sales of treasury shares

In 2011, PPR sold 1,319,100 shares at an average price of €110.28, under the aforementioned liquidity agreement.

71,414 shares were sold to employees under the 2006 stock purchase option plan; and 240 shares under the 2007 stock purchase option plan.

An additional 116,920 shares were granted to employees under the 2009 free share plans, which matured in May 2011.

Trading costs

Total share trading costs amounted to €0.5 million in 2011.

Share cancellations in 2011

No share cancellations were carried out in 2011.

As of the end of the reporting period, the Company did not hold any treasury shares under the liquidity agreement. It directly held 1,061,352 shares (including 2,152 shares to be granted to employees under the 2009 free share plans which matured in 2011, 28,233 shares to be granted under stock purchase option plans and 1,030,967 shares to be cancelled) with a par value of €4 per share and a carrying amount of €114,637,267, representing 0.84% of the share capital.

Buy-backs and sales of PPR shares carried out between January 1 and March 15, 2012

Since January 1, 2012, the Company has acquired 195,102 shares at an average price of €120.70 and has sold 195,102 shares at an average price of €121.03, in connection with the liquidity agreement.

As of December 31, 2011 and as of March 15, 2012, the Company did not hold any shares under the liquidity agreement.

Excluding liquidity agreement, 1,030,967 shares were cancelled pursuant to a decision by the Board of Directors on February 15, 2012 and 11,004 purchase options were exercised under the 2006 stock purchase option plan.

The number of treasury shares held by PPR as of March 15, 2012 therefore totals 19,381 shares with a par value of €4 per share and a gross carrying amount of €2,438,739.12.

Share cancellations in 2012

On February 15, 2012, the Board of Directors decided to reduce the share capital by cancelling 1,030,967 shares.

Use of derivatives in 2011

PPR did not buy any call options on its own shares in 2011.

The call options which expired in 2011, were not exercised.

As of December 31, 2011, PPR did not hold any call options on its own shares.

1.3. AUTHORISATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

Authorisations to issue shares or other securities in force as of December 31, 2011

Pursuant to the decisions of the Extraordinary General Meeting, the Board of Directors has the following authorisations:

Description of authorisation	Date of Annual General Meeting (resolution no.)	Term of validity (Expiry date)	Maximum authorised nominal amount	Current use
Share capital increases with pre-emptive subscription rights				
Share capital increase via the issue(s), with pre-emptive subscription rights, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company or to debt securities [3]	May 19, 2011 (7th)	26 months (July 2013)	€200 million [1] €6 billion [2]	Unused
Share capital increase via the capitalisation of reserves, profits or additional paid-in capital	May 19, 2011 (8th)	26 months (July 2013)	€200 million [1]	Unused
Share capital increases without pre-emptive subscription rights				
Share capital increase via the issue(s), without pre-emptive subscription rights, by public offering, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company, including as consideration for shares tendered in a public exchange offer, or to debt securities	May 19, 2011 (9th)	26 months (July 2013)	€75 million [3] [4] €6 billion [2]	Unused
Share capital increase via the issue(s), without pre-emptive subscription rights, by private placement, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company or to debt securities	May 19, 2011 (10th)	26 months (July 2013)	€75 million [1] €6 billion [2]	Unused
Authorisation to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering or by private placement, limited to10% of the share capital per year	May 19, 2011 (11th) (linked to the above-mentioned 9th and 10th resolutions)	26 months (July 2013)	€50.7 million [3] per year	Unused
Share capital increase in consideration for in-kind contributions limited to 10% of the share capital	May 19, 2011 (13th)	26 months (July 2013)	€50.7 million [3]	Unused
Share capital increases with or without pre-emptive subscription rights				
Increase in the number of shares or securities to be issued within the scope of a share capital increase, with or without pre-emptive subscription rights, in the event of excess demand	May 19, 2011 (12th)	26 months (July 2013)	15% of the amount of the initial issue	Unused
Share capital reductions by cancelling shares				
Authorisation to reduce the share capital by cancelling shares	May 19, 2011 (6th)	24 months (May 2013)	10% of the share capital per 24-month period	Unused
Stock options, free share grants and redeemable equity warrants				
Stock option plans	May 19, 2010 (17th)	38 months (July 2013)	2% of the share capital at the grant date	Unused
Grant of existing shares or shares to be issued, reserved for employees and executive corporate officers	May 19, 2010 (18th)	38 months (July 2013)	0.5% of the share capital at the grant date	Grant of 76,834 shares in 2011
Issue of redeemable equity warrants (BSAAR) to employees and executive corporate officers, without pre-emptive subscription rights	May 19, 2011 (15th)	18 months (November 2012)	0.5% of the share capital at the grant date	Unused

(1) This amount will be deducted from the overall €200 million cap for issues of shares and/or securities giving access to the share capital set by the 7th resolution.

(2) This amount will be deducted from the overall €6 billion cap for issues of debt securities set by the 7th resolution.

(3) This amount will be deducted from the overall €200 million and €75 million caps for issues of shares and/or securities giving access to the share capital set by the 7th and 9th resolutions.

(4) Limited to 20% of the share capital per year in all cases.

As indicated in the above table, the Extraordinary General Meeting on May 19, 2011 authorised the Board of Directors to issue, with or without pre-emptive subscription rights, securities giving access to the Company's share capital, either immediately or in the future, and to increase the share capital by capitalising reserves, profits or additional paid-in capital.

These delegations of authority were not used during the year.

The Extraordinary General Meeting on May 19, 2010 authorised the Board of Directors to grant share purchase or subscription options and free shares of the Company to employees, Directors and executive corporate officers. The delegation of authority to grant free shares was used in 2011 (see below).

Other securities giving access to the share capital

Special report on stock options and free share grants

The policy governing stock options and free share grants 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 foster 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 brand, 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 2010 and 2011, grants concerned only free shares recognised as performance shares, allocated to 382 and 260 employees, respectively (see page 297).

François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Deputy Chief Executive Officer, were granted performance shares in 2011. Further details on the granting of performance shares are provided in the "Corporate governance" section of this document, on page 112.

Stock option plans

Grants are, in principle, made annually. However, no stock option plans were set up in either 2010 or 2011.

The plans set up 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. As they have no impact on the number of shares comprising the share capital, they are not dilutive.

Since 2001, stock options have been granted without any discount with regard to the price and with a four-year lock-in period.

Employees, Directors and executive 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.

Twenty-five percent 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 exceptions made by the Company. If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

As of December 31, 2011, the number of options outstanding was 1,175,648, including 641,571 stock subscription options and 534,077 stock purchase options.

PPR stock option plans as of December 31, 2011

	2002/1 Plan	2002/2 Plan	2003/1 Plan	2003/2 Plan	2004/1 Plan
	Subscription options	Subscription options	Subscription options	Subscription options	Subscription options
Date of Annual General Meeting	05/18/2001	05/18/2001	05/21/2002	05/21/2002	05/21/2002
Date of Executive Board/Board of Directors' Meeting	05/03/2002	05/03/2002	07/09/2003	07/09/2003	05/25/2004
Number of beneficiaries	1,074	1,053	721	18	846
Number of options initially granted	438,296	410,271	528,690	5,430	540,970
o/w: to members of the Executive Board[1]/ Directors and executive corporate officers	45,000	45,000	109,000	-	90,000
François-Henri Pinault					
Jean-François Palus					
o/w to the top ten employee beneficiaries	24,320	24,320	37,855	-	36,305
Number of options exercised as of Dec. 31, 2011	3,675	0	321,605	2,235	132,750
Options forfeited as of Dec. 31, 2011	278,898	255,853	168,949	2,895	283,061
Number of outstanding options as of Dec. 31, 2011	155,723	154,418	38,136	300	125,159
Plan start date	05/03/2002	05/03/2002	07/09/2003	07/09/2003	05/25/2004
Plan expiry date	05/02/2012	05/02/2012	07/08/2013	07/08/2013	05/24/2014
Strike price	€128.10	€140.50	€66.00	€67.50	€85.57

NB: each option confers entitlement to one share.

(1) Membership as of May 19, 2005.

Stock options granted by PPR and by associated companies to the top ten employee beneficiaries excluding Directors and executive corporate officers and options exercised by them

Stock options granted to the top ten employee beneficiaries (excluding Directors and executive 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 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 purchasing or subscribing to the most shares.	6,348	123.73

Performance share plans

Two free share plans involving 76,834 existing shares were granted on May 19, 2011.

In all, 260 employees received performance shares in 2011.

25,095 performance shares were granted to the two Directors and executive corporate officers.

42,284 performance shares were granted to senior managers of the Group.

9,455 performance shares were granted to senior managers of the Group residing outside France.

A free share policy was introduced in 2005 to replace the previous option grants for employees based in France.

Grants are in principle made annually at the same time of year.

Performance shares vest fully at the end of a two-year vesting period, which is followed by a two-year lock-in period during which the performance shares granted may not be sold.

Grants made before 2009 are subject to a performance condition, which states that if the PPR share price underperforms the CAC 40 index during the two-year vesting period (four years for foreign residents), the number of shares effectively granted is reduced in proportion to this underperformance.

The grants carried out since 2009 are subject to a performance condition, which states that if the PPR share price underperforms an index of listed European

2004/2 Plan	2005/1 Plan	2005/2 Plan	2005/3 Plan	2005/4 Plan	2006/1 Plan	2007/1 Plan	2007/2 Plan
Subscription options	Subscription options	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Purchase options
05/21/2002	05/21/2002	05/19/2005	05/19/2005	05/19/2005	05/19/2005	05/14/2007	05/14/2007
07/07/2004	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/23/2006	05/14/2007	09/17/2007
1	13	458	22	15	450	248	14
25,000	25,530	333,750	39,960	20,520	403,417	355,500	51,300
25,000	-	50,000	-	-	55,000	60,000	-
-	-	*50,000*	-	-	*55,000*	*60,000*	-
-	-	*2,100*	-	-	*7,700*	*7,700*	-
-	-	23,828	-	-	18,940	20,780	-
25,000	20,650	132,487	2,200	3,150	100,240	240	0
0	900	79,968	5,600	6,970	102,502	68,158	5,000
0	3,980	121,295	32,160	10,400	200,675	287,102	46,300
07/07/2004	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/23/2006	05/14/2007	09/17/2007
07/06/2014	01/02/2015	05/18/2015	05/18/2015	07/05/2015	05/22/2014	05/13/2015	09/16/2015
€84.17	€75.29	€78.01	€78.97	€85.05	€101.83	€127.58	€127.58

stocks from the luxury and retail sectors during the two-year vesting period (four years for foreign residents), the number of shares effectively granted is reduced in proportion to this underperformance.

Unless an exception is granted by the Company, beneficiaries who are no longer employees, Directors or executive 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.

PPR free share plans as of Dec. 31, 2011	2008-III Plan	2009-II Plan	2010-I and II Plans	2011-I and II Plans
Date of Annual General Meeting	05/14/2007	05/14/2007	05/14/2007	05/19/2010
Date of Board Meeting	10/22/2008	05/07/2009	05/19/2010	05/19/2011
Number of shares initially granted	53,755	46,505	114,399	76,834
to the top ten employee beneficiaries	*(1)*	*(1)*	*7,566*	*8,264*
Shares forfeited as of Dec. 31, 2011	3,700	4,820	7,529	525
Number of shares outstanding as of Dec. 31, 2011	48,795	41,685	106,870	76,309
Number of beneficiaries	194	161	382	260
Vesting date	10/22/2012	05/07/2013	05/19/2012(2)	05/19/2013(3)
Date on which shares may be sold	10/22/2012	05/07/2013	05/19/2014	05/19/2015

(1) See 2010 Reference Document, page 284.

(2) May 19, 2014 without any additional holding obligation for non-French residents.

(3) May 19, 2015 without any additional holding obligation for non-French residents.

Performance shares granted to the top ten employee beneficiaries (excluding Directors and executive corporate officers) of the Company	Total number of free shares granted
Free shares granted during the year by the issuer or any other Group company within the scope of the share grant, to the ten employees (excluding Directors and executive corporate officers) of the issuer receiving the most shares.	8,264

Changes in share capital and rights attached to shares

Any changes in the share capital and the rights attached to shares 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 Chief Executive Officer 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.

1.4. EMPLOYEE SHARE OWNERSHIP

As of December 31, 2011, Company and Group employees held 407,324 shares, representing 0.32% of the share capital, under the provisions of Article L. 225-102 of the French Commercial Code (*Code de commerce*). Of those shares, 243,380 were free shares that are still locked-in and represent 0.19% of the share capital. Company employees also held 16,316 shares via an employee investment fund, representing 0.01% of the share capital.

1.5. APPROPRIATION OF NET INCOME – DIVIDENDS PAID BY THE COMPANY

Appropriation of net income

At its meeting on February 15, 2012, the Board of Directors placed on record and decided to recommend the following net income appropriation to the Annual General Meeting:

(in €)

Source	
Retained earnings	1,672,301,166.80
Net income for the year	663,606,197.69
Total for appropriation	2,335,907,364.49
Appropriation	
Legal reserve (1)	
Dividend (2)	440,894,727.00 (3)
Retained earnings	1,895,012,637.49
Total	2,335,907,364.49

(1) No further charge to the legal reserve is recommended since the reserve was above the minimum 10% of share capital required by law as of December 31, 2011, at €51,534,910.

(2) Representing a dividend of €3.50 per share qualifying for the 40% tax credit, payable on May 7, 2012.

(3) After the share cancellation of February 15, 2012.

Dividends paid out over the past three fiscal years

The Board of Directors will propose to the Annual General Meeting on April 27, 2012 the payment of a dividend of €3.50 per share eligible for dividends at January 1, 2011. Subject to the approval of shareholders, the ex-dividend date will be May 2, 2012 and the dividend will be paid as from May 7, 2012.

Dividends paid out over the past three fiscal years:

Year of payment	Net dividend	Qualifying for a tax credit of
2011	€3.50	40%
2010	€3.30	40%
2009	€3.30	40%

1.6. SHARE PLEDGES

As of December 31, 2011, 8,750,000 fully registered shares were pledged by the Artémis group.

Name of fully 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	CA CIB	11/02/2011	Unspecified[1]		1,000,000	0.79%
Artémis	CA CIB	02/28/2007	Unspecified[1]		2,000,000	1.57%
Artémis	CA CIB	04/08/2008	Unspecified[1]		5,750,000	4.53%

(1) Full reimbursement or payment of the receivable.

(2) Based on the share capital as of December 31, 2011, comprising 127,000,889 shares with a par value of €4 each.

1.7. 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 AMF pursuant to Article L. 233-11 of the French Commercial Code.

2. SHARE OWNERSHIP STRUCTURE

Change in share ownership and voting rights as of December 31, 2011

	2011			2010			2009		
	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	51,614,762	40.6	55.1	51,616,666	40.7	55.5	51,616,666	40.8	55.4
Baillie Gifford[2]	6,399,935	5.0	3.8	0.0	0.0	0.0	0.0	0.0	0.0
PPR	1,061,352	0.8	0.0	82,039	0.1	0.0	90,325	0.1	0.0
Employees	407,324	0.3	0.3	321,382	0.3	0.2	180,980	0.1	0.1
Public	67,517,516	53.3	40.8	74,809,097	58.9	44.3	74,690,617	59.0	44.5
Total	**127,000,889**	**100**	**100**	**126,829,184**	**100**	**100**	**126,578,588**	**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 section 7 "General information" – "Annual General Meetings" on page 307).

(2) As declared by Baillie Gifford on January 14, 2011.

Artémis is wholly owned by Financière Pinault, itself controlled by the Pinault family. Artémis holds 55.1% of the Company's voting rights and as such has *de jure* control of the Company within the meaning of Article L. 233-3-I of the French Commercial Code.

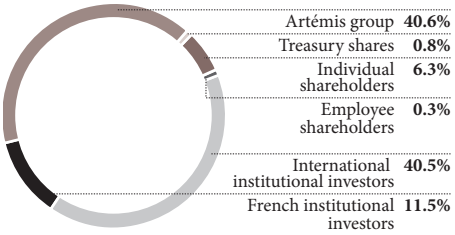
To the Company's knowledge, only one other shareholder holds more than 5% of the share capital of PPR. This is Baillie Gifford & Co, parent company of an investment management group based in Edinburgh (UK), acting on behalf of funds and clients in its role as asset manager.

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 – representing (i) half of the Board members (who oversee the prevention of conflicts of interests and regularly carry out its self-assessment), (ii) two-thirds of the Audit Committee, and (iii) 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 chapter 4 "Corporate governance").

As of December 31, 2011, individual shareholders held 6.3% of the Group's share capital. Institutional investors owned 52% of the share capital, with 11.5% held by French companies and 40.5% by non-French companies.

Among the international institutional investors, UK and US shareholders held 16.3% and 14.3% of the share capital, respectively. Continental European investors (excluding France) held 7.4% of the share capital, including notably Norway (1.8%), Germany (1.7%), the Netherlands (1.4%) and Switzerland (1.1%).

BREAKDOWN OF SHARE CAPITAL
AS OF DECEMBER 31, 2011



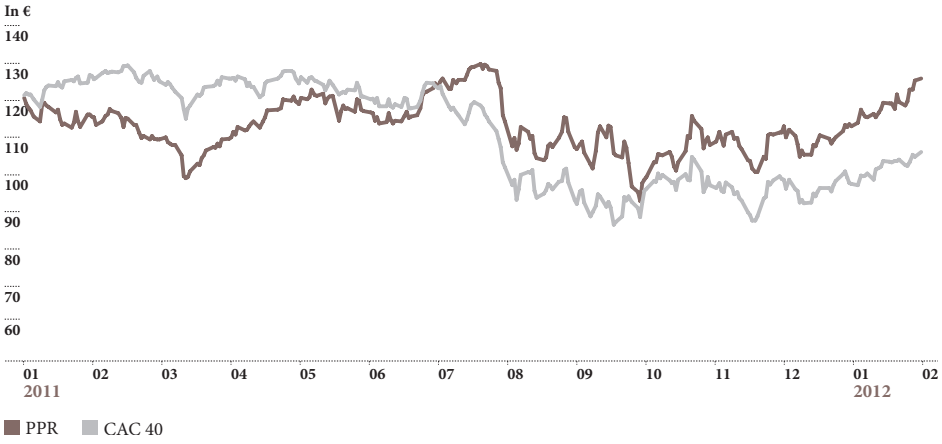
The main changes in share ownership in 2011 compared to 2010 are the 0.6-point increase in shares held by French institutional investors, the 0.6-point increase in shares held by international institutional investors, the 1.8-point decrease in shares held by individual shareholders and the increase in treasury shares.

*Source: Identifiable Bearer Security (*Titre au Porteur Identifiable*) as of December 31, 2011.*

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 on the CAC 40
Number of shares	127,000,889 as of December 31, 2011
Codes	ISIN code: FR 0000121485 Reuters: PRTP.PA Bloomberg: PPFP

Change in the price of the PPR share compared to the CAC 40 index since January 1, 2011



Source: NYSE Euronext.

Market price and trading volume of the PPR share

	2011	2010	2009	2008	2007	2006
High *(in €)*	132.2	128.3	93.3	112.8	141.5	122.0
Low *(in €)*	90.5	81.0	36.3	31.1	107.1	87.9
Price as of December 31 *(in €)*	110.7	119.0	84.2	46.6	110.0	113.2
Market capitalisation as of December 31 *(in € millions)*	**14,034**	**15,093**	**10,663**	**5,897**	**14,089**	**14,533**
Daily average volume	385,265	453,415	701,105	1,116,420	692,022	578,586
Number of shares as of December 31	**127,000,889**	**126,829,184**	**126,578,588**	**126,555,377**	**128,081,939**	**128,387,274**

Source: NYSE Euronext.

Listed securities of the Group as of December 31, 2011

Securities listed on the Paris Stock Exchange (SRD)	ISIN code
Equities	
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 8.625% April 2014	FR 00 10 744 987
PPR 7.75% June 2014	FR 00 10 754 531
PPR 6.50% November 2017	FR 00 10 784 082
PPR 3.75% April 2015	FR 00 10 878 991

Stock market data

PPR share

2010	Share price *(in €)*				Volume		
						Shares traded	
	Average	High	Low	Monthly change	Average daily	*(€m)*	Number of shares
January	88.0	92.0	83.5	5.0%	420,838	742	8,416,766
February	84.8	90.5	81.0	-4.7%	530,833	900	10,616,657
March	93.4	99.0	85.0	16.9%	520,587	1,116	11,973,507
April	104.6	110.9	98.7	2.9%	579,436	1,211	11,588,716
May	98.6	105.7	89.4	-3.4%	1,015,792	2,044	21,331,623
June	102.3	110.5	95.2	4.6%	460,324	1,035	10,127,129
July	100.9	105.9	96.9	0.1%	324,840	720	7,146,469
August	103.3	107.3	98.8	0.1%	254,561	577	5,600,331
September	113.7	120.5	102.2	15.6%	396,845	984	8,730,588
October	116.2	120.4	112.6	-0.8%	363,578	886	7,635,145
November	117.9	126.1	110.4	3.9%	342,358	892	7,531,879
December	123.9	128.3	118.9	-2.8%	273,145	768	6,282,342

2011	Share price *(in €)*				Volume		
						Shares traded	
	Average	High	Low	Monthly change	Average daily	*(€m)*	Number of shares
January	116.9	122.8	112.2	-1.9%	369,122	907	7,751,572
February	114.8	118.5	109.8	-5.8%	348,039	799	6,960,779
March	106.6	113.5	98.3	-1.7%	528,466	1,279	12,154,718
April	114.5	121.2	108.2	11.7%	324,260	705	6,160,933
May	120.3	124.3	114.7	0.2%	618,729	1,624	13,612,033
June	117.0	123.2	112.9	1.5%	321,737	829	7,078,205
July	126.8	131.4	120.0	5.0%	356,936	951	7,495,666
August	112.0	132.2	101.4	-10.1%	532,111	1,381	12,238,561
September	108.2	116.3	96.0	-16.0%	525,527	1,238	11,561,594
October	105.1	117.9	90.5	15.9%	458,504	994	9,628,578
November	107.8	114.5	100.1	-1.5%	341,130	812	7,504,867
December	109.8	115.5	104.6	-0.5%	257,157	593	5,400,290

2012	Share price *(in €)*				Volume		
						Shares traded	
	Average	High	Low	Monthly change	Average daily	*(€m)*	Number of shares
January	117.2	123.1	110.7	8.7%	264,634	681	5,821,943
February	124.3	128.5	119.1	6.1%	260,349	678	5,467,331

Source: NYSE Euronext.

Financial communications policy

PPR'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 and tools to keep themselves informed on the Group and on the life of the security. These include the twice-yearly Letter to Shareholders, the shareholders' hotline in France (+33 1 45 64 65 64), the email address (actionnaire@ppr.com), the financial notices in the press and on the Internet, and the annual report.

Towards the financial community

The Group maintains close relationships with the French and international financial community. A number of initiatives are designed to keep the financial community informed about its businesses, strategy and outlook. PPR has expanded its communication by organising conference calls upon the release of quarterly sales and first-half results, and meetings to present its annual 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 AMF.

Procedures for communicating regulatory information

Pursuant to obligations to disclose regulatory information resulting from the implementation of the Transparency Directive in the AMF's General Regulations that apply since January 20, 2007, PPR's Financial Communications Department oversees the proper and full disclosure of regulatory 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 AMF's General Regulations which require communication to a wide audience within the European Union and according to terms and conditions guaranteeing the security of the communication and 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.

2012 shareholders' calendar

April 26, 2012	2012 first-quarter sales
April 27, 2012	Combined General Meeting
July 27, 2012	2012 first-half results
October 25, 2012	2012 third-quarter sales

CHAPTER 7
Additional information

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1. ADDITIONAL INFORMATION

1.1. GENERAL INFORMATION

Company name and registered office

Company name: PPR

Registered office: 10, avenue Hoche, 75008 Paris, France

Legal form

A French joint stock company (*société anonyme*)

Applicable law

French law

Date of incorporation and term

The Company was incorporated on June 24, 1881 for a term of 99 years. The term was extended to May 26, 2066 by the Extraordinary General Meeting on May 26, 1967, except in the case of an early dissolution or of an extension approved by the Extraordinary General 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 wholesale 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 in, to or 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 legal documents

The Articles of Association, the minutes of Annual General Meetings and other corporate documents may be consulted at the registered office under the conditions provided for by law.

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 Annual General Meeting, pursuant to a proposal by the Board of Directors, may withdraw all amounts it deems appropriate to determine, either to be deferred to the subsequent fiscal year, or to be entered into one or more extraordinary, general or special reserve funds, the allocation and use of which shall be determined by the Annual General Meeting.

The balance, if any, shall be allocated among the shareholders.

The Annual General 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 dividend distributed, an option between the payment of the dividend or the interim dividend in cash, in kind or in shares.

(Article 22 of the Articles of Association)

Dividends not claimed after five years are paid 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.

Annual General Meetings – Double voting rights

Annual General 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. Failing this, 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 Annual General 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 held in registered form 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 the two companies.

This double voting right may be withdrawn outright at any time pursuant to a decision of the Extraordinary General Meeting and after ratification by a special meeting of the beneficiary shareholders.

(Article 20 of the Articles of Association)

The double voting right existed in Pinault SA and Printemps SA prior to the 1992 merger of said companies. The Company's Articles of Association do not provide that, in the event of a free allocation of registered shares to a shareholder in respect of old shares for which he/she/it 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 regarding the identification of the holders of securities that grant immediate or deferred access to voting rights at its own Annual General 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 confers 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 or the rights attached to securities 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 Chief Executive Officer 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.

1.2. INFORMATION ON TRADE PAYABLES – PAYMENT TERMS

Trade payables amounting to €5.7 million as of December 31, 2011 (€2.8 million as of December 31, 2010) fall due in less than 60 days.

2. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

Jean-François Palus
Deputy Chief Executive Officer

2.1. 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 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 315) 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, confirming that they have audited the information contained in this document relating to the financial position and the financial statements contained herein, and that they have read this document in its entirety.

The annual consolidated and parent company financial statements of PPR SA shown in the Reference Document are subject to reports by the Statutory Auditors on pages 263 and 285-286 respectively of said document.

The annual consolidated and parent company financial statements of PPR SA shown in the 2009 Reference Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on April 19, 2010 under registration number D.10-287 were subject to reports by the Statutory Auditors on pages 264-265 and 297-298 respectively of said document.

Paris, March 21, 2012

Jean-François Palus

Deputy Chief Executive Officer

3. STATUTORY AUDITORS

3.1. PRINCIPAL STATUTORY AUDITORS

KPMG Audit, Division of KPMG SA

1, cours Valmy, 92923 Paris-La Défense Cedex

Jean-Luc Decornoy and Hervé Chopin

Date of first appointment: Annual General Meeting on June 18, 1992.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

Deloitte & Associés

185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex

Antoine de Riedmatten

Date of first appointment: Annual General Meeting on May 18, 1994.

Term and expiry: from June 9, 2008 until the Annual General Meeting called to approve the 2013 financial statements.

3.2. SUBSTITUTE STATUTORY AUDITORS

KPMG IS

3 Cours du Triangle, Puteaux, 92939 Paris-La Défense Cedex

Date of first appointment: Annual General Meeting on May 19, 2010.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

BEAS

7-9, Villa Houssay, 92524 Neuilly-sur-Seine Cedex

Date of first appointment: Annual General Meeting on May 19, 2005.

Term and expiry: from June 9, 2008 until the Annual General Meeting called to approve the 2013 financial statements.

4. 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, 2010: 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, set out on pages 6-7, 15-52, 134-159, 160-163, 171-263, 264-281, 282-292, 293-294 and 295-296 respectively of the Reference Document filed on March 21, 2011 with the AMF;
- for the fiscal year ended on December 31, 2009: 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, set out on pages 6 and 7, 13-56, 134-159, 160-163, 171-265, 266-285, 286-296, 297-298 and 299-300 respectively of the Reference Document filed on April 19, 2010 with the 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 are available at the Group's registered office and on its website: www.ppr.com, under the Finance section.

5. CROSS-REFERENCE TABLE TO THE DISCLOSURE REQUIREMENTS SET OUT IN ANNEX I OF EUROPEAN REGULATION NO. 809/2004

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PPR

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