# Reference Document

2012

PPR

PPR

will become
on 18 June 2013*

KERING

* PPR will become Kering, subject to approval at the Annual General Meeting on 18 June 2013.

CHAPTER 1

# PPR in 2012

# 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 strategy remains focused on growing apparel and accessory brands that operate within two of the most dynamic sectors – Luxury and Sport & Lifestyle.

### 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.
- 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.

## 2012

- Closing of the acquisition of Brioni (January 2012).
- Sale of the remaining 42% stake in Cfao to TTC (July 2012).
- Creation of a joint venture with Yoox S.p.A. dedicated to e-commerce for several brands of the Luxury Division (August 2012).
- Announced project to demerge and list Fnac (October 2012).
- Announced sale of Fnac Italy (November 2012).
- Sale of Redcats USA business (The Sportsman's Guide and The Golf Warehouse in November 2012, announced sale of OneStopPlus in December 2012).
- Announced acquisition of a majority stake in Chinese fine jewellery brand Qeelin (December 2012).

# 2. KEY CONSOLIDATED FIGURES

The comparative information for 2011 has been restated as described in Note 2.23 to the consolidated financial statements.

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **9,736** | **8,062** | **+20.8%** |
| *o/w generated in emerging countries (as a % of revenue)* | *37.6%* | *36.8%* | *+0.8 pt* |
| **EBITDA** | **2,067** | **1,739** | **+18.8%** |
| *EBITDA margin (as a % of revenue)* | *21.2%* | *21.6%* | *-0.4 pt* |
| **Recurring operating income** | **1,792** | **1,501** | **+19.3%** |
| *Recurring operating margin (as a % of revenue)* | *18.4%* | *18.6%* | *-0.2 pt* |
| **Net income attributable to owners of the parent** | **1,048** | **986** | **+6.3%** |
| **o/w net income from continuing operations excluding non-recurring items** | **1,269** | **990** | **+28.2%** |
| **Free cash flow from operations (1)** | **930** | **931** | **-0.1%** |
| **Average number of employees** | **29,378** | **24,292** | **+20.9%** |

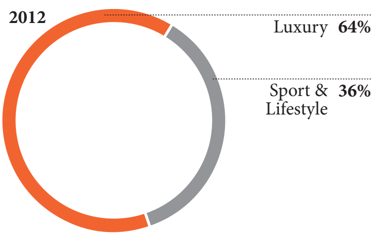
*(1) Net cash flow from operating activities – net acquisitions of property, plant and equipment and intangible assets.*

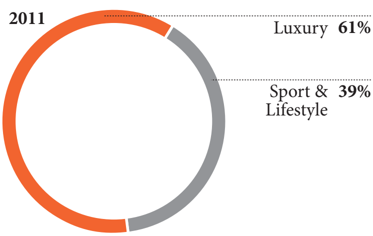
| **Per share data** *(in €)* | 2012 | 2011 | Change |
|---|---|---|---|
| Earnings per share attributable to owners of the parent | 8.32 | 7.82 | +6.4% |
| o/w continuing operations excluding non-recurring items | 10.07 | 7.85 | +28.3% |
| Dividend per share (2) | 3.75 | 3.50 | +7.1% |

*(2) Subject to the approval of the Annual General Meeting on June 18, 2013.*

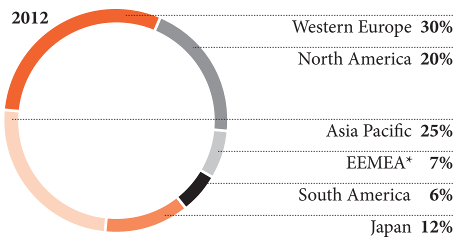
## REVENUE

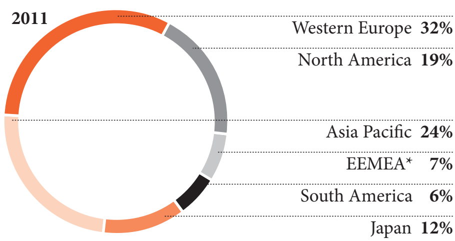
### Breakdown by Division



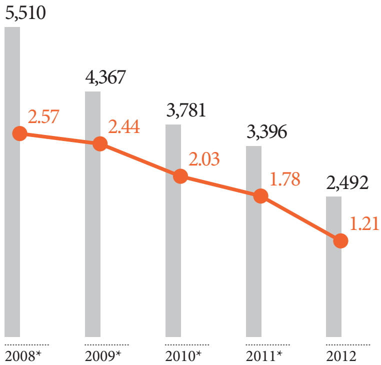

### Breakdown by region




* EEMEA: Eastern Europe, Middle East and Africa.

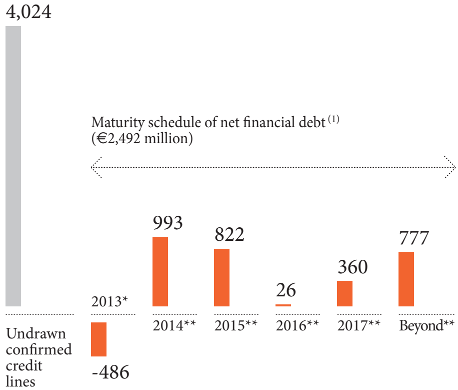
## SOLVENCY




Net financial debt [1]
(in € millions)
Solvency ratio (NFD/EBITDA)

* Published, not restated.

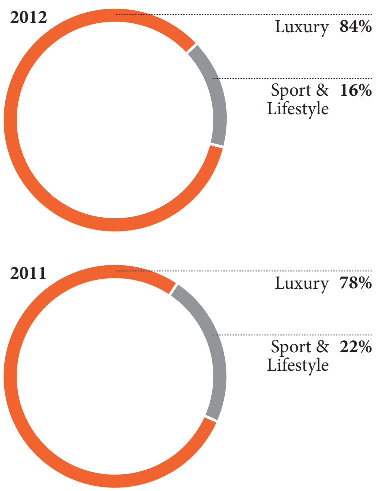
## LIQUIDITY




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

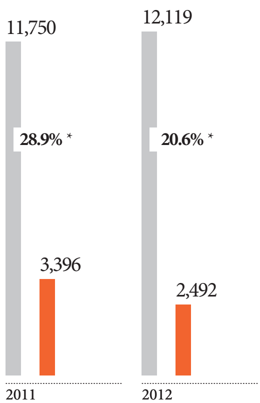
## RECURRING OPERATING INCOME

### Breakdown by Division *




* Excluding Corporate.

## FINANCIAL POSITION – DEBT-TO-EQUITY RATIO*




Shareholders' equity (in € millions)
Net financial debt [1] (in € millions)

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

*(1) Net financial debt defined in part 3.*

# 3. PPR EMPOWERING IMAGINATION

## Owner of some of the world's most sought-after apparel and accessory brands in the most dynamic consumer segments – Luxury and Sport & Lifestyle, PPR is well positioned to produce sustainable, profitable growth

PPR's ambition is to be the world leader in apparel and accessories by concentrating on the two fastest-growing segments: Luxury and Sport & Lifestyle.

Our mission is to offer products that enable our customers to express their personality and to fulfil their dreams. To achieve this, we empower an ensemble of powerful complementary brands to reach their full growth potential by constantly pushing them against the limits, in the most imaginative and sustainable manner.

Since its inception in 1963, PPR has continuously transformed itself, constantly seeking growth and creating value with the same entrepreneurial spirit. With the acquisition of Gucci in 1999, PPR initiated a major strategic move, amplified in 2007 with the takeover of PUMA enabling PPR to benefit from the changes in the global economy and capture the growth of emerging markets.

In 2013, our strategic move to on Luxury and Sport & Lifestyle apparel and accessories will be finalised, as we exit our remaining historical retail businesses.

We have a long-term entrepreneurial vision and a clear growth strategy to capitalise on buoyant consumer trends. We put sustainability at the core of everything we do. We embrace e-business and any means of dialogue with our customers around the world. PPR's role is to release the full potential of our brands while ensuring they stay true to their values and identity – that is what we call "empowering imagination".

## PPR' s strategy is to create value by realising the organic growth potential of its brands

Over the past decade PPR has been transforming itself at a rapid pace, pursuing its vision and its mission. The PPR of today and tomorrow is an integrated group with a coherent business mix. We concentrate exclusively on the design, manufacture and distribution of apparel and accessories in two major segments: Luxury and Sport & Lifestyle.

The Luxury and Sport & Lifestyle segments are fuelled by buoyant demographic and social trends, notably in emerging regions. To capture this growth, we have built up a unique ensemble of complementary brands. The considerable organic growth potential each one of them enjoys is based on powerful brand equity, leading market positions, global recognition, huge consumer appeal and significant pricing power.

The success of our strategy rests on three main pillars.

First, our brands are in the step with major societal trends: people wish to enjoy and express themselves through what they wear, and to look and feel good.

Second, a well-balanced geographical spread is core to the strength of our brands: we carefully manage their growth locations and ensure maximum flexibility to keep pace with changing market conditions.

And third, the markets we are tapping are forecast to record unprecedented growth in the coming years. In the past 50 years, 800 million consumers in the USA, Western Europe and Japan have generated most of the world's growth. Over the next 50 years, China, India, Brazil, Indonesia and Mexico, with a population of more than three billion, will drive global economic expansion[(1)]. Furthermore, the young people in these countries continue to enjoy increasing levels of disposable income.

Because of the inherent dynamics of our markets, our growth strategy relies on the development of our existing brands, which can take one or several forms:

- We nurture the international development of our brands by selectively entering new countries. For example Volcom, a predominantly US-based action sports brand enjoys huge growth potential outside its home market, and there is plenty of room to broaden its international footprint.
- We strengthen our distribution channels. In Luxury, we constantly enrich our network of directly-operated

*(1) Source: The $10 Trillion Prize, Harvard Business Review Press, 2012.*

stores; in Sports and Lifestyle, we build our relationships with third-party retailers who enjoy robust positions in their respective markets.

- We expand into new product categories at Gucci and at Stella McCartney, we have recently successfully introduced children's collections.
- We aim at exploiting the huge potential of e-commerce. Our recent joint-venture with Yoox, a leader in online premium consumer goods shopping, will accelerate the growth of e-commerce at most of our Luxury brands.

PPR has employed an original approach and style of strategy in developing its portfolio of businesses. We have targeted the two segments (Luxury and Sport & Lifestyle) with a multi-brand approach within both Divisions. Each brand has its own specific positioning, complementary with the others. There is therefore no direct competition between the brands. This is how we have built the Luxury Division, while generating substantial synergies between the brands and, since 2007, the Sport & Lifestyle Division.

Although organic growth remains the Group's underlying focus we will make acquisitions of small- to medium- sized brands to strengthen and complement the existing brand portfolio, and therefore contribute to an increase in revenue and earnings. While they may not always be central to PPR's immediate value creation, they will act as a catalyst for Group enlargement and international development.

To further reinforce our Luxury Division in high-potential segments where we are not already present, we purchased Girard-Perregaux and JEANRICHARD (in high-end luxury watchmaking) in 2011 and Brioni (the leading menswear brand) in 2012. We shall continue to build our Sport & Lifestyle Division, particularly in outdoor sports, which we have identified as a priority, alongside the foothold in action sports with the acquisition of Volcom and Electric in 2011.

We rely on the same strict acquisition criteria to round out our positions:

- We seek brands that have a truly distinctive identity: well rooted values and a sought-after legacy; a unique scope of expression through lasting codes and language; an ability to broaden their territories independently or through alliances; an aptitude to gradually expand their markets beyond their current borders.
- 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.
- 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, tactical acquisitions complementing existing brands and product categories – which will be made by one of the Group's brands (as was the case in 2010 for COBRA, which was acquired by PUMA).

Our ambition for the two divisions can be characterised as follows:

- For its 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 its Sport & Lifestyle brands, PPR's strategy is based on expanding into new markets while bolstering growth in the most mature ones, developing distribution, launching new products that are consistent 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. The objective is to regroup sports brands that have an extension into Lifestyle.

Consistent with this strategy, in December 2012 PPR acquired a majority stake in Qeelin, a Chinese fine jewellery maker based in Hong Kong (the transaction was finalised in January 2013). By acquiring a majority stake in Qeelin, PPR is increasing its portfolio of Luxury brands in the jewellery segment and its presence in the Chinese market. Qeelin has tremendous intrinsic growth potential and PPR will enable it to accelerate its expansion, notably through store openings in mainland China and Hong Kong.

As part of the repositioning process, PPR carried out a number of disposals of retail assets in 2012:

- In July, PPR announced the sale of its remaining 42% stake in Cfao.
- In October, the Board of Directors of PPR unanimously approved the principle of the demerger and flotation of Fnac, through the distribution of Fnac shares to the shareholders of PPR. The transaction is intended to go ahead in 2013. PPR also signed an agreement for the sale of Fnac Italy to the private equity firm Orlando Italy, to be finalised in January 2013.
- Lastly, through two separate announcements, in November and December 2012, PPR announced an agreement to sell the Redcats business in the US, including The Sportsman's Guide and The Golf Warehouse as well as OneStopPlus Group, its plus-size business. These transactions were finalised during the first quarter of 2013.

# The PPR effect – bringing Group power to the service of each of our brands

Each of our brands enjoys the high degree of autonomy and responsibility it requires to preserve its creative freedom, its product and sourcing strategy, and its distinctive image and positioning vis-à-vis consumers.

At the same time, at the Group level, we set out the guidelines under which our individual brands operate. We provide all the 'behind-the-scene' services that are more efficiently and economically carried out at a shared level. And we ensure consistency across all our operations, notably when it comes to financial management. We describe the way we manage our operations as "freedom within a framework".

This approach is consistent with our mission of "empowering imagination", which means giving our brands the autonomy and encouraging the creativity and market agility required to move beyond their natural limits. We nourish our brands in terms of financial and managerial support, but we also challenge them on their strategy. We push them to go beyond their limits by developing new business, and also to share talent, expertise and best practice amongst themselves.

Empowering imagination also means imbuing our brands' executives and Creative Directors with the vision to achieve ambitious targets, to develop talent and to fulfil their potential.

## Organisational improvement

Regarding governance, we have changed the composition and the role of the PPR Executive Committee to reflect the more integrated nature of the Group. Thus, the principal operational officers, the CEOs of Gucci, Bottega Veneta and PUMA, are now members of the Committee.

In order to meet the needs of the brands more effectively, we have strengthened a number of functions, including real estate, e-business, indirect purchasing, intellectual property (IP) and strategic marketing and media management.

Because our people are the force behind our transformation, we are in the process of developing a more ambitious, more integrated, worldwide human resources policy, based on increased mobility across the brands. The idea behind the HR strategy is for our brands to flourish through accessing and sharing, among other things: a talent pool, expertise, standards and best practice. PPR is already making this new HR policy happen, which will largely affect our top 200 managers.

To further empower our brands as they expand internationally, we have established PPR Americas and PPR Asia-Pacific (effected in 2011). Based respectively in New York and Hong Kong, these entities are staffed by local functional specialists (audit, HR, taxation, real estate), which provide support to the brands' operations and facilitate their geographic expansion.

In addition, we have launched a project to review the governance of Group shared services, in particular transactional finance, to improve their effectiveness.

## Digital approach

PPR has embraced the digital revolution. It is speeding up the brands' e-business projects, sharing best digital practice and increasing digital use in an integrated programme across all Group-wide activities, including HR, merchandising, distribution and sales. For example, the *PPR Digital Academy* facilitates best-practice exchange, internal and external expertise and professional development in this field.

E-business is a strategic priority for PPR. This is not only for the business we conduct online but also because it influences demand across all sales channels, with more and more shoppers affected by digital, regardless of where they purchase. Also, since our brands are global, we need online flagship stores to be accessible all over the world.

This is why we have created (in August 2012) a joint venture with Yoox, to establish a series of single-brand e-commerce websites for several of our Luxury brands. Called E_lite, the Yoox partner brings its technology and worldwide logistics expertise in this field. The joint venture will improve existing e-commerce sites, accelerate e-commerce development of their global digital presence and offer exclusive online shopping to customers.

As of the end of 2012, we will have already launched the new sites for Sergio Rossi and Stella McCartney, with Bottega Veneta, Yves Saint Laurent, Alexander McQueen and Balenciaga to follow in 2013. All such stores will be operated globally, including in China. The joint venture will help us in our ambition to achieve €1bn in online sales by 2020.

Sport & Lifestyle brands such as PUMA and Volcom are assessing the optimal e-commerce solution for their, largely-wholesale businesses. Gucci has the size, resources and expertise to develop its own platform and is, in fact, a pioneer in luxury e-commerce.

# Sustainability is at the heart of PPR group and brand strategy

PPR believes sustainable business is smart business. It gives us an opportunity to create value while helping to make a better world.

The same vision that drives the Group's business strategy (empowering an ensemble of brands to reach their full growth potential in the most imaginative and sustainable manner) also drives our commitment to environmental and social sustainability.

It is our wish to give meaning to our business. Our approach to sustainability is therefore at the heart of the strategy that guides the Group, our brands and all its constituent parts. Further, we believe sustainability is inherent in quality. Because quality is the quintessence of our brands, the challenge of sustainability stimulates us to create products that are more imaginative, longer lasting and more desirable.

Ours is a different vision. As entrepreneurs, we do not think of sustainable activity as a bonus or "nice to have". We go beyond the traditional approach, which concentrates on compliance and whose principal aim is to reduce negative impact on the environment and society. For us, this is an area of opportunity and one we have been building on for some time.

We believe our approach to sustainability creates value and represents long-term differentiation and competitive advantage by offering new business development opportunities, stimulating innovation and in many cases helping reduce costs. It is also a motivating factor for our employees, helping us attract and retain the best.

PPR also has a role to influence others. Our brands enjoy powerful equity, leading market positions, global recognition and huge consumer appeal. Our presence in 120 countries, the excellence of our workforce and engagement with our suppliers, other partners and in the larger community are all critical in building a sustainable business beyond our own activities. It is for private companies, such as PPR to shoulder responsibility for sustainable development, if progress is to be made.

Every employee has a part to play in making sustainability a reality. It is built into our structure, from the sustainability committee of the PPR Board of Directors to the commitment of the CEO of every brand, and in the everyday decisions and actions of our teams. Our Chief Sustainability Officer sits on the Executive Committee, which ensures decision-making on sustainability is consistent and integrated across the Group. Further, heads of sustainability have been appointed in every brand to manage our efforts on the ground.

We give our brands what we call freedom within a framework, which in this context means providing a common base of targets for their actions in sustainability to ensure the highest level of best practice is reached across the Group. We create guidelines on sustainable sourcing, supplier standards, production processes, water, waste and energy management, while letting each brand create the specific solutions most relevant to its business.

"Empowering imagination" indicates encouraging creativity and market agility. In sustainability, this means spurring the brands to innovate with processes and products that have more positive social and environmental impact while ensuring they stay true to their DNA. In 2010, we initiated the annual PPR Sustainability Awards, which serve to unite our employees around an important pillar of our strategy, encourage their creativity and accelerate innovation.

The way we work engenders "the PPR effect". The PPR sustainability department acts as a platform of resources to complement the brands' own activities. It provides support in the form of 15 in-house experts in sustainable sourcing, alternative materials, biodiversity, energy, supply chain performance and change management, as well as social aspects. The sustainability department facilitates change by providing knowledge and guidance, operational synergies and economies of scale that help the brands develop more sustainable practices. A network of sustainability leads in each brand facilitates this process.

For PPR, sustainability is a long-term social and environmental commitment, and we have laid out a roadmap of targets and a multi-tiered action plan for the coming years.

By 2016, we will have rolled out a Group Environmental Profit & Loss (EP&L) account across all of our brands. This will do two things. Firstly it will measure the environmental impact across our own operations and entire supply chain, from sourcing raw materials to selling our products. Secondly, it will provide a monetary valuation of the impact: the profit and loss for the environment. It serves as a tool for deeper understanding and better decision-making. This is the first time that a global Group of companies has undertaken such an analysis. Pioneered by PUMA, the EP&L will lead us to new business models and solutions that take nature into account.

PPR has defined a number of quantifiable targets for our brands to reach ambitious environmental and social measures for 2016. These relate to raw materials sourcing including alternatives; paper and packaging; water use, waste and carbon emissions and hazardous chemicals; while offsetting our remaining $CO_2$ emissions and supporting suppliers in their progress. These targets highlight our attention to sustainability at two intertwined levels: process and product.

Our social responsibility goes beyond compliance. We work with our suppliers through our social audits and help them reach the standards laid out in our code of conduct. We consider diversity, which is endorsed in our HR procedures, to be a source for creativity and innovation. Social sustainability encompasses attention to working conditions, including in third-party workshops, and the need to preserve artisanal businesses. Which is why PPR brands support a network of highly skilled craft workers, providing training schemes and founding technical schools.

We are dedicated to fighting violence against women and empowering them to contribute to the development of their family and community. We established the PPR Corporate Foundation for Women's Dignity and Rights as a separate legal entity which is integrated in the PPR sustainability department. Since its inception in 2009, the Foundation has had 47 partnerships with NGOs and in 2011 benefited 55,000 women. In addition, many of our brands have been running their own social-support programmes for some time.

PPR's transformation into an apparel and accessories company, centred on Luxury and Sport & Lifestyle brands, would not be complete without integrating sustainability into our whole approach to business. We are propelling our brands to lead with new business models that contribute to a better world economically, socially and environmentally. Our entrepreneurial culture which has been part of the Company since our genesis, our promise to grow in a sustainable way and our ability to harness creativity make PPR a leader in value creation in the fullest sense.

## While remaining vigilant in an unsettled economic environment, PPR is confident in its outlook for 2013

In 2012, the global economy was impeded by the continuing sovereign debt crisis and the ensuing slowdown in growth, particularly in Europe and the USA. Against this backdrop, emerging markets remained the crucial drivers for global growth.

Against this uncertain and volatile back drop, 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 appropriateness of its corporate strategy, which it will continue to realise in the coming years. The decision made in autumn 2011 to expand the capacity of its Luxury brands' main distribution and logistics centre has begun to bear fruit and will be fundamental for future achievement.

PPR enjoys healthy growth prospects. Its activities are fully aligned with today's consumer trends and aspirations and its significant embracing of emerging markets will enable PPR to benefit from distinctive growth trends. 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 streamline operations, PPR should continue to grow sales and improve margins.

In addition, PPR is stepping up and supporting the digital strategies of its brands by systemising the fostering of inter-brand synergies, co-ordinating e-business projects and encouraging knowledge sharing. PPR has thus pooled expertise in support of its brands, to identify and share best digital practices, encourage innovation, improve 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 environmental and social sustainability, including people diversity, all of which are crucial to our business objectives and to long-term performance.

# 4. PPR GROUP SIMPLIFIED ORGANISATIONAL CHART AS OF DECEMBER 31, 2012

**PPR**

- **Luxury Division**
  - 100% Gucci
  - 100% Bottega Veneta
  - 100% YSL
  - 100% Alexander McQueen
  - 100% Balenciaga
  - 100% Boucheron
  - 100% Brioni
  - 100% Sergio Rossi
  - 50% Sowind
  - 50% Stella McCartney
- **Sport & Lifestyle Division**
  - PUMA 83%
  - Volcom 100%

CHAPTER 2

# Our activities

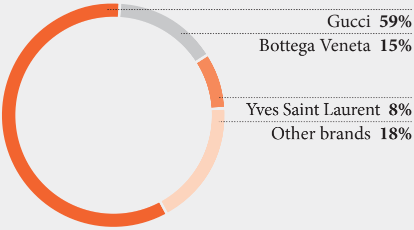
# LUXURY DIVISION

## 2012 KEY FIGURES

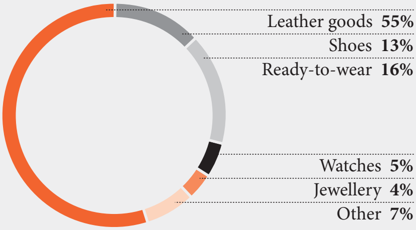
# €6,212 million

**in revenue**

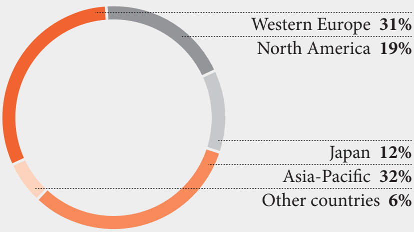
Breakdown by brand




Breakdown by product category



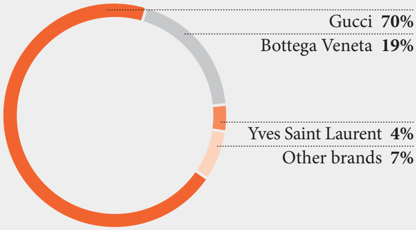

Breakdown by region



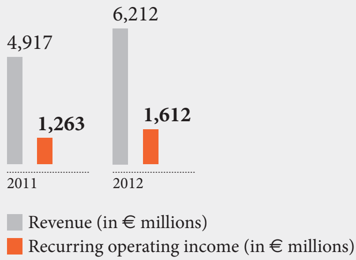

# €1,612 million

**in recurring operating income**

Breakdown by brand




**Revenue and recurring operating income**




# 17,384

**average number of employees**

# 958

**directly-operated stores**

# GUCCI

## 2012 KEY FIGURES

**€3,639 million**
in revenue

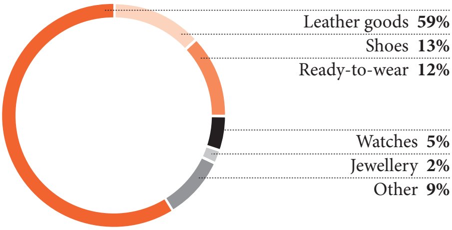
**€1,126 million**
in recurring operating income

**9,337**
average number of employees

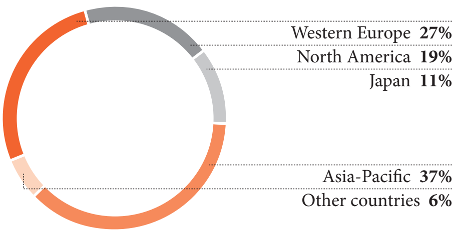
**429**
directly-operated stores

### BREAKDOWN OF 2012 REVENUE

By product category




By region




## BUSINESS CONCEPT

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

With a renowned reputation for quality and Italian craftsmanship, Gucci designs, manufactures and distributes highly desirable products, including leather goods (handbags, small leather goods, and luggage), shoes, ready-to-wear, silks, timepieces and fine jewellery. Eyewear and fragrances are manufactured and distributed under license by global industry leaders in these two sectors. Gucci products are sold exclusively through a network of directly-operated boutiques (75% of total Gucci revenues), a directly-operated e-commerce website, a limited number of franchisees as well as selected department and specialty stores.

In 2002 the company was one of the first luxury brands to invest in the web, and to consider it as a valuable and complementary channel. Today the online luxury shopping experience provided by www.gucci.com is equivalent to that of physical stores, with more than 3,000 products available to customers. The online store is also responsible for directing a significant portion of customers to the bricks-and-mortar stores around the world.

The Gucci brand, is over 90 years old, and is appreciated all over the world for its success, authenticity, and influence. Once again this year, Gucci was ranked the number one Italian brand, across all sectors combined, in the Interbrand Annual Top 100 Brand ranking [1]. Today more than ever, Gucci's brand value is reflected in the perfect balance between its Florentine and Italian heritage and its reputation as a fashion leader. This is complemented by an ever increasing appreciation for its commitment to ensuring that all aspects of its business are run responsibly and with integrity.

## COMPETITIVE ENVIRONMENT

Gucci is one of the few luxury brands with truly worldwide operations alongside Hermès, Chanel and Louis Vuitton. In a challenging environment Gucci is maintaining its position as one of the world's largest Luxury Goods brand in terms of both revenue and profitability.

*(1) October 2012.*

## STRATEGY

Over the last four years, the team led by Patrizio di Marco, Gucci President and CEO, and Frida Giannini, the Creative Director, have further reinforced the long-standing values of the brand.

Alongside the values of quality, creativity and Italian craftsmanship, which underpin the brand's reputation, Gucci believes in the importance of a responsible attitude towards people, the environment and the communities in which it operates. Gucci is maintaining its pursuit of excellence, both in terms of product offering as well as customer experience, while staying true to the core values of the brand.

A tireless and uncompromising commitment to satisfying customers' desires and needs is at the heart of Gucci's mission. Against a challenging and complex macroeconomic backdrop, an even more strategic and efficient use of internal resources is driving greater focus on deepening client relationships in each market to achieve long-term loyalty and gain market share.

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.

## 2012 HIGHLIGHTS AND OUTLOOK FOR 2013

Despite the uncertain macroeconomic climate that has been affecting consumer spending behaviour since the second half of 2011, Gucci delivered a solid performance in 2012, confirming the brand's strength and resilience. This was achieved without compromising the values of *Made in Italy*, outstanding quality, craftsmanship, innovation and social responsibility, which make up the brand's DNA.

In 2012, a series of signature events, marketing activities and communication initiatives were carried out, always with the underlying objective to consistently reflect Gucci's duality (Fashion & Heritage) as expressed in the brand's *Forever Now* advertising campaign.

At the beginning of March, Gucci launched this advertising campaign, featuring Charlotte Casiraghi portrayed by four of the world's most respected fashion and portrait photographers, in a series of sittings celebrating the House's renowned icons. The first instalment told the story of Gucci's signature green and red stripe, while the second celebrated the iconic metal horsebit featured on the classic Gucci Loafer (the iconic shoe that has established a legacy) that was first introduced nearly 60 years ago.

In April 2012, Gucci invested in several events in China, with the highlight being a cocktail hosted in honour of the Chinese actress Li Bing Bing and Frida Giannini's first fashion show in China (in Wai Tan Yuan).

Later in April, the brand inaugurated a special archival exhibit entitled *Timeless Touch of Craftsmanship: Korean Heritage Meets 91 Years of Gucci Archive* at the Korea Furniture Museum (KOFUM) in Seoul. The exhibit featured unique and coveted pieces from Gucci's historical archive juxtaposed with the work of Korean furniture craftsmen, in a "Hanok" (traditional Korean house).

In May, maintaining Gucci's sense of responsibility towards people and local areas, and to further promote and develop a unique know-how throughout its supply chain, based on economic and social sustainability, the company further strengthened its relationship with local suppliers, local institutions and social partnerships by renewing the agreement signed in 2009.

At the beginning of June, Gucci presented the new Equestrian Collection, a contemporary tribute to the equestrian tradition that has inspired the House for over 90 years.

Further deepening its historical connections with the world of cinema and in partnership with The Film Foundation of Director Martin Scorsese, Gucci supported the restoration of two film masterpieces: *Once Upon a Time in America* (presented at the Cannes Film Festival in May) and *The Mattei Affair* (presented at the Venice Film Festival in September). Also in Venice, Gucci extended its historical partnership with La Biennale di Venezia by supporting the launch of Biennale College – Cinema. At the same time, the second edition of the *Gucci Award for Women in Cinema* was assigned to Thelma Schoonmaker (editor for the film *HUGO*), recognising her outstanding artistic achievement in filmmaking.

At the end of 2012, Gucci's long-term support of UNICEF surpassed the USD 13 million mark. Gucci has been a UNICEF partner for the past seven years and is currently one of the largest corporate donors to UNICEF's *Schools for Africa* initiative. In July, Gucci introduced the *GG Flag Collection*, an exclusive line of t-shirts and accessories, designed by Creative Director Frida Giannini, to celebrate the launch of UNICEF's *Schools for Asia* initiative. Gucci is the first corporate partner to support this new initiative, which was launched in 2012 to provide access to quality basic education for disadvantaged children across the Asia Pacific region.

With the goal of satisfying the modern consumer's desire for sustainable fashion products in a responsible way, the use of innovative sustainable materials for products and packaging has become a key focus at Gucci. In 2012, the brand launched new eco-friendly packaging for eyewear, the first sunglasses made from liquid wood (an innovative biodegradable material never used before in the eyewear sector) and sustainable soles (a special edition of eco-friendly women's and men's shoes).

The respect for the House's heritage and traditions goes hand in hand with the desire to keep the brand relevant and vibrant for new generations of customers today and tomorrow. A great number of projects and initiatives have broadened Gucci's digital horizons, involving new tools, new platforms and an increasingly focused content creation strategy. These projects include the development of the *Gucci Style* App in eight different languages, and the presence on the most dynamic and up-to-date global and local social networks (Pinterest, Google+, Instagram, SinaWeibo, Youku). As of December 2012, Gucci has almost 10 million fans on Facebook.

Today Gucci offers e-commerce in 27 countries and in seven languages with strong double-digit year-on-year revenue growth. Against this backdrop of long-term experience in luxury e-commerce, Gucci continues to invest significantly in technology, infrastructure and specialised personnel to support the ongoing rapid expansion of its e-commerce business around the world.

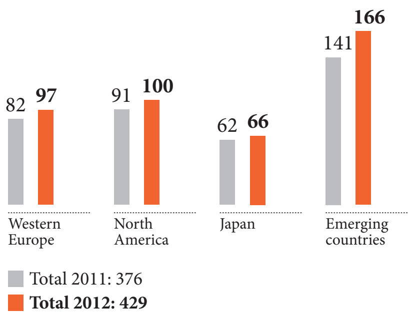
The brand's global recognition is confirmed by Interbrand's Top 100 Brands global ranking (1), which for 13 consecutive years has confirmed Gucci as the world's most valuable Italian brand in all sectors, with a brand value of USD 9.5 billion (up 8% compared to 2011).

In 2013, Gucci's management team will continue the drive for long-term sustainable growth and step up its commitment to customers and the focus on products consistent with Gucci's DNA: heritage, exclusivity, craftsmanship, *Made in Italy*, fashion and sustainability.

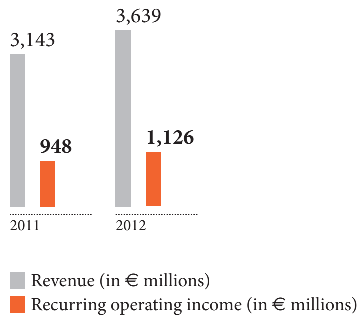
In terms of distribution channels, Gucci will continue to focus on enhancing its direct retail network – with particular emphasis on fast-growing regions, but also on more mature markets such as France – while continuing to rationalize its wholesale channel, especially in Europe.

*(1) October 2012.*

NUMBER OF DIRECTLY-OPERATED STORES BY REGION




REVENUE AND RECURRING OPERATING INCOME



# BOTTEGA VENETA

## 2012 KEY FIGURES

**€945 million**
in revenue

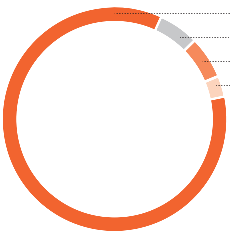
**€300 million**
in recurring operating income

**2,339**
average number of employees

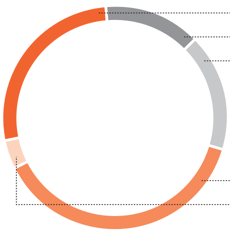
**196**
directly-operated stores

BREAKDOWN OF 2012 REVENUE

By product category




By region




## BUSINESS CONCEPT

Founded in 1966, Bottega Veneta 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 been also engaged in collaborations with key strategic partners that share the same values and commitment to quality and craftsmanship, such as Poltrona Frau (seating), KPM (porcelain), Victor Mayer (fine jewellery), Girard-Perregaux (watches), Safilo (eyewear), Coty Prestige (fragrances), and Rizzoli (books).

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 products are now available to purchase online in 46 countries through the brand's online store.

## COMPETITIVE ENVIRONMENT

Bottega Veneta has always been synonymous with superior craftsmanship, the finest materials, and a design style that is innovative yet timeless. The exceptional product quality is owed to the hands of its Vicenza based artisans, who represent generations of tradition and technique, and are the soul of the brand. Under the creative direction of Tomas Maier and the leadership of Marco Bizzarri, Bottega Veneta constantly re-establishes its luxury lifestyle positioning with products appealing to a sophisticated yet modern clientele who appreciates understated luxury, hidden details and the highest quality of materials. Within a market whose consumers value the pillars on which the brand was built, Bottega Veneta's focus on maintaining the consistency of the brand and never compromising strategy have in fact proven successful.

## 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.

## 2012 HIGHLIGHTS AND OUTLOOK FOR 2013

In 2012, Bottega Veneta enhanced its retail network with selective store openings worldwide, in both emerging and mature markets. In April 2012, Bottega Veneta's first US men's only store was opened in New York City (East 67th Street, off Madison Avenue). Measuring 1661 sq. feet, the boutique is part of Bottega Veneta's new approach to the shopping experience for cities in which the brand is already established, with its concept focused on specialized stores tailored to specific customers and particular neighborhoods.

In addition, Bottega Veneta debuted a new signature concept in Shanghai's Yifeng Galleria. The brand's largest store in China showcases timeless design and an extensive product range from leather goods to ready-to-wear and items for the home. In keeping with the brand's long history of engagement with artists and designers, and as part of its deeply held commitment to issues of corporate social responsibility and support to education and the arts, the second floor has been designed as a permanent gallery space. For the May 2012 opening event, four artisans were brought from the atelier in Vicenza, for local customers to experience the skill and craftsmanship required to produce the brand's signature pieces. The artisans were also on hand to offer a special introduction to the brand's extension of its personalisation service, where select bags can be hand-stitched with initials made of the finest quality crocodile skin.

The first exhibition in a series of thematic and conceptual exhibitions that offer visitors to the store something above and beyond a purely retail experience was unveiled in July 2012. "Damaged Heritage: Jiangnan in Contemporary Photography" featured works by seven contemporary photographers from the Jiangnan region who explored the way traditions and culture in the region, have been impacted by modernization and industrial development.

Various activities and projects also contributed to Bottega Veneta's success in 2012.

January 2012 marked the start of the three-month long course on bag design and product development, launched by Bottega Veneta, *Università Iuav di Venezia* and *Giacomo Rumor – Centro Produttività Veneto* Foundation. Attended by 15 students from around the world, including three students from Japan who were given the opportunity as part of the charitable initiative launched in 2011, the course aimed at giving these young designers the chance to receive valuable life-long skills to succeed in their future career.

Pursuing the values of understated luxury, personalized service, and distinctive local character, in March 2012, the Lake Suite Bottega Veneta, designed by Tomas Maier, was unveiled at Park Hyatt Chicago. The suite, overlooking the lake and inspired by the city in concept, combines the luxury and craftsmanship of Bottega Veneta with the rhythms and lines of the city.

In April 2012, Bottega Veneta introduced *Initials*, a service available exclusively online at Bottega Veneta e-commerce stores that allows its customers to personalise select products with initials. The service adds another dimension to Bottega Veneta's famous motto, "When your own initials are enough", combining the beauty of Bottega Veneta's handcrafted *intrecciato nappa* with the elegance and individuality of a monogram.

To further reinforce its positioning as a Luxury lifestyle brand, during the April 2012 Salone del Mobile in Milan, Bottega Veneta presented its expanded home collection at the company's headquarters. With many additions, novelties and re-interpretation of its more iconic furniture styles, the evolution of the home collection combines superb craftsmanship with modern, functional design.

Bottega Veneta, together with Vogue and RED Camera, offered an incredible opportunity for young and emerging photographers to be critiqued by leaders in the industry and win a prize package to advance their career. In July 2012, the winner (An Le) of the New Exposure Photography Contest was announced during a ceremony held in New York, having been voted on by a panel composed of Creative Director Tomas Maier and a prestigious group of some of the most important figures in the art and business of photography. Bottega Veneta accompanied this competition with a social media campaign which engaged fans, creating a unique user experience. The event further positioned the brand as a leader in the field of promoting new young artists.

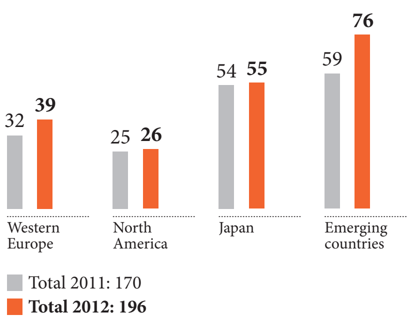
During Fashion's Night Out in September 2012, Bottega Veneta introduced a group of earth-friendly handbags. These bags produced using sustainable and environmentally friendly processes, share the signature design details of Bottega Veneta's renowned leather goods, and are handcrafted by the brand's artisans in Vicenza to the same exacting standards as all Bottega Veneta products. Available in two styles, in either jersey or Japanese washi paper, the group of bags was created in response to customers' requests for sophisticated non-leather, earth-friendly bags. Unveiled to the press during the presentation of the Cruise 2013 collection, a special group of 100 bags in jersey was made available for pre-release sale during Fashion's Night Out.

Following the launch of its first women's fragrance and products for bath and body in June 2011, Bottega Veneta *Eau Légère*, a lighter version of the *Eau de Toilette*, was presented in September 2012, along with the Women's Spring & Summer 2013 Collection. The first Bottega Veneta fragrance has proven successful, which has been confirmed by the 16 awards Bottega Veneta achieved from the initial launch.

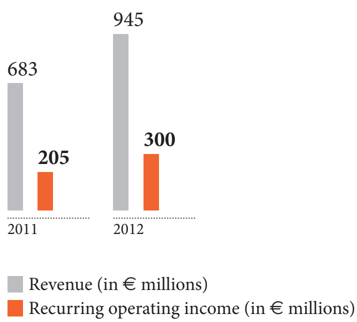
In October 2012, Bottega Veneta introduced its first monograph dedicated to the world of Bottega Veneta, published by Rizzoli International Publications and entirely produced in the Veneto region of Italy. The elegant volume is an ode to the collaboration between artisan and design and represents the evolution of the company over the past 10 years. The exclusive in-depth look at the rare artistry and craftsmanship behind the brand has been designed and edited by Tomas Maier in collaboration with Sam Shahid on art direction and many of today's leading fashion journalists.

In 2013, 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 2012 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. E-commerce will also be strengthened, with Bottega Veneta joining the new joint venture platform created by PPR and Yoox.

NUMBER OF DIRECTLY-OPERATED STORES BY REGION




REVENUE AND RECURRING OPERATING INCOME



# SAINT LAURENT PARIS

## 2012 KEY FIGURES

**€473 million**
in revenue

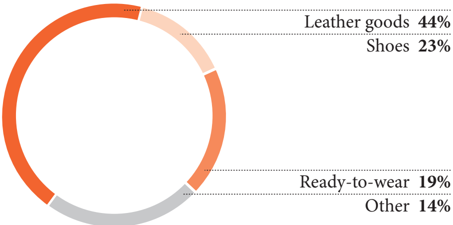
**€65 million**
in recurring operating income

**1,208**
average number of employees

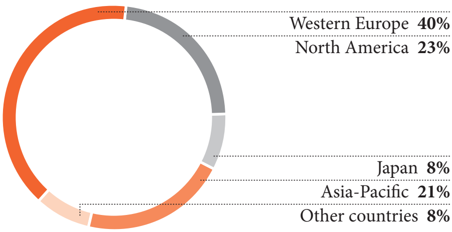
**89**
directly-operated stores

### BREAKDOWN OF 2012 REVENUE

By product category




By region




## BUSINESS CONCEPT

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion houses of the 20th century. Originally an haute couture house, Yves Saint Laurent revolutionised modern fashion through the introduction of luxury ready-to-wear in 1966 under the name Saint Laurent *Rive Gauche*. An undisputed reference for Parisian elegance, the fashion house remains a treasure of French heritage and a leading force in international fashion and luxury.

Under the leadership of Paul Deneve, CEO, and Hedi Slimane, Creative Director, Yves Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, handbags, shoes, small leather goods, jewellery, scarves, ties and eyewear. 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 89 directly-operated boutiques which together generated 60% of the total 2012 brand revenue – including flagships in Paris, New York, London, Milan, Hong Kong, Shanghai and Los Angeles. The house is also represented in select multi-brand boutiques and department stores around the world.

## COMPETITIVE ENVIRONMENT

Since its creation, Yves Saint Laurent has held enormous influence within and outside the fashion industry. Throughout the years, the fashion 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, and the embodiment of inimitable French elegance. The universe of Yves Saint Laurent remains one in which the individual is exalted and empowered.

Yves Saint Laurent competes globally with other French high-end exclusive luxury brands and occupies a leading position in the accessories sector. Under its new Creative Director, Hedi Slimane, ready-to-wear is again becoming a strong component of its overall product offer.

## STRATEGY

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

Consistent with the fashion house's approach, the brand leverages and reinforces its historical prominence in ready-to-wear to support strong growth categories, such as leather goods, shoes and other accessories.

## 2012 HIGHLIGHTS AND OUTLOOK FOR 2013

In March 2012, Yves Saint Laurent opened a promising new chapter in its history by announcing the appointment of Hedi Slimane as Creative Director.

Eager to lead Yves Saint Laurent into a new era, while recapturing the impulses of "youth, freedom and modernity" that inspired the founder to launch Saint Laurent *Rive Gauche* ready-to-wear in 1966, Hedi Slimane decided to rename the ready-to-wear and accessory lines "Saint Laurent". This new "retro branding" was introduced in June 2012, and was in place by the time Hedi Slimane's first designs for Saint Laurent hit the stores in January 2013.

Since his arrival, Hedi Slimane has redefined the men's and women's collections for Saint Laurent and worked on new lines for shoes, leather goods, silk and jewellery. He has also reworked certain best-selling products such as the *Cabas Y* bag and the *Tribute* shoes.

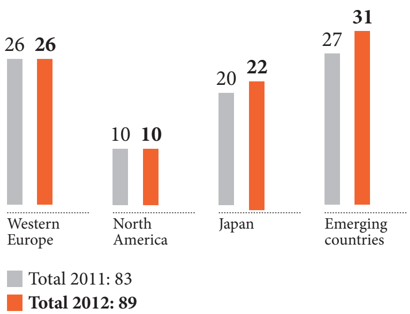
In October 2012, Saint Laurent unveiled its new store concept – inspired by the techniques and materials of French art deco and designed by Hedi Slimane – and opened a new flagship in Shanghai.

The new ysl.com website, also redesigned by Hedi Slimane, was launched in October 2012. The website features rich content and is a dynamic e-commerce platform that also forms part of the overall cross-channel retail strategy.

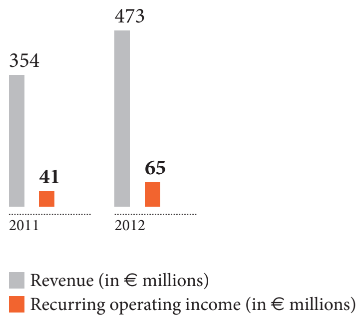
Social media initiatives were met with extraordinary success as social platforms were fully integrated into global communications practices and strategies. As of December 2012, Yves Saint Laurent had nearly 1.2 million fans on Facebook and was one of the most popular luxury brands on Twitter with over 1.1 million followers.

In terms of distribution, the company will continue an ambitious expansion of its global retail presence featuring its new store concept. The focus will not only be on emerging markets but also on further development in the USA, Europe and Japan. Existing stores will also be progressively redesigned with the new store concept.

### NUMBER OF DIRECTLY-OPERATED STORES BY REGION




### REVENUE AND RECURRING OPERATING INCOME



# OTHER BRANDS

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

## 2012 KEY FIGURES

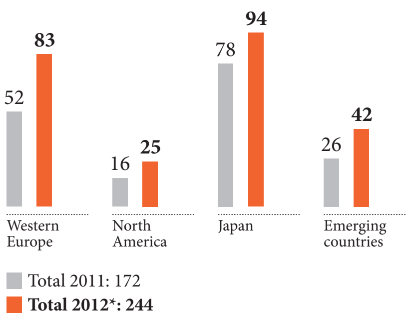
**€1,156 million**
in revenue

**€120 million**
in recurring operating income

**4,500**
average number of employees

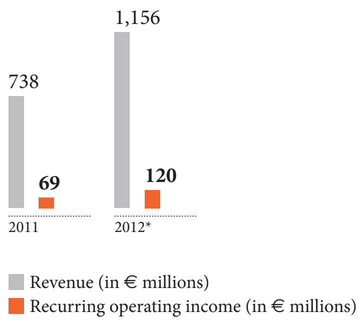
**244**
directly-operated stores

### NUMBER OF DIRECTLY-OPERATED STORES BY REGION




* Brioni was consolidated in PPR's financial statements as from 1 January 2012.

### REVENUE AND RECURRING OPERATING INCOME




* Brioni was consolidated in PPR's financial statements as from 1 January 2012.

# 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 2012, the brand continued to enjoy the strong momentum experienced since the appointment of Sarah Burton as Creative Director. In addition to the steady growth of its wholesale channel and the extension of its e-commerce services to 28 European countries, the brand continued to develop its retail network with the opening of five directly-operated stores across all regions (Miami, Hong Kong, London Savile Row and two in Shanghai).

In addition, a new store concept, more in line with the brand image, had been introduced in the new flagships opened in 2012. At the end of 2012, Alexander McQueen brand operates 20 directly-operated stores.

Over the last few years, Alexander McQueen also opened several shop-in-shops with leading store chains across the world. Since 2006, alongside the successful retail business, the brand has continued 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 2012, the franchise network comprised of six stores, including Bangkok, which opened in September 2012.

The development of the McQ label, re-launched in 2011 via its wholesale channel and the opening of six retail concessions in department stores in Japan, continued in 2012 with the opening of the brand's first flagship store in London Dover Street. At the end of 2012 McQ brand operates seven directly-operated stores. A franchise network was also opened in Hong Kong and China in the first half of 2012 (two franchise stores opened in Hong Kong and Beijing).

In 2013, Alexander McQueen will continue to leverage two strategic licences designed to market its creations to a wider international public: eyewear with Safilo SpA and high-end footwear with PUMA.

# 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.

In December 2012 Alexander Wang has been appointed Creative Director of the Balenciaga Fashion House, with the responsibility for designing the brand's women's and men's ready-to-wear and accessories collections as well as for Balenciaga's image. With his proven talent, modernity and cosmopolitan vision of design, Alexander Wang will naturally embrace and enrich the unique heritage of this fashion House created by Cristóbal Balenciaga.

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 *Florabotanica* in the fourth quarter 2012 following the successful *Balenciaga Paris* and *L'Essence* Balenciaga in the previous years.

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 five years, under CEO 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 15 additional openings worldwide in 2012, leading to a total network of 69 stores worldwide, in addition to 30 e-commerce sites (US, UK and 28 European websites). In June 2012, Balenciaga opened a new Parisian flagship rue Saint-Honoré. Two stores were also opened in Italy (Venice and Rome) and one in Hawaii (Ala-Moana). The department store network has been further extended with two shop-in-shops in Paris (Le Bon Marché, Galeries Lafayette Homme) and three shop-in-shops in Japan.

Balenciaga further strengthened its position in Asia during 2012 by pursuing the roll-out in mainland China initiated in 2009, and with three additional openings in Shanghai, Nanjing and Shenyang on top of the nine existing stores, as well as the opening of two stores in Taiwan and one 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 in both mature markets and in Asia are planned for 2013. The roll-out of e-commerce services will also be pursued as Balenciaga will join the new joint venture platform created by PPR and Yoox.

# BOUCHERON
PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous Maison was established across four generations of the founder's direct descendants. He soon acquired fame as an expert in precious stones and as a master of *savoir-faire* in creating innovative jewellery and watches. With his first 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. For more than 150 years the first jeweller on Place Vendôme, Boucheron has embodied excellence in Jewellery, High Jewellery and Watchmaking. Each collection draws on the history and the values of the Maison, celebrating a modern prowess that is constantly reinvented. Each watch and jewellery creation sublimates exceptional stones with the precious material of which it is sculpted. Instantly recognisable, the Boucheron style is the expression of French elegance that never ceases to create the classics of tomorrow.

Boucheron creates and markets jewellery and watches all over the world through directly-operated stores including, the Place Vendôme flagship, franchise boutiques, department stores and exclusive multi-brand boutiques.

In 2012, the French jeweller made a successful return to the renowned *Biennale des Antiquaires* at the Grand Palais in Paris, with a magnificent and acclaimed new High Jewellery collection called *L'Artisan du Rêve*. More than 16,000 visitors admired the new light-catching and feminine collection inspired by the heritage of the Maison. Archive pieces were also on display, drawing visitors into the world of the Parisian master jeweller. This presentation also characterised the first Boucheron collections under the guidance of the CEO, Pierre Bouissou and Creative Director Claire Choisne, who both joined the Maison in 2011.

Girard-Perregaux and Boucheron also pursued their collaboration with the creation of the extraordinary Cypris and Serpent *Tourbillons with Three Gold Bridges*. These timepieces, presented during Baselworld and the *Biennale des Antiquaires* (Paris), represent the perfect marriage between *Haute Joaillerie* and *Haute Horlogerie*.

Another high point of the year was the launch of the Maison's new website in four languages (French, English, Japanese and simplified Chinese) in the colours of its new visual identity. This new digital platform offers a true journey to the heart of the world of Boucheron, encouraging visitors to discover its collections, its history of over 150 years and its time-honoured *savoir-faire*. With its simplified user-friendly interface and compatibility with all browsers and mobile devices, the brand's new digital platform opens the door to *26 Place Vendôme*. Boucheron also launched its Weibo page, the first Chinese social network. In opening this page, Boucheron is strengthening its foothold on the Asian market and acting on its commitment to move closer to the Asian community by offering brand content, but also exclusive local news and information.

Boucheron continued to expand its network in 2012 with the opening of its first directly-operated store in Hong Kong. The brand has also developed its network of franchise stores and exclusive distributors particularly in Greater China, with the opening of a new boutique in Tianjin, and in the Middle East, with the refurbishing of the boutique in Dubai.

# Brioni

Brioni, a brand founded in 1945 by Nazzareno Fonticoli, a tailor from Penne in the Abruzzo region of Italy, and Gaetano Savini a business man from the Umbria region, has developed a very strong international appeal.

Managed by Francesco Pesci (CEO), Brioni is currently one of the world's most famous men's tailoring houses and the symbol of classic and timeless Italian elegance. In 2007 and again in 2011, the Luxury Institute of New York named Brioni as the most prestigious men's luxury fashion brand in America.

Brioni boasts unequalled sartorial know-how in men's ready-to-wear and made-to-measure clothing based on a tradition of *Made in Italy* craftsmanship. Brioni's willingness to pursue this know-how is illustrated by the following three guidelines:

- The Method: Brioni is an entire world of "custom made" clothing, built around 25 thousand different combinations and the ability to create a fully customised look. Moreover, Brioni's know-how is carefully preserved in its sartorial workshops, the largest of which is located in Penne.
- The Master Tailor: First and foremost, Brioni's production capacity is sartorial: the tailor is the distinctive element. A Brioni Master Tailor has been trained to achieve excellence and can hone it to the individual customer.
- The School: In 1985, Brioni launched he Nazzareno Fonticoli Scuola Superiore di Sartoria, a tailoring school to perpetuate its know-how. The brand is also a partner of the London's Royal College of Art.

Innovation is a core feature of Brioni's identity: it was the first fashion House to organise a men's fashion show and to introduce a touch of colour into men's wardrobes. Its product range today covers all categories of men's attire as well as leather goods, shoes and other accessories.

In January 2012, Brioni was integrated in the PPR group. In July 2012, the company appointed Brendan Mullane as Creative Director, to reinforce and achieve the company's growth ambitions and to re-affirm its undisputed leadership in the high-end men's wear market.

At the end of 2012 Brioni operates 35 directly-operated stores mainly located in Europe and Japan. Management's strategy for the medium/long term is to expand the retail network and to strengthen Brioni's presence in Asia and in other emerging countries.

Based in La Chaux-de-Fonds, Girard-Perregaux and JEANRICHARD brands are part of Sowind Group specialized in *Haute Horlogerie*. Sowind Group incorporates a manufacturing activity that develops and produces a complete portfolio of high-end watch movements and mechanical watches for its two brands and third parties, including brands in the PPR group such as Bottega Veneta and Boucheron.

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*. Girard-Perregaux is mastering the art of watchmaking encompassing the whole process from the creation of the components to the forging of its "heart", the movement. The brand's constant goal is to create innovative and modern products. Girard-Perregaux is present in 60 countries and in more than 500 prestigious department and specialties stores as well as 15 boutiques (one of which directly-operated) located in Asia, the United States and Europe.

Michele Sofisti, CEO of the Sowind Group, applies a strategy 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.

Girard-Perregaux has implemented a new communication strategy aimed at creating a bridge between its rich past and its future. In particular, "The New Face of Tradition", an industry first, presented in a print and digital journal, showcases the work of its incredibly talented young watchmakers and the diversity of their passions and interests.

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.

In 2012, JEANRICHARD launched its new identity and strategic development based on its communication pillars of traditional watchmaking, land, water and air. Respectively, the collection embodies these pillars with the "1681" (heritage credentials), the "Terrascope", the "Aquascope" and the "Aeroscope". For each of these environments, JEANRICHARD aspires to tell stories of people whose passions have driven them to do extraordinary things.

In 2013, Girard-Perregaux and JEANRICHARD will participate to the watch fair in Basel (Baselworld).

# sergio rossi

Since its establishment 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 shoes enhance the female silhouette, becoming powerful instruments in the modern art of seduction.

At the Sergio Rossi 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 achieved global presence – from London to Tokyo, Shanghai to Paris and from bustling city streets to the glamour of the red carpet.

Sergio Rossi footwear and accessories are sold both through directly-operated stores and franchise boutiques, as well as in selected department and specialty stores.

The new store concept launched in 2010 in the Rome flagship store, has now been rolled out in 32 stores worldwide as part of a global refurbishment plan.

In 2012, Sergio Rossi opened six directly-operated stores including its first store in Macao, reinforcing its presence in the Asian region.

Sergio Rossi e-commerce channel will be supported by the re-launch of the website in collaboration with Yoox.

# STELLA McCARTNEY

Known for the strong ethical values reflected in her collections as well as her inspirational yet wearable appeal, Stella McCartney launched her own fashion House in partnership with PPR in 2001.

Over the last decade, the Stella McCartney brand has experienced incredible and exponential growth in both wholesale and retail channels as well as in the range of her collection.

While still driven by a global wholesale business, where key wholesale partners remain confident in the brand's further growth with Stella McCartney being a fundamental part of their portfolio and revenue, 2012 was a year of expansion particularly in the retail channel.

This year the brand opened 11 directly-operated stores, including its first store in China (Shanghai-Reel). At the end of 2012 Stella McCartney operates a total network of 21 directly-operated stores, in cities such as London, New York, Los Angeles, Paris, Milan, Shanghai and Tokyo.

In addition in July 2012, Stella McCartney started operating as a directly owned business unit in Japan to distribute its collections. The brand took over the operations directly, ending a long distribution partnership with local partner, Unit and Guest. In Japan, today Stella McCartney operates five directly-operated stores.

On the distribution side, Stella McCartney's collections are now distributed in over 50 countries across more than 650 wholesale accounts, including specialty shops and department stores, of which there have been several additions, as well as revamping of some key historic locations (such as Harvey Nichols & Selfridges in the UK) in 2012.

Primary product categories are still women's ready-to-wear and accessories. The brand also includes lingerie, eyewear, fragrance and kids wear as well as the sport collection developed in partnership with adidas.

2012 also contributed strongly to building brand awareness with a steady and consistent exposure of the brand to the fashion scene. Events included a one-off presentation of the Evening collection in London, the Olympic games (where Stella McCartney designed the GB team kit), the launch of her latest fragrance L.I.L.Y., and leading the 2012 British Fashion Awards with two prizes (Designer of the Year and Designer Brand awards).

In 2013, the brand will focus on consolidating the latest retail openings, especially in Asia, which remains a key strategic priority to further grow and exploit the potential of the brand.

The retail channel will also be supported by the re-launch of the website in 100 countries in collaboration with the joint venture company created between Yoox and PPR to support the digital media growth of the luxury group brand.

Further growth is also planned in the wholesale channel.

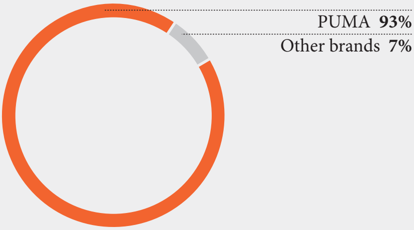
# SPORT & LIFESTYLE DIVISION

## 2012 KEY FIGURES

# €3,532 million

**in revenue**

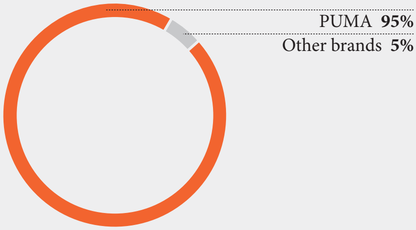
Breakdown by brand



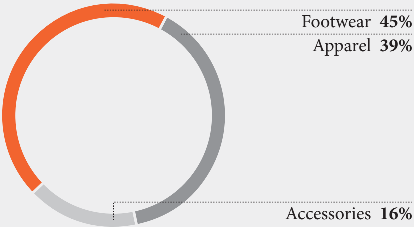

# €305 million

**in recurring operating income**

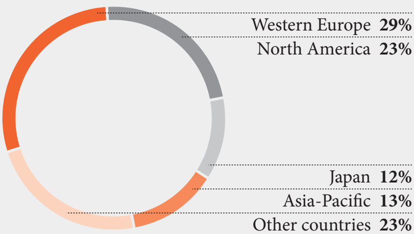
Breakdown by brand



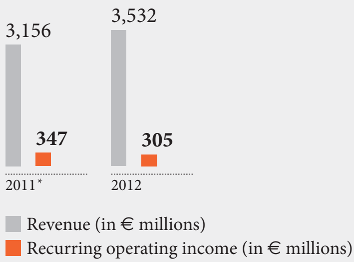

Breakdown by product category




Breakdown by region




**Revenue and recurring operating income**




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

## 2012 KEY FIGURES

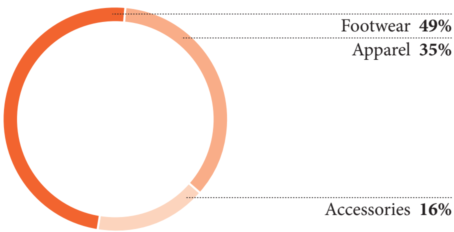
**€3,271 million**
in revenue

**€290 million**
in recurring operating income

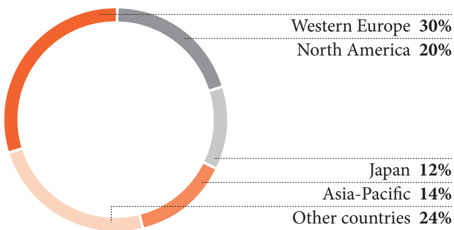
**10,935**
average number of employees

### BREAKDOWN OF 2012 REVENUE

By product category




By region




## BUSINESS CONCEPT

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

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

The company is 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.

## COMPETITIVE ENVIRONMENT

Competition in the Sporting Goods market continues to intensify across all channels, segments and regions; with vertical retailers continuing their push in Apparel. Whilst the industry has grown on a worldwide basis, input price pressures from rising raw material and labour costs has lowered margins in most areas. As such, many local players in the Sporting Goods market have been squeezed by current conditions, particularly in Asia.

## STRATEGY

At the end of 2010, PUMA set out its roadmap to 2015 with the following main objectives:

- to be the most desirable and sustainable sportlifestyle company in the world;
- to increase sales by nearly 50% in 5 years;
- to focus on core categories, its top 12 markets and key emerging businesses;
- to develop the group beyond the PUMA brand.

Faced with more difficult market conditions than expected in Europe, PUMA's management has decided to enhance and accelerate the brand's transformation, including several additional initiatives compared to the initial plan. The main objectives remain the same, but the execution of the strategy had been adapted to this new environment.

### Transformation

The scope of PUMA's transformation was broadened in 2012. In addition to encompassing process re-engineering to shorten time-to-market, investments in the supply chain and IT, and the "Retail 2.0" approach, the plan now includes the following:

- Reorganisation in Europe to improve style commonalities within the regions, and also reducing duplicated functions within similar countries. Twenty three countries were reorganised into seven geographic areas: France, Italy, DACH (Germany, Austria and Switzerland), Iberia (Spain and Portugal), UKIB (United Kingdom, Ireland and Benelux), Nordic and Eastern Europe. Each region has a hub country where all back office operations are concentrated, with the associated countries retaining sales and marketing teams that are well attuned to each country's requirements. Additional synergy will be derived from using a single warehouse per region.
- Continued investment in supply chain technology with the goal of obtaining a unified platform throughout Europe. In the longer term, this regional setup in Europe will be applied to PUMA worldwide.
- Reorganisation of PUMA's retail operations. Selected retail stores which are not contributing satisfactorily to the bottom line will be closed, particularly in Europe and the USA. This will not, however, hinder PUMA's expansion in emerging markets, where stores will continue to open in selected locations.

### Brand and Marketing

As part of its Transformation Program, and coinciding with an extensive review of the current marketing teams set-up, PUMA's approach to brand marketing will be further fine-tuned, in order to better articulate the link between performance and lifestyle. This should allow PUMA's marketing efforts to attain sharper and clearer consumer profiles, with a more focused approach aimed at emphasizing performance and highlighting the technical aspects of products, while still underscoring the link with lifestyle.

### 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 on the geographic areas where they will resonate most.

As part of the extended Transformation Program, management has assigned responsibility for certain categories of products to specific areas in order to sharpen their focus in terms of product development, merchandising and marketing. As a result, Golf, Running and Fitness will be located in Boston, Lifestyle in London, and Teamsport and Motorsport in Herzogenaurach (Germany).

### Growth Drivers

PUMA continues to focus on improving sales in the designated top 12 markets, six of which are mature (the USA, Japan, Germany, Italy, France and the UK) and six 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 stem from these markets, which will then account for 60% of total revenue. There will also be added focus in Western Europe, where sales fell short of expected levels in 2012.

### Development of COBRA and Tretorn brands

PUMA continues to work on the expansion of its non-PUMA brands, Tretorn and COBRA Golf. These brands are expected 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 market. In October 2012, Markus Wonko was appointed CEO of the Tretorn Group. The mission of the new management will be to fulfil the potential of Tretorn as a world-class outdoor brand by rapidly expanding the business with further investment in product development and design as well as international sales.

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 leading 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 demonstrating further momentum and growth. The primary focus remains the USA and Japan, as well as Korea, the UK and the Scandinavian region. COBRA PUMA GOLF delivered excellent results once again in 2012.

## 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 ever 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, minimising both business and environmental risks. PUMA extended this analysis to the product level and published the first Product EP&L in 2012. The company assessed the environmental costs for a sustainable and conventional footwear style as well as for a sustainable and conventional T-shirt.

PUMA will publish its next Environmental Profit and Loss Accounts during the first half of 2013.

PUMA also introduced biodegradable and recyclable products such as Lifestyle footwear, polo shirts, T-shirts, track jackets and bags.

PUMA also opened its first sustainable store in Bangalore, India. Incorporating elements such as recycled steel from old bicycles and boxes and superior design allowing 90% of interior spaces to be lit by sunlight, PUMA once again underlined its commitment to innovative and sustainable design.

PUMA has been rewarded for its PUMAVision sustainability efforts through numerous ratings and awards. In 2012, PUMA was the overall winner of last year's Guardian Sustainable Business Awards and also won the award in the category "Biodiversity" for the PUMA E P&L. PUMA beat 35 other companies and projects from the shortlist to become overall winner. The Guardian Sustainable Business Awards (GSBAs) reward best practice in sustainable business, showcasing innovative corporate initiatives.

PUMA was also the highest-ranked company according to EIRIS' latest report 2012, which assesses the sustainability performance of over 2,000 global large cap companies by examining the extent to which a company has positive or negative social, environmental or governance (ESG) impacts or risks. EIRIS is a leading global provider of independent, global research into the environmental, social, governance and ethical performance of companies.

PUMA also continues to be listed in the *Dow Jones Sustainability Index*, as well as *FTSE4Good*.

## 2012 HIGHLIGHTS AND OUTLOOK FOR 2013

2012 was a transitional year for PUMA. In addition to the enhanced Transformation Program, there were changes on the Board. Klaus Bauer (Chief Operating Officer) and Antonio Bertone (Chief Marketing Officer) decided to stand down at the end of the year. Jochen Zeitz also decided to leave his position as Chairman of the Administrative Board. Jean-Francois Palus was elected to replace Jochen Zeitz, as of December 1, 2012.

In December 2012, Franz Koch, by mutual agreement with the Administrative Board of PUMA SE, stepped down from his position as CEO of PUMA and member of the Group Executive Committee. He remains CEO of PUMA until the end of March 2013.

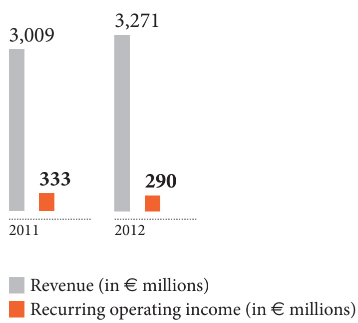
PUMA continued to develop Sports Performance partnerships in 2012 and registered success with its existing partners. The Italian national football team made it to the finals of euro 2012. Yaya Toure (Ivorian of Manchester City) signed a deal with PUMA for the supply of football boots to under-privileged children in Africa. Borussia Dortmund made a fine start to their partnership with PUMA, qualifying for the knock out stages of the Champions League at the top of their group. In Borussia Dortmund, PUMA partners Marco Reus, Jürgen Klopp and Okoyino da Mbabi were voted player, coach and female player of the past season respectively. At the African Cup of Nations, which starts at the beginning of 2013, PUMA will once again sponsor more national teams than any other firm.

At the Summer Olympics, which took place in London in August, Usain Bolt and the Jamaican track team once again stole the show. Usain won three gold medals in the 100m, 200m and 4x100m relay, leaving the competition trailing in his wake. PUMA benefited from the massive exposure received in the media by Usain and his teammates, as well as the excellent PUMA Yard in Brick Lane to further bolster the brand. The PUMA Yard was becoming a must-visit venue in London's popular area Shoreditch during the Olympic Games. The sprawling pop-up concept brought a little bit of Jamaica to the heart of London's industrial past.

COBRA PUMA GOLF continues to excel, with Ian Poulter and Rickie Fowler propelling the brand to new heights. Ian Poulter was the star of the show as Europe stormed back on the final day of the tournament to wrench the Ryder Cup from the United States' grasp. Rickie Fowler won his first USPGA Tour title at the Wells Fargo Championship in Charlotte, NC, once again beating world no.1 Rory McIlroy in the process.

In 2012, as in 2011, PUMA Social was the lead campaign for the Lifestyle category. 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 ping-pong 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



# OTHER BRANDS

- Volcom
- Electric

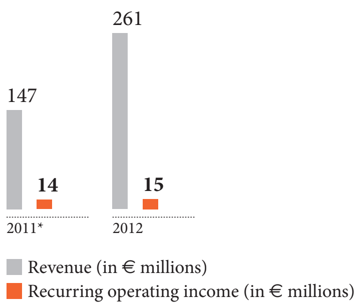
## 2012 KEY FIGURES

**€261 million**
in revenue

**€15 million**
in recurring operating income

**785**
average number of employees

### REVENUE AND RECURRING OPERATING INCOME




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

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. It is the only company in its category with authentic roots in all three board sports: skate, surf and snow. Recently, Volcom added motocross to its roster of riding sports. Volcom reinforces its brand image through the sponsorship of world-class athletes, targeted grassroots marketing events, distinctive advertising and the production of boardsport and youth lifestyle related films, art and music.

With a broad array of products for men, women and boys, and key categories in denim, boardshorts, swim, sandals and outerwear, Volcom is well on its way to becoming one of the world's premiere brands in action Sport & Lifestyle apparel. The Volcom brand is constantly evolving and bringing the action sports lifestyle to an increasing number of people worldwide who share a passion for skateboarding, snowboarding, surfing and motocross, as well as art, music, film and fashion.

In 2012, Volcom strengthened the foundation of its business to drive operational excellence at every level. Branded retail was a key focus for Volcom, with 14 new store openings particularly in France, Australia, the United States and Japan during the year. Volcom also hosted its first Association of Surfing Professionals World Tour contest, which was organised in Fiji and was extremely successful. This event took place amid some of the biggest and most spectacular waves ever seen in Tour history, which further established the brand's authenticity and commitment to action sports. 2012 was also marked by the continued success of Volcom sponsored athletes being featured on the covers of action sports magazines and web sites, along with team rider David Gonzalez winning Thrasher Magazine's coveted Skater of The Year.

2013 will be another exciting year for Volcom, as it globally launches its closed-toe footwear line, developed in cooperation with PUMA, throughout the world in the Autumn. This new category will incorporate Volcom proprietary design signatures which include asymmetric uppers and contrasting outsoles, and is targeted at those involved and influenced by the action sports, music and art lifestyle. Another key initiative in 2013 will be additional investments in resources, marketing and operations in the Asia Pacific and Latin America regions, which are key markets for the Volcom brand and provide potential growth opportunities. Volcom will also continue to expand its retail network following the creation of a new branded retail concept and plans to roll out this concept to 12 new global retail stores in 2013, to bring its global retail footprint to 53 wholly-owned stores. 2013 will also see the re-launch of the new Volcom.com website, which will combine the brand, athlete, product and community into a single unified experience. Volcom will expand the reach of this new e-commerce website experience to Europe and Australia with a focus on social marketing and enhanced content management.

# ELECTRIC

Electric is a global, premium, Sport and Lifestyle accessory brand rooted in southern California's rich action sports, music, art and customization culture. Founded in 2000 by Bruce Beach and Kip Arnette, Electric has built a cult-like brand following an innovative approach to re-engineering classic sunglass and snow goggle designs resulting in unique originals, and continues those themes throughout of all its product and creative endeavors.

Electric's unrelenting approach to the elevation of style, quality and function in its products has earned the brand a renowned position. Today, Electric designs and markets an extensive line of sunglasses, snow goggles, backpacks, luggage and accessories through a primarily action sport and sporting good global retail network including the Americas, Europe, Japan, China and Australasia.

Competition in the action sports eyewear market is mainly-characterised by two main ideas. First, both young and established action sport endemic competitors are vying for a decreasing retail footprint along with non-endemic global brands. Secondly, many of the brands that are entering the market target lower margins and price points.

The lifestyle streetwear and department store channels are also seeing a greater number of new brands; migrating from action sports, licensed from established fashion brands and original emerging brands. Many lack the heritage, quality and authenticity to challenge the market leaders.

Electric plans to accelerate its growth by expanding its product lines, geographical footprint and distribution network. In order to fulfil the brand's mission to become a world-class premium accessories brand, Electric will seek to place its products in premium lifestyle boutique and department store channels, premium sporting goods chains, and select online retail sites, including Electric's recently launched e-commerce platform.

Expansion in Europe, a currently under-penetrated market, from a central office in France will earmark the first phase of an expanded international presence. The second phase of Electric's International expansion strategy will focus on brand recognition and leadership in four key Asian markets: Tokyo, Seoul, Hong Kong and China.

2012 was the beginning of a transition period for the Electric brand. While maintaining its position in current channels, investments were targeted towards key personnel, strategies and products to prepare for the next stage of the brand's growth.

In June 2012, Electric appointed Eric Crane to the position of Chief Commercial Officer to oversee the development of brand growth. A Director of e-commerce was added to the team in late 2012 to oversee Electric's global e-commerce development. A new European Managing Director will be starting in early 2013 to spearhead the development of the brand in Europe, the Mediterranean and the Arab Emirates.

In 2012, Electric successfully launched 17 new sunglass designs, thereby updating an expansive sunglass line. Electric's sunglass business will continue to grow in 2013 with updates to the high-end "Loveless" acetate collection and additional signature models designed with key athletes.

The apparel and accessories line will continue to focus on key items to round out the line with a major focus bags and small leather goods.

In snow, Electric plans to introduce two new snow goggles, the EGV and the EGB2S, to round out the current market-leading offering, as well as a full line of snow helmets. In addition to snow helmets, new product line extensions will include watches and electronic accessories. The watch category will be instrumental in elevating the brand's position beyond the surf and snow core retail channel where it is currently distributed, and will offer a wide range of prices.

Using a freshly re-positioned brand identity, Electric will solidify and elevate its position in action sports, while seeding the fashion, department store and specialty accessory retail channels.

CHAPTER 3

# Sustainability

# 1. SUSTAINABILITY AT PPR

## 1.1. A LONG-STANDING COMMITMENT

For more than ten years, PPR has pursued and implemented a pro-active and 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

- Definition 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 of 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 updated 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.
- 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.

### 2011

- Launch of PPR HOME, the new initiative and organisation dedicated to sustainability.
- Publication of the first Environmental Profit & Loss Account for PUMA.
- Formalisation of the strategic "Gender Equality in Leadership" programme.

In 2012, PPR continued the implementation of PPR HOME, its department devoted to sustainability. The team, which numbers nearly 15 specialists in areas including biodiversity, energy management, change management and performance monitoring, has enabled PPR to define a set of sustainability targets for the coming five years for all of its Luxury and Sport & Lifestyle brands. PPR is committed to extending the Environmental Profit and Loss Account (EP&L) to all of its Luxury and Sport & Lifestyle brands by 2016. This innovative approach will also provide a tool for effectively monitoring and evaluating the Group's actions in the field of sustainability.

2012 was also synonymous with a strengthening of PPR's governance in terms of sustainability through the establishment within the Board of Directors of a dedicated Committee to help define its long-term sustainability vision. The year also marked the operational implementation of the "Gender Equality in Leadership" programme through numerous initiatives, including the launch of a mentoring scheme aimed at fostering female talent.

Lastly, the PPR Foundation for Women's Dignity and Rights extended its work and partnerships in 2012, holding the third edition of the Social Entrepreneur Awards for initiatives combining economic performance and development for the benefit of women.

## 1.2. VISION

By redefining its vision of sustainability and placing it at the heart of its strategy, PPR aims to give more meaning to its activity. Firmly believing that sustainability goes hand-in-hand with quality, a concept inherent to its businesses, PPR aims to develop more innovative, more enduring and more desirable products.

Its commitment to a sustainable business model is an essential component of PPR's transformation into a group of apparel and accessory brands in the worlds of Luxury and Sport & Lifestyle. PPR accordingly encourages its brands to implement new business models that combine growth and a contribution to a better world in economic, social and environmental terms. True to the spirit that is the source of its success, the drive and spirit of entrepreneurship, PPR aims to achieve sustainable growth so as to rank among the companies that create the most value in every sense of the word.

As a global player, the Group intends to assume the role of having a positive influence on society and the environment. As leaders in all their markets, the Group's brands enjoy tremendous recognition worldwide, and can inspire consumers. PPR firmly believes that companies have a responsibility to build on their reputation to advance sustainability issues at all levels of society.

PPR offers its brands considerable freedom in respect to the shared principles defined at the Group level. This involves for instance the setting of ambitious targets that the Group is committed to achieving by 2016 on priority issues such as raw material, support for suppliers, water consumption, waste management and $CO_2$ emissions. The assignment of an individual in charge of sustainability within each brand allows these actions to be implemented more effectively.

The implementation of an EP&L in each of the Group's brands will make it possible to identify and assess the impacts generated throughout the supply chain (from the purchase of raw materials to the point of sale) from the manufacturing and sale of products. It also assigns a monetary value to these impacts so as to more effectively evaluate environmental issues through financial terms, thereby guiding PPR to better business decisions. PPR is the first global group to undertake such an analysis, which will enable PPR to define new business models and new solutions taking ecosystem services into account.

In addition, through its Foundation for Women's Dignity and Rights, PPR supports the elimination of violence against women by giving them the means to contribute to the development of their families and their communities. Since its inception in 2008, the Foundation has established 47 partnerships with NGOs. It also provided support to 85,727 women in 2012. This commitment in favour of women is reflected internally in the "Gender Equality in Leadership" programme, which aims to achieve a better balance between women and men at all levels. The objective is to increase the presence of women on all of PPR's governing bodies and to achieve parity among senior executives by 2015.

## 1.3. DISTINCTIONS, PARTICIPATION IN INTERNATIONAL INITIATIVES AND SUSTAINABILITY RATINGS

In recognition of its commitment to sustainability, PPR received several distinctions given by NGOs and extra-financial rating agencies in 2012:

- **GRI**: in 2012, PPR submited its Reference Document for analysis by the Global Reporting Initiative (GRI), an organisation working to develop a global framework for sustainability reporting. PPR earned an A+, the highest rating awarded by the GRI.
- **Newsweek Green Rankings 2012:** PPR topped the list of luxury and sporting goods sector, and was ranked 44th in the overall ranking of the 500 largest international companies on the basis of their sustainability efforts.
- **CDP (Carbon Disclosure Project):** PPR committed to the *Carbon Disclosure Project* and responded to the annual survey on the integration of climate change initiatives into companies' overall business strategies.
- **Sustainability ratings:** PPR has been included in the main benchmark indices: *FTSE4Good*, *ASPI* and *Ethibel Excellence*.

PPR is committed to internationally recognized sustainability initiatives:

- ***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 annual Communications on Progress are available on the PPR (www.ppr.com) and *Global Compact* websites.
- **SAC:** PPR joined the Sustainable Apparel Coalition (SAC), a group of more than 80 major organisations (brands, suppliers, NGOs, etc.) in the textile, footwear and accessories sectors that are working to reduce the environmental and social impacts related to the industry worldwide.
- **WBCSD:** 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.
- **EPE:** In 2012, PPR joined *Entreprises Pour l'Environnement*, an association of approximately 40 French and international companies committed to working together to give environmental considerations more weight in their strategies.

In 2012, PPR also took part in the Earth Summit in Rio (Rio+20) on the topics of the "green economy" and "natural capital". PPR was also present at the Copenhagen Fashion Summit, which brought together more than 1,200 international participants to address sustainability issues related to the fashion industry.

## 1.4. 2012 HIGHLIGHTS

### Formalisation of a set of sustainability targets to be achieved by the Group's brands within five years.

In 2012, PPR determined a multi-tiered action plan for the coming five years. It aims to build a Group-wide Environmental Profit and Loss Account (EP&L) and to use the results and conclusions to reduce its environmental footprint.

The EP&L, which was launched within PUMA in 2011 and represents the true cornerstone of its strategy, will be extended to all Luxury and Sport & Lifestyle brands by 2015. The EP&L will provide a monetary evaluation of the environmental impacts of the Group's operational and supply-chain activities, and will play a key role in monitoring and improving its environmental performance.

In 2012, PPR also pledged to achieve significant and detailed targets throughout the Group by 2016:

- Evaluating all our key suppliers a minimum of every 2 years and helping guide them to meet best practices and adhere to PPR's Code of conduct;
- Reducing our carbon emissions, waste and water usage resulting from the production of products and services by 25%, while accounting for the growth of our business. All remaining emissions from scope 1 and scope 2 of the Greenhouse Gas Protocol will be offset annually. PPR will continue to partner with offset programs that contribute to the welfare of the community and the conservation of biodiversity in its regions of operations;

- 100% of paper and packaging for PPR will be sourced from certified sustainably managed forests with a minimum of 50% recycled content;
- All our collections will be PVC-free latest by 2016;
- Ensuring all hazardous chemicals have been phased out and eliminated from our production by 2020;
- 100% of gold and diamonds in PPR's products will be sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems which support them;
- 100% of leather from domestic livestock within PPR's products will be from responsible and verified sources that do not result in converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock;
- 100% of precious skins and furs in PPR's products will come from verified captive breeding operations or from wild, sustainably managed populations. Additionally suppliers will employ accepted animal welfare practices and humane treatment in sourcing.

To achieve these targets, PPR HOME is implementing detailed policy and guidelines and will be monitoring performance, with a priority focus on the sourcing and suppliers of raw materials, and subsequent compliance. Additionally, PPR HOME will support the brands to customize action plans and to identify priority issues in order to achieve the overall 2016 Group targets.

## Creation of a Sustainability Committee within the Board of Directors

In March 2012, PPR's Board of Directors decided to establish a Sustainability Committee at Board level. Its role is to advise and guide the Group's sustainability strategy within the Board of Directors. Chaired by Jochen Zeitz, the Committee is composed of Group Directors, including François-Henri Pinault, Jean-François Palus, Patricia Barbizet and Luca Cordero di Montezemolo. Jochen Zeitz left his operational role as Chief Sustainability Officer and Chief Executive Officer of the Sport & Lifestyle Division to join the Board of Directors in November 2012.

In September 2012, Marie-Claire Daveu joined the PPR group as Chief Sustainability Officer and Head of International Institutional Affairs, succeeding Jochen Zeitz as CSO. As a member of the Executive Committee, Marie-Claire Daveu reports to François-Henri Pinault, Chairman and Chief Executive Officer of PPR.

A Sustainability Technical Advisory Group has also been created to assist and advise the Sustainability Committee in its decisions. Its main tasks are to:

- Advise in a forward-looking manner the sustainability efforts to be rolled out by the Group in the coming years;
- Provide technical expertise on the challenges faced by PPR in its sustainability actions.

This group is composed of members of PPR as well as external advisors. Internal members are:

- Jean-François Palus, Group Managing Director, PPR;
- Jochen Zeitz, Director of PPR and Chairman of the Sustainable Development Committee, PPR;
- Marie-Claire Daveu, Chief Sustainability Officer and Head of International Institutional Affairs, PPR;
- Patrizio di Marco, Chairman and Chief Executive Officer, Gucci.

The seat representing the brands will be occupied by a different brand each year.

External advisors:

- Holly Dublin (expert in sustainable international trade, suppliers of raw materials, conservation and community development);
- John Elkington (co-founder of Volans, SustainAbility and Environmental Data Services; visiting professor at Cranfield, Imperial College, University College London);
- Michael Wells (expert in the conservation of natural resources and politics, consultant for international agencies and community organisations, and expert in performance monitoring and assessment programmes in the field of sustainability).

## Launch of a mentoring programme as part of the strategic "Gender Equality in Leadership" programme

PPR firmly believes that gender equality is a major driver of the Group overall performance and is committed to achieving a better balance between men and women at all levels. In 2010, François-Henri Pinault, Chairman and Chief Executive Officer of PPR, launched the "Gender Equality in Leadership" programme, the aim of which is to stem the loss of female talent at all levels of authority, establishing a culture of equality within the Group. The goal is to increase the presence of women on all of PPR's governing bodies by 2015.

2012 marked the operational deployment of the "Gender Equality in Leadership" approach, notably through a mentoring system aimed at linking talented women with senior managers (both men and women). Nineteen women working at PPR benefited from the mentoring programme in 2012. The year-long programme is intended to provide support for the professional and personal development of the Group's female talent and to involve women and men in the topic of diversity.

### Third edition of the Social Entrepreneurs Awards of the PPR Foundation for Women's Dignity and Rights

In line with PPR's values of entrepreneurship, daring and risk-taking, three social entrepreneurs are selected every two years for the economic viability and social value of their project for the benefit of women. On June 21, 2012, François-Henri Pinault, Chairman and Chief Executive Officer of PPR and Chairman of the PPR Foundation for Women's Dignity and Rights, presented awards to three new social entrepreneurs chosen by the PPR Foundation's Selection Committee:

- AFRIpads, which promotes the educational and vocational integration of young girls in Uganda through the use of washable sanitary pads;
- *Filles du Facteur*, which supports the empowerment of women producing crocheted accessories from recycled plastic bags in Burkina Faso;
- *Relmu Witral*, a cooperative preserving the ancestral expertise of Mapuche weavers in Chile.

## 1.5. KEY FIGURES

- 33,439 employees as of December 31, 2012, 58.2% of whom are women;
- 88.6% of employees on permanent contracts;
- 48.7% of Group managers √ are women;
- 13.1% of permanent employees work part time;
- 34.2 years is the average age of permanent employees;
- 5.4 years is the average length of service of permanent employees;
- 299 disabled workers;
- 361,261 hours of training, or 27,676 employees trained;
- 10,041 permanent employees hired;
- 20 ongoing partnerships with the PPR Foundation for Women's Dignity and Rights have provided support for 85,727 women √, and a further 2,182 √ have been targeted by campaigns and projects supported by the Foundation;
- 3,464 social audits √ carried out among the Group's suppliers, including those carried out as part of SA 8000 certification procedures;
- 214,583 tonnes of $CO_2$ emitted by the Group in 2012, including 185,273 tonnes √ attributable to energy consumption and B to B transport;
- The share of electricity purchased from renewable sources reached 7% in 2012;
- Reduction of 6.8% in $CO_2$ emissions from the transport of goods in a context of strong growth in the Group's business.

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 89 and 90.

√ *Verified by the Statutory Auditors.*

# 2. SUPPORTING OUR EMPLOYEES

## 2.1. THE GROUP'S HUMAN RESOURCES PROFILE [1]

Reflecting the PPR group's entrepreneurial culture, its Human Resources (HR) policy has long been founded on human and cultural diversity, which is an ongoing challenge, but more importantly an economic and competitive advantage.

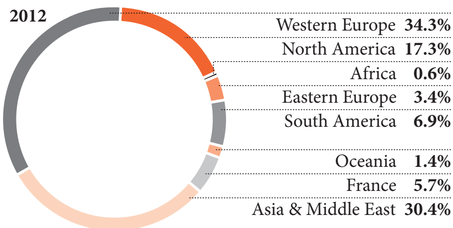
The fair, honest, positive and creative principles of our employees reflects the manner in which each person adheres to the strategic development of the Group and its brands, and is the foundation of its HR policies.

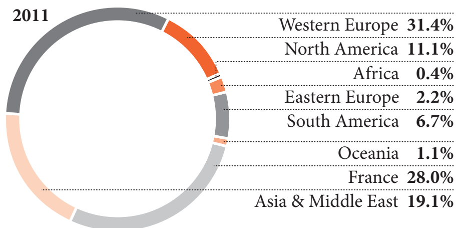
### Workforce

**Breakdown of the workforce as of December 31, 2012 (men/women managers, men/women non-managers) by geographic area [2]**

| | Managers | | | | Non-Managers | | | |
|---|---|---|---|---|---|---|---|---|
| | Women | | Men | | Women | | Men | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Africa | 28 | 22 | 39 | 37 | 65 | 66 | 52 | 49 |
| Asia & Middle East | 780 | 669 | 674 | 563 | 6,155 | 5,510 | 2,551 | 2,211 |
| Eastern Europe | 108 | 95 | 70 | 71 | 584 | 517 | 378 | 333 |
| France | 428 | 391 | 307 | 278 | 767 | 684 | 414 | 372 |
| North America | 496 | 457 | 500 | 459 | 2,447 | 2,175 | 2,334 | 2,123 |
| Oceania | 36 | 31 | 33 | 42 | 253 | 280 | 159 | 171 |
| South America | 101 | 85 | 217 | 145 | 652 | 659 | 1,339 | 1,402 |
| Western Europe | 661 | 622 | 940 | 855 | 5,890 | 4,327 | 3,981 | 3,256 |
| **Total** | **2,638** | **2,372** | **2,780** | **2,450** | **16,813** | **14,218** | **11,208** | **9,917** |

**Change in the geographic breakdown of the workforce as of December 31, 2012 and December 31, 2011 (non-proforma data)**

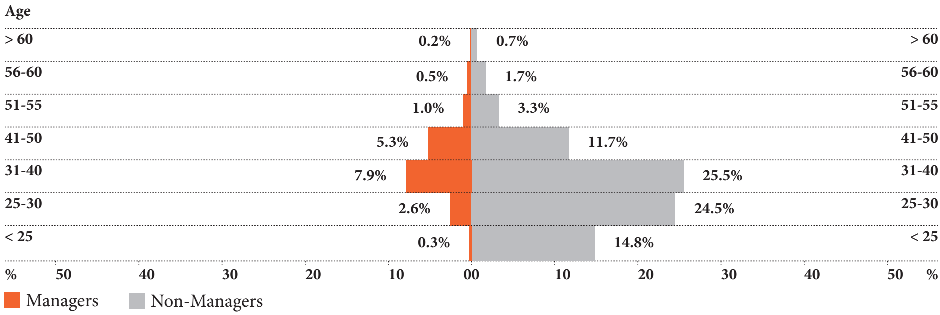



(1) *For every workforce indicator presented, 2011 data have been restated to reflect changes in Group structure in 2012, with the exception of the change in the breakdown of the workforce between 2011 and 2012 by geographic area which is not presented on a proforma basis. The rate of coverage calculated as a % of the Group's workforce as of December 31, 2012 is 100% for all indicators, with the exception of the number of disabled workers indicator which is 80.3% (excluding the United Kingdom and the United States).*

(2) *The table by geographic area includes the following countries and territories:* **Africa**: *South Africa;* **Asia & Middle East**: *China, Guam, Hong Kong, India, Israel, Japan, Korea, Kuwait, Macao, Malaysia, Qatar, Singapore, Taiwan, Turkey, United Arab Emirates, Vietnam;* **Eastern Europe**: *Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Ukraine;* **France**; **North America**: *Canada, United States;* **Oceania**: *Australia, New Zealand;* **South America**: *Argentina, Aruba, 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.*

AGE STRUCTURE OF THE PERMANENT WORKFORCE IN 2012: MANAGERS & NON-MANAGERS




## Hires

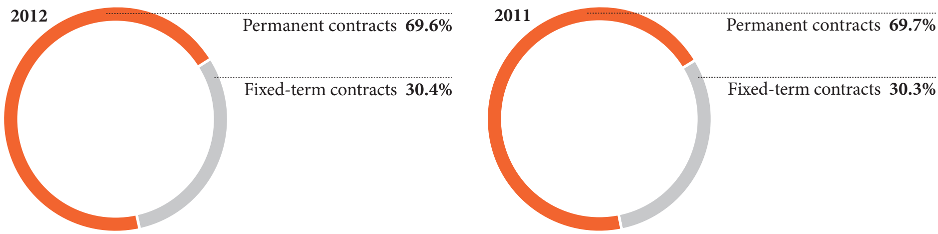
In 2012, PPR continued to attract new talent. In the 59 countries in which the Group operates, 10,041 employees were hired on permanent contracts and 4,375 on fixed-term contracts.

Of the 14,416 employees hired in 2012, 55.5% were women and 91.2% were non-managers.

In addition, the PPR group had a monthly average of 1,326 fixed-term employees across all of its brands in 2012.

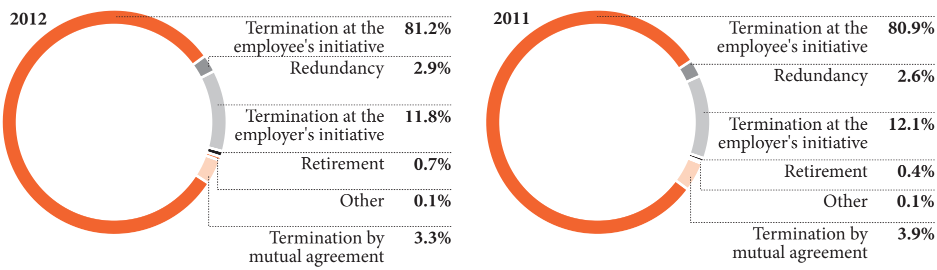
The implementation of its strategy in 2012 allowed the Group to continue its international expansion. To ensure its attractiveness, the Group strives to offer a remuneration policy commensurate with the expectations of applicants in the various countries in which it operates.

BREAKDOWN OF FIXED-TERM AND PERMANENT CONTRACTS AMONG NEW HIRES




Departures of permanent employees, on all grounds, totalled 8,204 in 2012, of which 6,663 at the employee's initiative (81.2% of departures) and 966 dismissals (11.8% of departures).

BREAKDOWN OF PERMANENT EMPLOYEE DEPARTURES BY REASON



## Assistance and redeployment

In 2012, PPR remained faithful to its long-standing commitment to assist and redeploy staff by promoting the internal redeployment of employees and expanding the Group's contribution to solidarity at work. This is expressed through Job Coordination, an internal network set up in 1999, comprising brand representatives who are in regular contact to identify and propose redeployment solutions. The members of the Job Coordination network share a commitment to maintaining common rules for the redeployment of the employees of the Group's various brands.

All of the redeployment and mobility-assistance measures taken by the brands and the Group testify to PPR's sense of responsibility and social investment.

## Remuneration and employee benefits

- Total Group payroll in 2012: €1.2 billion;
- Company-paid social contributions for the brands in mainland France in 2012: €52.2 million.

### Remuneration policy

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

For instance, Brioni has devised a *Sistema Premiante* (incentive programme) to consolidate, develop, stimulate and foster potential within the brand. Its classification as an "incentive programme" is not insignificant: it is a genuine system spanning remuneration policy, career development and training programmes, and gives the means to work as a team on new projects and take up the many challenges facing the Company.

### 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. Each year, evaluations in respect of executive positions are updated. For instance, PUMA performed evaluations of more than 70 senior management positions in 2012.

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 the 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 the Chairmen of Group brands 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. As such, it 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.

### Employee benefits within the Group

In 2012, 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 country of employment. Lastly, expatriate employees benefited from specific coverage implemented by the Group.

In September 2012, Bottega Veneta established a new health and welfare programme for employees in mainland China. It includes an increase in annual leave, medical insurance, a seniority bonus and an aesthetics allowance. The brand also implemented in January 2012 a system of supplementary health insurance for its Italian employees (over 300 employees).

2012 was a very important year for Brioni. The brand improved its benefits for managers and other categories of employees. On December 7, 2012, the brand, in collaboration with trade unions and employee representatives, ratified a new collective bargaining agreement to cement social protection programmes. Brioni decided it was necessary to align its employee benefits policy with its economic situation. All employees will receive special bonuses, eligible for favourable tax treatment, in respect of 2013, 2014 and 2015. Bonuses will be linked to performance, regular attendance and productivity objectives. The collective bargaining agreement sets out grids to define the precise allocation of these bonuses. In addition, the new system of protection provides for the allocation of purchase vouchers to employees, the possibility of obtaining a full refund on public transport expenditure, a 20% refund on fees for extracurricular activities for school children, lower prices at the canteen and a week's paid leave for bone marrow donors.

### Profit-sharing, incentive and employee savings agreements

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

## Organisation of working time

The average working time of the Group's full-time employees was 39.8 hours per week. The Group's refocus on its Luxury and Sport & Lifestyle Divisions, and the consequences in terms of the geographic breakdown of the workforce, led to an increase in average working time compared with the 2011 data (38.5 hours).

In 2012, 3,867 employees had contractual weekly working hours below the standard number in effect within their Company. Staff working part time accounted for 13.1% of permanent employees and were located mainly in the United States and Western Europe. Contractual working hours are spread out on the basis of the specific business and organisation of each brand, either over certain days of the week, or over small slots on all working days.

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 2012, 26,142 overtime hours were recorded in France.

**Overall absenteeism and illness (%)**

| | 2012 | 2011 |
|---|---|---|
| Overall absenteeism rate | 3.88% | 3.20% |
| Rate of absenteeism due to illness | 1.93% | 1.60% |

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.), calculated from the first day of absence.

Across all of the Group's brands, nine employees were recognised as suffering from a work-related illness in 2012.

# 2.2. ENHANCEMENT OF SKILLS AND TALENTS

In 2012, PPR group brands devoted a budget of €16.7 million to employee training, corresponding to 1.4% of the total Group payroll. On this basis, 328,318 hours of training (excluding safety training) were provided across the PPR group brands, and 18,172 √ employees benefited from at least one training course in 2012. Women accounted for 59.6% of the workforce trained in 2012 (excluding safety training). Furthermore, 82.6% of employees trained in 2012 were non-managers.

For more than ten years, PPR has offered development and training programmes, such as those provided in the PPR *UniverCité*, and programmes aimed at raising awareness on specific major issues, such as those offered in the PPR *Digital Academy*, in connection with the Group's strategy. Each year, hundreds of senior managers and executives within the Group benefit from the "PPR effect" and Group synergies. Performance culture, internationalisation, innovation, digitisation and entrepreneurship are central to these programmes every year.

Lastly, each brand also organises training programmes directly related to its operational realities, focused closely on local management teams.

## PPR *UniverCité*

In 2012, *UniverCité* focused its activities on PPR's high-potential senior executives (Leadership Development Programme), following two groups and preparing to reposition itself to support the Group's development. It caters to talent detected each year within the Group's brands, resources and key functions.

Participants in the fifth session of the programme continued their 18-month course with a finance seminar dedicated to the creation of value and the analysis of risk. The programme ended with a concrete societal project to be carried out under a time constraint in an unusual environment: support for a social entrepreneur in India in connection with the programmes of the PPR Foundation for Women's Dignity and Rights.

√ *Verified by the Statutory Auditors.*

Members of the sixth session, consisting of 14 participants, began with a new assessment tool and 360° feedback. The course then involved a Learning Expedition to Asia, aimed at giving participants a better understanding of markets in Singapore and Indonesia. The 18-month course will be completed by three seminars and a solidarity project.

## The 360° project: developing leaders

In 2012, PPR's Human Resources Development Department launched 360° feedback with the chairmen of the brands to support them in their development. The Bottega Veneta, Boucheron, Sowind and PPR Corporate management teams benefited from 360° feedback. 360° feedback is a process aimed at gathering information on the perception of a person's skills from several sources (supervisors, colleagues, employees, customers, etc.), with a view to enhancing and developing them.

## PPR *Digital Academy*

Following its launch in September 2011, 2012 marked the first full year of the PPR *Digital Academy* programme, led by PPR's Human Resources Development Department. The *Digital Academy* is part of PPR's digital strategy. It is a programme for the Luxury and Sport & Lifestyle brands aimed at:

1. Promoting a digital culture spanning the entire PPR group;
2. Developing the activity of the brands, fostering innovation and supporting the transformation of the Group's strategy;
3. Raising awareness of digital issues among managers whose jobs do not bring them into this area and enhancing the expertise of digital teams;
4. Uniting the Group's employees within an international digital community.

In 2012, the PPR *Digital Academy* held 40 training sessions (107 days of training) for 400 senior executives and key people within the Group: the PPR Executive Committee, the chairmen of the brands and their senior management teams (all functions combined), as well as e-business/digital managers and digital experts. They were held in eight cities on three continents: Paris, London, Florence, Milan, New York, Boston, Tokyo and Hong Kong.

In addition to these sessions, two Learning Expeditions were organised for e-business/digital managers to Tokyo and London. More than 20 innovative firms were visited during these expeditions.

## "R&D": developing talent

PPR's Human Resources Development Department has for several years held international seminars under the "Resources and Development" banner, allowing the Company's "talents" to bolster their strengths and develop their skills. Three sessions were held in 2012, for a total of 30 people from all brands worldwide.

Each session begins with 360° feedback and a test allowing participants to better understand how they are perceived by their professional colleagues and to better grasp their personality. The seminar continues by placing participants in practical situations, following which they receive individual, structured and thorough feedback. The three-day programme concludes with the drafting of a personal development plan. The brand's Human Resources Department provides support for the individual development plan throughout the year.

## Training by the brands

Training provided by the Group's brands revolves mainly around three key issues.

### Identifying and developing talent to support future leaders and organise succession plans

In June 2012, Gucci launched its Human Capital Planning Process programme. Its objectives are the management of human capital, the retention of the best talent, development, diversity and inclusion. The process resulted in talent mapping of the upper two echelons of the organisation and all stores across Europe.

Similarly, Bottega Veneta launched a leadership programme known as "GoAll" to forge a culture of leadership and feedback, thereby enhancing the knowledge and practice of management by objectives. Forty store managers and 20 back office Directors were involved in pilot sessions held in May, October and December. Yves Saint Laurent set up a new department within its Human Resources Department tasked with identifying and supporting talent globally, and ensuring the harmonisation and monitoring of processes relating to HR development. An internal communication position was also created within this structure.

Brioni introduced a system known as MAP-D (Management Assessment, Planning and Development) aimed at mapping its managerial resources, identifying their strengths and weaknesses, and defining individual development and succession plans. In 2012, Brioni also organised ad-hoc training sessions on the results obtained from the MAP-D process.

At PUMA, the talent management strategy is to identify and develop talents as early as possible in support of the goal of growing the business. The "People@PUMA" management system is used by 3,717 employees worldwide.

In 2012, the process was rounded out by a succession-planning tool for key positions. In addition, PUMA's International Leadership Programme aims to develop leadership skills to support the business strategy, both globally and regionally. The programme also encourages employees to adopt a fair, honest, positive and creative attitude, in line with the Group's values. Following the positive feedback from pilot groups and demand from regions at the end of 2011, the programme was expanded to all regions in 2012. A total of 172 managers from three levels of authority took part in different modules on the topic of leadership.

Lastly, 2012 saw COBRA PUMA GOLF launch its first training programme for high-potential talents to further the development of future leaders and facilitate succession planning. Thirteen employees (three of whom were managers and 15% of whom women) were selected by the executive team. The programme includes 32 hours on topics such as the fundamentals of leadership, team motivation, better communication, teamwork, conflict resolution, decision-making, problem-solving, time management and change management.

### Developing the managerial skills of teams and store managers

Within the Group's brands and PPR's corporate structures, in 2012 a strong emphasis was placed on the importance of annual appraisal interviews and the culture of feedback.

At Yves Saint Laurent, training for annual appraisals was again provided to all employees in France, in addition to management training and individual support. Similarly, Boucheron continued the process of performance evaluation and skills development through training sessions. Finally, in response to a 2011 employee survey revealing high expectations in respect of feedback and performance appraisals, PPR Corporate held a managers' seminar within the scope of Europe. Its main objective was to make the annual appraisal interview the highlight of managerial dialogue, as well as providing a forum for peers to share their respective managerial issues. At the same time, a training programme for non-managerial staff was planned to ensure that the annual appraisal interview results in a constructive dialogue of high quality. Accordingly, 67% of managers and 87% of non-managers at PPR Corporate Europe received this training.

In parallel, the brands offered numerous training courses focused on developing the managerial skills of their teams.

As part of the performance management process, Gucci continued to develop its strategy and training programmes in 2012 to improve the skills of its management and non-management staff. Gucci organised two international workshops: one on the strengths of the process, and another on the skills required. This initiative took shape in response to the results of the comprehensive opinion survey in PPR: Study of Employee Opinion (*Étude d'Opinion des Salariés*) in 2011. More than 430 managers were trained in corporate services, in the United States and Asia. The workshops were geared towards providing a clear vision of the business strategy, business objectives and individual issues in order to achieve a stronger level of commitment. The idea of daisy-chaining the process, from senior management to employees, has allowed it to be more closely aligned with the company's overall strategy.

In 2012, Sowind also launched a programme targeting its management team (12 managers) known as the "Management Team and Effectiveness Programme". Its purpose was to unite the management team around shared objectives. The programme consists of individual sessions and meetings facilitated by an external coach.

Bottega Veneta held the first edition of a nine-day management programme in 2012. Fourteen store employees from around the world were identified and enrolled in a personal development course aimed at helping them capitalise on their skills and gain access to positions of deputy store managers.

Stella McCartney and Alexander McQueen also developed training for their store managers in 2012 to support and enhance their business. Alexander McQueen identified "Service Values and Standards" at a workshop with key staff in early 2012. These values were shared by managers within the company in late 2012. Stella McCartney focused on the role of manager, motivation, coaching and feedback. Workshops were conducted in all stores, using the MBTI personality test and the Situational Leadership model.

Lastly, Volcom continued its managerial coaching programme, extending it to store managers recruited in 2011 and 2012. The programme had several goals: greater business efficiency visible in the results of the coached employee, improved conditions for success, enhancement of the store manager's potential, detachment in increasingly complex contexts and, last of all, retention of the best talent in the stores.

### Strengthening the skills of technical teams to support the business and its specific issues

Bottega Veneta continued to support the next generation of designers and craftsmen with the *Scuola Della Pelletteria* school. It developed a three-month training programme in collaboration with IUAV University (Venice), covering bag design and product development. Fifteen students took part, creating a "capsule" collection. Following the launch of the "Luxury Experience" course in 2011, Bottega Veneta offered a training programme known as P.R.I.D.E. to 850 store employees, with the goal of achieving excellence in customer service.

At Yves Saint Laurent, the training offering was augmented by two specific development programmes. The first aims to teach trainees how to go about presenting a collection to a group of employees (global presentation scope). The second focuses on cross-company cooperation, notably including the basics of project management.

In 2012, Sergio Rossi also launched a development programme for its sales force in Europe. It aims to bolster the performance of teams and to enhance the value of the brand.

Sowind has for many years organised a competition in partnership with schools to help develop and maintain complex watchmaking skills. Six students took part in the competition held by the watchmaking school in the canton of Neuchâtel, while three candidates participated in the competition of the art school in La Chaux-de-Fonds.

Sowind organised several integration seminars to nurture a sense of belonging and foster ties between newcomers. Sixty-eight employees benefited in 2012, in addition to the invitation to the *Salon International de la Haute Horlogerie* (SIHH).

At PUMA, a new training course was set up in 2012 to improve creative techniques, bringing together employees in a creativity workshop exclusively targeting design Directors, heads of department and development departments.

Lastly, to support the Group's internationalisation, PPR Corporate sought to raise the awareness of its employees on intercultural issues. The purpose of these seminars was to facilitate exchanges between employees by making them aware of the specificities of their own specific culture and their impact on cross-company relationships. Thirty-five percent of the PPR Corporate workforce attended.

## 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 2010 by PUMA in Germany and in 2011 by Gucci in Italy. This commitment goes beyond social responsibility and compliance, and the Group believes that diversity is a source of creativity and innovation, and as such of economic performance. The PPR Code of Business Practices, deployed among all employees in 2005 and recirculated in 2009, echoes this commitment and fits in firmly with the major international reference texts, such as the core conventions of the International Labour Organisation (ILO), and particularly as regards the fight against child labour and forced labour, support for the safety and health of workers, the fight against discrimination and defence of the freedom of association, and the right to organisation and collective bargaining.

Equal treatment within the Group is based primarily on rigorous HR processes. Brands' job advertisements are posted on general-interest employment websites, and also on specialised websites: in the United States, for instance, 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. In 2012, the Luxury brands organised five "Dignity at Work" workshops to help 66 managers in the United Kingdom and the United States factor diversity into their daily practices, including disability awareness. PUMA offers several intercultural training courses aimed at giving people a better understanding of the diversity of its employees and its customers.

While PPR addresses the issue of diversity in all its aspects, particular emphasis has been placed on equal opportunities since 2010. The "Gender Equality in Leadership" programme was launched with the aim of helping women to break through the glass ceiling and reach the highest levels of management and, more broadly, promoting a culture of equality within the Group. In addition to the representation of women in the PPR workforce (women account for 55.5% of new hires, 48.7% of managers √, 59.6% of employees trained, excluding 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 objectives for 2015: women to represent 50% of senior executives, 40% of the Management Committees and 40% of the Board of Directors. In 2012, 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. 2012 marked the operational deployment of the "Gender Equality in Leadership" approach among the brands. Achieving the best possible balance between professional and personal lives is a major goal, particularly through the development of individual and collective working hours at Boucheron and Volcom in France, for instance, or the introduction of more flexible working patterns and an extensive range of childcare at PUMA. PPR Corporate, signatory of the Parenthood Charter, organised a third "open day for the entrepreneurs of tomorrow", during which the children of employees (34 children aged from 5 to 12) were able to discover their parents' company in a fun way and attend a workshop raising awareness of gender stereotypes.

√ *Verified by the Statutory Auditors.*

The Group also launched cross-company initiatives, including, in France, a pilot inter-brand and inter-business mentoring programme linking 19 "high-potential" women and 19 senior managers (men and women) of PPR. The aim of the year-long programme is to provide support for the professional and personal development of the Group's female talent and to involve both women and men in the theme of diversity. Mentees and mentors had the help of a coach to prepare them in advance to take on their roles in the programme; mentors also received half a day of awareness raising on the issue of women's careers. Meanwhile, mentees received additional support such as a one-and-a-half day training course on assertiveness in women and through participation in networking forums. Similarly, PUMA continued to offer "Women in Leadership" training to its senior women managers, with 13 women benefiting in 2012.

Disability has always been another part of the Group's Diversity policy. The *Mission Handicap* project was formed in 2004. As of December 31, 2012, the PPR group employed 299 disabled workers (rate of coverage: 80.3% – excluding the UK and US). Since 2005, in France, the PPR group has expressed its ongoing commitment to the integration of disabled people by conducting an internal communication campaign marking the national week for the employment of disabled people. Fresh impetus was given this year to this long-standing commitment with the launch of a poster campaign in all PPR brands in France and also for the first time in Europe, the United States and Asia. Relaying this operation, Balenciaga France took part in an interactive video presentation entitled *Le café de Laetitia*, which allows companies to present their business to people with disabilities, collect their applications and educate their employees internally.

At the same time, measures to promote the integration of people with disabilities continued within the brands, through the recruitment and training of disabled workers.

As part of the combined work-training programmes initiated by the schools of the *Chambre Syndicale de la Couture Parisienne*, Yves Saint Laurent hired two people with disabilities on professional training contracts in the workshop attached to its Faubourg Saint-Honoré store in Paris. For 11 months, they alternated between classes and practical workshops accompanied by their guardians. Lastly, Balenciaga, Yves Saint Laurent, Boucheron and PPR Corporate outsource many services to the protected sector: replies to unsolicited job applications, catering, maintenance of green areas and workspaces, folding, printing, etc. Gucci, meanwhile, remains a member of *Sodalitas*, an Italian foundation with international influence that develops and rolls out innovative sustainability projects. Within this context, Gucci is involved in *Diversité dans l'entreprise*, a group whose purpose is to promote the exchange of best practices between large companies known for their social commitment. Disability issues are widely addressed through workshops, forums and conferences in which Gucci takes an active part.

Lastly, PPR works actively to promote social mobility by participating in various schemes for young people from disadvantaged backgrounds or with learning difficulties. In France, the Group is a founding partner of Télémaque Institute which, through a dual programme of academic and business tutoring, helps talented and motivated young people from modest backgrounds complete their secondary schooling. In the brands, Boucheron hosted 12 teenagers from disadvantaged backgrounds for a day in its manufacturing teams, allowing them to have discussions with the employees of the brand and to familiarise themselves with its activities. In Switzerland, Sowind has for several years taken part in the *Option Spiraux*[(1)] operator training programme aimed at eight to ten young people lacking sufficient academic results to enter classical training courses. The course runs for 24 months and is funded by watchmaker partners. In Italy, Brioni offers training as tailors of made-to-measure men's suits, aimed at young people under 18 at risk of leaving the education system prematurely (of which at least 40% women). The course, which runs for a period of three years and emphasises the practical approach and work experience, is entirely funded by Brioni. Once the course is completed, graduates start as apprentices in Brioni's production workshop. In 2012, 16 students graduated from this course.

*(1) High-precision technical training in the adjustment and fine-tuning of balance springs in mechanical timepieces.*

## 2.4. QUALITY OF PROFESSIONAL LIFE

Providing its employees with a quality of life ensuring the health and physical safety and mental well-being of all is a fundamental duty performed by all of PPR's brands. In keeping with this commitment, 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, the brands have ushered in procedures and programmes aimed at identifying, assessing, mitigating and preventing the main risks arising from their activities. To do this, they implement various tools and mechanisms aimed at achieving a better balance between professional and personal lives (e.g., the Parenthood Charter signed by PPR and the agreement signed between trade unions and Gucci, aimed at improving the skills and well-being of its employees).

In addition, the brands can use the PPR opinion survey that allows Group employees throughout the world to air their view on topics related to their professional activities, including organisation, working conditions and communication.

In terms of risk prevention, 32,943 hours of safety training were provided to 9,504 Group employees in 2012. Moreover, four new workplace health and safety agreements were signed in the Luxury and Sport & Lifestyle Divisions in 2012.

In 2012, 260 accidents resulting in leave were recorded across all of the Group's brands, compared with 182 in 2011. For some brands, an increase in the number of accidents during commutes explained the change between 2011 and 2012, as such accidents are included in the overall indicator of "accidents resulting in leave".

The trend was towards an increase in the frequency of accidents, but also a decrease in the severity rate.

**Frequency rate and severity of work-related accidents in 2012 and 2011**

| | 2012 | 2011 |
|---|---|---|
| Frequency of work-related accidents<br>*Number of accidents per million hours worked* | *4.66* | *3.79* |
| Severity rate of work-related accidents<br>*Number of days lost per thousand hours worked* | *0.06* | *0.07* |

No fatal accidents occurred in 2012.

## 2.5. SOCIAL DIALOGUE

### Listen to and engage with employees

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

The commitment has also been adopted within each Group brand. In 2012, 60 collective bargaining agreements were concluded within the Group, chiefly in Western Europe, Asia and France. These agreements mainly concerned pay and benefits (salary, variable remuneration, profit-sharing and incentives, etc.), working hours and the organisation of working time.

Against this backdrop, the number of working hours spent on strike totalled 2,317 in 2012, compared with 6,962 in 2011. This represents 0.004% of theoretical working hours. Strikes mainly took place in Western Europe in response to nationwide calls for action.

### 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. PPR's EWC 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 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 Group management.

The September 3, 2008 agreement governing the EWC's functions has been the subject of:

- an addendum signed on June 25, 2009 for the purpose of making the right of each country to have at least one permanent member on the EWC conditional upon a workforce of at least 50 employees in the country concerned;
- an update, negotiated with a joint working group and approved by all members of the EWC on June 29, 2011, for the purpose of adapting 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;
- an update, also negotiated with the joint working group and approved by all members of the EWC, integrating the transposition into French law of Directive 2009/38/EC of May 6, 2009 by Ordinance No. 2011-1328 of October 20, 2011, signed on June 27, 2012.

The EWC's ordinary plenary meetings took place in Paris, France, on June 26, 2012 and in Herzogenaurach, Germany, on November 20, 2012. The main items of information provided to its members concerned the Group's economic and financial situation, social indicators in 2011 and the first half of 2012, the activity of the brands, and the Group's outlook and strategy. A joint working group met on May 30 and December 4, 2012 to anticipate the effects of the rollout of the Group's strategy on PPR representative bodies, and particularly on the EWC.

In 2012, 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 2012, as foreshadowed in the 2008 and 2010 commitments.

### The PPR group Works Council

Created in 1993 and renewed most recently in 2011, 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 and exchange views on the Group's strategies, economic and financial imperatives, and human resources management initiatives. The senior executives of the Group and the brands (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 2012, the Group Works Council's plenary meetings took place on May 10 and October 18.

### The PPR Luxury Works Council

Successor of the European Committee of the former Gucci Group, this re-established body now known as the "PPR Luxury Works Council" held its annual meeting in June 2012 in Florence. It is a forum for information, dialogue and exchanges with the unions in PPR's Luxury Division.

All of the Group's representative bodies will be renewed in 2013, and agreements bearing on their functions renegotiated. To anticipate these renewals, and in view of the context of strategic change facing the Group, PPR's management and members of a working group formed by the three Secretaries and members of an "expanded" Select Committee of the EWC met in late 2012 to agree on and issue recommendations in order to ensure the continuity of social dialogue specific to each of these sovereign bodies, while optimising the breakdown of the different modes of representation within the Group and its two Luxury and Sport & Lifestyle Divisions.

### 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 results of the latest edition, issued to the employees of the various brands, highlighted the ongoing improvement in perceptions within PPR compared with previous editions of the survey, particularly with regard to sustainability, internal communications and labour relations. However, performance evaluation remains an avenue of improvement throughout the scope of the Group.

The survey also confirmed positive trends in terms of employee commitment and well-being at work, providing the Group and its brands with elements of analysis in connection with the commitments contained in the Charter signed with the European Works Council in 2010.

As of October 2013, each brand will be able to measure the effectiveness of action plans implemented after analysing the results of the 2011 survey.

# 3. REDUCING OUR ENVIRONMENTAL IMPACT

Preservation of the environment is one of the key pillars of PPR's sustainability strategy. The Group exercises its environmental responsibility through proactive measures to control and reduce its direct and indirect impacts on the environment every day. It focuses on reducing $CO_2$ emissions and waste, and saving water; the supply of raw materials; phasing out hazardous chemicals; paper and packaging consumption; and the supply chain.

## 3.1. ENVIRONMENTAL MANAGEMENT

### Strategy and objectives

In the spring of 2012, PPR announced a set of ambitious environmental targets for 2016 for its Luxury and Sport & Lifestyle brands:

- Consolidate and publish an Environmental Profit & Loss Account (EP&L) at Group level: the purpose of this innovative tool is to measure our overall environmental footprint throughout the supply chain (from the production of raw materials to the distribution of goods), and then to assign a monetary value to the impact on local populations of environmental change caused by these activities (e.g., air pollution, discharges into water, etc.). Its detailed and quantified evaluations will make this tool very useful in managing environmental risks and identifying the most effective avenues for improvement in terms of reducing the Group's impact. The EP&L and the other 2016 objectives are accordingly part of an integrated and progressive approach;
- Evaluating all our key suppliers a minimum of every 2 years and helping guide them to meet best practices and adhere to PPR's Code of conduct;
- Reducing our carbon emissions, waste and water usage resulting from the production of products and services by 25%, while accounting for the growth of our business. All remaining emissions from scope 1 and scope 2 of the Greenhouse Gas Protocol will be offset annually. PPR will continue to partner with offset programs that contribute to the welfare of the community and the conservation of biodiversity in its regions of operations;
- 100% of paper and packaging for PPR will be sourced from certified sustainably managed forests with a minimum of 50% recycled content;
- All our collections will be PVC-free latest by 2016;
- Ensuring all hazardous chemicals have been phased out and eliminated from our production by 2020;
- 100% of gold and diamonds in PPR's products will be sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems which support them;
- 100% of leather from domestic livestock within PPR's products will be from responsible and verified sources that do not result in converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock;
- 100% of precious skins and furs in PPR's products will come from verified captive breeding operations or from wild, sustainably managed populations. Additionally suppliers will employ accepted animal welfare practices and humane treatment in sourcing.

The Sustainability Department helps brands adapt their action plans to their circumstances and define the best way to achieve the targets set by the Group for 2016. In addition to centralised tools created and managed by PPR and made available to the brands, PPR has developed a set of policies and practical guidelines providing a framework and methodologies to help the brands manage their environmental impact. For instance, energy consumption and raw material supplies are governed by policies set by PPR in consultation with the brands, with a view to achieving the Group sustainability goals.

### Internal organisation for environmental management

PPR's environmental policy is steered at Group level by the Sustainability Department, of around 15 specialists. Its role is to define strategy in terms of regulatory compliance, risk management and determined action to reduce environmental impacts. Each brand develops specific environmental management action plans, based on its own organisation. The PPR Sustainability Department then adds its expertise and technical support.

Coordination is ensured through a network of managers dedicated to sustainability issues, which was reinforced in 2012 with the appointment of Sustainability Leads in the last of the Group's brands not to have any (Bottega Veneta, Alexander McQueen, Stella McCartney, Yves Saint Laurent, Boucheron, Sergio Rossi and Sowind). The Sustainability Leads meet regularly to coordinate and determine the pace of implementation of the sustainability strategy, and to share and pool best practices developed by the Group's brands. In addition to sharing experiences, these meetings enable participants to draw up action plans to deal with cross-company issues within the Group, as well as more specific issues affecting individual brands.

In total, around 50 individuals are involved in determining and implementing the Group's sustainability policy.

Environmental reporting relies more specifically on a network of more than 200 contributors worldwide, ensuring a level of precision that enables the Group to monitor its environmental impacts very closely.

## Informing and raising awareness among employees

The Group's employees are kept up to date about the process and direction taken by PPR's Sustainability Department in terms of environmental management and sustainability in general.

In February 2012, an internal conference enabled all of the Group's Corporate teams to meet and discover the Group's new sustainability strategy through the presentation of its values, its mission and its activities, showing how sustainability can add value to the brands, drawing on examples and testimonials.

More broadly, PPR's sustainability team gathers news on sustainability within the Group and circulates it through a variety of media. The intranet and a dedicated space on the Group's website allow staff to monitor news, announcements, press releases, etc. Two sustainability newsletters are also issued twice a month: the Sustainability Watch, sent in English to nearly 700 employees, and the Regulatory Watch, available in English, French and Italian to a more limited readership since it is devoted to regulatory issues. The organisation of one-off events to mark special days also helps foster employee awareness. For example, to mark World Oceans Day on Friday, June 8, 2012, PPR's Sustainability Department gave thought to ways in which it could help truly raise awareness on this major issue, among companies and individuals alike, organising information workshops and promoting Yann Arthus-Bertrand's film *Planet Ocean*.

To cement this awareness, the innovation and sustainable development Awards have, since 2010, allowed Group employees to spotlight their leadership, creativity and sense of responsibility. Held in September 2012, the third edition of the Awards gave the process a fresh boost with a new, dedicated website. This year it will reward sustainability projects in the following categories: product innovation, efficiency enhancement, communication with stakeholders, individuals and communities. The winners will be announced at "Imagine", PPR's annual leadership meeting in March 2013.

The brands also conduct internal training to instruct their employees about the challenges and tools of sustainability. In 2012, Gucci gave training on sustainability policies and social compliance to 891 employees and 641 store managers from all parts of the world. Volcom organises a sustainability-training event, the *New Future* University, hosting employees (47 from Volcom and 7 from Electric this year), external experts and NGOs. Several internal training sessions are also held for managers, allowing them to factor the *New Future* strategy into their actions, with the Group's 2016 objectives in mind. Meanwhile, 64 Alexander McQueen employees received training offered by PPR's Sustainability Department, leading to the development of an action plan for the brand with a view to achieving the Group's 2016 targets.

## Certification

The prevalence of retail activities within the Group limits the number of sites for which ISO 14001 certification is relevant, so the process is primarily considered for sites with the most significant environmental impacts, such as large logistics centres and tanneries. ISO 14001 certification demonstrates the implementation of a system to manage environmental impact.

| Brand | Site name | Activity | Year of initial ISO 14001 certification |
|---|---|---|---|
| Gucci | LGL platform (Bioggio and Stabio) | Distribution | 2006 |
| | Accessories Warehouse Florence | Distribution | 2010 |
| | Casellina Warehouse | Distribution | 2010 |
| | Casellina Headquarters | Offices | 2010 |
| | Caravel | Tanning | 2011 |
| | Blutonic | Tanning | 2011 |
| Bottega Veneta | Vicenza | Production | 2010 |
| | Altavilla Vicentina | Production | 2010 |
| | Vigonza | Production | 2010 |

### Reporting process and indicators

To accurately track the environmental footprint of its activities, PPR has undertaken environmental reporting based on around a hundred indicators every year since 2004. Representative of the environmental imperatives of the Group's brands, these indicators fall into eight categories: use of raw materials, 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 2012 to improve the flow of information at Group level on issues such as environmental training for employees, the use of nanoparticles and the preservation of biodiversity.

In order to keep its environmental tracking as close to actual operating conditions as closely as possible, PPR's environmental reporting system is designed to cover all of the Group's businesses, with the aim of collecting actual data from each of the thousands of sites located around the globe. The methodology laid out in the reporting protocol, however, does allow the Group to estimate some data.

PPR works each year to increase the number of sites included in its environmental reporting, extending the process to 211 new sites in 2012, mainly belonging to the Balenciaga, Sergio Rossi, Brioni, Bottega Veneta and Gucci brands.

These efforts helped further extend the environmental reporting scope in 2012 to cover:

- 99.3% of PPR group employees as of December 31, 2012, compared with 97.8% in 2011;
- 99.1% of the PPR group's 2012 revenue, compared with 97.6% in 2011.

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 providing reliable data that have been present in the Group over the past two years (2011 and 2012), this method helps eliminate the impact of changes in the scope of reporting, which tend to distort year-to-year comparisons.

A methodological note provides all necessary information regarding the environmental reporting protocol, the rates of coverage for the various indicators, emission factors and rules for using estimated/extrapolated data. It is available on PPR's website, under "Sustainability".

### Justification of exclusions

This report contains information on all social, environmental and societal issues required by the decree governing the application of Article 225 of the Grenelle 2 law, except for noise, which is not applicable to PPR's sectors of activity. Land use is not currently published as an indicator, but is covered by the EP&L methodology. The amount of provisions and guarantees for environmental risk is not consolidated at Group level.

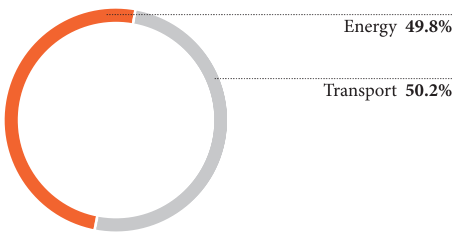
## 3.2. MEASUREMENT AND REGULATION OF OUR CARBON FOOTPRINT

The PPR group is adapting to the consequences of climate change in two ways: by directly reducing the carbon footprint associated with its energy consumption and the transport of people and goods, but also, from a longer-term perspective, by evaluating and reducing emissions of greenhouse gases in its supply chain, using the EP&L analysis implemented by the Group for all its brands.

Energy consumption and the transport of goods and people are the two main sources of the Group's $CO_2$ emissions. In 2012, total emissions came to 214,583 tonnes of $CO_2$, equivalent to the annual carbon footprint of around 23,000 people living in Europe [(1)].

A detailed account of these emissions, the main changes that took place between 2011 and 2012, and the initiatives put in place to reduce the Group's carbon footprint are presented below.

BREAKDOWN OF TOTAL TRANSPORT-AND ENERGY-RELATED $CO_2$ EMISSIONS IN 2012




**Total: 214,583 tonnes of $CO_2$**

*(1) Report on the environmental impact of products and services bought in Europe, ADEME & BIOIS, 2006*

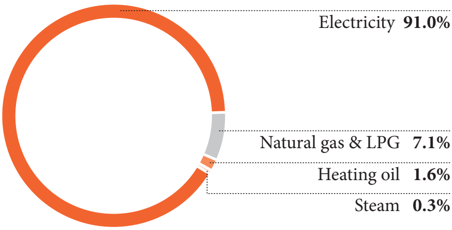
## Energy consumption and related $CO_2$ emissions

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, heating oil and LPG) and indirect (from electricity and steam production).

**Energy consumption and related $CO_2$ emissions in 2012**

| | Energy consumption *(MWh)* | Related $CO_2$ emissions *(tonnes)* |
|---|---|---|
| Electricity | 214,150 | 97,241 |
| Natural gas | 42,278 | 7,517 |
| Heating oil | 1,331 | 326 |
| Steam | 8,419 | 1,709 |
| LPG | 149 | 32 |
| **Total energy** | **266,327** | **106,825** √ |

BREAKDOWN OF ENERGY-RELATED $CO_2$ EMISSIONS IN 2012 (%)




**Total: 106,825 tonnes of $CO_2$ √**

The PPR group's energy consumption relates mainly to the heating and lighting of warehouses, retail outlets and offices. In 2012, it amounted to more than 266 GWh. Electricity is the Group's main source of power, representing 80% of total energy consumption. The share of electricity in the Group's energy mix declined slightly in 2012 after taking new natural gas consumption into account on the manufacturing sites of Brioni and Sergio Rossi.

$CO_2$ emissions related to the Group's energy consumption in 2012 totalled 106,825 tonnes √. Ninety-one percent stemmed from the generation of electricity and were therefore indirect emissions relating to the amount of electricity consumed, but also to its mode of generation (coal, hydrocarbon, nuclear, renewable, etc.).

**Proforma year-to-year change in energy consumption (MWh) and in related $CO_2$ emissions (tonnes)**

| | 2011-2012 proforma scope | | Change |
|---|---|---|---|
| | 2012 | 2011 | 2012/2011 |
| Electricity | 187,019 | 178,096 | +5.0% |
| Natural gas | 30,123 | 27,130 | +11.0% |
| Heating oil | 597 | 574 | +4.1% |
| Steam | 6,382 | 6,325 | +0.9% |
| LPG | 149 | 81 | +84.5% |
| **Total energy** | **224,270** | **212,206** | **+5.7%** |
| Direct emissions | 5,534 | 5,067 | +9.2% |
| Indirect emissions | 84,056 | 78,195 | +7.5% |
| **Total energy-related emissions** | **89,590** | **83,262** | **+7.6%** |

On a proforma basis, the Group's energy consumption rose from 212 GWh in 2011 to 224 GWh in 2012, an increase of 5.7%. This was attributable chiefly to an increase in electricity consumption following the establishment of more reliable methodology for estimating consumption, based on a more representative range of sites, especially at PUMA.

Only one site in the Group uses LPG, and the increase in its consumption in 2012 is attributable to the fact that the 2011 data did not cover the full year.

The share of $CO_2$ emissions related to energy consumption increased by 7.6%, in direct correlation with change in the Group's energy consumption.

√ *Verified by the Statutory Auditors.*

## Measures to improve the energy efficiency of stores and infrastructure

In 2011, the Indirect Purchasing Department and the Sustainability Department launched a major energy management project intended for all Group brands in Europe and the United States. In 2012, these brands introduced a system for the closer monitoring of energy consumption, in particular through the use of connected meters to report energy consumption data and thereby improve responsiveness in case of anomalies. This project is set to be extended to other regions in 2013.

In addition to this initiative led by the Group, the brands are taking their own initiatives to improve the energy efficiency of their buildings.

In the Luxury Division, obtaining LEED (New Construction and Major Renovations) certification for new stores and offices represents an approach to reducing energy consumption, as seen with Gucci's new offices in Shanghai, located in a building certified in 2012. This system of certifying high-quality green buildings is based on six assessment criteria, the most important being energy (optimisation of energy performance, use of renewable energy, etc.). LEED certification is also targeted as part of the Group's plan to extend the international distribution and logistics platform for its Luxury brands to a surface area of 40,000 sq.m.

Major projects were also completed, such as the opening in August 2012 of the first eco-designed and carbon-neutral PUMA boutique in Bangalore, India. Built from responsible and locally sourced materials, the 800 sq.m. building uses innovative natural cooling systems, and its energy supply relies partly on solar panels installed on the roof. The project was awarded first prize in the inaugural edition of PPR's Innovation and Sustainable Development Awards in 2010.

Other Group brands continue to promote green building and eco-design initiatives. For instance, six meteorological recording stations have been installed on various Girard-Perregaux and JEANRICHARD sites to take temperature and humidity readings, and identify possible anomalies or excessive energy differentials. In October 2012, Stella McCartney issued a green guidebook designed to reduce its stores' environmental footprint. Distributed to all its sites, it presents many ideas and best practices to save water and energy, reduce waste, etc. Lastly, new boutiques opened by Yves Saint Laurent and some renovated Boucheron outlets will be equipped with LED (light emitting diodes) lighting to reduce energy consumption in 2013.

## The gradual shift towards renewable energy

Although renewable energies still represent a small share of PPR's energy mix, the Group and its subsidiaries are working on many initiatives to increase their use, mainly through the acquisition of solar panels or renewable electricity supplies.

Many brands already have photovoltaic panels on the roofs of some buildings, such as PUMA's headquarters in Germany, a Luxury Division warehouse in the United States and the headquarters of Bottega Veneta (providing 50 kW of power).

Like these brands, Sergio Rossi installed 3,500 sq.m. of solar panels on the roof of its development and production site in San Mauro Pascoli, Italy, in 2012. Capable of providing 540 MWh annually, these panels can generate 15% of the electricity used each year for the production of shoes. The site's employees can view daily levels of renewable electricity generation and the associated savings in real time on the display providing this information in the lobby of the building. In Germany, PUMA has begun the installation of solar panels with an annual capacity of 487 MWh at its main logistics centre. The brand also has a solar-powered charging station for electric vehicles at its headquarters.

The proportion of renewable electricity used by the Group is growing thanks to numerous changes in supply within the brands. It amounted to 7% in 2012, compared with 5% in 2011.

More specifically, the share of electricity derived from renewable sources reached 15% of PUMA's total electricity consumption, compared with 13% in 2011, thanks to considerable emphasis on this type of energy in Germany, the United Kingdom, Australia, Austria and the Benelux countries. The transition of its main logistics centre in Britain to electricity derived solely from renewable sources also contributed significantly to the increase. In 2012, the Italian sites of Bottega Veneta and the London offices of Alexander McQueen, in addition to part of its store network, have used electricity derived exclusively from renewable sources. Fifty-six percent of Stella McCartney's electricity consumption is also renewable. In November 2012, Girard-Perregaux and JEANRICHARD signed a contract to buy renewable electricity to cover their entire consumption in 2013.

## Transport-related impacts and emissions

### Methodology

Data on transport are 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 is included under B to C transport. 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 the use of company cars.

All the emission factors used in the reporting process are derived from public information sources, i.e., academic establishments or institutions of international renown. Details of the methodology used are available in the methodological note to PPR's environmental reporting on the Group's website.

## Emissions related to transport and travel

### Transport and business travel-related $CO_2$ emissions in 2012 (in tonnes of $CO_2$)

| | 2012 |
|---|---|
| B to B transport | 78,448 √ |
| B to C transport | 4,229 |
| Business travel | 25,081 |
| **Total** | **107,758** |

In 2012, the Group's transport-and business travel-related $CO_2$ emissions totalled nearly 108,000 tonnes. B to B transport accounted for 73% of these emissions.

### B to B transport volumes in 2012 and related $CO_2$ emissions

| | 2012 | Related $CO_2$ emissions *(tonnes)* |
|---|---|---|
| Road freight (t/km) | 71,987,097 | 9,740 |
| Shipping (teu/km) | 313,756,915 | 22,430 |
| Air freight (t/km) | 74,365,160 | 45,829 |
| Rail freight (t/km) | 17,966,251 | 449 |
| **Total $CO_2$ emissions (in tonnes)** | | **78,448 √** |

Within the Group the most frequently used means of transport for goods in volume is shipping. Air transport is also frequently used to move goods manufactured in Europe to faraway destinations quickly. It accounts for 58% of $CO_2$ emissions from B to B transport.

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

| | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|
| | 2012 | 2011 | |
| Road freight (t/km) | 71,744,385 | 61,880,436 | +15.9% |
| Shipping (teu/km) | 309,857,133 | 346,640,810 | -10.6% |
| Air freight (t/km) | 73,997,725 | 82,391,419 | -10.2% |
| Rail freight (t/km) | 17,966,251 | 23,784,414 | -24.5% |
| **Total $CO_2$ emissions (in tonnes)** | **77,920** | **84,210** | **-7.5%** |

The Group's proforma B to B transport emissions decreased by more than 7%, mainly attributable to the reduced use of air transport, following extensive efforts by the Luxury brands and an adjustment of the Sport & Lifestyle Division's transport mix in view of the economic environment.

The Luxury Division's multi-brand platform is starting to reap the benefits of initiatives to reduce the weight of packaging and optimise the preparation of packages for shipment.

√ *Verified by the Statutory Auditors.*

Despite an increase of approximately 10% in the number of packages to meet the demand of stores facing strong growth in business, the Luxury Division was able to reduce $CO_2$ emissions from transport slightly.

Moreover, the Sport & Lifestyle Division brands made less use of air transport, which is more carbon intensive and more costly, in favour of road transport.

**B to C transport-related $CO_2$ emissions in 2012 and proforma year-to-year change (in tonnes of $CO_2$)**

| | | Related $CO_2$ emissions *(tonnes)* | 2011-2012 proforma scope 2012 | 2011 | Change 2012/2011 |
|---|---|---|---|---|---|
| B to C – own vehicle fleets | | 6.6 | 6.6 | 5.5 | +20.2% |
| B to C – subcontractors' vehicles | Classic | 122 | 110 | 73 | +51.7% |
| | Express delivery (air and road) | 4,100 | 4,033 | 3,793 | +6.3% |
| **Total** | | **4,228.6** | **4,149.6** | **3,871.5** | **+7.2%** |

$CO_2$ emissions from B to C transport totalled 4,229 tonnes in 2012, of which 97% was attributable to express transport, which involves shipping small quantities of goods to customers quickly and is used primarily by the Luxury Division. On a proforma basis, B to C transport emissions increased by 7.2%, in line with the growth of the Group's Luxury Division. The deconsolidation of Fnac resulted in a sharp reduction in the use of classic B to C transport, corresponding to the deliveries of goods ordered on the Internet.

## Optimising logistics flows and switching to alternative means of transport

Goods transport has a significant impact on the Group's $CO_2$ emissions, and 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.

Since May 2012, Volcom has been part of UPS's Carbon Neutral programme. As a result, the brand is able to offset the $CO_2$ emissions associated with shipments of parcels to its service provider in the United States, online customers, offices (national and international) and points of sale (national).

In 2012, Gucci optimised its logistics organisation to prohibit all use of empty trucks. Vehicles accordingly transport raw materials from suppliers to production sites, then finished goods to distribution centres and shops. It also extended the plan to develop electric delivery launched in Milan in 2011 to Florence, in partnership with ND Logistics. Lastly, all trucks in the fleet used for transport between Paris, London and Munich have met Euro V standards since July 2010. The brand is committed to ensuring that the Euro VI standard is adopted by 2015. The average load factor of the trucks stands at 75% in 2012.

## Business travel

**$CO_2$ emissions from business travel in 2012 and proforma year-to-year change (in tonnes of $CO_2$)**

| | Related $CO_2$ emissions *(tonnes)* | 2011-2012 proforma scope 2012 | 2011 | Change 2012/2011 |
|---|---|---|---|---|
| Business air travel | 17,885 | 16,526 | 13,709 | +20.5% |
| Company cars | 7,196 | 5,225 | 4,937 | +5.8% |
| **Total** | **25,081** | **21,751** | **18,646** | **+16.6%** |

$CO_2$ emissions associated with employee business travel amounted to 25,081 tonnes in 2012. On a proforma basis, emissions increased by 16.6%.

As part of its environmental reporting process, PPR has since 2008 calculated $CO_2$ emissions for the majority of employees who take business flights. Each year, the scope of this coverage is broadened, and in 2012, it covered flights taken by employees in 12 different countries (Australia, Austria, Estonia, France, Germany, Italy, Japan, Lithuania, Singapore, Switzerland, the United Kingdom and the United States), as opposed to eight in 2011.

In 2012, the PPR group continued with its strategy of reducing the $CO_2$ emitted by its company vehicles over a wide area in Europe in which its brands are located. 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 2012 was 145g/km for France (versus 150g/km in 2011). Thanks to these measures, as well as the ongoing renewal of the vehicle fleet, the Group has been able to reduce related $CO_2$ emissions further. Accordingly, in 2012, the $CO_2$ emissions of the European fleet of company cars averaged 128g/km (versus 145g/km in 2010 and 130g/km in 2011).

Some brands took the Group's policy further by factoring environmental criteria into the selection of company vehicles: Bottega Veneta, for example, continued the renewal of its fleet with the inclusion of 30 new hybrid vehicles in 2012 (a third of its total fleet), and Stella McCartney only uses companies offering hybrid vehicles for taxi journeys in Britain.

Aside from company vehicles, the Group seeks to raise its employees' awareness about alternative means of transport through the promotion by the brands of public transport for their employees' commutes. For instance, the international logistics platform of PPR's luxury brands (LGI, Luxury Goods International) offers a free shuttle between the local railway station and the site, which are two kilometres apart. A financial contribution to the cost of public transport subscriptions and the provision of bicycles will also be phased in. Volcom, Girard-Perregaux and JEANRICHARD have also encouraged their employees to take public transport by offering more flexible work schedules.

## Emissions testing in accordance with scopes 1, 2 and 3

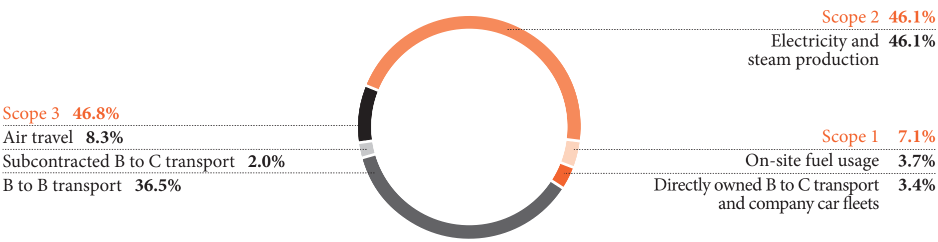
### $CO_2$ emissions by scope as per the GHG protocol in 2012 (in tonnes of $CO_2$)

| | 2012 |
|---|---|
| Scope 1 | 15,078 |
| Scope 2 | 98,950 |
| Scope 3 | 100,555 |
| **Total** | **214,583** |

The GHG Protocol defines three operational scopes in respect to greenhouse gas emissions. To facilitate readability, PPR publishes its emissions as follows:

- 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 nearly all 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 2012 (%)




**Total: 214,583 tonnes of $CO_2$**

In 2012, nearly 93% of the $CO_2$ emissions measured by the PPR group were 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-to-year change in $CO_2$ emissions (in tonnes)**

| | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|
| | 2012 | 2011 | |
| Total | 193,411 | 189,990 | +1.8% |

On a proforma basis, the Group recorded a 1.8% increase in total emissions over the year. This good performance in the context of the Group's business growth was attributable chiefly to an increase in its electricity consumption and business air travel, offset by a reduction in $CO_2$ emissions from transport.

Details of the calculations used can be found in the environmental reporting methodology note, which is available on PPR's website, under "Sustainability".

### The carbon-offset programme

Aligned with its targets announced in the spring of 2012, PPR offsets its residual greenhouse gas emissions annually. It offsets the 95,100 tonnes of $CO_2$ corresponding to the remaining 2011 emissions of the Luxury and Sport & Lifestyle Divisions and its headquarters, thus achieving the carbon neutrality target set in Scopes 1 and 2 of the Greenhouse Gas Protocol. To do this, PPR acquired carbon credits from Wildlife Works, of which PPR has been a shareholder since the spring of 2012. Wildlife Works is backing a large-scale REDD (Reducing Emissions from Deforestation and forest Degradation) project in Kenya. It is the first REDD programme to be approved and verified in accordance with the Voluntary Carbon Standard (VCS).

The brands are also developing their own carbon-offset initiatives, such as the 404 tonnes of $CO_2$ emitted during the preparation and staging of the 2012 *Volcom Fiji Pro* – mainly air travel and commuting, the combustion of fuel by boats and jet skis, and the production of foodstuffs – which were offset by the NGO Carbonfund, a project to combat deforestation and promote forest conservation in Brazil.

## 3.3. SUSTAINABLE USE OF RESOURCES

### Gold and precious stones

Illicit or unregulated mining for precious stones leads to devastating social conflict and corruption, and poses a serious threat to local biodiversity. This is why PPR committed in 2012 to use gold and diamonds sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems which support them.

Boucheron, Gucci and Bottega Veneta strive to ensure the traceability of the diamonds they use and to guarantee their origin. To meet this objective, they 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 2012, Bottega Veneta, Girard-Perregaux and JEANRICHARD obtained RJC certification for their gold and diamonds, following Gucci and Boucheron in 2011. In addition, by becoming a signatory of the "Golden Rules" of the "No Dirty Gold" campaign in 2012, Boucheron joined Sowind, Gucci and Stella McCartney in pledging to take steps to identify potential ethical sources of reliable and certified gold.

### Paper consumption

#### Group consumption

Paper consumed by the PPR group and its subsidiaries comes from two main sources:

- 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;
- office paper.

In 2012, PPR's overall paper consumption totalled 1,782 tonnes. A breakdown by category is presented below.

**Paper consumption in 2012 and proforma year-to-year change (tonnes)**

| | Consumption in 2012 | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|---|
| | | 2012 | 2011 | |
| Paper – indirect purchases | 593 | 520 | 784 | -33.7% |
| Office paper | 1,189 | 738 | 671 | +10.0% |
| **Total paper** | **1,782** | **1,258** | **1,455** | **-13.5%** |

Between 2011 and 2012, the Group's paper consumption decreased by more than 13%, largely because of a reduction in paper consumption at Gucci, which now offers customers electronic versions of its catalogues instead of printed ones. This initiative resulted in a reduction of more than 40% in Gucci's indirect paper consumption.

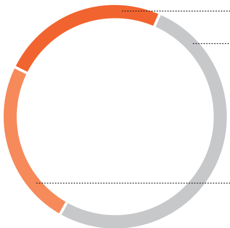
Paper consumption has been on a downward trend for several years now as a result of the optimisation of paper purchases and the steady development of paperless alternatives. In France, Volcom has decided to end the use of paper catalogues, starting with its autumn-winter collection in 2013. Since 2011, PUMA has printed only a limited number of annual reports, with the rest being sent out electronically. Also, its annual and sustainability reports have been 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

In 2012, the portion of certified (FSC or PEFC) or recycled paper was 76% across the Group, breaking down as 52% certified paper (FSC or PEFC) and 24% recycled paper, an increase compared with the previous year. The proportion exceeds 90% in several PPR brands, including Bottega Veneta, Alexander McQueen and Stella McCartney.

TYPE OF PAPER USED IN 2012 (%)




**Total: 1,782 tonnes of paper**

## Packaging consumption

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

In 2012, PPR consumed approximately 12,000 tonnes of packaging, over 70% of which was cardboard and 21% paper bags. Paper bag consumption is more than ten 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 2012 and proforma year-to-year change (tonnes)**

| | Consumption in 2012 | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|---|
| | | 2012 | 2011 | |
| Plastic bags | 207 | 204 | 229 | -11.0% |
| Paper bags and gift-wrapping paper | 2,417 | 2,315 | 2,376 | -2.6% |
| **Total bags and gift-wrapping paper** | **2,624** | **2,519** | **2,605** | **-3.3%** |
| Plastic packaging | 580 | 565 | 399 | +41.7% |
| Cardboard | 8,124 | 7,418 | 7,588 | -2.2% |
| Paper for packaging | 213 | 209 | 263 | -20.4% |
| Flannel bags | 108 | 106 | 146 | -27.4% |
| **Total non-bag packaging** | **9,025** | **8,298** | **8,396** | **-1.2%** |
| **Total packaging** | **11,649** | **10,817** | **11,001** | **-1.7%** |

On a proforma basis, the Group's total packaging consumption decreased by almost 2%, thanks to a reduction in use of cardboard. The significant increase in the use of plastic packaging can be ascribed to the introduction of new types of plastic packaging in 2012 at Gucci, which has changed the type of clothes hangers used for storage and transport: wooden hangers have been replaced by recycled plastic hangers. This change was accompanied by the creation of a system to collect and recycle used hangers.

As part of its "No box" campaign in 2012, Gucci made numerous savings on resources and packaging: several hundred tonnes of cardboard and 35 tonnes of plastic by replacing cardboard boxes and plastic bags with cornstarch bags; 5 tonnes of cornstarch by reducing the thickness of bags made from this material; 28 tonnes of plastic film by eliminating the film around the boxes of some products; 138 wooden pallets by optimising the transport of finished goods; 8 tonnes of paper by reducing the size of labels: and 1.5 tonnes of fabric by reducing the weight of cloth bags.

Following an extensive review aimed at overhauling its entire range of product packaging (shopping bags, boxes, pouches), Sergio Rossi ushered in a new packaging concept in all its stores for the autumn-winter collections in early 2012. The new range is composed entirely of FSC certified paper, and no longer includes plastic film, thereby minimising the use of chemicals. Total weight has also been reduced.

At the same time, the success of its "Bring Your Own Bag" campaign, which aims to encourage customers to bring their own bags or buy a reusable one, prompted Volcom to renew the exercise in 2012, purchasing an additional 10,000 bags in the United States.

Lastly, in Argentina, PUMA opted to change packaging on its production site so as to discontinue the use of thermoplastic, which required a highly energy-intensive furnace.

### Water consumption

Given the nature of the Group's operations, industrial water consumption concerns only the Gucci tanneries in Italy, which are not located in high water stress zones.

Across the Group, more than 72% of water consumed by the Group is used for sanitation purposes (store cleaning, toilets, air conditioning systems, etc.). Consequently, the direct environmental impact of the Group's water consumption is modest.

By contrast, PPR is conducting an innovative review of responsible water management across its entire production chain, via the EP&L approach. Indirect water consumption linked to the use of raw agricultural materials like cotton constitutes an environmental issue that PPR is taking steps to quantify and address.

**Water consumption in 2012 and proforma year-to-year change (cu.m.)**

| | Consumption in 2012 | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|---|
| | | 2012 | 2011 | |
| Industrial water | 168,762 | 168,762 | 143,655 | +17.5% |
| Non-industrial water | 442,388 | 354,580 | 342,340 | +3.6% |
| **Total water** | **611,150** | **523,342** | **485,995** | **+7.7%** |

In 2012, the PPR group's water consumption amounted to approximately 611,000 cu.m. On a proforma basis, it rose by 7.7%, mainly due to the increase in water consumption at Gucci's Italian tanneries in line with their increased activity.

## 3.4. WASTE MANAGEMENT

### Hazardous and non-hazardous waste

As is the case for consumption of packaging, production of waste in the operations of PPR group stems mainly from the extent of its retail activities. The repackaging of goods and the use of pallets for transport mainly generate non-hazardous waste. PPR mainly generates packaging waste and small quantities of hazardous waste, corresponding to specific items of waste on production sites and other waste produced mainly in stores and offices (lighting, ink cartridges, etc.).

**Total waste production in 2012 and proforma year-on-year change (tonnes)**

| | Production in 2012 | 2011-2012 proforma scope | | Change 2012/2011 |
|---|---|---|---|---|
| | | 2012 | 2011 | |
| Non-hazardous waste | 10,284 | 7,840 | 7,401 | +5.9% |
| Hazardous waste[(1)] | 110 | 100 | 112 | -10.7% |
| **Total waste** | **10,394** | **7,940** | **7,514** | **+5.7%** |

In 2012, the PPR group's total waste production amounted to around 10,400 tonnes, 99% of which was non-hazardous. This proportion was higher in 2012 with the non-inclusion of Fnac's activities, which previously accounted for more than 90% of the amount of the Group's hazardous waste (WEEE returned by customers to stores and entirely passed on to specialised recycling companies).

On a proforma basis, production of non-hazardous waste increased by nearly 6%, in line with the Luxury Division's continued business growth in 2012. The production of hazardous waste fell by approximately 11%.

## Waste recycling

**Rate of recycling and reuse of waste as energy in 2012 (%)**

| | Production in 2012 |
|---|---|
| Non-hazardous waste | 62.2% |
| Hazardous waste | 33.0% |
| **Total waste** | **61.9%** |

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. The PPR group recycled or reused as a source of energy 33% of its hazardous waste and 62% of its non-hazardous waste in 2012, with an overall recycling rate of 62%. Note that the overall recycling rate increased by 5 percentage points compared with proforma 2011 data.

In collaboration with the I: CO group, PUMA launched an innovative recycling operation in its German stores in 2012. This programme, known as "Bring Me Back", allows consumers to deposit their old clothes, shoes and accessories, whatever the brand, in dedicated recycling bins to be reused or recycled, depending on their state of wear. The programme, which will be extended to Africa, the United States, Asia and Europe, aims to cover 40% of PUMA stores worldwide. Since 2011, Volcom has developed the same type of recycling system in its points of sale.

At the beginning of 2011, Balenciaga adopted an original approach to sorting waste on its main sites in Paris. The brand works with Greenwishes, a company specialising in the recovery and recycling of conventional office waste (paper, envelopes, flyers, etc.), as well as cardboard, plastic, cans, and above all fabric. Every month, Greenwishes sends Balenciaga a set of indicators allowing it to monitor the effectiveness of measures implemented and to communicate with staff in an instructive manner on the benefits of daily sorting. Since the launch of the operation, 4 tonnes of paper, 17 tonnes of cardboard, 2.5 tonnes of plastic and 2 tonnes of fabric have been recycled.

In 2012, Alexander McQueen and Stella McCartney also took measures to recycle fabric. Through the establishment of a partnership with Soex, textile cuttings produced at Stella McCartney's London headquarters are collected, recycled and processed into insulation or plastic.

## Water discharge and odour pollution

Water discharge does not represent a significant direct impact for the PPR group's operations. 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 ensure that they do not emit any unpleasant odours.

In 2011, PUMA publicly committed to remove all toxic residues from its entire production chain by 2020, under the Detox campaign launched by Greenpeace,

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

an NGO. Two major events have seen the brand join forces with big names in the textile industry to develop corrective measures aimed at achieving this goal:

- the creation of the Zero Discharge of Hazardous Chemicals (ZDHC) group committed to communicating regularly and publicly on the progress of its member brands;
- the launch by the Sustainable Apparel Coalition of the Higg index, a new tool to measure the environmental impact of textile products. In 2012, PUMA tested 13 of its products against the Higgs index and contributed to the projects, benchmarking and studies of the ZDHC group.

## 3.5. PROTECTION OF BIODIVERSITY

Biodiversity is one of the key priorities for the Group. PPR strives to protect and respect it in two major ways: by understanding the origin and assuring traceability of raw materials, and by promoting nature-conservation and awareness-raising initiatives among its employees and consumers.

### Use of leather, precious skins and fur

PPR works on the traceability of raw materials, with an emphasis on production of leather, precious skins and furs. It is essential that our products including those made with leather, precious skins and furs come from responsible suppliers.

The Group is accordingly working to develop a comprehensive policy and a set of recommendations covering all its purchases of these items, with a view to achieving its targets by 2016. Through this policy, PPR aims to prevent converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock.

The Group also requires that precious skins and furs come from verified captive breeding operations or from wild, sustainably managed populations. Additionally suppliers should employ accepted animal welfare practices and humane treatment in sourcing. Additionally, all precious skins of species listed by CITES used by the Group are accompanied by a certificate of legal origin issued by the CITES management authority of the exporting country, in order to ensure that the species is not endangered. In addition to these internal guidelines, PPR works with international stakeholders to combat illegal trade in precious skins. The Group contributed to the report of the International Trade Centre of the United Nations on trade in python skins in South-East Asia by providing technical advice in the project's design phase.

The Luxury Division brands mainly use cowhide sourced from Europe, principally from France.

PPR's brands have joined forces with the Luxury Goods working group of Business for Social Responsibility (BSR) to work on the issue of traceability.

Gucci and other Group brands including Bottega Veneta and Stella McCartney also maintain regular dialogue with numerous associations and NGOs involved in animal welfare and the protection of the environment, such as the World Wildlife Fund (WWF), the Anti-Vivisection Society, the Humane Society, the National Wildlife Federation, the Rainforest Alliance, the Eco Age Green Carpet Challenge and Greenpeace.

Guaranteeing the origin of skins used is also a key issue for PUMA. In 2012, the brand accordingly adopted a specific and restrictive policy on the use of leather, skins, furs, feathers and wool. In this document, PUMA asserts that it does not use any raw material derived from endangered species within the meaning given by the International Union for Conservation of Nature (IUCN). This policy also prohibits the use of feathers, leather and skins obtained from abused animals, whether they be farmed or not. Finally, some species such as crocodiles and snakes, and practices such as mulesing in merino sheep is prohibited. Moreover, since 2010, the brand has been working alongside other companies and several NGOs within the Leather Working Group (LWG), a platform that brings together representatives of the leather industry, with the aim of drawing up and promoting a protocol of sustainable and responsible practices for the sector. While the main tanneries with which PUMA works have been certified by the LWG, the brand now wants to go a step further by guaranteeing the traceability of raw materials back to the farm itself.

Lastly, the use of fur remains very marginal within the Luxury Division's brands. Some brands, including Stella McCartney, have decided to exclude it totally from their collections. In turn, Gucci is working with the Humane Society and *Lega Anti Vivisezione* (LAV), two NGO, to draft a Charter to regulate its use.

### Nature conservation

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

For instance, in connection with the United Nations Conferences on Trade and Development, Gucci is a member of the Fashion and Cosmetics Biodiversity Platform, which helps promote partnerships and dialogue between the luxury and cosmetics industries with a view to encouraging the sustainable use of resources and the preservation of biodiversity. PPR is also involved in the UN's Responsible Ecosystems Sourcing Platform initiative.

Meanwhile, Volcom strives to promote clean beaches through public awareness and cleaning campaigns. In 2012, the brand joined forces with the Keepers of the Coast, an NGO, to organise three days of awareness-raising and litter collection on beaches in Florida. Over the last three years, the brand has also worked alongside local branches of the Surfrider Foundation to support annual clean-ups of various beaches. On top of its financial support, Volcom offers products and posters to the most committed volunteers.

In 2012, Gucci supported the rehabilitation of a Florentine park, Villa Strozzi, in partnership with the City of Florence and the University of Florence. Three nature trails showcasing the environment and biodiversity have been created, targeting schools and children's associations.

Also in 2012, Stella McCartney joined the BioPlanet USA and million Trees Miami NGOs to support the planting of 1 million trees by 2020 for the forests of Miami-Dade County in the United States.

Lastly, in 2012, PPR has acquired a 5% stake in Wildlife Works Carbon, LLC. This has bolstered the Group's support for an extensive REDD offset project in Kenya, the aim of which is to prevent destruction of dry forests in the Kasigau corridor, threatened by slash-and-burn subsistence farming practised by migrant and local communities. The project focuses on the development of economic alternatives to this fairly unproductive form of agriculture and the promotion of secure land tenure to discourage the arrival of new immigrants. Halting deforestation will help maintain the wealth of biodiversity in the area, which is home to the following iconic species: African elephant, African wild dog, cheetah, lion and Grévy's zebra.

# 4. SUPPORTING COMMUNITY DEVELOPMENT

## 4.1. COMMUNITY, ECONOMIC AND SOCIAL IMPACT

The Group and its brands endeavour to enrich the social and economic fabric of the regions in which they operate. More specifically, the Luxury Division brands help to preserve traditional know-how by favouring Italian, French and Swiss manufacturers. The brands also develop local partnerships to support training in traditional artisanal skills:

- Gucci with the *Alta Scuola di Pelletteria Italiana* and the *Made in Italy* Tuscany Academy;
- Bottega Veneta with the *Giovanni Fontana* training centre;
- Boucheron with the Paris-based *École de la Joaillerie* jewellery school;
- Stella McCartney with three scholarship places at Central Saint Martins College of Art and Design (provided students commit to an ethical policy of not using fur or leather).

Beyond supporting these specialised training programmes and the students that graduate from them, some brands have even set up their own schools to help preserve both traditional know-how and local employment:

- Brioni offers training to 16 young people per year (on a three-year course) at its tailoring school and then provides them work at its own workshops;
- Bottega Veneta provides young technicians with the highly specialised leather-working skills needed to produce the brand's products at its Scuola della Pelletteria, through a range of activities and courses for its employees as well as partnerships with schools and universities in the Veneto region;
- Each year the Girard-Perregaux and JEANRICHARD brands support eight to ten young people struggling at school by giving them access to *Option Spiraux*, a much sought-after two-year course in watchmaking.

The Group's brands take decisive action to have a positive impact on the communities that surround their operating sites. Bottega Veneta has also financed and helped set up two community craft cooperatives as part of the *Comunità Montana Femminile* project, which was started at the beginning of 2011 in Alto Astico, an Italian valley with high unemployment among women. Trained in *intreccio infilato*, a traditional weaving technique used in the production of Bottega Veneta's products, the 32 women are now able to run the ateliers independently and have therefore become direct suppliers to the brand. Additionally, to support those affected by the earthquake and tsunami in Japan, Bottega Veneta has offered some Japanese students affected by these disasters the chance to participate in a three-month course encompassing bag design and product development. Meanwhile, Alexander McQueen has deepened its commitment to Kids Company, an association that supports children from underprivileged families in London: in addition to making donations in kind and donating clothing, in 2012, the brand began to develop an apprenticeship project which will provide these young people with work opportunities and new experiences. At its Blutonic tannery, Gucci has a project to enable homeless people to create hand-sewn bags from its production waste.

Among the Sport & Lifestyle brands, Volcom is committed to applying the philosophy of its *"New Future"* programme at its events, by minimising the environmental impacts caused by its activities and raising awareness among participants: the Fiji Pro surf competition was certified a Deep Blue Surfing Event thanks to exemplary practices and partnerships with NGOs which raised funds to finance local entrepreneurs and drinking-water filters and medical supplies on the island. The *Volcom Pipe Pro* event in Hawaii also benefited from extensive recycling and composting facilities (leading to the treatment of nearly 1,200 kg of waste). PUMA has developed its first carbon-neutral store in Bangalore, whereby one of the materials used was silt, which increases the volume of the water table for the villages in Kunigal. Also, to help raise awareness of environmental issues among the people of Bangalore, the brand has developed partnerships with local young artists to create an exhibition of works of art made entirely out of waste.

At the Group level, PPR is encouraging social mobility, notably as a founding partner of the *Télémaque Institute*, which helps young people from modest backgrounds to complete their secondary schooling. Finally, the numerous sponsorship programmes set up by the PPR Corporate Foundation for Women's Dignity and Rights and at the initiative of the brands, enable the Group and its brands to establish constructive links with local stakeholders.

## 4.2. STAKEHOLDER DIALOGUE

To firmly establish its activities in the territories in which it operates, PPR puts emphasis on listening and communicating with stakeholders. The dialogue works on two complimentary levels: the Group actively supports the main international sustainable development organisations, while the brands are involved in sector platforms at a more operational level.

### Major international initiatives

PPR is committed to international initiatives in favour of sustainable development, working alongside its principal stakeholders at the global level, such as:

- **WBCSD**: In 2011, PPR joined the World Business Council for Sustainable Development, 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.
- **SAC**: PPR became a member of the Sustainable Apparel Coalition, a group of more than 80 major players (brands, retailers, suppliers, NGOs, etc.) in the textile, footwear and accessories sector, that are working together to reduce the environmental and social impacts related to the industry worldwide.
- **EPE**: In 2012 PPR joined *Entreprise pour l'Environnement*, an association of approximately 40 French and international companies committed to working together to give environmental considerations more weight in their strategies.
- **BSR** (Business for Social Responsibility): within this international network which unites more than 300 companies, PPR is a member of the Sustainable Luxury working group which promotes transparency and cooperation between Luxury Goods players, particularly with regards to supply chains.
- **RIO+20**: At the 2012 Earth Summit in Rio, PPR, Gucci and PUMA took part in numerous forums and round-tables bringing together eminent participants, focusing in particular on themes such as the green economy and natural capital.
- **2012 Copenhagen Fashion Summit**: PPR and Gucci were invited to talk at this conference which attracted more than 1,200 international participants and can be described as one of the most important events on sustainability in the fashion industry.
- **UN International Trade Centre**: PPR contributed towards the report published in November 2012 on the trade in python skins in Southeast Asia, in particular by providing technical advice during the initial conception phase of the project.

### Brands' sector initiatives

The Luxury Division is keen to promote strong dialogue with its stakeholders. In particular, Gucci fosters extensive communication with a large number of NGOs: Greenpeace, Anti Vivisection League, Humane Society, Clean Clothes Campaign (against the use of sandblasting to create jeans with a worn look), WWF, *Solidaridad*, National Wildlife Federation, etc. Alongside these discussions and partnerships, Gucci is also an active member of Social Accountability International, Rainforest Alliance, *Sodalitas*, CSR Network and the Responsible Jewellery Council. Meanwhile, Stella McCartney has joined the Ethical Trading Initiative, an alliance of companies, unions and NGOs which are striving to improve working conditions for vulnerable workers across the globe.

In 2009 Gucci has organised a supply chain meeting bringing together all the main players in its sector: the brands, the trade unions and the professional associations. The event provides a platform for the discussion of issues that affect the sectors, along with changing themes. This year the main discussion topic was the economic sustainability of the sector. In 2012, Gucci also provided assistance to the professional network that was set up by the Florentine brand in partnership with the leather goods industry associations (F.a.i.r., *Cofindustria* – the Employers' Federation of Florence, P.re.Gi and Almax), the aim being to promote the exchange of best practices between these companies. Additionally, Gucci actively participated in the creation of the Manifesto of Sustainability for Italian Fashion, in partnership with the National Chamber of Italian Fashion. The goal of this manifesto was to show the way towards sustainable fashion and to encourage the adoption of responsible management models all the way along the supply chain.

In the Sport & Lifestyle sector, the Group brands are keen to take a leading role in the area of responsible practices. As part of its *"New Future"* commitment, Volcom has set itself the target of being a catalyst for best practice in sustainability among its employees, within the surrounding community and among its industry peers. In regards to the latter, Volcom gave a presentation at "The Growing Trend of Giving Back" sector conference. The talk focused on the benefits of managing events responsibly and giving back to the communities in which company activities are housed. PUMA is a leading member and contributor of the "Zero Discharge of Hazardous Chemicals" group which proposes clear and ambitious commitments to respond to the problems raised by Greenpeace's Detox campaign. As a company listed in Germany, PUMA maintains transparent communication with numerous ratings agencies, with very encouraging results: no. 1 ranking in EIRIS' Top 10 Global Sustainability Leaders, member of the Dow Jones 2012 Sustainability Index, member of the FTSE4Good index and "Prime status" at Oekom Research (granted to companies that meet Oekom Research's management and sustainability criteria).

PUMA is also committed to promoting dialogue with social partners, including its suppliers, in the countries which are most affected by issues relating to employee working conditions. In Vietnam in particular, PUMA has set up a project to bring union leaders into contact with experts from the Vietnamese General Confederation of Labour with a view to raising awareness of employment legislation and of the role of the unions in determining pay levels.

## 4.3. RELATIONSHIPS WITH SUBCONTRACTORS AND SUPPLIERS

Suppliers are very important stakeholders for PPR, thus, in addition to extensive dialogue, the Group and its brands have developed an ambitious programme of responsible buying criteria and training in sustainability and CSR practices.

### Incorporating social and environmental issues in the purchasing policy

#### PPR's responsible buying strategy

Choosing suppliers and maintaining good relationships with them is essential to PPR, first in order to secure supply (and therefore conduct business), but also to adapt to changes in regulations and in consumer demand.

In 2012 PPR announced an ambitious set targets concerning responsible sourcing, that are to be met across the Group by 2016:

- Evaluating all our key suppliers a minimum of every 2 years and helping guide them to meet best practices and adhere to PPR's Code of conduct;
- 100% of paper and packaging for PPR will be sourced from certified sustainably managed forests with a minimum of 50% recycled content;
- All our collections will be PVC-free latest by 2016;
- Ensuring all hazardous chemicals have been phased out and eliminated from our production by 2020;
- 100% of gold and diamonds in PPR's products will be sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems which support them;
- 100% of leather from domestic livestock within PPR's products will be from responsible and verified sources that do not result in converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock;
- 100% of precious skins and furs in PPR's products will come from verified captive breeding operations or from wild, sustainably managed populations. Additionally suppliers will employ accepted animal welfare practices and humane treatment in sourcing.

Regarding the steps already taken by the brands in this area, Stella McCartney has adopted a particularly ambitious responsible buying policy. First of all, to limit its environmental impact, the brand has been PVC-free since 2010. Since its creation, Stella McCartney has also banned the purchase of fur in order to respect animal welfare. Finally, each year the brand increases the amount of organic cotton used in its collections: in 2012 organic cotton accounted for 34% of the cotton used in its jeans, 36% in jerseys, more than 50% in children's jumpers and 100% in shoe bags.

Meanwhile, at the head office level, PPR has also been working for a number of years 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 Supplier Charter, which is itself based on the core conventions of the ILO, compliance with social and environmental laws and regulations and specific commitments tailored to each category of purchase 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.

#### Responsible purchasing of diamonds and gold

Illicit or unregulated mining for precious stones leads to devastating social conflict and corruption, and poses a serious threat to local biodiversity. The brands are working towards meeting the Group objective to obtain 100% of gold and diamonds from responsible sources by 2016. Boucheron, Gucci and Sowind are currently taking numerous steps to ensure that the gold they purchase is more responsibly produced.

Boucheron, Gucci, Bottega Veneta and Sowind (Girard-Perregaux and JEANRICHARD brands) strive to ensure the traceability of the diamonds they use by complying with the Kimberley process to ensure that they do not serve to finance armed conflict. These brands have also been members of the RJC (Responsible Jewellery Council) for many years. In 2012, the brands that use gold and diamonds (Boucheron, Bottega Veneta, Gucci, Girard-Perregaux and JEANRICHARD) all obtained RJC certification, following audits carried out at their offices and stores by independent accredited auditors, to certify that they respect ethical, social, environmental and managerial criteria.

### Training and educating suppliers about sustainability

Raising awareness among suppliers of the corporate and social responsibility issues to which the brands are committed is key for ensuring that practices move in the right direction. For instance, PUMA provides concrete recommendations and organises training sessions on sustainability for its suppliers in addition to its company audits.

Gucci has also found ways to support its suppliers: more than 300 direct suppliers were trained in 2012 through various programmes. Among them, the *Filiera Valore*, which brought together 50 companies (with 50% operating in the leather industry) and 200 people, put an emphasis on management tools and innovation, and gave rise to 18 "technological" audits.

Sowind is also committed to raising awareness among its suppliers: at a seminar held for 50 of the most strategic suppliers to Girard-Perregaux and JEANRICHARD, Sowind presented the sustainability issues that affect the Swiss watch industry (in particular the origin of raw materials such as precious stones and metals). Following the seminar, many suppliers invited Sowind's management team to visit their sites and observe the measures they had already adopted in terms of sustainability.

### Protection of human rights and the fight against corruption

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, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child and the core conventions of the International Labour Organization. The Group is also committed to the respect of fundamental rights for women through the PPR Foundation for Women's Dignity and Rights.

In order to ensure their commitments are reflected by their operations, the brands take specific steps to ensure respect for human rights. Since 2005 PUMA.Safe pocket guides have been made available to employees of the factories that work for the brand, containing essential information on PUMA's social, environmental and health and safety standards. The *Social Handbook* is also handed out 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 Code has now been revised to incorporate the requirements of the California Transparency in Supply Chains Act (SB 657). PUMA's membership of the FLA (Fair Labor Association) means that third parties are also entitled to file an official complaint with the FLA if they feel that there has been a breach of the Code. PUMA has also signed up to the Protocol on Freedom of Association (FOA) in Indonesia, which helps to encourage its suppliers to respect the rights of unions and in particular their capacity to negotiate collective bargaining agreements.

Finally, by joining the Ethical Trading Initiative, Stella McCartney can confirm that its suppliers must ensure that working conditions comply with human rights.

As regards corruption, in accordance with the principles of the Code of Business Practices and the *Global Compact* signed by PPR in 2008, the Group prohibits any political, trade unions, 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; the Group ethics committee ensures respect for the Code of Business Practices and can be contacted by any employee over questions relating to corruption.

## Social compliance

#### Brand-specific approaches

To maintain respect for human rights, it is essential for the Group to ensure that its suppliers respect its standards. Each brand defines its own social compliance criteria for its supply chain, while at the same time respecting the ethical principles laid out by the Group.

In 2007 and 2009 respectively, Gucci and Bottega Veneta 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 corporate responsibility requirements 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 this purpose. Certification is awarded by Social Accountability International (SAI) and Gucci has been a member of SAI's Consultative Committee since 2009. In 2012, all of Gucci's businesses (shoes, ready-to-wear, silk, leather goods, jewellery and stores), Bottega Veneta's main businesses (ready-to-wear, jewellery, fine jewellery, shoes, leather goods and furniture) and PPR's international logistics platform for its Luxury brands (Luxury Goods International), had obtained SA 8000 certification.

In 2012 Gucci set about building a management system to incorporate and track all its initiatives. Based on the standards for which it has gained certification (SA 8000, ISO 14001, OHSAS 18001), the system will enable the brand to monitor improvements it has made in terms of social responsibility, environmental performance and workers' health and safety. Within this management system, three Committees reporting to the sustainability department meet to discuss specific themes: HSE, equality of opportunity and well-being, and supply chain policies.

PUMA has been committed to an ambitious social compliance policy for many years. The brand has had its own Code of Business Practices since 1993, and since 1999, a specific set of standards forming part of the PUMA.Safe programme 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 FLA (Fair Labor Association), an association dedicated to 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.

To tackle what is one of the most sensitive subjects in the sector, PUMA has launched the very ambitious Better Wage programme which is targeted at its suppliers. It consists of a number of projects which aim to put in place fair wage structures at a selection of suppliers by 2015. For these pilot companies, the programme seeks to compare wage policies, carry out an internal review of the systems that impact wages in the supply chain, and identify the main parties involved. The programme includes direct action focusing on the wage policies practised by its suppliers, and aims to influence the structural wage environment in which these suppliers operate. These efforts are being carried out in partnership with the FLA and the Fair Wage Network (FWN). The FWN will draw up individual roadmaps for 28 sites, based on the Fair Wage methodology developed in 2010. Additionally, the FLA and FWN will work closely with managers and workers at three Indonesian sites to look for solutions to improving wage conditions by offering training programmes and technical assistance. At the same time, PUMA is promoting the deployment of human resources management systems at these pilot supplier companies, as part of a joint initiative with the International Labour Organization (ILO) and Better Work.

## Brand supplier evaluation systems

The supplier evaluation systems put in place by PUMA, Gucci and Bottega Veneta are based on specific approaches: PUMA's audits are performed by the PUMA.Safe team (Social Accountability and Fundamental Environmental Standards: a team of 13 internal auditors dedicated to these systems), whereas Gucci and Bottega Veneta rely on an external, independent audit firm.

PUMA.Safe ensures that its suppliers meet the strict requirements set by its *Social Handbook*. In 2012, 29 sites were removed from PUMA's supplier lists because they had failed to achieve a sufficient level of compliance. In addition to carrying out social audits which focus on the deficiencies of its suppliers, PUMA also works with other brands to identify concrete solutions to enable them to set up more responsible practices. The PUMA.Safe team conducted 422 audits in 2012, including 351 visits to direct suppliers, mainly in China (176), but also in India (36), Vietnam (34), Turkey (12), South Korea (12), Bangladesh (11), Cambodia (11) and Argentina (8). Overall, 62% of the suppliers audited obtained A or B+ ratings, while 14% failed the audit by obtaining a C or a D. More than 63% of the companies audited improved their rating in relation to their previous audit, thanks notably to the support provided by PUMA.

These efforts reflect the efficiency of PUMA's audit policy which takes into account the social and environmental performance of its sites. Sites with an A rating are reaudited every two years, those with a B+ ranking on an annual basis, and those with a B- ranking between eight months and one year following the audit. Sites with a C ranking are reaudited between two and six months following the audit, depending on the severity of the areas of non-compliance identified. For sites with a D ranking, business relations are halted and a reaudit is carried out within two months in order to check that the areas of non-compliance have been resolved.

Gucci also runs an intense programme of social audits, carried out by external experts, who frequently operate on an unannounced basis. Audits are conducted for both direct suppliers and tier 2 suppliers. In order to roll out this strategy, Gucci has developed a global risk matrix and various evaluation tools, to provide good visibility in terms of production conditions. Of the 2,356 social audits conducted in 2012, 403 took into account social and environmental issues, which represents a 30% increase on the previous year. The number of suppliers audited also rose by around 10%, to reach 1,211 in 2012. Overall, the number of major cases of non-compliance also dropped significantly (606 infringements recorded), thanks to the training and awareness-raising actions implemented throughout the value chain. Safety and hygiene remain the principal areas of non-compliance.

Bottega Veneta has also stepped up its audit efforts, having doubled the number of social audits carried out in connection with the SA 8000 standard. The brand performed 686 audits in 2012, which is significant given that it has 388 active suppliers. For each case of non-compliance, the supplier has to set up an action plan which depends on the seriousness of the problem: serious violations must be resolved within a month, non-serious issues within three months and minor issues within six months. In September 2012, 342 cases of non-compliance (including 214 minor issues and non serious violations) were in the process of being resolved.

**Number of audits performed by PPR in 2012 and 2011**

| | 2012 | 2011 | Change 2012/2011 |
|---|---|---|---|
| Gucci | 2,356 | 2,337 | |
| Bottega Veneta | 686 | 581 (1) | |
| PUMA | 422 | 426 | |
| **Total number of social audits** | **3,464 √** | **3,344 (1)** | **+3.6%** |

Meanwhile, Yves Saint Laurent, whose suppliers were previously evaluated under the system put in place by Gucci, decided in 2012 to adopt its own system for monitoring social and environmental compliance among its suppliers. The system is based on a high level of requirements in line with Group standards and international guidelines. The supplier audits are to begin in 2013 once the specific contractual clauses have been agreed. Assisting suppliers is essential for ensuring the successful adoption of this programme.

## 4.4. RISK MANAGEMENT AND DEVELOPMENT OF RESPONSIBLE PRODUCTS

PPR's responsibility towards society extends across the value chain, and the Group is keen to help raise awareness of sustainability issues among consumers, while ensuring that its products respect their health and the environment.

### Consumer health and safety

The Group ensures the health and safety of its customers by implementing control procedures in all its brands. The procedures allow the Group to verify the application of stringent and reliable quality control processes and compliance with current regulations.

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

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 its Restricted Substances List (RSL) and they include certain heavy metals, formaldehyde and various phthalates. In response to the Detox campaign led by Greenpeace, around ten substances have been added to the list since 2011.

### Informing and raising awareness among consumers

To keep its customers better informed, PUMA published the first ever product environmental profit and loss account (EP&L) in 2012, to measure and value the environmental impacts of its products over their entire lifecycle, from cotton fields to end of life. The process compared two models of footwear and two models of t-shirt: the classic line and the latest InCycle (recyclable and biodegradable) line. The exercise showed a 31% reduction in impacts for the new InCycle line, with for example the environmental impacts of t-shirts dropping from €3.42 to €2.36 per item. This information and details of the comparison can be found on the brand's website. In the same spirit, in September 2012 Gucci signed an ambitious voluntary agreement with the Italian minister for the environment to mark the start of a joint project to assess the environment footprint of several of the brand's signature products. The aim is to develop industrial processes and products that comply with the highest environmental and social standards, and to measure the carbon footprint of the brand's production activities with the aim of reducing or offsetting it and ultimately offering carbon-neutral

*√ Verified by the Statutory Auditors.*

*(1) Restated data: the 121 audits indicated for Bottega Veneta in the 2011 Reference Document did not include safety audits which also fall into this category.*

products. The initial results of this major project should be available by the end of 2013. PUMA is also encouraging its customers to recycle, with its "Bring Me Back" service, which provides collection points for old clothes, shoes and accessories that are taken away to be transformed into raw materials for new products. This scheme, which was launched in Germany, is now being extended to other countries, with the aim of covering 40% of all PUMA stores worldwide in 2013.

PUMA stepped up its consumer awareness-raising initiatives in 2012, notably through the medium of film. PUMA.Creative presented an Impact Award and €50,000 of prize-money for *Budrus*, a film which tells the story of a non-violent demonstration held by Palestinians and Israelis in the West Bank. The work promotes dialogue between different groups as well as environmental protection, and was accompanied by awareness-raising campaigns held in Palestinian and Israeli schools as well as in the public domain. Through PPR, PUMA also supported *Home Oceans*, a film short by Yann Arthus-Bertrand which was shown at the *Volvo Ocean Race* as part of a larger ocean conservation campaign called *Marmo saves our seas*. Girard-Perregaux (Sowind Group) organised an event which included the screening of the film, *Mission of Mermaids*, by Susan Rockefeller, to mark World Oceans Day on June 8, 2012 at the Museum of Modern Art in New York. Finally, Volcom premiered a documentary on *The Last Orangutans*, in partnership with the Sumatran Orangutan Society (SOS), to highlight the major threats to the habitats of these large apes, but also to present possible solutions.

Volcom has also held various events to raise awareness about waste collection and recycling. In Japan the *V.Co-Logical* team joined forces with the Snowboard Network to expand the rubbish collection movement, "Mountain Clean Up Days", which takes place three times a year on the ski slopes in low season. In Florida, Volcom supports beach-cleaning campaigns in partnership with the "Keepers of the Coast" association. Finally, Volcom teamed up with students of Laguna Beach High School in California to collect shoes and clothes and raise awareness among these young people of the amount of clothes that end up in landfills.

The Luxury Division is also actively involved in the Green Carpet Challenge, a sustainability campaign launched by Livia Firth, which aims to take ethical and sustainable designer clothing to prestigious red carpet events. Gucci created two full outfits (dress, shoes and jacket) in sustainable materials for Elizabeth McGovern and Livia Firth to wear at the 2012 Cannes Film Festival, for the screening of the film *Once Upon A Time In America* (the restoration of which was partly financed by Gucci), as well as a three-piece organic wool suit and organic cotton shirt for Javier Bardem to wear at the global première of *Skyfall*. Meanwhile, Stella McCartney dressed Cameron Diaz in a gown made from 100% Global Organic Textile Standard (GOTS) – certified fabric for the MET Gala in New York. During London Fashion Week, Stella McCartney also participated in the Green Cut Initiative, in partnership with the British Film Institute and the British Fashion Council, by creating a dress made entirely from GOTS or OEKO-TEX certified materials. Finally, Gucci joined forces with Mafed (Master in Fashion, Experience and Design Management) to launch a project with the theme "CSR and product traceability in luxury products", in order to analyse consumer attitudes and awareness in this area.

## Responsible product offerings

### A long-term strategy

By taking sustainability issues to the very heart of its activities, the Group and its brands work to develop a product offering with the most favourable profile possible in terms of social and environmental impacts.

In the case of PUMA, progress is based on the Sustainability Index which tracks the proportion of the brand's products made from sustainable materials and that purchased from suppliers whose manufacturing sites obtained an A or B+ ranking in the social audits carried out within the framework of the PUMA.Safe programme. PUMA has set a target for 50% of its products to meet S-Index criteria by 2015, and it is on the way to achieving this since 22% of its products respected the S-Index in 2012.

### Products with a high social impact

Among the product lines developed last year by PPR group brands, four had a particularly positive social impact:

First of all, in spring 2012 Stella McCartney launched a range of tote bags made entirely by hand in Nairobi, Kenya, in collaboration with the UN International Trade Centre's ethical fashion programme. This programme represents more than a charity initiative, since it provides, through employment, the means to create sustainable livelihoods in disadvantaged communities in Africa. So far 160 people are working for the scheme and 93% said that they were now able to educate their children as a result. Volcom has developed products in partnership with Krochet Kids, an association which aims to fight poverty by helping communities in developing nations to set up economic activities. Last year, Volcom began working with Krochet Kids to have some of its products crocheted in Uganda, and extended the initiative this year to a community of women in Peru.

PUMA unveiled its new Wilderness collection in 2012, which includes apparel, footwear and accessories, and is produced predominantly in Kenya in collaboration with the Wildlife Works eco-factory. More than 80% of the items in the collection are made from fair-trade cotton. The partnership with Wildlife Works also allows the brand to invest in local community projects, in areas such as education, healthcare and infrastructure. With the support of Fairtrade International, PUMA is aiming for all of the cotton used across its entire Wilderness collection to be fair-trade by 2013.

### Eco-design and the use of sustainable and recycled materials

The use of sustainable materials and eco-design overall is increasingly being integrated into the brands' production processes.

With the Re-Suede, PUMA has launched a large-scale project to recreate the brand's iconic shoe, the PUMA Suede. The new model is made from 100% recycled materials. With the help of innovative techniques, the shoes retain their original style while shedding 140g of their weight and 80% of their $CO_2$ emissions. PUMA has also announced the creation of a new InCycle range of entirely biodegradable and recyclable products which are to go on sale in some stores throughout the world in the spring of 2013. Once used, these products can be returned to stores to be recycled. The InCycle collection is to be made up of 22 products, including jackets, shirts and back-packs, as well as sports shoes. The latter will have a sole made from biodegradable polymers and recyclable polyesters and an upper composed of organic cotton and linen, to eliminate the use of pesticides, fertilisers and other chemicals from the production of these raw materials. This is an important issue since, according to PUMA's EP&L carried out in 2010, 57% of the brand's environmental impact is linked to the production of cotton, rubber and leather. In 2012, PUMA received the highest prize in the Guardian Sustainable Business Awards, for its work on the EP&L.

Stella McCartney is developing numerous sustainable product lines. In 2010, the brand introduced biodegradable soles in its shoe collections. The soles are made from a bio-plastic called Apinat, which is derived from renewable raw materials that are compostable. Stella McCartney also launched her "adidas by Stella" DryDye t-shirt as part of the autumn 2012 collection. The first of its kind, this innovative technology uses no water to dye clothing and only requires 50% of the chemicals and energy that traditional dye uses. The new eyewear collection has also turned sustainable thanks to the results of extensive research into the use of natural raw materials, such as castor-oil seeds and citric acid. The collection is made from over 50% natural and renewable resources. Finally, in August 2012, Stella McCartney introduced a new line of lingerie produced from organic cotton and recycled metals.

In 2012, Gucci designed a new collection of eco-friendly sunglasses made from liquid wood (a natural material obtained from sustainably managed forests), to go on sale in the summer of 2013. It also sold 4,221 pairs of glasses from its eco-sustainable range of eyewear created from bio-plastics and bio-acetate, and developed eco-design footwear: the Marola Green and California Green which formed part of the pre-autumn 2012 collection were made from biodegradable and compostable materials and certified by laboratories to meet international ISO 17088 and UNI EN 13432 standards. In 2012, 3,460 pairs of bio-plastic and/or biodegradable shoes were sold. In addition, the brand introduced the Gucci Responsibility logo which is used to label the sustainable products within its range.

For autumn 2012, Volcom launched a range of environmentally-friendly jeans produced from organic cotton, based on classic models and manufactured in the United States without the use of toxic chemicals. The products are accompanied by information aimed at raising consumer awareness of the problems they address. For instance, consumers are informed that the technique of washing without chemical products reduces the amount of water used by 94%. In 2012, Volcom sold 8,800 jeans from this sustainable collection.

At the Fashion's Night Out event Bottega Veneta launched a new range of eco-friendly handbags. The bags are produced from plant-based materials, using environmentally-sensitive dyeing and finishing techniques, and share Bottega Veneta's signature design detail, the *intrecciato* weave, which, for this occasion, is not in leather but in a very special jersey woven in France and dyed in Italy, or alternatively in a traditional Japanese material, Washi paper, which is made from vegetable fibres.

Finally, across all the PPR brands, production offcuts are being given a new lease of life. As it has every year since 2009, Balenciaga renewed its limited collection of bags created entirely from leather scraps collected at the end of each production cycle. In 2012, Volcom launched its Reclaim sandals as part of the *V.Co-logical* collections. These products are also produced from manufacturing waste; the sole is made from materials left over after dyeing and cutting. 6,500 pairs have already be sold, and for each purchase a contribution is made to the "1% for the Planet" programme which redistributes 1% of revenues to initiatives carried out by environmental protection organisations worldwide (more than 250 Volcom products contribute to this).

### Shared product offerings

The Group's desire to promote sustainable practices has encouraged the brands to offer their customers the chance to support good causes through their purchases: in 2012 the PPR brands continued to develop the shared product offering, where a set amount is paid to a supported organisation.

At Sowind, a number of limited-edition watches were created to support environmental causes in 2012:

JEANRICHARD released a limited-edition Highlands watch model (100 pieces) for which 8% of the sales price was donated to the Big Life Foundation for the protection of wildlife, and Girard-Perregaux created two special versions of the Hawk watch to support the biodiversity of the Everglades and sea conservation (by auctioning these watches and donating all the proceeds to these special causes). Bottega Veneta also held special sales and raised €70,000 for associations like the Ounce of Prevention Fund in Chicago, which supports education programmes. Additionally, Stella McCartney held an increased number of special sales in support of associations promoting education, culture and health, such as the Heart Foundation which raises awareness of how to prevent heart disease. In 2012 Gucci launched the *GG Flag Collection*, an exclusive line of t-shirts and accessories, whereby 25% of the sales price is donated to UNICEF. The various associations that received funds raised in private sales held by Gucci included Gabrielle's Angel Foundation, which finances research into leukaemia and cancer, the Somaly Mam Foundation which campaigns against prostitution and slavery in Cambodia and the Art Production Fund which promotes various artistic projects. Over the course of 2012, more than €60,000 were raised. Finally, Gucci's limited edition Li Bingbing (a famous actress known for her commitment to the environment) collection of watches and jewellery was created to support an anti-deforestation campaign and uses renewable materials such as bamboo and vegetable ivory.

In 2012, the Sport & Lifestyle Division also motivated its customers through a number of limited editions: Volcom repeated the *"Give Back Series"* by releasing eight special product collections with the aim of raising customer awareness and funds. USD 118,000 were donated to eight associations chosen for their commitment to women, young people, health or Sport, such as "Life Rolls On", which seeks to improve quality of life for children suffering from paralysis, and "Stoked Mentoring" which encourages young people to get involved in community initiatives through skating/board sports.

### Packaging & Merchandising

In 2012, the Group announced that by 2016 all paper and packaging used by the PPR brands will be sourced from sustainably managed forests and have a minimum of 50% recycled content.

The PPR brands have already made significant progress towards this target. At Bottega Veneta all packaging and printed communications are FSC-certified. Yves Saint Laurent, which will launch a new packaging, expects to achieve the same in 2013. Stella McCartney's shoe bags are made from 100% organic cotton. Sergio Rossi also launched new packaging made entirely from FSC-certified paper at the beginning of 2012. Since 2010 all of Gucci's store bags have been made from easily recyclable materials, using no polyester or plastic. Subsequently, in 2012, a partnership with Safilo and the Rainforest Alliance enabled the brand to adopt 100% FSC-certified and recyclable materials for its eyewear cases, thus reducing the related $CO_2$ emissions by 60%. Upon purchasing eyewear, customers also receive leaflets explaining how to recycle their cases. Finally, Gucci began in 2012 to replace all its hangers with recycled plastic hangers, a project to be completed in 2013.

## 4.5. SPONSORSHIP PROGRAMMES AND INITIATIVES CARRIED OUT BY THE PPR CORPORATE FOUNDATION FOR WOMEN'S DIGNITY AND RIGHTS

### 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 support initiatives to empower women.

By pursuing one of the eight millennium development goals set out by the UN "To promote gender equality and empower women", the Foundation's programme commits PPR to a key issue that ties in with its activities and customers and an area in which the Group can play a key role government and NGOs. The Foundation forges partnerships with local and international organisations and encourages the involvement of Group employees in a programme organised around four objectives.

Overall, in 2012, 85,727 women √ received aid and 2,182 women √ received advice on women's rights from the 20 programmes actively partnered by the Foundation.

√ *Verified by the Statutory Auditors.*

### Supporting anti-violence and developmental NGO projects

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.

In 2012, the Foundation continued to support 17 projects relating to partnerships set up between 2009 and 2011. For example, the Samu Social International programme, which has received €60,000 from the Foundation since 2011 (decision made by the Selection Committee), provides support to women affected by violence in Lima, Peru.

The Board of Directors of the PPR Foundation, which meets twice a year, renewed two major partnerships 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).

### Community leave

Since 2005, all PPR group employees have had the opportunity to participate in a solidarity project as part of their paid leave and also to receive financial and logistical support in organising their project (prior training, field logistics, safety, etc.). In 2012, 25 employees signed up to offer their time and skills to local organisations, in partnership with *Planète Urgence*, *Coup de Pouce* and *France Volontaires*, and thus helped to empower women. Two thirds of these employees took part in construction projects and the remaining third assisted through skills transfer initiatives. These assignments spanned three continents, with Africa, Latin America and Asia all accounting for roughly a third of participants. 36% of the assignments were carried out for one of the NGOs directly supported by the PPR Foundation Selection Committee.

### Social entrepreneur sponsorship

On January 16, 2012, the Foundation selected three new recipients for the Social Entrepreneur Awards, which are awarded every two years to projects combining economic viability and social added value in favour of women. The prize winners each received €15,000 together with coaching from a PPR member of staff in a strategic area of competence to enable the project to be developed. On June 21, 2012, François-Henri Pinault, CEO of PPR and Chairman of the PPR Foundation for Women's Dignity and Rights, presented the awards to three new social entrepreneurs chosen by the PPR Foundation Selection Committee:

- Sophia Klumpp & Paul Grinvalds, for their social enterprise *AFRIPads*, encouraging the educational and vocational integration of girls in Uganda by producing washable sanitary pads. This project is receiving guidance on communications and human resources strategies by an employee of Bottega Veneta;
- Delphine Kohler, for her organisation *Filles du Facteur*, supporting the empowerment of Burkinabian women through the production of crocheted accessories made from recycled plastic bags. This project benefits from guidance on brand positioning and distribution strategy from a PPR staff member;
- Miriam Espinoza & Patricia Marihuen, for the association Relmu Witral, preserving the traditional skills of the Mapuche women weavers in Chile. This project is supported by a manager of Volcom, who will provide help with the redefinition of the product offering and the marketing strategy.

In addition, as part of *UniverCité* PPR's Leadership Development Programme, a group of senior managers went on a mission to India to assist the management of Swift Wash, an industrial laundry rehabilitating former victims of commercial sexual exploitation, which has been supported by the Foundation since 2010. Following an audit, the team set out a list of strategic recommendations for the social enterprise to ensure the economic viability and development of its model.

### Actions to prevent and raise awareness of violence against women

The PPR Foundation for Women's Dignity and Rights supports actions that inform and raise awareness among its employees and the public. When François-Henri Pinault joined forces with the *Fédération Nationale Solidarité Femmes* 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: since 2010, 100 employees have taken part in awareness-raising sessions on domestic violence to enable them to inform potential victims of whom to contact.

On November 25, International Day for the Elimination of Violence Against Women, the Foundation supported and screened the *Le Souffle* (The breath) television broadcast by Ivans Pierens, in support of the fight against domestic violence. The video was viewed more than 50,000 times on the Internet in the week running up to November 25.

Two other awareness-raising initiatives were carried out by the Group's brands to mark this international day. The White Ribbon For Women campaign (to raise awareness of violence against women) attracted a huge following on the social networks: the virtual badge designed by Stella McCartney was posted almost 1,000 times on Facebook and Twitter. Thanks to support from Boucheron, Brioni, Sowind, Gucci and Sergio Rossi, the campaign generated a large amount of online activity and reached around 15 million Internet users. Finally, the day also provided an opportunity for the PPR Foundation to renew its support for Catherine Cabrol, an artist committed to the prevention of violence against women. Her photographic exhibition, "Injuries to Women", was adapted for the stage by actors from the Comédie-Française theatre and shown to a large audience, including 50 PPR group employees and Najat Vallaud-Belkacem, the French Minister for Women's Rights.

### Joint projects with the brands

The PPR Foundation assists the Group's brands in their commitments to empower women. For the second year, the PPR Foundation for Women's Dignity & Rights in association with the Gucci Trebeca Documentary Fund, presented Spotlighting Women Documentary Awards to three documentary film projects chosen to highlight the courage and extraordinary strength of character of women from around the world:

- *Alias Ruby Blade*, by Alexander Meillier, which captures the story of a woman fighting for the independence of East Timor;
- *The Break of Dawn*, by Berit Madsen, about a young Iranian girl who dreams of becoming an astronaut; and
- *The Supreme Price*, by Joanna Lipper on the fight of Hafsat Abiola to transform a corrupt culture of governance into a democracy capable of serving Nigeria's most marginalised population, women.

At the Tribeca Film Festival in April 2012, *The World Before Her*, a documentary by Nisha Pahuja, winner of the Spotlighting Women Documentary Award in 2011, was proclaimed "Best Documentary of the Year". Numerous PPR brands arranged screenings of this documentary.

## The issues that motivate our brands to take action

The support of the brands seems to provide real leverage to the partnership projects set up in the local community, and it gives them access to professional skills and expertise. Although all of PPR's brands develop their own solidarity initiatives to tie in with their activities and their location, the PPR Foundation continues to support the brands in their efforts by providing help with identifying partners and motivating employees. It also encourages the sharing of best practices and offers the brands the opportunity to join forces with the Foundation and to develop women's initiatives.

### PPR Luxury Division supports women empowerment projects including education, healthcare and culture

The Luxury Division brands have shown their attachment to projects supporting women in various ways:

Stella McCartney, Alexander McQueen and Gucci have raised more than €7,300 for the NGO, Women for Women International, which helps women survivors of war. Gucci also raised USD 10,000 for Equality Now, an organisation campaigning against gender discrimination throughout the world. Meanwhile, Yves Saint Laurent is supporting the economic empowerment of vulnerable women in collaboration with the Moroccan Children's Trust by donating more than €7,100 to the Anmoon project which provides these women with an income-generating activity, namely carpet weaving. In collaboration with the Ethical Fashion Initiative of the International Trade Centre, Stella McCartney created a range of recycled canvas bags which are hand-made by 160 Kenyan craftspeople, of which 80% are women.

Education also remains a priority for Luxury Division brands. In particular, Gucci has built on its partnership with UNICEF: USD 1,322,500 were donated to the *Schools for Africa* programme, which helps give the children of Sub-Saharan Africa access to education. This partnership, which celebrated its seventh anniversary in 2012, has now been extended to Asia: Gucci became the first corporate partner to sign up to the new *Schools for Asia* initiative in the Chinese provinces of Yunnan and Chongqing, with an inaugural donation of USD 350,000. Brioni also stands out for having donated a total of USD 700,000 over seven years to Artists for Peace and Justice, which aims to provide education for children living in the poorest areas of Haiti, while Bottega Veneta donated €40,000 to professional teaching center *Giovanni Fontana*, a school which specialises in teaching leather-working skills. Finally, Sowind (Girard-Perregaux and JEANRICHARD brands) gave USD 25,000 to the Desmond Tutu (Nobel Peace Prize) Peace Foundation, which is particularly active in programmes that support young people.

Numerous healthcare and medical research projects were supported by the brands, particularly the fight against breast cancer: special sales by Bottega Veneta collected €11,600 for various associations including Bighorn Bam. Children's health was also a strong focus for the brands. Bottega Veneta donated more than €14,500 to the Jackie Chan Charitable Foundation Beijing, the Smile Angel Foundation and the China Soong Ching Ling Foundation (three Asian organisations which support children affected by cardiac illnesses) and took part, along with Yves Saint Laurent and Balenciaga, in the charity dinner organised by the AEM association: €16,500 were donated to a programme to provide healthcare to hundreds of children in Rwanda. Sowind auctioned a watch worth around €20,000 to raise money for the Fight Cancer Foundation, which is active in the development of programmes and research to help children and adults with leukaemia. Boucheron handed over €5,950 at a charity dinner organised by Caudwell Children for sick children, while Brioni donated €10,000 to non-profit organisation *Santa Rita Fondazione Oncologica Italiana delle malattie rare ed emergenti.*

The Luxury Division brands also gave extensive support to various cultural initiatives in 2012. Boucheron, which became a patron of the arts by partnering the Comédie-Française in 2011, donated €32,000 to the theatre. Gucci reinforced its support for film-making: by donating USD 250,000 to the Film Foundation, which supports the restoration of old films; by providing USD 75,000 in sponsorship to the TED Conference, by renewing its partnership with the Venice Film Festival through the *"Gucci Award for Women in Cinema"* and by launching last August at the Venice Biennale, the "Biennale College" film lab initiative, a unique grants programme set up to assist new film-makers. Meanwhile, Yves Saint Laurent renewed its partnership with the Metropolitan Opera for the fifth year running, by donating a total of USD 284,000. Yves Saint Laurent also showed its commitment to young designers by supporting ANDAM (*Association Nationale pour le Développement des Arts de la Mode*) through a €20,000 donation and the presence of Paul Deneve, CEO, in the international jury of the ANDAM Fashion Award. Stella McCartney, Balenciaga and Bottega Veneta handed over close to USD 400,000 at the Metropolitan Museum gala in New York, while Boucheron donated €29,150 to the Contemporary Art Society, by attending the gala held to support British contemporary artists.

Finally, the brands increased the number of products they donated to charity auctions. In 2012, two Luxury Division brands – Gucci and Balenciaga – took part in the "Bags for Africa" operation to support the Italian NGO COOPI with its project in Sierra Leone "D for development: the future of Africa is a woman", which aims to promote female empowerment and literacy and raise awareness among women of their rights. Sowind and Stella McCartney contributed more than USD 40,000 to the auction organised by the Runway to Green association which supports climate change initiatives.

## 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. In 2012, the PUMA.Peace programme helped to produce ten films for peace by donating €150,000. Meanwhile, PUMA.Creative continued its partnership with the BritDoc Foundation : more than 20 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, for the total sum of €166,000. Furthermore, PUMA released €70,000 to finance artistic exchange platforms held by its product divisions: the *Creative Africa*, *Creative Caribbean* and *Creative South America* networks, which have all gained strong recognition in their regions, were thus able to support young talent from fields such as architecture, dance, design, fashion, cinema, literature, performing arts and photography. These initiatives have given rise to the creation of professional qualification programmes for art students, notably at the University of Miami, New World School of the Arts. As part of the same commitment, PUMA also renewed its partnership with the Bass Museum of Art *Creative Caribbean* initiative.

Among its local community efforts, Volcom extended its *"Give Jeans a Chance"* initiative for the fourth year running, by collecting jeans and jackets for the homeless community from its distributors and customers, but also from students and schoolchildren. The brand also supported numerous environmental initiatives, for example by supporting the "1% for the Planet" organisation for which it collected USD 52,105.

## The commitments shown by the PPR brands in the face of natural disasters

In 2012, Gucci continued its efforts to support Japanese schools destroyed by the earthquake in 2011: the brand created a special pendant and donated all profits from the pendant to the Unesco Association Scholarship-Gucci Scholar programme. In the United States, in the wake of Hurricane Sandy, PPR and its head office staff raised more than USD 17,000 for the Red Cross. Also, Alexander McQueen, Yves Saint Laurent, Stella McCartney and Volcom collected close to USD 25,000 for the associations set up to help the victims. PUMA US distributed survival boxes containing warm clothes worth a total of USD 16,000. In Italy, Bottega Veneta donated more than €177,000 to communities in the Emilia Romagna region of Italy which were hit by the earthquake in May 2012.

# 5. CROSS-REFERENCE TABLE PURSUANT TO ARTICLES R.225-104 AND R.225-105 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*)

| Article | Description | Section of the Reference Document |
|---|---|---|
| **1° Employee information** | | |
| § 1°a | Total number of employees and breakdown of employees by gender, age and geographic area | Section 2.1. |
| | Hires and redundancies | Section 2.1. |
| | Remuneration and changes in remuneration | Section 2.1. |
| § 1°b | Organisation of working time | Section 2.1. |
| | Absenteeism | Section 2.1. |
| § 1°c | Organisation of social dialogue, procedures for informing, consulting and negotiating with employees | Section 2.5. |
| | Collective bargaining agreements | Section 2.5. |
| § 1°d | Health and safety in the workplace | Section 2.4. |
| | Bargaining agreements signed with trade unions and employee representatives concerning health and safety in the workplace | Section 2.4. |
| | Work-related accidents, in particular frequency and severity, and work-related illnesses | Section 2.4. |
| § 1°e | Training policies | Section 2.2. |
| | Total number of training hours | Section 2.2. |
| § 1°f | Measures taken to promote gender equality | Section 2.3. |
| | Measures taken to promote the employment and integration of persons with disabilites | Section 2.3. |
| | Policy concerning the fight against discrimination | Section 2.3. |
| § 1°g | Promotion of and compliance with the core conventions of the International Labour Organisation as regards: | Sections 4.2. |
| | the respect for the freedom of association and the right to collective bargaining; | and 4.3. |
| | the elimination of discrimination in respect of employment and occupation; | Section 2.3. |
| | the elimination of forced and compulsory labour; | Section 4.3. |
| | the effective abolition of child labour. | Section 4.3. |
| **2° Environmental information** | | |
| § 2°a | Organisation of steps taken to address environmental issues and environmental assessment and certification procedures | Section 3.1. |
| | Initiatives taken to train and raise awareness among employees on environmental protection | Section 3.1. |
| | Resources assigned to the prevention of environmental risks and pollution | Data not available. See section 3.1. |
| | Amount of provisions and guarantees covering environmental risks | Data not available. See section 3.1. |
| § 2°b | Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment | Section 3.2 to 3.5. |
| | Measures taken to prevent, recycle and eliminate waste | Section 3.4. |
| | Steps taken to address noise and any other form of pollution relating to a specific activity | Data not available. See section 3.1. |
| § 2°c | Water consumption and supply of water in accordance with local regulations | Section 3.3. |
| | Raw materials consumption and measures taken to promote more efficient use | Section 3.3. |
| | Energy consumption and measures taken to improve energy efficiency and use of renewable energy | Section 3.2. |
| | Land use | Data not available. See section 3.1. |

| Article | Description | Section of the Reference Document |
|---|---|---|
| § 2°d | Greenhouse gas emissions | Section 3.2. |
| | Adapting to the consequences of climate change | Section 3.2. |
| § 2°e | Measures taken to protect and develop biodiversity | Section 3.5. |
| **3° Social information** | | |
| § 3°a | Community, economic and social impact with respect to employment and regional development | Section 4.1. |
| | Community, economic and social impact on local residents | Section 4.1. |
| § 3°b | Dialogue with stakeholders | Sections 4.2. and 4.3. |
| | Partnership and sponsorship initiatives | Section 4.5. |
| § 3°c | Incorporation of social and environmental issues in purchasing policies | Sections 4.3. and 4.4. |
| | Scale of outsourcing and steps taken to raise awareness among suppliers and subcontractors with respect to corporate social responsibility | Section 4.3. |
| § 3°d | Steps taken to fight against corruption | Section 4.3. |
| | Measures taken to promote consumer health and safety | Section 4.4. |
| § 3°e | Steps taken for the protection of human rights | Section 4.3. |

# 6. CROSS-REFERENCE TABLE: *GLOBAL COMPACT*

| Principle | Description | Section of the Reference Document |
|---|---|---|
| **Human rights** | | |
| 1 | Supporting and respecting the protection of internationally proclaimed human rights | Section 2.3.<br>Section 4.3. |
| 2 | Ensuring that PPR is not complicit in human rights abuses | Section 2.3.<br>Section 4.3. |
| **Labour** | | |
| 3 | Upholding the freedom of association and the effective recognition of the right to collective bargaining | Section 2.5.<br>Section 4.3. |
| 4 | Eliminating all forms of forced and compulsory labour | Section 4.3. |
| 5 | Ensuring the effective abolition of child labour | Section 4.3. |
| 6 | Eliminating discrimination in respect of employment and occupation | Section 2.3.<br>Section 4.3. |
| **Environment** | | |
| 7 | Supporting a precautionary approach to environmental challenges | Section 3.1. |
| 8 | Undertaking initiatives to promote greater environmental responsibility | Sections 3. and 4. |
| 9 | Encouraging the development and diffusion of environmentally friendly technologies | Section 3. |
| **Anti-corruption** | | |
| 10 | Working against corruption in all its forms, including extortion and bribery | Section 4.3. |

# 7. STATUTORY AUDITORS' LIMITED ASSURANCE REPORT ON CERTAIN SUSTAINABILITY INDICATORS

*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.*

For the attention of the Group Management,

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 and texts shown in pages 48, 49, 57, 63, 65 and 79 in the Sustainability Chapter of the 2012 Reference Document.

The Data selected by the PPR group is:

(1) the number of employees trained 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.

## 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 pages 252 to 260 of the 2012 Reference Document.*

*(2) Indicators (1), (2) and (5): Gucci Italy, Bottega Veneta Italy, PUMA USA, PUMA Germany.*
*Indicators (3) and (4): Gucci, Bottega Veneta, PUMA.*
*Indicator (6): PPR Corporate Foundation.*

These selected entities contributed to:

- 22% of the Group's employees for indicators (1) and (2);
- 100% of the social audits carried within the Group for indicator (3);
- 92% of the total of $CO_2$ emissions related to "B to B" transport for indicator (4);
- 21% 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.

## 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 48, 49, 57, 63, 65 and 79 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 2012.

Paris La Défense et Neuilly-sur-Seine, April 15, 2013

KPMG Audit
*Division of KPMG SA*

Philippe Arnaud
Partner
Responsible for
Climate Change &
Sustainability Services

Hervé Chopin
Partner

Deloitte & Associés

Eric Dugelay
Partner
Sustainability and
Climate Changes
Services Leader

Antoine de Riedmatten
Partner

CHAPTER 4

# Corporate governance

# 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, German, 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 109).

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, 2012, the Board of Directors was composed 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 2012;
- 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, Patricia Barbizet and Jochen Zeitz hold or have held 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 ended December 31, 2012.

### *Other directorships and positions held as of December 31, 2012:*

| 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 |
| Member of the Board of Directors | 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 | Stella McCartney Ltd | United Kingdom | Since June 27, 2011 |
| Director | Brioni SpA | Italy | January 2012 |
| Director | Sapardis SE | France | May 2008 |
| Member of the Board of Directors | Volcom Inc. | United States | July 2011 |
| *outside the PPR group:* | | | |
| 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 |
|---|---|---|---|
| Vice-Chairman of the Supervisory Board | Cfao | France | from October 2009 to July 2012 |
| 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: 25,490 shares of which 9,990 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, 2012.*

## 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 2004 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 ended December 31, 2012.

***Other directorships and positions held as of December 31, 2012:***

| 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-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 |
| 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 |
| *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 | Tawa Plc | United Kingdom | from April 2011 to June 2012 |
| Deputy Chief Executive Officer | Société Nouvelle du Théâtre Marigny | France | from April 2010 to January 2012 |
| Director | Piasa | France | from April 2007 to January 2009 |
| Chair | 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 Group Managing Director***

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 Group Managing Director (*Directeur Général délégué*) 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 Group Managing Director (*Directeur Général délégué*) for a term of four years.

Since October 2012, Jean-François Palus has headed PPR's Sport & Lifestyle Division with the assistance of Todd Hymel in his capacity as the Division's Chief Operating Officer. Jean-François Palus has also held the position of Chairman of the Administrative Board of PUMA SE since December 1, 2012.

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 ended December 31, 2012.

***Other directorships and positions held as of December 31, 2012:***

| Position | Company | Country | Start 1st term of office |
|---|---|---|---|
| *within the PPR group:* | | | |
| Chairman and Chief Executive Officer | Sapardis SE | France | March 2007 |
| Chairman of the Administrative Board | PUMA SE | Germany | December 2012 |
| Director | Fnac SA | France | November 2007 |
| Director | Fnac group SA (formerly Caumartin Participations) | France | September 2012 |
| Director | Brioni SpA | Italy | January 2012 |
| Director | Gucci Luxembourg SA | Luxembourg | May 2011 |
| Member of the Supervisory Board | Gucci Group NV | Netherlands | May 2006 |
| Member of the Board of Directors | Volcom Inc. | United States | July 2011 |
| Member of the Board of Directors | 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 |

***Other directorships and positions held in the last five years:***

| Position | Company | Country | Dates |
|---|---|---|---|
| Member of the Supervisory Board | Cfao | France | from October 2009 to July 2012 |
| Director | Caumartin Participations SAS | France | from June 2008 to September 2012 |
| 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: 42,969 shares of which 17,869 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 Managing Director, European Economic Research at Bank of America Merrill Lynch since July 2011.

The author of numerous articles, she taught at the *École Polytechnique*, ENSAE (the National School of Statistics) and the *École Normale Supérieure* and is currently an associate professor at the *Institut de Sciences politiques* of Paris. She is a member of the Circle of Economists and a corresponding member of France's Council of Economic Analysis.

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 April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

***Other directorships and positions held as of December 31, 2012:***

| Position | Company | Country | Start 1st term of office |
|---|---|---|---|
| Chairman | Ferrari SpA | Italy | 1991 |
| Chairman | Montezemolo & Partners SGR | Italy | 2007 |
| Chairman | Charme Management Srl | Italy | May 2007 |
| Vice-Chairman | Unicredit SpA | Italy | October 2012 |
| Director | Nuovo Trasporto Viaggiatori SpA | Italy | October 2008 |
| Director | Fiat SpA | Italy | 2004 |
| Director | Telethon | Italy | January 2009 |
| Director | Editrice La Stampa | Italy | 2002 |
| Director | Poltrona Frau SpA | Italy | December 2003 |
| Director | Tod's SpA | Italy | April 2001 |
| Director | Delta Topco Ltd | United Kingdom | March 2012 |

***Other directorships and positions held in the last five years:***

| Position | Company | Country | Dates |
|---|---|---|---|
| Chairman | Fiat SpA | 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 | Le Monde | France | from 2005 to 2012 |
| Director | Citigroup | United States | from 2004 to 2012 |

**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 €36.5 million in 2012.

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, 2012:*

| Position | Company | Country | Start 1st term of office |
|---|---|---|---|
| Chair and Chief Executive Officer | 1000mercis SA | France | October 2000 |
| Chair of the Supervisory Board | Ocito SAS (1000mercis group) | France | 2010 |
| Member of the Supervisory Board | Numergy | France | 2012 |

### *Other directorships and positions held in the last five years:*

| Position | Company | Country | Dates |
|---|---|---|---|
| Member of the Supervisory Board | Made in Presse SAS | France | from 2010 to 2012 |

**Number of shares held: 500**

## Jean-Pierre Denis

Born on July 12, 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 was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

### *Other directorships and positions held as of December 31, 2012:*

| 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 Cap Sizun | 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 (until May 2011).

**Number of shares held: 500**

## Philippe Lagayette

Born on June 16, 1943

Fondation de France: 40, avenue Hoche, 75008 Paris, France

***Independent 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 was Chairman of the French American Foundation from 2003 to 2010 and 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 and is Chairman of PL Conseils.

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 April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

***Other directorships and positions held as of December 31, 2012:***

| 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 SA | 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 ended December 31, 2012.

***Other directorships and positions held as of December 31, 2012:***

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

Board member of Aperam SA (Luxembourg).

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 ended December 31, 2012.

### *Other directorships and positions held as of December 31, 2012:*

| Position | Company | Country | Start 1st term of office |
|---|---|---|---|
| Chairman of the Board of Directors | BNP Paribas | France | December 2011 |
| Director | Lafarge SA | France | May 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 Puel 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 on the 30 years that changed China (*les trente ans qui ont changé la Chine (1980-2010)*).

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**

## Jochen Zeitz

Born on April 6, 1963

PUMA SE: PUMA way 1, 91074 Herzogenaurach, Germany

### *Director*

Jochen Zeitz graduated in International Marketing and Finance from the European Business School in 1986 after having studied in Germany, France and the United States. He began his professional career with Colgate-Palmolive in New York and Hamburg. After joining PUMA in 1990, he was appointed Chairman and CEO of PUMA in 1993, becoming the youngest Chairman in German history to head a listed European company at the age of 30. Jochen Zeitz spearheaded the restructuring of PUMA, which was in financial difficulties. He transformed this low-cost brand into a leading sportlifestyle company and one of the top three brands in footwear, apparel and accessories by sticking to a long-term development plan that he introduced in 1993.

He previously held the positions of CEO of PPR's Sport & Lifestyle Division and Chief Sustainability Officer of PPR and was Chairman of the Administrative Board of PUMA SE until November 2012.

He has received numerous awards during his professional career, including "2001 Entrepreneur of the Year", "Strategist of the Year" for three years in a row by the Financial Times, "Trendsetter of the Year" and "Best of European Business Award 2006". In 2004, the German Federal President awarded him with the Federal Cross of Merit of the Republic of Germany.

Jochen Zeitz has been a Director of PPR since April 27, 2012. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

***Other directorships and positions held as of December 31, 2012:***

| Position | Company | Country | Start 1st term of office |
|---|---|---|---|
| Director | Harley Davidson Inc. | United States | August 2007 |
| Director | Wilderness Holdings Ltd. | Botswana | 2010 |

***Other directorships and positions held in the last five years:***

| Position | Company | Country | Dates |
|---|---|---|---|
| Chairman and CEO | PUMA AG | Germany | from 1993 to July 2011 |
| Chairman of the Administrative Board | PUMA SE | Germany | from July 2011 to November 2012 |

**Number of shares held: 500**

## 1.2. REMUNERATION OF EXECUTIVE CORPORATE OFFICERS (CHIEF EXECUTIVE OFFICER AND GROUP MANAGING DIRECTOR)

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)* | 2012 | | 2011 | |
|---|---|---|---|---|
| **François-Henri Pinault**<br>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 | 1,099,996 | 1,099,996 |
| Variable remuneration | 1,478,400 | 1,815,000 | 1,815,000 | 1,663,200 |
| Exceptional remuneration | 0 | 0 | 0 | 0 |
| Directors' fees (PPR) | 61,080 | 43,235 | 43,235 | 37,799 (1) |
| Directors' fees (subsidiaries) | 88,125 | 78,125 | 93,699 | 93,699 |
| Benefits in kind | 19,784 | 19,784 | 12,374 | 12,374 |
| **TOTAL** | **2,747,385** | **3,056,140** | **3,064,304** | **2,907,068** |

*(1) For 2010.*

| **Gross amounts** *(in euros)* | 2012 | | 2011 | |
|---|---|---|---|---|
| **Jean-François Palus**<br>Group Managing Director | Amounts payable for the year | Amounts paid during the year | Amounts payable for the year | Amounts paid during the year |
| Fixed remuneration | 999,333 | 999,333 | 800,000 | 800,000 |
| Variable remuneration | 1,120,000 | 1,100,000 | 1,100,000 | 859,320 |
| Exceptional remuneration | 0 | 0 | 0 | 0 |
| Directors' fees (PPR) | 52,869 | 43,235 | 43,235 | 37,799 (1) |
| Directors' fees (subsidiaries) | 81,250 | 71,250 | 76,849 | 76,849 |
| Benefits in kind | 13,888 | 13,888 | 9,441 | 9,441 |
| **TOTAL** | **2,267,340** | **2,227,706** | **2,029,525** | **1,783,409** |

*(1) For 2010.*

Variable remuneration payable for 2011 was paid during the first quarter of 2012 and that payable for 2012 was paid during the first quarter of 2013. Fees payable to Directors in respect of their duties as members of the Board of Directors of PPR for 2011 were paid in February 2012 and those payable for 2012 were paid in January 2013.

For 2012, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director 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 15, 2012, the Board of Directors, acting on the recommendation of the Remuneration Committee, resolved to increase the Group Managing Director's fixed remuneration from €800,000 to €999,333.

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 2011 and 2012, 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. The variable remuneration is allocated on a scale of 75% to 150% of fixed remuneration when between 90% and 115% of objectives are met. In 2011 and 2012, there were two targets, each accounting for 50% of the variable portion of remuneration, i.e., the Group's recurring 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 2011 and 2012 were exceeded, the rate of variable remuneration was 137.5% and 112%, 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 €1,815,000 for 2011 and €1,478,400 for 2012.

As in 2011, the Group Managing Director's variable remuneration for 2012 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 2011 and 2012 were exceeded, the Group Managing Director's variable remuneration amounted to €1,100,000 for 2011 and €1,120,000 for 2012.

The benefits in kind of the Chairman and Chief Executive Officer and of the Group Managing Director correspond to the provision of company cars.

No indemnity is payable to the Chairman and Chief Executive Officer or the Group Managing Director 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**<br>Chairman and Chief Executive Officer<br>Term of office began on: May 19, 2005<br>Term of office expires on:<br>Annual General Meeting of 2013 | | X | | X | | X | | X |
| **Jean-François Palus**<br>Group Managing Director<br>Term of office began on: February 26, 2008<br>Term of office expires on:<br>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 benefit 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 2012.

No stock options were exercised by executive corporate officers in 2012.

Historical details of the stock options previously granted to François-Henri Pinault and Jean-François Palus are shown on pages 292 and 293.

To the Company's knowledge, there are no hedges on the executive corporate officers' stock options.

### *Performance shares granted to each executive corporate officer in 2012*

| | Number and date of the plan | Number of shares granted | Value of shares based on the method used for the consolidated financial statements (IFRS 2) | Vesting date | Availability date | Performance conditions |
|---|---|---|---|---|---|---|
| **François-Henri Pinault** | 2012-I Plan April 27, 2012 | 11,682 | €1,036,544 | April 27, 2014 | April 27, 2016 | 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 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 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** | | **11,682** | **€1,036,544** | | | |
| **Jean-François Palus** | 2012-I Plan April 27, 2012 | 8,416 | €746,752 | April 27, 2014 | April 27, 2016 | 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 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 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** | | **8,416** | **€746,752** | | | |

At its meeting on April 27, 2012 held prior to the Annual General Meeting, the Board of Directors decided, upon the recommendations of the Remuneration Committee, to grant 11,682 performance shares to François-Henri Pinault and 8,416 performance shares to Jean-François Palus in respect of their long-term performance remuneration which corresponds to 50% of their total annual cash-based remuneration. These shares will vest subject to an additional condition of a minimum average increase in (i) earnings per PPR share attributable to the owners of the parent for the Chairman and Chief Executive Officer, and (ii) earnings per PPR share from continuing operations attributable to owners of the parent during the vesting period for the Group Managing Director.

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 must be kept by François-Henri Pinault and Jean-François Palus, in the form of an equivalent number of shares thus granted (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 granted to François-Henri Pinault and Jean-François Palus.

### *Performance shares that became available during 2012 for each executive corporate officer*

| | Number and date of the plan | Number of shares that became available during the year | Purchase conditions |
|---|---|---|---|
| **François-Henri Pinault** | 2010-I Plan May 19, 2010 | 9,990 (1) | 10% of the number of shares originally granted (12,336) are to be purchased upon availability |
| **Jean-François Palus** | 2010-I Plan May 19, 2010 | 11,839 (1) | 10% of the number of shares originally granted (14,618) are to be purchased upon availability |
| **TOTAL** | | **21,829** | |

*(1) Shares vested in 2012 and available as from May 19, 2014.*

## Summary of remuneration, options and performance shares granted to each executive corporate officer

**Gross amounts** *(in euros)*

| **François-Henri Pinault**<br>Chairman and Chief Executive Officer | Amounts for 2012 | Amounts for 2011 |
|---|---|---|
| Remuneration payable | 2,747,385 | 3,064,304 |
| Value of options granted during the year (1) | | |
| Value of performance shares granted during the year (1) | 1,036,544 | 961,764 |
| **TOTAL** | **3,783,929** | **4,026,068** |

*(1) This value corresponds to the value of the options and financial instruments at the grant date as determined 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**<br>Group Managing Director | Amounts for 2012 | Amounts for 2011 |
|---|---|---|
| Remuneration payable | 2,267,340 | 2,029,525 |
| Value of options granted during the year (1) | | |
| Value of performance shares granted during the year (1) | 746,752 | 1,134,421 |
| **TOTAL** | **3,014,092** | **3,163,946** |

*(1) This value corresponds to the value of the options and financial instruments at the grant date as determined 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 2012.

At its meeting on January 18, 2013, 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 2012.

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.

For 2012, a total amount of €695,051 was paid to the non-executive Directors, allocated as follows:

- €114,000 for the special portion;
- €295,605 for the fixed portion;
- €285,446 for the variable portion.

The table below shows Directors' fees paid in 2011 and 2012 for fiscal years 2010 and 2011:

| Members of the Board of Directors other than the Chairman and Chief Executive Officer and Group Managing Director | Directors' fees paid during the year *(in euros)* | |
|---|---|---|
| | 2012 | 2011 |
| Patricia Barbizet | 226,997 (1) | 213,106 (1) |
| Pierre Bellon (2) | 31,037 | 51,551 |
| Laurence Boone | 48,969 | 21,427 |
| Allan Chapin (2) | 31,037 | 58,623 |
| Luca Cordero di Montezemolo | 39,272 | 32,141 |
| Yseulys Costes | 54,877 | 21,427 |
| Jean-Pierre Denis | 76,773 | 64,282 |
| Philippe Lagayette | 90,076 | 81,623 |
| Aditya Mittal | 17,375 | 20,825 |
| Baudoin Prot | 30,911 | 45,382 |
| Caroline Puel | 52,202 | 21,427 |
| Jean-Philippe Thierry | 83,004 | 76,869 |
| Jochen Zeitz (3) | 25,000 | |
| **TOTAL** | **807,530** | **708,683** |

*(1) Directors' fees paid by PPR and Gucci Group.*
*(2) The terms of office of Pierre Bellon and Allan Chapin expired on May 19, 2011.*
*(3) €25,000 in Directors' fees received in respect of his duties as Chairman of the Administrative Board of PUMA SE. Jochen Zeitz's remuneration also composed of his salary amounted to €675,621 between April 27, 2012, the date on which he was appointed Director of PPR, and October 7, 2012 when he left his operational role within the Group.*
*In addition, on April 30, 2012 PUMA SE granted him 70,516 stock options, the value of which amounted to €3,145,014 as of the date of the granting.*

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 Company's 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);
- Alexandre Bompard, Chairman and Chief Executive Officer of Fnac (appointed by the Board of Directors at its meeting on January 21, 2011);
- Alexis Babeau, Deputy Chief Executive Officer of PPR Luxury Division (appointed by the Board of Directors at its meeting on January 20, 2012).

The Board of Directors' meeting on February 14, 2013 appointed Patrizio di Marco, Chairman and Chief Executive Officer of Gucci, and Marco Bizzarri, Chairman and Chief Executive Officer of Bottega Veneta, as non-voting Directors.

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 composed of the Group Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director.

### The Executive Committee

The Executive Committee meets each month, with the CEOs of the Group's major brands and PPR's main operating 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, Group Managing Director, Jean-Marc Duplaix, Group Chief Financial Officer, also joined the Executive Committee, which now has 12 members.

The new membership of the Executive Committee – the Group's operational authority – reflects PPR's transformation into a more streamlined, 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 operating officers.

### Members of the Executive Committee

- François-Henri Pinault (since March 2005), Chairman and Chief Executive Officer, PPR;
- Jean-François Palus (since December 2005), Group Managing Director, PPR;
- Alexis Babeau (since March 2011), Deputy Chief Executive Officer, Luxury Division, PPR;
- Marco Bizzarri (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 (since May 2012), Senior Vice-President, Human Resources, PPR;
- Marie-Claire Daveu (since September 2012), Chief Sustainability Officer and Head of International Affairs, PPR;
- Jean-Michel Noir (since April 2009), Chairman and Chief Executive Officer, Redcats.

### 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 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 as well as their financial and accounting impact. 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

Composed of the Group Managing Director 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 2012.

On February 18, 2013, François-Henri Pinault exercised 50,000 subscription options at a strike price of €78.01 and sold 48,500 shares resulting from the exercise of these subscription options at a price of €164.50 per share.

### Ethics and Corporate Social Responsibility Committee (ECSRC)

PPR's Ethics and Corporate Social Responsibility Committee reports to the Executive Committee. It is composed 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:

- 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 policy and activities.

## 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, paragraph 6 of the French Commercial Code (*Code de commerce*) amended by Act No. 2008-649 of July 3, 2008, the conditions of preparation and organisation of the work performed by the Board of Directors and the internal control and risk management procedures implemented by the Company are reported hereinafter. This report specifies, in particular, the procedures relating to the preparation and processing of financial and accounting information for the consolidated financial statements and the parent company financial statements; the first part of this report was presented to the Appointments Committee on February 11, 2013 and the second part was the subject of deliberations by the Company's Audit Committee on January 15, 2013.

The Board of Directors approved the entire report at its meeting on February 14, 2013 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 composed 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 reappointing the entire Board simultaneously 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:

| | | | | Participation on a committee | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Position | Age | Independent Director(1) | Audit | Remuneration | Appointments | Strat. & Dev. | Sustain. Dev. | Start 1st term of office | End of current term of office | Nationality |
| François-Henri Pinault | Chairman and Chief Executive Officer | 50 | | | | | ✓ | ✓ | 2005 | 2013 | French |
| Patricia Barbizet | Vice-Chair | 57 | | ✓ | ✓ | ✓ | ✓ | ✓ | 2001 | 2013 | French |
| Jean-François Palus | Deputy Chief Executive Officer | 51 | | | | | | ✓ | 2009 | 2013 | French |
| Laurence Boone | Director | 43 | ✓ | | ✓ | | | | 2010 | 2014 | French |
| Yseulys Costes | Director | 40 | ✓ | ✓ | ✓ | | ✓ | | 2010 | 2014 | French |
| Luca Cordero di Montezemolo | Director | 65 | ✓ | | | ✓ | | ✓ | 2001 | 2016 | Italian |
| Jean-Pierre Denis | Director | 52 | ✓ | ✓ | ✓ | | | | 2008 | 2016 | French |
| Philippe Lagayette | Director | 69 | ✓ | | ✓ | | ✓ | | 1999 | 2016 | French |
| Aditya Mittal | Director | 37 | ✓ | | | | | | 2009 | 2013 | Indian |
| Baudouin Prot | Director | 61 | | | | ✓ | | | 1998 | 2013 | French |
| Caroline Puel | Director | 49 | | | | | | | 2010 | 2014 | French |
| Jochen Zeitz | Director | 49 | ✓ | | | | | ✓ | 2012 | 2016 | German |

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

Five 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 five Committees responsible for assisting it in performing its task: the Audit Committee, the Remuneration Committee, the Appointments Committee, the Strategy and Development Committee and the Sustainability Committee.

A detailed list of the Directors and the non-voting Directors is set out on pages 106 to 107 of this Reference Document.

### 1.7.1.2. Changes in the membership of the Board of Directors

The Combined General Meeting on April 27, 2012 renewed the terms of office of Luca Cordero di Montezemolo, Jean-Pierre Denis and Philippe Lagayette for four-year terms as provided for in the Articles of Association and also appointed Jochen Zeitz as Director for a period of four years. Jean-Philippe Thierry decided to terminate his term of office as Director with effect from the close of the Meeting.

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 take place 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 their 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 topics to be examined during the meeting, a complete file is sent to them in due time ahead of the meeting; it includes, per topic 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 AMF regarding the prevention of insider trading practices by senior executives, also set the rules applicable to Directors in relation to restrictions on trading in 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 half-year 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 of any possible 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 them directly or indirectly.

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 operating methods of the Board as well as the missions 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. Like the Chairmen and Chief Executive Officers of the main brands (Gucci, Bottega Veneta and PUMA), they are members of the Executive Committee and attend Board of Directors' meetings as non-voting Directors. They are all 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 of Directors' meeting of February 22, 2008 appointed a Group Managing Director (*Directeur Général délégué*) 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 Group Managing Director (*Directeur Général délégué*) 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 Group Managing Director both take part, on an equal level, in the work of the Board of Directors, which is primarily made up of independent Directors and which operates smoothly thanks to frequent 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 of the powers of the Chief Executive Officer and Group Managing Director

In connection with the Board of Directors' statutory role of determining the business orientation 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 Group Managing Director, 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 2012):
   - 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 corporate governance framework, 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 of this report on the activity of the specialised Committees of the Board of Directors 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, or have been in the past five years, an employee, Director or executive corporate officer of the Company, employee or Director of its parent company or of a consolidated company;
- 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 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 the Group, or for which the Company or the 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 13, 2012, 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 and Aditya Mittal.

The Board of Directors, upon the recommendation of the Appointments Committee, also considered that Philippe Lagayette, who has been a Director since January 1999 and has held no positions within the banking sector since 2010, but who has been a PPR Director for more than twelve years, could be considered an independent Director. The Board of Directors decided that these circumstances did not change his classification as an independent Director within the meaning of the AFEP-MEDEF Code.

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 its activities for the PPR group did not place it in a position likely to influence 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 the professional activities did not place her in a situation likely to influence her independence with regard to PPR.

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 2012 and up to February 14, 2013***

#### Activity of the Board of Directors in 2012

During 2012, the Board met ten times with an average attendance rate of 84.2%; the Chairman of the Board chaired all Board meetings.

| Dates | Directors present (attendance rate) |
|---|---|
| *January 20* | *9/12 (75%)* |
| *February 15* | *10/12 (83.3%)* |
| *March 20* | *10/12 (83.3%)* |
| *April 27 (before Combined General Meeting)* | *10/12 (83.3%)* |
| *April 27 (after Combined General Meeting)* | *11/12 (91.7%)* |
| *July 24* | *11/12 (91.7%)* |
| *July 26* | *11/12 (91.7%)* |
| *October 9* | *11/12 (91.7%)* |
| *October 25* | *10/12 (83.3%)* |
| *December 3* | *8/12 (66.7%)* |

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 20, 2012, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2011 financial statements, on the Statutory Auditors' audit approach and on the Group's Internal Audit activity and heard a presentation on the changes in the Group's organisation and operating governance, information on Fnac's recovery plan and developments in the Redcats portfolio. The Board also discussed the proposal to create a Sustainability Committee.

On February 15, 2012, following a review by the Audit Committee, which met two days before, the Board of Directors adopted the 2011 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. The Board granted and allocated the Directors' fees for 2011 in accordance with the terms and conditions of its internal rules.

On March 20, 2012, the Board met to deliberate on the Group's 2012 budget. The Board heard a presentation on the work of the Remuneration Committee concerning the proposed policy for 2012 with regard to the long-term remuneration of the Group's senior executives and, on the recommendation of the same Committee, determined the variable components of the remuneration of the Chairman and Chief Executive Officer and the Group Managing Director for 2012.

On April 27, 2012, the Board met prior to the Annual General Meeting held on the same day. It decided on the principle of granting free shares to the Chairman and Chief Executive Officer and to the Group Managing Director (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 Group Managing Director. In accordance with the AFEP-MEDEF recommendations, the Board made these grants subject to an additional performance condition and to a purchase obligation when the performance shares become available.

At its meeting held at the close of the Annual General Meeting on April 27, 2012, the Board set at €500 million the amount of the authorisation given to the Chief Executive Officer, with the possibility to sub-delegate such authorisation, 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 24, 2012, the Board met to discuss the tender offer on PPR's residual interest in Cfao and approved the sale of the shares in Cfao to Japan-based Toyota Tsusho Corporation.

On July 26, 2012, 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 2012, and adopted the interim financial statements and reports.

The meeting on October 9, 2012 was devoted to a presentation on the divestment of the Redcats group and on the proposed legal and economic spin-off of Fnac from the PPR group through the allocation of controlling interests in Fnac group to PPR's shareholders, the principle of which was approved by the Board.

During the meeting on October 25, 2012, a report was presented to the Board on the Group's business activities. The main subjects for discussion were the human resources strategy and the creation of a Sustainability Committee.

On December 3, 2012, the Board decided to pay an interim dividend for 2012 as from January 24, 2013.

### Activity of the Board of Directors in 2013 up to February 14, 2013

Between January 1, 2013 and February 14, 2013, the Board of Directors met twice.

During its meeting on January 18, 2013, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2012 financial statements and the Group's Internal Audit activity and heard a presentation on business activity in 2012 and PUMA's current situation. The Board granted and allocated the Directors' fees for 2012 in accordance with the terms and conditions of its internal rules.

On February 14, 2013, the Board of Directors met to adopt the 2012 annual financial statements and reports to be submitted to the Annual General Meeting as well as to approve this report and to appoint two new non-voting Directors.

#### *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. In January 2013, this same firm carried out another assessment for which the report will be presented to the Board at the end of the first quarter of 2013.

#### *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-Pierre Denis, Chairman of the Committee, and Yseulys Costes, who are both independent Directors, and Patricia Barbizet. Jean-Pierre Denis replaced Jean-Philippe Thierry who decided to terminate his term of office as Director with effect from the close of the Annual General Meeting on April 27, 2012.

The Audit Committee members all have recognised financial or accounting skills, combining their expertise in general and operational management of banks and businesses as confirmed by their professional careers (see pages 95 and 98 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 2012 and up to February 14, 2013

In 2012, the Committee met four times, with an attendance rate of 100%.

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 (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, 2012, the Committee met before the meeting of the Board held 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 June 7, 2012, the Internal Audit missions for the Group were presented to the Committee.

With a view to the meeting on the Board of July 26, 2012 to adopt the interim financial statements, the Committee met two days before to review the financial statements.

Since the beginning of 2013, the Audit Committee has met twice, with all of its members present.

On January 15, 2013, the Head of the Internal Audit Department reported to the Committee on the Internal Audit activities within the Group in 2012; the Committee assessed the Group's financial position and risks, 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 12, 2013, the Committee met before the meeting of the Board to adopt the 2012 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 2012.

On February 14, 2013, 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 Group Managing Director (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, free share grants 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 composed of five Directors: Philippe Lagayette, Chairman of the Committee, Laurence Boone, Yseulys Costes and Jean-Pierre Denis, all four of whom are independent Directors, and Patricia Barbizet. 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 2012 and up to February 14, 2013

In 2012, the Committee met twice, with an average attendance rate of 100%.

In particular, on February 13, 2012, it met on the subject of the variable remuneration of the Chairman and Chief Executive Officer, the Group Managing Director and the members of the Executive Committee for 2011 and fixed remuneration for the coming fiscal years.

Its meeting in March 2012 was devoted to free share grants within the Group. The Committee gave its opinion on the proposed grant policy, as regards the Chairman and Chief Executive Officer and the Group Managing Director, recommending an additional performance condition as well as a minimum holding period 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 Group Managing Director.

On February 13, 2013, the Committee met to review the variable remuneration for 2012 and the fixed remuneration of the Executive Committee with its new membership, the Chairman and Chief Executive Officer and the Group Managing Director.

The Remuneration Committee reported on its work and recommendations to the Board of Directors.

***Appointments Committee***

Set up in March 2003, the Appointments Committee reviews the proposed appointment 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 composed of three Directors: Patricia Barbizet, Chair, Luca Cordero di Montezemolo, independent Director, and Baudouin Prot.

Given the majority of independent Directors on 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 2012 and up to February 14, 2013

In 2012, the Appointments Committee met once with all of its members present.

On February 13, 2012, 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 11, 2013, 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, and the self-assessment and membership of the Board 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 composed of four Directors: Patricia Barbizet, Chair, François-Henri Pinault, and Yseulys Costes and Philippe Lagayette, who are both independent Directors.

#### Activities of the Strategy and Development Committee in 2012 and up to February 14, 2013

The Committee did not meet in 2012 or early 2013.

#### *Sustainability Committee*

The Sustainability Committee's role is to support the Company and the Group in establishing, implementing and monitoring good corporate governance, taking into account the aim of the Board and Executive Management to maintain a high level of sustainable development in their economic, social and environmental context, the Group's clear ambitions in terms of ethics and the social responsibility policies and practices upheld by the Group, its senior executives and employees.

The Committee is composed of five Directors: Jochen Zeitz, Chairman of the Committee, François-Henri Pinault, Patricia Barbizet and Jean-François Palus, all three of whom are Directors, and Luca Cordero di Montezemolo, an independent Director.

The newly-created Committee has not yet met.

### 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 303 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 40.9% of the capital and 56.5% 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 given 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 2012, 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 2012, which are based on Group performance indicators in terms of free cash flow and recurring 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 Group Managing Director.

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 102 to 105 of the Reference Document.

This report on internal control, resulting from the contribution of the various internal control players mentioned in the first section of this document, was presented in its draft version to PPR's Audit Committee for its opinion and was approved by PPR's Board of Directors on February 15, 2012.

## 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 in 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 follows the general organisation of the Group. It is both:

- decentralised at the level of the Divisions, Fnac and Redcats: Executive Management of the operational and legal entities is responsible for managing and coordinating 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 covers 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, which are described in the company's annual report and which 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 SE'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 the 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 constantly strives to make its operations more secure and to improve 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 monitoring of the system.

#### 1.7.3.3.1. An organisational framework

This organisational framework includes:

- an organisation that sets out the roles and responsibilities of the various persons involved 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 the 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 composed of the Group Managing Director, 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 the topicality and 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 the rolling-out 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 within their scope of business, 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 three-step risk management process:

The risk management process involves:

- identifying risks: this step makes it possible to identify 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 is (are) identified.

This risk mapping system was put in place several years ago and has been strengthened since 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.

In 2012, the Group requested its brands to include risk management in their budget process.

#### 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 materialised.

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 twice in 2012. 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 depend 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 safeguarding 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 forecasting or assessing the effects of such changes on the organisation, etc.).

### 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, ethical conduct and involvement of its employees.

## The Group Charter

The PPR group adopted a Group Charter several years ago which was updated in 2012 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 matters 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.

The Code of Business Practices was updated in 2013 in order to take into account developments in the Group business activities and in regulations. The updated Code will be recirculated to all employees.

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 in France.

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.

Moreover, the Insider Good Practices Committee, made up of the Group Managing Director 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 objectives 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 person involved in 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 "Framework of Commitment on the quality of life at work 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 actively-involved persons 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 composed of the Chairman and Chief Executive Officer, the Group Managing Director, the Chairmen and Chief Executive Officers of Fnac and Redcats, the Chief Executive Officers of the Luxury and Sport & Lifestyle Divisions, the Chairmen and Chief Executive Officers of Gucci and Bottega Veneta, and the PPR functional Directors (Human Resources, Finance, Sustainability and International Institutional Affairs).

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 control 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 their subsidiaries that are provided with the skills and resources necessary to achieve the objectives of their 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 centrally administers and analyses internal control pursuant to the Financial Security Act and the new AMF reference framework described in more detail in the section 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 2012, the Internal Audit teams taken together conducted around 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 2012, the Internal Audit Department of the PPR group consisted of 21 employees, the same number as in 2011. 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 using 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

The Statutory Auditors 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, accuracy and fair presentation of the parent company and consolidated financial statements and issue a review report on the Group's interim consolidated financial statements.

The audit assignments 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, 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 PPR's 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 161 to 167).

#### 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 intended 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, conducted with the key operational staff members in each of the Divisions, Fnac and Redcats, following the breakdown of activities into key processes. An overhaul of the self-assessment questionnaires was initiated in 2011 and continued in 2012 in order to make the questionnaires more efficient and tailored to business operations;
- these questionnaires serve as a supplemental indicator for these operational staff members in terms of assessing the quality of the internal control procedures of 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, in particular within newly-acquired entities. They allow action plans for improvements to be launched based on the results of these self-assessments;
- the questionnaire regarding the finance, accounting and management process is circulated 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. As regards the other processes, following the implementation of a dedicated online application, in 2012 there was a significant increase in the number of processes covered and the number of subsidiaries included in the self-assessment campaigns for each of these processes.

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 financial and accounting information

#### *Organisation of the accounting and management function*

Financial and accounting 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 composed 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 14, 2013.

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 OF THE CHAIRMAN OF THE BOARD OF DIRECTORS YEAR ENDED DECEMBER 31, 2012

*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 with 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 S.A. 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, 2012.

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 procedures, we have nothing to report on the information on 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, April 15, 2013
The Statutory Auditors

KPMG Audit
*Division of KPMG SA*
Jean-Luc Decornoy    Hervé Chopin

Deloitte & Associés
Antoine de Riedmatten

CHAPTER 5

# Financial information

# 1. 2012 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 or for distribution to owners and discontinued operations". Net income and losses from these activities are shown on a separate line of the income statement, "Net income (loss) 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 or for distribution to owners 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 the Fnac group are classified as "Non-current assets held for sale or for distribution to owners 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 2011 revenue restated for the impact of changes in Group structure in 2011 or 2012, and for translation differences relating to foreign subsidiaries' revenue in 2011.

### 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 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 consolidated consumer credit businesses is presented in borrowings. However, Group net debt excludes the financing of customer loans by consumer credit businesses.

## 1.2. 2012 HIGHLIGHTS

In 2012, PPR continued its strategy of refocusing and recasting the Group as a global leader in apparel and accessories operating in the Luxury and Sport & Lifestyle markets.

### 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, on the approval of the competition authorities. Brioni is one of the world's most reputable men's fashion houses, owing to its exceptional sartorial expertise. It is a profitable and growing business with its own tailoring workshops, the largest of which is located in Penne in the Abruzzo region of Italy. As of December 31, 2012, the company had 1,800 employees and was distributed in 35 directly-owned stores, as well as through an extensive network of points-of-sale around the world.

Brioni was consolidated in PPR's financial statements as from January 1, 2012. The purchase price was allocated on a preliminary basis during the second half of 2012, with the majority recognised under the Brioni trademark and the residual balance recognised as goodwill.

### Sale of PPR's residual stake in Cfao

Following a share purchase agreement signed on July 26, 2012 between PPR and the Japanese group Toyota Tsusho Corporation ("TTC"), in early August 2012 TTC acquired from PPR 29.8% of the share capital of Cfao at a price of €37.50 per share, making it Cfao's main shareholder. Subsequently, in December 2012 PPR tendered its residual 12.2% stake in Cfao to the voluntary public offer launched by TTC in October 2012 for Cfao's remaining capital. The tender price was the same as that applied when TTC purchased its 29.8% interest, i.e., €37.50 per share.

The 42% stake in Cfao held by PPR prior to these transactions was deconsolidated based on a total sale price of €967 million, which was received in full at end-December 2012. The capital gain on the sale was recorded in "Other non-recurring operating income and expenses".

### Plan to demerge and float Fnac

PPR continued its strategic refocusing and decided on a plan to demerge and float Fnac. The principle of this plan was unanimously approved by PPR's Board of Directors on October 9, 2012.

The Fnac Group (previously Caumartin Participations, Fnac's holding company) will be taken public by PPR paying its shareholders a special stock dividend corresponding to the Fnac Group shares held by PPR. This planned operation has already been presented for consultation to all of the employee representative bodies concerned and will be submitted for shareholder approval at PPR's Annual General Meeting on June 18, 2013.

During the second half of 2012, the Fnac Group began the preparatory work for its listing process. With the support of PPR, it also continued to implement its "Fnac 2015" strategic offensive plan, aimed at strengthening its leadership position in its markets. The plan is based on three key principles: broadening the product range to the entire "Leisure & Technology" segment; giving priority to customer relations; and focusing on the family market.

Also in 2012, Fnac pursued the plan announced on January 13, 2012, aimed at generating savings of €80 million over the full year. 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. It also involves a recruitment freeze in every country, a pay restraint policy and the cutting of 310 jobs in France (affecting only support functions at the headquarters and in stores) and 200 outside France (across all other countries). Fnac's four stores in Switzerland will be run directly from France, and the Swiss headquarters will be downsized.

Also as part of the cost-savings plan, an agreement was entered into in November 2012 to sell Fnac Italy to the investment fund Orlando Italy. The sale was completed in January 2013. A provision was recognised at end-December 2012 for the financial consequences of the transaction.

In accordance with IFRS 5, the Fnac group has been classified within "Non-current assets held for sale or for distribution to owners and discontinued operations". Its results and cash flows have therefore been presented on separate lines in the consolidated income statement and statement of cash flows as "assets held for sale or for distribution to owners", and have been restated for 2011.

## Continuing the divestment of the Redcats group

The process begun by PPR in second-half 2011 to sell the Redcats group was continued in 2012.

On November 8, 2012, PPR announced that an agreement had been signed between Redcats and Northern Tool + Equipment (NTE) to sell the Sports & Leisure activities of Redcats USA, including The Sportsman's Guide and The Golf Warehouse, for an enterprise value of USD 215 million. This sale was designed to give The Sportsman's Guide and The Golf Warehouse brands the opportunity to team up with a partner that offers a strong strategic fit. It was completed on December 17, 2012 and the Group received the proceeds in line with the terms of the sale agreement.

Starting from this date, Redcats' interest in The Sportsman's Guide and The Golf Warehouse was deconsolidated and net result from the disposal has been recorded.

On December 5, 2012 PPR announced that Redcats had entered into an agreement to sell OneStopPlus, its plus-size business in the United States, to Charlesbank Capital Partners and Webster Capital for an enterprise value of USD 525 million. This sale will place OneStopPlus in an excellent position to leverage the full potential of its brands and successfully pursue its development. The transaction – which is contingent on the customary closing conditions and approval by the US antitrust authorities – was finalised on February 5, 2013 and mark the final step in the sale of all of Redcats USA's operations. The gain or loss on the sale of OneStopPlus is recorded in the first quarter of 2013.

## Other highlights

### Launch of PUMA's Transformation Programme

On July 18, 2012, PUMA announced that it intended to speed up and significantly expand the scope of its Transformation Programme in order to increase efficiencies in terms of organisation, processes and systems and to streamline its cost structure, notably in Europe. During 2012, a €125 million provision was recognised as a non-recurring operating expense for these measures, chiefly covering costs related to store closures and brand reorganisation in Europe, at headquarters and in subsidiaries outside Europe.

On October 23, 2012, Jean-François Palus was appointed Chairman of the Administrative Board of PUMA SE to replace Jochen Zeitz as from December 1, 2012. Jochen Zeitz will retain his seat on PPR's Board of Directors, as approved by PPR's shareholders at their April 27, 2012 Annual General Meeting.

### Enhanced financial strength

On January 16, 2012, PPR added €250 million worth of bonds to its 3.75% bonds that mature on April 8, 2015, bringing the total amount of the initial issue to €750 million.

On March 23, 2012, Standard & Poor's announced that it had upgraded PPR's long-term rating from "BBB-" to "BBB" with a stable outlook, in view of the Group's solid operating performances in 2011.

On April 23, 2012, PPR issued €500 million worth of seven-year bonds with a fixed-rate coupon of 3.125%.

The first tranche of the bonds indexed to PPR's share price that were issued on May 16, 2008 matured in November 2012. The redemption of these bonds on November 16, 2012 generated a €63 million gain which was recognised in the second half of the year.

### Significant events

On March 7, 2012, Yves Saint Laurent and PPR announced the appointment of Hedi Slimane as Creative Director at Yves Saint Laurent. In his new role, Hedi Slimane has total creative responsibility for the brand's image and all its collections.

On August 3, 2012, PPR and YOOX teamed up to create a joint venture to be 51%-owned by PPR and 49% by YOOX Group. The newly created company is entirely dedicated to managing the online stores of several of PPR's luxury brands: Yves Saint Laurent, Alexander McQueen, Balenciaga, Bottega Veneta, Sergio Rossi and Stella McCartney.

On November 5, 2012, the Balenciaga fashion House and Nicolas Ghesquière announced that they had mutually decided to end their partnership. Nicolas Ghesquière had been Creative Director of Balenciaga since 1997. Alexander Wang was appointed as the new Creative Director on December 3, 2012. He will design the brand's women's and men's ready-to-wear and accessories, and is responsible for its image.

## 1.3. 2012 BUSINESS REVIEW

The main financial indicators taken from PPR's consolidated financial statements for 2012 reflect the Group's very satisfactory performance during the year.

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Revenue | 9,736.3 | 8,062.3 | +20.8% |
| Recurring operating income | 1,791.5 | 1,501.4 | +19.3% |
| *as a % of revenue* | *18.4%* | *18.6%* | *-0.2 pt* |
| EBITDA | 2,066.6 | 1,739.4 | +18.8% |
| *as a % of revenue* | *21.2%* | *21.6%* | *-0.4 pt* |
| Net income attributable to owners of the parent | 1,048.2 | 986.3 | +6.3% |
| *o/w continuing operations excluding non-recurring items* | *1,268.8* | *989.7* | *+28.2%* |
| Gross operating investments | (441.9) | (252.3) | +75.1% |
| Free cash flow from operations | 930.2 | 931.0 | -0.1% |
| Total equity | 12,118.7 | 11,749.5 | +3.1% |
| *o/w attributable to owners of the parent* | *11,413.8* | *10,925.0* | *+4.5%* |
| Net debt | 2,491.7 | 3,395.5 | -26.6% |

### Revenue

Consolidated revenue from continuing operations amounted to €9,736 million in 2012, up 20.8% on 2011 as reported and 10.6% based on a comparable Group structure and exchange rates.

| *(in € millions)* | 2012 | 2011 | Reported change | Comparable change (1) |
|---|---|---|---|---|
| Luxury Division | 6,212.3 | 4,917.0 | +26.3% | +15.1% |
| Sport & Lifestyle Division | 3,531.9 | 3,155.7 | +11.9% | +3.3% |
| *Eliminations* | *(7.9)* | *(10.4)* | - | - |
| **Total revenue** | **9,736.3** | **8,062.3** | **+20.8%** | **+10.6%** |

*(1) On a comparable Group structure and exchange rate basis.*

The Luxury Division posted year-on-year revenue growth of 26.3% as reported or 15.1% based on comparable data, thanks to the power and strategic rationale of its multi-brand business model and the success of its diversification strategy in terms of footprint, distribution channels and product categories.

Revenue generated by the Sport & Lifestyle Division rose 11.9% as reported and 3.3% based on comparable data, despite a particularly difficult economic climate in Western Europe which weighed on consumer spending.

The year-on-year increase in reported consolidated revenue in 2012 includes a positive impact of around €331 million from changes in Group structure, including €202 million contributed by the Luxury Division through the acquisitions of Sowind and Brioni.

Exchange rate fluctuations had a favourable €413 million effect on revenue, of which €144 million was attributable to the rise in value of the US dollar against the euro (€85 million for the Luxury Division) and €197 million was due to the rise in Asian currencies.

## 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 € millions)* | 2012 | 2011 | Reported change | Comparable change (1) |
|---|---|---|---|---|
| Western Europe | 2,937.5 | 2,611.8 | +12.5% | +7.0% |
| North America | 1,983.1 | 1,496.6 | +32.5% | +12.4% |
| Japan | 1,158.4 | 983.5 | +17.8% | +7.4% |
| **Sub-total – mature markets** | **6,079.0** | **5,091.9** | **+19.4%** | **+8.8%** |
| Eastern Europe, Middle East and Africa | 685.2 | 540.5 | +26.8% | +18.4% |
| South America | 532.2 | 467.9 | +13.7% | +10.3% |
| Asia-Pacific (excluding Japan) | 2,439.9 | 1,962.0 | +24.4% | +13.2% |
| **Sub-total – emerging markets** | **3,657.3** | **2,970.4** | **+23.1%** | **+13.7%** |
| **Total revenue** | **9,736.3** | **8,062.3** | **+20.8%** | **+10.6%** |

*(1) On a comparable Group structure and exchange rate basis.*

Importantly, the Group is becoming less reliant on the European economy. The revenue generated outside the eurozone rose 11.6% in 2012 (based on comparable data) and accounted for 78.6% of their revenue for the year, versus 77.9% in 2011. For the Group as a whole, sales in France represented 5.5% of total revenue, unchanged from 2011.

PPR continued its expansion in emerging markets during 2012. Revenue advanced 13.7% on a comparable basis in emerging markets which accounted for 37.6% of revenue in 2012, representing a 100 basis-point increase on 2011 (based on comparable data). Sales in the Asia-Pacific region (excluding Japan) accounted for 25% of total Group sales versus 24.5% in 2011 (based on comparable data).

## Quaterly information

In the fourth quarter of 2012 PPR recorded €2.6 billion in revenue, up 17.5% on fourth-quarter 2011 as reported and 11.7% on a comparable Group structure and exchange rate basis, with all geographic regions contributing to the increase.

| *(in € millions)* | First quarter | Second quarter | Third quarter | Fourth quarter | 2012 |
|---|---|---|---|---|---|
| Gucci | 847.9 | 879.9 | 914.6 | 996.4 | **3,638.8** |
| Bottega Veneta | 218.0 | 211.5 | 241.6 | 274.0 | **945.1** |
| Yves Saint Laurent | 108.8 | 114.7 | 130.0 | 119.3 | **472.8** |
| Other Luxury brands | 283.2 | 260.5 | 306.7 | 305.2 | **1,155.6** |
| **Luxury Division** | **1,457.9** | **1,466.6** | **1,592.9** | **1,694.9** | **6,212.3** |
| PUMA | 820.9 | 752.9 | 892.2 | 804.7 | **3,270.7** |
| Other Sport & Lifestyle brands | 65.6 | 54.6 | 77.5 | 63.5 | **261.2** |
| **Sport & Lifestyle Division** | **886.5** | **807.5** | **969.7** | **868.2** | **3,531.9** |
| **Corporate** | **(2.5)** | **(2.3)** | **(2.2)** | **(0.9)** | **(7.9)** |
| **Total PPR** | **2,341.9** | **2,271.8** | **2,560.4** | **2,562.2** | **9,736.3** |

| *(in € millions)* | First quarter | Second quarter | Third quarter | Fourth quarter | 2011 |
|---|---|---|---|---|---|
| Gucci | 730.8 | 737.7 | 788.2 | 886.5 | **3,143.2** |
| Bottega Veneta | 156.9 | 140.8 | 185.1 | 199.8 | **682.6** |
| Yves Saint Laurent | 76.0 | 76.7 | 97.7 | 103.3 | **353.7** |
| Other Luxury brands | 165.5 | 152.6 | 210.6 | 208.8 | **737.5** |
| **Luxury Division** | **1,129.2** | **1,107.8** | **1,281.6** | **1,398.4** | **4,917.0** |
| PUMA | 773.4 | 673.5 | 841.6 | 720.5 | **3,009.0** |
| Other Sport & Lifestyle brands | - | - | 82.1 | 64.6 | **146.7** |
| **Sport & Lifestyle Division** | **773.4** | **673.5** | **923.7** | **785.1** | **3,155.7** |
| **Corporate** | **(3.2)** | **(2.1)** | **(3.1)** | **(2.0)** | **(10.4)** |
| **Total PPR** | **1,899.4** | **1,779.2** | **2,202.2** | **2,181.5** | **8,062.3** |

## Recurring operating income and EBITDA

In 2012, PPR's recurring operating income totalled €1,792 million, up 19.3% on 2011, and recurring operating margin stood at 18.4%.

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Luxury Division | 1,611.6 | 1,262.6 | +27.6% |
| Sport & Lifestyle Division | 304.8 | 346.7 | -12.1% |
| Corporate | (124.9) | (107.9) | -15.8% |
| **Total recurring operating income** | **1,791.5** | **1,501.4** | **+19.3%** |

The Group's recurring operating income for 2012 – which does not include any contribution from Fnac (due to its classification within assets held for sale) – was €189 million higher than the €1,602 million figure reported for 2011 when Fnac contributed €103 million.

At comparable exchange rates, recurring operating income advanced 12.6% year-on-year. Conversely, recurring operating margin was eroded by 40 basis points at comparable exchange rates, mainly due to the 220 basis-point reduction in PUMA's margin, which came in at 8.9%.

Gross margin for 2012 amounted to €5,960 million, up €984 million or 19.8% on the previous year as reported and 14.3% based on comparable exchange rates. Operating expenses increased by 20% as reported, and by 15% based on comparable exchange rates. In particular, payroll expenses rose by 21.5% on a reported basis. The Group's average headcount was 29,378 in 2012, representing a 20.9% increase on 2011.

EBITDA posted by the Group climbed 18.8% year-on-year to €2,067 million, whereas the EBITDA margin edged back to 21.2% from 21.6%.

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Luxury Division | 1,815.3 | 1,434.2 | +26.6% |
| Sport & Lifestyle Division | 370.8 | 407.4 | -9.0% |
| Corporate | (119.5) | (102.2) | -16.9% |
| **Total EBITDA** | **2,066.6** | **1,739.4** | **+18.8%** |

At constant exchange rates, EBITDA increased by 12.4% and the EBITDA margin was 50 basis points lower than in 2011.

## 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 interpretation of the Group's operating performance.

In 2012, this item represented a net expense of €25 million and chiefly included (i) €159 million in restructuring costs (of which €125 million related to PUMA's Transformation Programme), (ii) €54 million in asset impairment losses (of which €50 million concerned the Sergio Rossi brand), (iii) €233 million in net gains on asset disposals (the majority of which corresponded to the gain on the sale of PPR's stake in Cfao), and (iv) a €25 million expense for the arbitration procedure in the dispute between PUMA and its former partner in Spain (Estudio 2000).

In 2011, this item represented a net expense of €24 million and chiefly included €13 million in restructuring costs and €7 million in asset impairment losses.

## Net finance costs

The Group's net finance costs – which were 27% lower in 2012 than in 2011 – can be analysed as follows:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Cost of net debt | (211.4) | (210.3) | +0.5% |
| Other financial income and expenses | 63.7 | 8.5 | - |
| **Finance costs, net** | **(147.7)** | **(201.8)** | **-26.8%** |

In 2012, the cost of net debt was €211 million, on par with 2011 due to:

- the relative stability in the Group's average outstanding net debt versus 2011, chiefly attributable to the fact that the effects of the acquisitions of Volcom and Sowind during 2011 and Brioni in early 2012 were largely offset by the proceeds from the sale of PPR's residual interest in Cfao received in the second half of 2012;
- a slight decrease in PPR's average cost of borrowing against a backdrop of generally lower floating interest rates coupled with the combined impacts of (i) the Group's large proportion of borrowings capped at fixed rates, principally bonds, and (ii) an unfavourable debt-cash mix.

The increase of almost €55 million in the net income figure recorded under "Other financial income and expenses" was mainly due to the €63 million positive indexation impact on the first tranche of the bonds indexed to PPR's share price, which were issued in May 2008 and matured in November 2012.

Overall, these finance costs represented cash outflows of €162 million in 2012, down €31 million (or 16%) on 2011.

## Corporate income tax

The Group's income tax charge for 2012 breaks down as follows:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Tax on recurring income | (359.9) | (297.2) | +21.1% |
| Tax on non-recurring items | 62.3 | 2.0 | - |
| **Total tax charge** | **(297.6)** | **(295.2)** | **+0.8%** |
| **Effective tax rate** | **18.4%** | **23.1%** | **-4.7 pts** |
| **Recurring tax rate** | **21.9%** | **22.9%** | **-1.0 pt** |

PPR's effective tax rate decreased sharply in 2012 due to the fact that there were a number of non-recurring factors which generated operating income without any corresponding tax expense.

Adjusted for the effect of non-recurring items and the related taxes, the recurring tax rate contracted by 100 basis points to 21.9%. This improvement is chiefly attributable to the increased weighting of Luxury brands within consolidated income.

## Share in earnings of associates

The Group's share in earnings of associates totalled €37 million in 2012, compared with €47 million in 2011.

This total primarily corresponds to the contribution of Cfao, which was accounted for by the equity method from December 2009 until June 30, 2012, based on PPR's residual interest in the company (42% as of June 30, 2012). The Group's stake in Cfao was deconsolidated in the second half of 2012 following (i) the agreement signed on July 26, 2012 to sell 29.8% of the Cfao shares held by PPR and (ii) the sale of the remaining 12.2% interest as part of the public offer launched by TTC for Cfao's entire capital in the fourth quarter of 2012.

## Net income from continuing operations

In 2012, PPR's consolidated net income from continuing operations came to €1,358 million, versus €1,028 million the previous year.

Attributable net income from continuing operations amounted to €1,324 million, compared with €968 million in 2011, representing a year-on-year increase of 37%.

## Net income (loss) from discontinued operations

This item includes the income statement contributions 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, 2012, the Group reported a net loss of almost €276 million under this item (see Note 12 to the consolidated financial statements), mainly corresponding to (i) the results of operations of Fnac and Redcats (€194 million), (ii) asset impairment losses (€288 million, notably to write down the historic goodwill of Redcats and Fnac Group), and (iii) restructuring costs (€149 million).

In 2011, "Net income (loss) from discontinued operations" represented net income of €18 million.

## Non-controlling interests

Net income attributable to non-controlling interests amounted to €34 million in 2012, versus €59 million one year earlier.

In 2012 this item mainly corresponded to non-controlling interests in PUMA's net income, which decreased significantly due to the decline in PUMA's total consolidated net income (primarily due to restructuring costs). However, the decrease was contained by the Group's purchases of additional PUMA shares in the twelve months to December 31, 2012, which raised PPR's interest in PUMA to almost 83% as of that date from 79.9% one year earlier.

## Net income attributable to owners of the parent

Net income attributable to owners of the parent totalled close to €1,048 million, up 6.3% on 2011.

Adjusted for "Other non-recurring operating income and expenses" net of tax, attributable net income from continuing operations amounted to €1,269 million, representing a 28% increase on the previous year.

The 2012 figure – which does not include any contribution from Fnac (following its classification within assets held for sale) – is €214 million higher than the €1,055 million reported for 2011, in which Fnac's contribution was included.

## Earnings per share

The weighted average number of PPR shares used to calculate earnings per share was 126.0 million in 2012, representing a slight decrease on the 126.2 million used for 2011. The year-on-year change was mainly due to purchases of treasury shares carried out during 2012 (see Note 13 to the consolidated financial statements).

Earnings per share stood at €8.32 in 2012, up 6.39% on 2011.

Earnings per share from continuing operations came to €10.51, compared with €7.68 for the previous year.

Excluding non-recurring items, earnings per share from continuing operations amounted to €10.07, up 28.3% compared to 2011.

The impact of dilutive instruments on the calculation of earnings per share was almost neutral in 2012.

# 1.4. ANALYSIS OF OPERATING PERFORMANCES BY BRAND

## Luxury Division

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **6,212.3** | **4,917.0** | **+26.3%** |
| **Recurring operating income** | **1,611.6** | **1,262.6** | **+27.6%** |
| ***as a % of revenue*** | ***25.9%*** | ***25.7%*** | ***+0.2 pt*** |
| EBITDA | 1,815.3 | 1,434.2 | +26.6% |
| *as a % of revenue* | *29.2%* | *29.2%* | - |
| Gross operating investments | 337.3 | 172.9 | +95.1% |
| Average headcount | 17,384 | 13,542 | +28.4% |

In 2012, 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.

Gucci – the Luxury Division's flagship brand – reported very solid sales growth of 9.1% based on comparable data. Its recurring operating margin was also up on the previous year, reaching a record high of 31.0%.

Bottega Veneta's sales came in at just under €950 million, representing a 30.4% jump on a comparable basis. This brand contributed 15.2% to the Division's sales in 2012 and 18.6% to operating income. At the same time it posted one of the highest recurring operating margins in the sector, at 31.8%.

Yves Saint Laurent saw another year of strong growth, with sales up 28.8% on a comparable basis and a 150 basis-point increase in recurring operating margin (at constant exchange rates).

Sales generated by the Division's other brands also increased sharply, climbing 19.0% on a comparable basis with good performances across all brands, including from the newcomers Brioni and Girard-Perregaux. Recurring operating margin for Other Luxury brands widened by 50 basis points (at constant exchange rates) as the adverse impact caused by the acquisition of new brands – which require capital outlay for their development and integration – was more than offset by a sharp increase in profitability for the portfolio's more mature brands such as Alexander McQueen and Stella McCartney.

Overall, the Luxury Division's revenue totalled €6,212 million in 2012, up 26.3% as reported and 15.1% on a comparable Group structure and exchange rate basis.

In 2012, retail sales in directly-operated stores were 15.2% higher than in 2011 based on comparable data and accounted for 68.3% of total revenue versus 68.9% in 2011. This slight reduction in the revenue weighting of directly-operated stores was due to the integration of Sowind and Brioni which use wholesale distribution for a large proportion of their sales. Excluding Sowind and Brioni, the proportion of revenue generated by retail sales in directly-operated stores rose 90 basis points year-on-year to 70.3%, reflecting the strategy implemented by the Luxury Division's brands aimed at more effectively controlling their distribution and reinforcing their exclusivity.

Compared to 2011, wholesale sales were up 15.5% year-on-year on a comparable basis.

In 2012, the Luxury Division's sales in emerging markets advanced 16.7% based on comparable data and these markets accounted for 38.5% of the Division's total revenue versus 38.0% in 2011. The Asia-Pacific region (excluding Japan) – which made up 31.9% of the Division's total revenue – delivered robust growth of 14.2%, fuelled by sales in Greater China up 17.6%. Business in other emerging markets was also very buoyant, with outstanding showings in the Middle East and Latin America which posted revenue hikes of 52.8% and 38.7% respectively.

In the Luxury Division's traditional, more mature markets, revenue climbed 14.1% in 2012. Western Europe (representing 30.9% of total revenue) registered 14.6% growth, an excellent performance given the difficult economic context, especially in the eurozone. This demonstrates not only the power and appeal of the Division's brands with the region's local customers, but also the increasing proportion of sales to tourists (particularly tourists from China) within stores in European major cities. In North America, which accounted for 18.6% of the Division's total revenue in 2012, sales were up 16.7%. This year-on-year rise is the fruit of a controlled expansion strategy implemented for the Division's brands in the United States and Canada, and is also a result of the initiatives undertaken by Gucci over the past several years to more effectively manage its distribution channels and further enhance brand perception.

Lastly, in Japan (which represented 12.0% of the Division's total revenue), after a return to growth in 2011 despite the devastating effects of the earthquake, tsunami and nuclear disaster that hit the country in that year, sales rose once again in 2012 with a year-on-year increase of 9.0%.

The Luxury Division's recurring operating income came to almost €1,612 million in 2012, up 27.6% as reported or 20.6% at comparable exchange rates. Recurring operating margin was 25.9%, representing an increase of 20 basis points – both on a reported and comparable basis. This year-on-year rise in profitability was achieved thanks to the fact that higher margins reported throughout the Division more than offset the adverse impact of lower margins for recently acquired brands.

EBITDA rose 26.6% year-on-year to €1,815 million and represented 29.2% of revenue.

The Luxury Division's operating investments almost doubled in 2012 as a result of store openings, extensions and remodellings as well as significant investments in infrastructures, systems and the supply chain.

The Luxury Division continued to invest in its directly-operated store network during the year, via a major renovation and expansion programme – which made up almost half of all of its store-related investments – and 122 net store additions, including 42 in Greater China (Mainland China, Hong Kong and Macao) and 19 in other emerging markets. Almost half of these net store additions (61 stores) were in the Division's mature markets, testifying to the growth potential that these regions represent for the Division's brands.

## Gucci

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **3,638.8** | **3,143.2** | **+15.8%** |
| **Recurring operating income** | **1,126.4** | **947.7** | **+18.9%** |
| ***as a % of revenue*** | ***31.0%*** | ***30.2%*** | ***+0.8 pt*** |
| EBITDA | 1,260.3 | 1,071.2 | +17.7% |
| *as a % of revenue* | *34.6%* | *34.1%* | *+0.5 pt* |
| Gross operating investments | 203.9 | 111.3 | +83.2% |
| Average headcount | 9,337 | 8,249 | +13.2% |

Gucci posted close to €3,639 million in revenue in 2012, up 15.8% year-on-year as reported and 9.1% at comparable exchange rates. This means that in the space of two years, the brand's reported revenue has grown by 36.5%.

The brand's sales were higher for all of its main geographic areas and product categories in 2012.

Retail sales generated by Gucci in its directly-operated stores rose 10.0% during the year on a comparable basis. The second half of the year was less buoyant than the first half, although momentum did pick up again in the fourth quarter. However, the breakdown in growth across geographic areas was perfectly balanced between emerging and traditional markets, illustrating Gucci's ability to adapt its offering to diverse customer profiles. At the same time, average selling prices and customer spend have both risen in Gucci's stores thanks to the strategy it has followed for nearly four years of positioning itself as a world's leading brand in the Luxury market by further enhancing sense of exclusivity and Luxury, increasing the proportion of sales in the highest-price segments.

Wholesale sales were up 5.5% year-on-year based on comparable data. Any analysis of this performance has to be made in the light of Gucci's decision to curb the increase in sales of Fashion and Leather Goods to certain distributors (notably in Italy) and reduce the number of these distributors' points of sale by bringing certain operations in the Middle East and the United States back under direct control. Consequently, the 13.1% growth in wholesale revenue reported in North America was an outstanding achievement and clearly demonstrates Gucci's further improved brand perception in both the United States and Canada.

The brand's three main product categories – Leather Goods, Ready-to-Wear and Shoes – which accounted for 86.5% of Gucci's 2012 revenue – posted a robust 8.7% comparable-basis increase in sales during the year.

Leather Goods – which represented 59.0% of Gucci's total sales – saw a further increase in the weighting of "no-logo" products and leather and precious skins within the product mix, which led to a rise in the average selling price. For example, sales of no-logo handbags rose significantly worldwide during the year, with the highest proportion of these sales generated in the brand's traditional markets.

Within the core product categories, men's collections posted rapid growth of around 15%, spurred by Leather Goods whose performance was buoyant in almost all of the geographic regions.

Jewellery and Timepieces (*Gucci Watches*) registered a more moderate sales increase of 4.2%, against the backdrop of a reworked product offering and restructured distribution network. Gucci's other products saw a sharp 27.8% rise in sales, propelled mainly by the success of the Children's product category started up in 2011 as well as strong product launches in fragrances which led to an increase in royalties paid to Gucci.

The contribution of emerging markets to Gucci's sales edged down to 42.5% from 42.8% in 2011. The comparable-basis growth figure for these regions was 8.2% versus 9.8% for the brand's traditional markets. The Asia-Pacific region (excluding Japan) – which made up 36.8% of the brand's total sales – reported a 5.5% increase, with growth held back by a contraction in sales in South Korea and Taiwan. The sales decline in these two countries was due both to lacklustre macroeconomic conditions and the direct effects of the brand's fine tunning strategy, which resulted in a higher percentage of more sophisticated leather, precious skin and completly crafted product sales. In Mainland China, however, where the brand operated 58 stores at end-2012, sales were up once again, climbing 13.0%. Specific measures were taken to continue to tailor the brand's product offering to the more sophisticated tastes of Chinese consumers and to the varying customer profiles across the country's different cities and regions. Other priority areas for Gucci's management team in China – which was strengthened during the year through the appointment in June of a new CEO – are ensuring prime locations for the brand's stores, also in some Tier 2/3 cities, and continuously enhancing service quality.

Gucci's revenue in Western Europe – which represented 27.0% of the brand's total sales – increased 9.2% over the year. Sales to local customers rose at a solid pace, but the pace of growth in sales to tourists was twice as fast, which boosted performance in most of the brand's European markets. Meanwhile, the brand's stated policy of reducing its sales to third-party distributors in Italy weighed heavily on the region's revenue growth. In North America (19.1% of the brand's total sales), revenue was up 13.4% year-on-year. In Japan (11.4% of total revenue) the year-on-year increase was 5.3%. The very positive response to the brand's new collections and the success of leather products in the Japanese market – which is well known for being the world's most sophisticated market for Luxury Goods – validates the brand's strategy of focusing on the high end of the market.

Gucci's recurring operating income advanced 18.9% in 2012, or 12.7% at comparable exchange rates. This performance led to a record-level recurring operating margin which came to 31.0%, up 80 basis points as reported and 100 basis points at comparable exchange rates.

EBITDA totalled €1,260 million, up 17.7% as reported, and the EBITDA margin stood at 34.6% against 34.1% in 2011.

Gross margin rose year-on-year at comparable exchange rates, reflecting the higher weighting of exclusive distribution and a more favourable product mix. The brand's operating expenses were up by a contained 7.4% at comparable exchange rates. Despite the expansion of the store network, in-store direct costs (39% of which are variable) rose by just 8.4% at comparable exchange rates. Conversely, communications and advertising expenditure once again increased (on a comparable basis) 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, 2012, Gucci operated 429 stores directly, including 166 in emerging countries, of which 72 in Greater China. There were 53 net store additions during the year (versus 59 in 2011), including 25 in emerging countries.

Gucci's gross operating investments were 83.2% higher than in 2011, with store-related investments representing over half of the total figure.

## Bottega Veneta

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **945.1** | **682.6** | **+38.5%** |
| **Recurring operating income** | **300.1** | **204.6** | **+46.7%** |
| ***as a % of revenue*** | ***31.8%*** | ***30.0%*** | ***+1.8 pt*** |
| EBITDA | 320.6 | 220.2 | +45.6% |
| *as a % of revenue* | *33.9%* | *32.3%* | *+1.6 pt* |
| Gross operating investments | 41.3 | 29.1 | +41.9% |
| Average headcount | 2,339 | 1,845 | +26.8% |

Bottega Veneta posted revenue of around €945 million in 2012, up 38.5% on a reported basis and 30.4% at comparable exchange rates. This performance was achieved on the heels of high growth of over 30% already recorded in 2011 (33.6% on a comparable basis).

With a view to preserving its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is the brand's directly-operated stores. In 2012, retail sales in directly-operated stores accounted for 80.6% of its total sales, and revenue generated through this channel rose 28.5%.

Wholesale sales were up 39.0% year-on-year.

Bottega Veneta is a high-end, exclusive, luxury Lifestyle brand. In 2012, Leather Goods made up 85.2% of its total revenue, and saw a 31.9% jump in sales, led by both the brand's signature models (mainly *Veneta*, *Cabat* and *Knot*) – which continue to have strong customer appeal – as well as seasonal models which include also new shapes or functions. During the year, the brand continued to develop its other product categories, particularly Men's and Women's shoes whose sales advanced 36.4% year-on-year. Bottega Veneta's buoyant sales momentum was bolstered by a particularly consistent communications and marketing strategy, as illustrated by events such as the launch of the "*Initials*" offering which enables customers to personalise Leather Goods that they purchase online.

Bottega Veneta strengthened its presence in emerging markets during 2012 and these regions accounted for 41.9% of the brand's total sales for the year versus 38.7% in 2011. Growth in emerging markets came to 39.4%. The Asia-Pacific region (excluding Japan) was once again Bottega Veneta's largest market, making up 38.2% of its total sales. This region was also one of the major contributors to Bottega Veneta's excellent sales performance, posting year-on-year growth of 39.6%. Sales surged 41.5% in Greater China, with a 52.3% hike for Mainland China, where the brand now operates 31 stores.

In its traditional markets, Bottega Veneta posted strong growth of 24.6% (on a comparable basis), powered by an ever-growing interest in the brand from local customers as well as purchases made by tourists. In Western Europe – which is Bottega Veneta's second largest market, representing 27.4% of its revenue – sales advanced 36.3%, and in North America the year-on-year increase was 24.9%. In Japan – the brand's third largest market, making up 16.7% of total revenue – sales were up by a solid 8.9%.

Bottega Veneta posted recurring operating income of €300 million in 2012. Recurring operating margin reached a record high of 31.8%, representing an increase of 180 basis points as reported and 190 basis points at comparable exchange rates.

EBITDA came in at just under €321 million, up 45.6% year-on-year, and the EBITDA margin climbed to 33.9% from 32.3% in 2011.

Bottega Veneta's profitability is underpinned by two main factors: (i) a structurally high gross margin, due to the brand's positioning and the high weighting of Leather Goods and direct sales within its overall revenue figure, and (ii) closely contained operating expenses, which rose by 23.7% at comparable exchange rates in 2012.

Bottega Veneta's network of directly-operated stores totalled 196 as of December 31, 2012, including 41 in Greater China and 35 in other emerging countries. There were 26 net store additions during the year, versus 22 in 2011.

Gross operating investments rose by 41.9% year-on-year, primarily as a result of outlay for opening, extending and refurbishing stores.

## Yves Saint Laurent

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **472.8** | **353.7** | **+33.7%** |
| **Recurring operating income** | **65.0** | **40.9** | **+58.9%** |
| ***as a % of revenue*** | ***13.7%*** | ***11.6%*** | ***+2.1 pts*** |
| EBITDA | 75.8 | 50.2 | +51.0% |
| *as a % of revenue* | *16.0%* | *14.2%* | *+1.8 pt* |
| Gross operating investments | 21.8 | 7.5 | +190.7% |
| Average headcount | 1,208 | 1,084 | +11.4% |

2012 was a pivotal year for Yves Saint Laurent with the appointment of Hedi Slimane as the brand's Creative Director. Against a backdrop of measures put in place to reinterpret and rework the brand's ready-to-wear and Leather Goods collections as well as its store formats, Yves Saint Laurent reported another year of growth following on from the robust sales performance already delivered in 2011 (up 32.3% at constant exchange rates).

Revenue generated by Yves Saint Laurent in 2012 came to nearly €473 million, representing a year-on-year increase of 33.7% on a reported basis and 28.8% at comparable exchange rates. Revenue growth had reached 35.4% by the end of the third quarter but only came to 12.5% (on a comparable basis) in the fourth quarter. This slower rise towards the end of the year reflects the brand's decision to postpone some deliveries until 2013 so that the Spring-Summer collection will be distributed at the same time as the opening of stores that have been designed or refurbished in line with Hedi Slimane's new store concept.

Retail sales in directly-operated stores accounted for 60% of the brand's total sales in 2012, representing a much greater proportion than in the previous year. Retail sales generated by Yves Saint Laurent in its directly-operated stores rose 35.7% on a comparable basis.

Wholesale sales also increased significantly, up 22.7% year-on-year.

Royalties from licence agreements – mainly for Fragrances and Cosmetics – rose by a very solid 10.7%.

Analysed by product category, the brand's sales were powered by the extremely strong growth figures posted by Leather Goods, where the successes of both permanent lines and the more recent collections. Men's and Women's Shoes also saw very high sales increases, both for new products and permanent collections. At the same time, trends for Ready-to-Wear were very positive during the year, particularly for Men's collections.

Yves Saint Laurent notched up revenue rises across all of its regions in 2012.

Momentum was particularly strong in emerging markets, where sales leapt 47.1% on a comparable basis, and these markets accounted for 28.5% of the brand's total revenue (versus 24.9% in 2011). The Asia-Pacific region (excluding Japan) was the main growth driver, reporting a sales hike of 69.0%. Thanks to this revenue surge Greater China has become the brand's third-largest market.

In Yves Saint Laurent's traditional markets sales growth was a very solid 22.8%, reflecting the brand's continued strong appeal with local customers. Despite the unfavourable economic environment, sales in Western Europe – which accounted for 39.8% of the brand's total revenue – were up 20.6% year-on-year. North America posted another robust showing, with sales rising 19.4%, and in Japan – which is a historically strong market for the brand – there was a sharp upswing of 46.7%.

Yves Saint Laurent ended 2012 with recurring operating income of €65 million versus close to €41 million in 2011. Recurring operating margin was 13.7%, representing an increase of 210 basis points as reported and 150 basis points at comparable exchange rates.

EBITDA also improved significantly, coming in at nearly €76 million in 2012 compared with €50 million in the previous year.

These increases were propelled by excellent momentum in the Couture business, which saw a further increase in profitability in 2012 despite the costs incurred in connection with the brand transformation project.

As of December 31, 2012, the Yves Saint Laurent brand directly operated 89 stores, including 12 in Greater China and 19 in other emerging countries. There were six store additions during the year (net of closures).

Gross operating investments amounted to €22 million in 2012, representing an almost three-fold increase on 2011 that reflects the opening of new stores during the year as well as work carried out in stores scheduled to open during the first half of 2013.

### Other Luxury brands

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **1,155.6** | **737.5** | **+56.7%** |
| **Recurring operating income** | **120.1** | **69.4** | **+73.1%** |
| ***as a % of revenue*** | ***10.4%*** | ***9.4%*** | ***+1.0 pt*** |
| EBITDA | 158.6 | 92.6 | +71.3% |
| *as a % of revenue* | *13.7%* | *12.6%* | *+1.1 pt* |
| Gross operating investments | 70.3 | 25.0 | +181.2% |
| Average headcount | 4,500 | 2,364 | +90.4% |

Other Luxury brands have included the Sowind watchmaking group's brands Girard-Perregaux and JEANRICHARD since July 1, 2011, and the men's tailoring House Brioni since January 1, 2012.

Total revenue generated by Other Luxury brands topped €1 billion in 2012, coming in at almost €1,156 million and up 56.7% year-on-year as reported and 19.0% on a comparable Group structure and exchange rate basis. Other Luxury brands contributed close to 19% of the Luxury Division's total revenue in 2012.

Wholesale sales rose 23.1% year-on-year on a comparable basis. Including the contributions from the most recently integrated brands, which are exclusively or mainly distributed via third parties, wholesale sales accounted for 54.1% of the total sales reported by Other Luxury brands in 2012, versus 50% in 2011.

Retail sales in directly-operated stores were 16.8% higher than in 2011 based on comparable data.

Following the acquisition of Brioni, Ready-to-Wear became the best-selling product category for the Group's Other Luxury brands in 2012 (representing 34.3% of total revenue) and saw a strong 16.9% comparable-basis sales rise during the year. Leather Goods – which accounted for 25.0% of the total revenue generated by Other Luxury brands – also delivered a solid performance, with sales up 19.7%. Timepieces and Jewellery – which together represented 18.6% of the total – posted a 22.0% year-on-year revenue increase.

Other Luxury brands continued to expand in emerging markets during the year, and these markets contributed 27.3% of revenue versus 23.9% in 2011. Based on comparable data, sales growth in these markets came to a high 28.7%. In the Other Luxury brands' traditional, more mature markets, revenue climbed 15.8%.

Recurring operating income posted by Other Luxury brands surged 73.1%, to around €120 million. Recurring operating margin was 10.4%, representing a year-on-year increase of 100 basis points as reported and 50 basis points at constant exchange rates.

The adverse impact caused by the acquisition of new brands – which require capital outlay for development and integration purposes – was more than offset by a sharp increase in profitability for the portfolio's more mature brands such as Alexander McQueen and Stella McCartney.

At close to €159 million in 2012, EBITDA was up 71.3% on 2011 as reported, or 58.6% at comparable exchange rates.

The network of directly-operated stores owned by Other Luxury brands totalled 244 outlets as of December 31, 2012, including 30 in Greater China and 12 in other emerging countries. A total of 202 stores are located in these brands' traditional markets, mainly concentrated in Japan and Western Europe. The consolidation of Brioni led to the addition of 35 new stores as of January 1, 2012. Excluding Brioni, PPR's Other Luxury brands saw 37 net store openings in 2012.

Alexander McQueen reported very strong growth in 2012. All of the brand's product categories and geographic regions contributed to this robust performance, with both directly-operated stores and wholesale distribution reporting increases. The new McQ line, launched in the second half of 2011, also turned in a very solid sales showing. This led to a further year-on-year rise in recurring operating income and recurring operating margin, despite the investment expenditure incurred in communications, development of the McQ line and six net store additions.

Balenciaga kept up a steady pace of growth in 2012, especially in its Men's collections. The brand recorded a particularly sharp sales rise in emerging markets, where it opened six stores during the year. In its traditional markets – which saw the opening of nine new stores – sales performance remained buoyant. Balenciaga's recurring operating income was also up year-on-year. In December 2012, the Balenciaga fashion House appointed a new Creative Director – Alexander Wang.

2012 was a successful year for Boucheron in both Jewellery and High Jewellery lines, particularly for its signature jewellery line, *Quatre*. It was also a year that saw Boucheron's return to the *Biennale des Antiquaires* event in Paris, which was an opportunity for the brand to demonstrate its expertise in High Jewellery. The brand's sales were up considerably in its main markets in 2012 (Western Europe and Japan), particularly for Jewellery and High Jewellery. Boucheron ended the year with recurring operating income sharply up, spurred by its revenue growth and the fact that its operating expenses were effectively contained.

Brioni – which has been consolidated since January 1, 2012 – posted brisk revenue growth, especially in North America. Buoyed by its strong sales momentum, Brioni's first-year contribution to PPR's recurring operating income was very positive, without taking into account the synergies that are still to be leveraged from its integration into the Group's Luxury Division. In early July 2012, Brioni announced that it had appointed Brendan Mullane as its new Creative Director, with a view to strengthening the brand's image and the consistency of its offering.

Girard-Perregaux and JEANRICHARD (consolidated since July 1, 2011) also reported a year-on-year revenue increase in 2012, driven by vigorous growth in emerging markets. During the year, Sowind, which owns the Girard-Perregaux and JEANRICHARD brands, continued its efforts to step up and streamline manufacturing capacity and to reposition the JEANRICHARD brand. The new JEANRICHARD brand identity will be fully unveiled in 2013, with the launch of new watch models and specific communications campaigns. Sowind made a positive contribution to PPR's consolidated recurring operating income, and the figure was up on 2011 despite the additional investments made in its two brands.

Revenue generated by Sergio Rossi climbed in 2012, particularly for directly-operated stores. The brand's sales were very firm in emerging markets and swung back up in North America and Japan. At the same time, Western Europe saw its sales trend upwards, albeit at a more modest pace. Thanks to a wider gross margin, Sergio Rossi also recorded higher recurring operating income compared with 2011.

2012 was a momentous year for both the Stella McCartney brand and its founder. At the British Fashion Awards the brand was named Designer Brand of the Year and Stella McCartney Designer of the Year. Also in 2012 Stella McCartney designed the Team GB sportswear for the London 2012 Olympic Games and was awarded an OBE. The brand's particular appeal boosted sales momentum during the year, leading to 11 net additions of directly-operated stores and high revenue growth across all its main geographic regions and for all product categories. This in turn drove a sharp year-on-year rise in recurring operating income.

## Sport & Lifestyle Division

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **3,531.9** | **3,155.7** | **+11.9%** |
| **Recurring operating income** | **304.8** | **346.7** | **-12.1%** |
| ***as a % of revenue*** | ***8.6%*** | ***11.0%*** | ***-2.4 pts*** |
| EBITDA | 370.8 | 407.4 | -9.0% |
| *as a % of revenue* | *10.5%* | *12.9%* | *-2.4 pts* |
| Gross operating investments | 91.1 | 74.8 | +21.8% |
| Average headcount | 11,720 | 10,492 | +11.7% |

The year 2012 saw PPR's Sport & Lifestyle Division consolidating its positioning and implementing synergies despite the unfavourable macroeconomic context, following the Division's formation in 2011, comprising PUMA and then from July 1 of that year, Volcom and Electric. During 2012, PUMA's teams helped Volcom with the design and development of new men's and women's footwear lines, which were particularly well received by Volcom's distributors. The Division is currently optimising its supply chain (storage and transport) in North America by pooling certain assets and resources and putting in place a system for negotiating service contracts for the whole Division. It is also looking to achieve synergies in sourcing, and the initial benefits of this process are expected to be reaped in 2013. Lastly, in line with the Group's new business model – which is aimed at ensuring the brands have the resources they need for their development – PPR's corporate teams assisted both Volcom and PUMA with numerous projects during 2012, such as for opening new stores and breaking into new markets.

The Sport & Lifestyle Division reported revenue of just under €3,532 million in 2012, up 11.9% as reported and 3.3% based on comparable Group structure and exchange rates.

Wholesale sales – which accounted for 81.6% of the Division's total revenue (against 83.9% in 2011) – were up 0.6% year-on-year based on comparable data. The unsettled economic environment in Western Europe, coupled with the reorganisation of Volcom's distributor store networks in North America, weighed on the performance of this distribution channel during the year.

Retail sales in directly-operated stores advanced 17.6% year-on-year based on comparable Group structure and exchange rates, with solid growth likewise recorded on a same-store basis.

By product category, sales of Footwear (which contributed 45.3% of the Division's total sales for the year) were on a par with 2011. Apparel (representing 39.1% of total revenue) registered solid year-on-year sales growth of 4.7% on a comparable basis, propelled by the development of the PUMA brand in North America. Accessories sales climbed by a steep 10.5% based on comparable data, driven by the success of COBRA PUMA GOLF as well as PUMA Wheat's technical products.

The contribution of emerging markets to the Sport & Lifestyle Division's overall sales continued to rise, up 8.3% on a comparable basis and representing 35.8% of the total. The Asia-Pacific region (excluding Japan) was the star performer, reporting 9.1% growth.

In the Sport & Lifestyle Division's more mature markets revenue inched up 0.7% overall, with growth hampered by a sales contraction in Western Europe (which accounted for 29.0% of the Division's total revenue). The Sport & Lifestyle Division's revenue in this region was down 5.1% year-on-year on a comparable basis, primarily due to the weak performance delivered by PUMA's Footwear category, as well as fierce competition in the Surfwear and Action Sport markets which affected Volcom. North America (23.4% of total revenue) and Japan (11.8% of total revenue) both posted very solid revenue growth figures, at 6.9% and 4.7% respectively.

The Sport & Lifestyle Division ended the year with recurring operating income of close to €305 million, down 12.1% as reported. Recurring operating margin narrowed by 240 basis points to 8.6%, primarily due to PUMA's margin contracting by 220 basis points.

EBITDA came in at around €371 million, representing 10.5% of revenue.

Gross operating investments for the Sport & Lifestyle Division amounted to €91 million in 2012, of which half was dedicated to developing the store network and the other half to IT systems and optimising the supply chain.

## PUMA

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenue** | **3,270.7** | **3,009.0** | **+8.7%** |
| **Recurring operating income** | **290.0** | **333.2** | **-13.0%** |
| ***as a % of revenue*** | ***8.9%*** | ***11.1%*** | ***-2.2 pts*** |
| EBITDA | 350.3 | 391.4 | -10.5% |
| *as a % of revenue* | *10.7%* | *13.0%* | *-2.3 pts* |
| Gross operating investments | 81.2 | 71.1 | +14.2% |
| Average headcount | 10,935 | 10,043 | +8.9% |

Against a backdrop of weak consumer spending – particularly in Western Europe – PUMA's revenue totalled just under €3,271 million for 2012, up 8.7% as reported on 2011. Based on a comparable Group structure and exchange rates the increase was 3.9%, with stable growth in both halves of the year although momentum was particularly brisk in the last quarter, with revenue rising 8.7% on a comparable basis.

Wholesale sales edged up 1.3% in 2012 based on comparable data, as the contraction experienced in Western Europe adversely affected the robust performance delivered by PUMA's other geographic regions.

Revenue posted by PUMA's directly-operated stores rose 16.3% year-on-year based on comparable data. On a same-store basis, revenue growth was extremely solid across all geographic regions. Thanks to this strong showing, the contribution of directly-operated stores to the brand's total revenue rose to 19.1% from 17.1% in 2011.

Out of the brand's product categories, Footwear once again accounted for the highest proportion of sales, representing 48.8% (51.2% in 2011), although revenue for this category dipped 0.1% year-on-year on a comparable basis. PUMA's Footwear offering was once again very well received in emerging markets and Japan, and these regions posted buoyant sales growth for this category. Conversely, revenue was on a par with 2011 in North America and contracted in Western Europe (apart from Germany).

Sales of Apparel (35.2% of PUMA's total revenue) rose 6.6% on a comparable basis, with almost all of this product category's markets reporting growth, including North America which turned out to be the best performer of the year.

Sales generated by Accessories (16.0% of total revenue) were particularly robust in 2012, climbing 11.2% on a comparable basis. This strong overall showing was achieved on the back of the steps taken to develop the Golf and COBRA collections as well as the success of the technical products distributed by PUMA Wheat. North America delivered an especially good showing, with Accessories sales advancing by more than 30%.

Emerging markets contributed 37.7% of PUMA's 2012 revenue, versus 36.7% in 2011. Growth in these markets came to 8.5% on a comparable basis. In Central and South America (14.2% of PUMA's total revenue) sales were up 7.4%, led by brisk momentum in the regions' three main markets (Mexico, Brazil and Argentina). In the Asia-Pacific region (excluding Japan) – which accounted for 13.4% of the brand's total sales – revenue climbed 9.7% year-on-year based on comparable data, driven by a robust performance from India. Sales in Eastern Europe, the Middle East and Africa (10.1% of the total) rose 8.5% in 2012, reflecting very strong development of the brand in Africa, which reported 17.1% growth.

On the other hand, PUMA saw a 4.7% revenue contraction in Western Europe, due to a sharp decrease in Footwear sales. Only Germany – which is one of the brand's largest markets in the region – reported very solid revenue growth during the year. PUMA's revenue in North America and Japan increased by 9.0% and 4.9% respectively. In North America, Apparel and Accessories were significant contributors to the overall sales rise, whereas in Japan the main growth drivers were Footwear and Accessories.

In 2012, PUMA contributed €290 million to the PPR group's recurring operating income, down 13% on 2011 or 16.7% at constant exchange rates. Recurring operating margin contracted by 220 basis points to 8.9%. PUMA's EBITDA totalled €350 million and its EBITDA margin contracted by 230 basis points from 13.0% in 2011 to 10.7% in 2012.

PUMA's gross margin as a percentage of revenue narrowed by 130 basis points in 2012, reflecting the impacts of (i) higher commodity prices and manufacturing costs in the first half of the year, (ii) certain promotional offers, and (iii) inventory shedding measures undertaken throughout 2012. This gross margin erosion was the most pronounced for sales in directly-operated stores and was less marked for wholesale sales. By product category, Footwear experienced the steepest decline in gross margin. Accessories saw a slight decrease – principally due to the product mix effect – whereas Apparel's gross margin inched up. The contraction in gross margin was felt in all of PUMA's geographic regions but the sharpest falloff was in Western Europe.

Operating expenses increased by 11.0% on a reported basis and accounted for 90 basis points of the total reduction in PUMA's recurring operating margin. The rise in these expenses was due to the fact that the brand stepped up its communications and marketing campaigns in 2012 and took measures to strengthen certain corporate functions.

The cost base was not affected during the year by the measures announced in July 2012 to speed up the brand's Transformation Programme. The initial benefits of these corrective measures – which are specifically aimed at optimising operating expenses and regaining profitability – should be felt in 2013.

A provision of some €125 million was recognised as a non-recurring operating expense in 2012 for the measures provided for in the Transformation Programme, chiefly covering (i) costs related to closing stores and reorganising the brand in Europe, at headquarters and in subsidiaries outside Europe, (ii) the termination of certain activities, and (iii) the revision of the brand's portfolio of sponsoring and partnership agreements.

Also during the year a €27 million non-recurring expense was recorded for the arbitration procedure in the dispute between PUMA and its former partner in Spain (Estudio 2000). Following the arbitration ruling, PUMA now fully owns all of its trademark rights in Spain.

As of December 31, 2012, PUMA's network of directly-operated stores totalled 594 outlets. Out of the total number of stores opened during the year, two thirds were in emerging countries.

PUMA's gross operating investments were 14.2% higher than in 2011, mainly reflecting additional investments for opening, extending and renovating sales outlets.

## Other Sport & Lifestyle brands

| *(in € millions)* | 2012 | 2011 [1] | Change |
|---|---|---|---|
| **Revenue** | **261.2** | **146.7** | **+78.1%** |
| **Recurring operating income** | **14.8** | **13.5** | **+9.6%** |
| ***as a % of revenue*** | ***5.7%*** | ***9.2%*** | ***-3.5 pts*** |
| EBITDA | 20.5 | 16.0 | +28.1% |
| *as a % of revenue* | *7.8%* | *10.9%* | *-3.1 pts* |
| Gross operating investments | 9.9 | 3.7 | +167.6% |
| Average headcount | 785 | 449 | +74.8% |

*(1) Based on six months.*

Volcom – a contemporary action Sport brand – and Electric – which designs and markets sunglasses, snow goggles and accessories – have formed part of PPR's Sport & Lifestyle Division since July 1, 2011. Consequently, the figures for 2011 presented above only concern the second half of that year.

Total revenue generated by Volcom and Electric came to some €261 million in 2012, up 78.1% year-on-year as reported but down 3.4% based on comparable Group structure and exchange rates. Electric – which accounts for 8.4% of the two brands' combined revenue – reported a 13.0% sales decline and Volcom's sales edged back 2.5%.

Both of the brands' sales were weighed down in 2012 by (i) Europe's extremely difficult economic environment, (ii) the major reorganisation measures undertaken for certain distributors' store networks in the United States, and, to a lesser extent, (iii) adverse weather. Against a backdrop of fierce competitive pressure in the surfwear and action Sport markets, Volcom focused on safeguarding margins and protecting its brand image by keeping strict limits on markdowns and discounts, carefully selecting its distributors, and increasing the proportion of directly-operated distribution channels. As for Electric, it significantly broadened and updated its offering which resulted in a gradual repositioning in terms of selling prices.

For Volcom, Apparel once again accounted for the vast majority of the brand's revenue at close to 96%, but comparable-basis sales for this product category declined 4.1%. Conversely, sales generated by Footwear and Accessories surged 57.6% on a comparable basis. This strong momentum is expected to continue in 2013, driven by the launch of new collections of footwear, backpacks and travel bags.

For Volcom and Electric combined, North America was once again the main market – accounting for 62.8% of the two brands' aggregate revenue – and sales in this region only contracted by 0.9%. In Western Europe however (19.9% of sales), business was severely hit by the morose macroeconomic conditions and sales in the region retreated 13.5% year-on-year. In Japan (5.2% of total revenue) sales edged up 0.4%. In the brands' other regions (which contributed 12.1% of sales, primarily in Australia and New Zealand) revenue rose 0.8% despite the financial difficulties encountered by specialist distributors.

Volcom and Electric's combined contribution to the PPR group's recurring operating income amounted to nearly €15 million in 2012, compared with almost €14 million for the last six months of 2011. However, it is important to note for comparison purposes that the business of these brands is highly seasonal and they generate operating income that is significantly higher in the second half of the year than in the first six months. Consequently, recurring operating margin was down 350 basis points to 5.7% as reported but only narrowed by 90 basis points based on comparable data. Volcom actually reported a 40 basis point increase in its recurring operating margin – which came in at 6.6% – despite the contraction in its revenue. This performance was achieved thanks to the brand's improved gross margin allied with tightly controlled operating costs, which were scaled back by 2.3% despite the fact that the brand invested in new stores and a number of marketing and communications campaigns during the year (such as sponsoring the Fiji Pro Surf Contest). On the other hand, Electric saw a sharp drop in its recurring operating margin due to the outlay required for repositioning the brand and the launch of new product categories. The brand's profitability is expected to pick up as from 2013.

As of December 31, 2012, the aggregate store network directly operated by Volcom and Electric comprised 43 stores, including six in emerging countries. There were 14 net store openings during the year. Revenue generated in directly-operated stores represented 9.5% of Volcom and Electric's aggregate sales in 2012, up 64.9%.

During the year, Volcom and Electric's gross operating investments amounted to some €10 million.

## Assets held for sale or for distribution

### Fnac

| (in € millions) | 2012 (1) | 2011 (1) |
|---|---|---|
| **Revenue** | **4,061.1** | **4,164.9** |
| **Recurring operating income** | **79.3** | **102.6** |
| ***as a % of revenue*** | ***2.0%*** | ***2.5%*** |
| EBITDA | 143.9 | 173.6 |
| *as a % of revenue* | *3.5%* | *4.2%* |
| Gross operating investments | 86.6 | 73.0 |

*(1) Excluding Fnac Italy.*

Fnac posted a resilient performance in 2012, containing the decline in its revenue to 2.5% in reported terms and 2.1% on a comparable basis, despite slumping consumer confidence in Western Europe. In France – Fnac's number one market representing 70% of revenue – the contraction in sales was restricted to 1.6%.

Fnac continued to thrive among the pace-setters in internet distribution on its markets, recording 10.2% growth in online sales on a comparable basis. With Fnac.com among the top five e-commerce sites in France, Fnac posted double-digit growth (10%) in e-commerce, with the online channel now representing 14.2% of sales.

Fnac has also consolidated its leading positions in its main geographic areas, seizing market share on a broad array of product categories. For example, it is leading the way on the up-and-coming e-books market, selling 140,000 Kobo e-readers in France in 2012.

Fnac continued to roll out its "Fnac 2015" strategic plan during the period, which is notably aimed at (i) extending the brand's product offering, by introducing the "Kids world" concept, stationery spaces and the "Home & Design" concept for small household appliances, (ii) fostering strategic partnerships, such as with SFR and Lagardère Services (with Fnac's first store in a Duty Free area opened on June 28, 2012), and (iii) expanding the brand's store network. Alongside directly-operated stores – including the latest store openings under new formats and concepts in Quimper, western France, and Bercy Village in Paris – Fnac has also launched trailblazing stores with independent partners in La Roche-sur-Yon and Melun, allowing it to expand into new territories. Another of Fnac's major strategic focuses is to enhance the integration between stores and e-commerce sites in order to position it as a benchmark multi-channel player in its markets.

Despite the economic headwinds, Fnac has maintained its operating investments aimed at transforming its business model. This includes major efficiency savings amounting to €80 million in the full year, whose initial effects enabled Fnac to stem the erosion of its recurring operating income (excluding reorganisation costs and asset impairment).

These efforts mean that Fnac has readied itself for stock market listing during 2013, in line with the spin-off plan.

### Redcats

| (in € millions) | 2012 | 2011 |
|---|---|---|
| **Revenue** | **3,016.9** | **3,047.9** |
| **Recurring operating income** | **115.0** | **115.6** |
| ***as a % of revenue*** | ***3.8%*** | ***3.8%*** |
| EBITDA | 150.6 | 152.8 |
| *as a % of revenue* | *5.0%* | *5.0%* |
| Gross operating investments | 31.1 | 34.3 |

The Group is in the process of disposing of its Redcats assets and on December 17, 2012, closed the sale of its Sport & Loisirs business in North America. On February 5, 2013, PPR also sold OSP, Redcats' US-based subsidiary specialising in large size clothing through both mail order and online channels. The revenue and recurring operating income data for 2012 shown above include the contributions of the US-based business and were prepared on a near-comparable basis.

In 2012, despite the crisis-stricken clothing market and economic headwinds in Western Europe, the decline in Redcats' revenues was contained at 1.0%, while recurring operating income held firm as compared to one year earlier (excluding reorganisation costs and asset impairment).

### Corporate

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 and Sport & Lifestyle. This segment also includes PPR HOME, PPR's sustainability initiative launched in March 2011.

In 2012, the Corporate segment reported an operating loss of €125 million (versus some €108 million in 2011). The 2012 figure included (i) close to €105 million in general and administrative expenses for headquarters services (up 16.7% on 2011 due to the creation of new PPR corporate structures in Asia and the United States), (ii) €10 million in costs relating to long-term incentive plans (versus €12.3 million in 2011), and (iii) €8 million in operating costs for PPR HOME.

## 1.5. COMMENTS ON THE GROUP'S FINANCIAL POSITION

In 2012, PPR once again strengthened its financial position, recording an increase in equity and a reduction in net debt:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Goodwill, brands and other intangible assets, net | 14,360.9 | 14,546.0 | -185.1 |
| Other non-current assets (liabilities), net | (467.4) | 115.0 | -582.4 |
| Current assets, net | 756.7 | 277.6 | +479.1 |
| Provisions | (364.8) | (363.7) | -1.1 |
| **Capital employed** | **14,285.4** | **14,574.9** | **-289.5** |
| Net assets held for sale | 325.0 | 570.1 | -245.1 |
| **Total equity** | **12,118.7** | **11,749.5** | **+369.2** |
| **Net debt** | **2,491.7** | **3,395.5** | **-903.8** |

### Capital employed

As of December 31, 2012, capital employed was 2% lower than at the previous year-end, primarily due to the reclassification of the Fnac group's contribution within assets held for sale or for distribution to owners.

#### Goodwill, brands and other intangible assets, net

As of December 31, 2012, "Goodwill, brands and other intangible assets, net" represented 57% of total assets (versus 58% as of December 31, 2011). As of December 31, 2012, this item mainly comprised:

- goodwill amounting to €3,871 million, of which €2,320 million related to the Luxury Division and €1,551 million to the Sport & Lifestyle Division;
- brands valued at €10,256 million, of which €6,400 million for the Luxury Division and €3,856 million for the Sport & Lifestyle Division.

The decrease in this item compared with December 31, 2011 mainly stemmed from the reclassification of the Fnac group as "held for sale" in accordance with IFRS 5, which had a €478 million negative effect and offset the increases resulting from the acquisition of Brioni.

#### Other non-current assets, net

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Property, plant and equipment, net | 1,376.3 | 1,372.0 | +4.3 |
| Net deferred tax liabilities | (2,172.1) | (2,284.5) | +112.4 |
| Investments in associates | 25.8 | 735.8 | -710.0 |
| Non-current financial assets | 273.7 | 279.5 | -5.8 |
| Other non-current assets | 28.9 | 12.2 | +16.7 |
| **Other non-current assets (liabilities), net** | **(467.4)** | **115.0** | **-582.4** |

Property, plant and equipment held firm in 2012, reflecting the negative €197 million impact of reclassifying the Fnac group as "held for sale" in accordance with IFRS 5, offset by the increases arising from recurring transactions carried out during the year (acquisitions/disposals and depreciation) and newly-consolidated companies.

The Group's operating infrastructure breaks down as follows:

| | | Owned outright | Finance leases | Operating leases | 2012 | 2011 |
|---|---|---|---|---|---|---|
| **Sales outlets** | Luxury Division | 7 | 5 | 946 | 958 | 801 |
| | Sport & Lifestyle Division | 4 | | 633 | 637 | 564 |
| | Fnac | | | | - | 148 |
| **Logistics units** | Luxury Division | 7 | 1 | 56 | 64 | 53 |
| | Sport & Lifestyle Division | 5 | | 38 | 43 | 48 |
| | Fnac | | | | - | 8 |
| **Production units & other** | Luxury Division | 14 | 1 | 40 | 55 | 28 |
| | Sport & Lifestyle Division | 3 | | 4 | 7 | 6 |
| | Fnac | | | | - | 6 |

Deferred taxes primarily correspond to deferred tax liabilities relating to brands recognised on business combinations (notably Gucci and PUMA).

As of December 31, 2012, investments in associates chiefly comprised Wilderness shares held by PUMA. The year-on-year decrease in this item primarily reflects the sale of PPR's residual interest in Cfao which was accounted for by the equity method in the consolidated financial statements until June 30, 2012.

## Current assets, net

This item can be analysed as follows:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Inventories | 1,736.5 | 2,202.5 | -466.0 |
| Trade receivables | 985.3 | 1,087.4 | -102.1 |
| Trade payables | (684.5) | (1,535.6) | +851.1 |
| Current tax receivables/payables | (242.7) | (243.2) | +0.5 |
| Other current assets and liabilities | (1,037.9) | (1,233.5) | +195.6 |
| **Current assets, net** | **756.7** | **277.6** | **+479.1** |

As of December 31, 2012, PPR's net current asset figure was €479 million higher than at the previous year-end.

After stripping out the impact of fluctuations in exchange rates and changes in Group structure – notably the €324 million effect of reclassifying the Fnac group as "held for sale" in accordance with IFRS 5 – working capital requirement led to a cash outflow of €273 million in 2012.

Changes in inventories resulted in a cash outflow of €103 million during 2012. The overall cash outflow was largely attributable to the Luxury Divisions, reflecting strong business growth during the period, as well as the expansion of the store network.

The year-on-year increase in trade receivables – which was primarily attributable to the rise in indirect sales to distributors in the Luxury Division – led to a €31 million cash requirement in 2012.

The decrease in trade payables resulted in an overall cash outflow of €87 million in 2012, principally in the Sport & Lifestyle Division due to a prudent scaling back of its purchasing programme.

## Provisions

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Provisions for pensions and other post-employment benefits | 104.8 | 127.1 | -22.3 |
| Other provisions for contingencies and losses | 260.0 | 236.6 | +23.4 |
| **Provisions** | **364.8** | **363.7** | **+1.1** |

Provisions for pensions and other post-employment benefits decreased in 2012, primarily reflecting the reclassification of the Fnac group as "held for sale" in accordance with IFRS 5, although this impact was partly offset by a 100 basis point reduction in the discount rates applied for the eurozone. As of December 31, 2012, these provisions corresponded to total liabilities of €189 million, covered by assets amounting to €84 million. At the same date, the portion of provisions for pensions and other post-employment benefits that will not give rise to cash outflows in the coming 12 months (recorded under non-current liabilities) stood at €98 million, versus €119 million as of December 31, 2011.

The increase in "Other provisions for contingencies and losses" chiefly reflects restructuring costs at PUMA offset by the reclassification of Fnac as "held for sale", and the unfavourable outcome of litigation proceedings involving the Group. As of December 31, 2012, the non-current portion of these provisions totalled €92 million versus €101 million as of December 31, 2011.

## Equity

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Equity attributable to owners of the parent | 11,413.8 | 10,925.0 | +488.8 |
| Equity attributable to non-controlling interests | 704.9 | 824.5 | -119.6 |
| **Total equity** | **12,118.7** | **11,749.5** | **+369.2** |

As of December 31, 2012, PPR's total equity was 3.1% higher than at the previous year-end.

In 2012, equity attributable to owners of the parent rose 4.5%, mainly due to the combined impacts of:

- €1,048 million in net income attributable to owners of the parent;
- €630 million in dividends and interim dividends paid by PPR;
- a positive €101 million effect following the cancellation of treasury shares during the year;
- a negative €18 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 (1,027,556 shares purchased and 1,027,556 shares sold);
- the cancellation of 1,030,967 PPR shares pursuant to a decision of the Board of Directors on February 15, 2012;
- the purchase of 115,000 shares and the allotment of 115,936 shares to employees in connection with the 2008 to 2010 free share plans;
- the purchase of 75,000 shares and the sale to employee beneficiaries of 79,376 shares under stock option plans.

As of December 31, 2012, PPR's share capital was made up of 126,116,702 shares with a par value of €4 each. At that date PPR held no treasury shares in connection with the liquidity agreement. Excluding the liquidity agreement, PPR held 25,073 shares in treasury as of December 31, 2012, compared with 1,061,352 as of December 31, 2011.

As of December 31, 2012, equity attributable to non-controlling interests mainly related to PUMA, for a total of €665 million (versus €781 million the previous year), and the Luxury Division's brands, for €40 million (€44 million as of December 31, 2011).

The year-on-year change in the amount of equity attributable to non-controlling interests primarily includes the impact of acquisitions of additional PUMA shares which raised PPR's interest in PUMA to almost 83% as of December 31, 2012 from 79.9% one year earlier.

## Net debt

The Group's net debt totalled €2,492 million as of December 31, 2012, representing a decrease of €904 million or 26.6% compared with the previous year-end. As of December 31, 2012, PPR's net debt broke down as follows:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Bonds | 3,048.3 | 2,539.9 | +508.4 |
| Bank borrowings | 566.4 | 550.5 | +15.9 |
| Commercial paper | 449.0 | 823.5 | -374.5 |
| Other borrowings | 520.3 | 763.7 | -243.4 |
| **Gross borrowings (1)** | **4,584.0** | **4,677.6** | **-93.6** |
| Fair value hedges (interest rate) | (11.3) | (11.4) | +0.1 |
| Cash and cash equivalents | (2,081.0) | (1,270.7) | -810.3 |
| **Net debt** | **2,491.7** | **3,395.5** | **-903.8** |

*(1) Excluding the financing of customer loans.*

As of December 31, 2012, "Other borrowings" included €215 million for put options granted to minority shareholders (€317 million as of December 31, 2011). The main movements during the year concerned the recognition of the liability related to minority shareholdings in Brioni and the YOOX joint venture, as well as PUMA's exercise of its option to buy out the minority shareholders in Dobotex.

In accordance with the Group's policy of setting or capping interest rates, fixed-rate borrowings accounted for 60.4% of the Group's total gross borrowings as of December 31, 2012 (including hedges), compared with 70.4% one year earlier.

As of December 31, 2012, the Group's gross borrowings mainly comprised euro-denominated borrowings. The proportion denominated in JPY represented 8.9% of total gross borrowings (9.5% as of December 31, 2011) and the proportion denominated in other currencies stood at 7.5% (8.4% as of December 31, 2011).

PPR minimises its exposure to concentration risk by diversifying its sources of financing. Therefore, non-banking debt accounted for 76.3% of gross borrowings as of December 31, 2012, versus 71.9% as of December 31, 2011. PPR's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2012, 75.7% of the confirmed credit facilities granted to PPR were provided by a total of ten banks. The Group's three leading banking partners represented 38.7% of the total and no single bank accounted for more than 20% of the aggregate amount of confirmed credit facilities available to the Group.

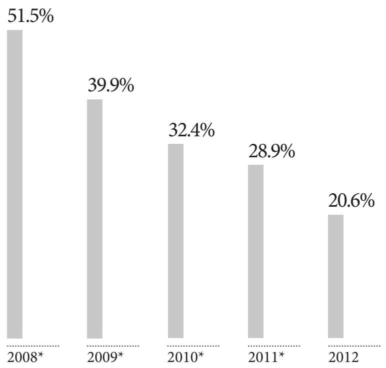
PPR only carries out borrowing and investment transactions with investment grade financial institutions and it spreads these transactions amongst the various institutions concerned.

## Solvency

PPR's financial structure is very sound:

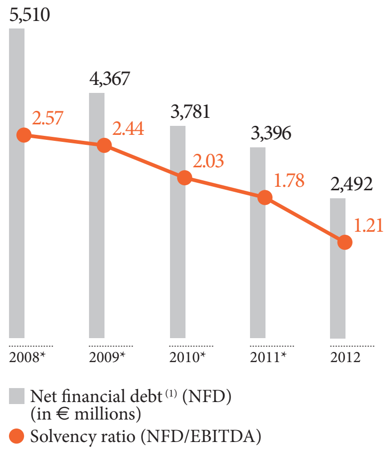
- its gearing ratio (net financial debt to equity) decreased to 20.6% as of December 31, 2012 from 28.9% as of December 31, 2011;
- its solvency ratio (net financial debt to EBITDA) also improved, coming in at 1.21 in 2012 versus 1.78 in 2011.

GEARING




* Reported data, not restated.

SOLVENCY




* Published, not restated.

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 pro forma basis at the year-end) must not exceed 3.75.

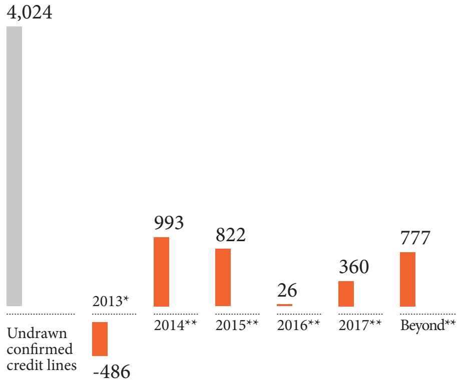
In March 2012, Standard & Poor's upgraded PPR's long-term rating from "BBB-" to "BBB" with a "stable" outlook.

## Liquidity

As of December 31, 2012, PPR had cash and cash equivalents totalling €2,081 million (€1,271 million as of December 31, 2011), as well as confirmed undrawn medium-term credit facilities amounting to €4,024 million (€4,135 million as of December 31, 2011).

The Group is therefore 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 38.4% and 23.4% respectively of total gross borrowings as of December 31, 2012, compared with 37.7% and 13.3% respectively as of December 31, 2011.

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, 2012, the Group had access to €4,059 million in confirmed credit facilities (excluding Redcats' facilities), versus €4,170 million one year earlier.

The contracts relating to the Group's borrowings and bond debt include standard *pari passu*, cross default and negative pledge clauses.

The bonds issued in 2009, 2010 and 2012 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.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a "step-up coupon" clause that applies in the event that PPR's rating is downgraded to non-investment grade.

All of these borrowings have the BBB credit rating with a stable outlook assigned to the PPR group by Standard & Poor's and are not subject to any financial covenants.

The Group's debt contracts do not include any rating trigger clauses.

## Changes in net debt

Changes in net debt in 2012 and 2011 can be analysed as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Net debt as of January 1** | **3,395.5** | **3,780.6** |
| Free cash flow from operations | (930.2) | (931.0) |
| Net interest paid and dividends received | 162.3 | 193.1 |
| Dividends paid | 473.3 | 453.8 |
| Acquisitions of PPR shares | 14.9 | 119.5 |
| Acquisitions of PUMA shares | 119.6 | 300.0 |
| Other acquisitions and disposals | (652.6) | (574.1) |
| Other movements | (91.1) | 53.6 |
| **Net debt as of December 31** | **2,491.7** | **3,395.5** |

## 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 2012, the Group's free cash flow from operations came to €930 million, on a par with 2011.

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| **Cash flow from operating activities before tax, dividends and interest** | **2,000.7** | **1,695.4** | **+18.0%** |
| Change in working capital requirement (excluding tax) | (272.5) | (180.5) | +51.0% |
| Corporate income tax paid | (362.2) | (335.6) | +7.9% |
| **Net cash from operating activities** | **1,366.0** | **1,179.3** | **+15.8%** |
| Net operating investments | (435.8) | (248.3) | +75.5% |
| **Free cash flow from operations** | **930.2** | **931.0** | **-0.1%** |

Cash flow from operating activities before tax, dividends and interest was €305 million higher than in 2011, representing an increase of 18%.

Changes in working capital requirement gave rise to a net cash outflow of €273 million compared with a net cash outflow of €181 million in 2011.

This year-on-year increase of €92 million – which was mainly attributable to the Luxury Division which contributed a €145 million adverse effect – reflects the following factors:

- a €210 million favourable impact from a lower increase in inventories than in 2011, primarily in the Luxury Division;
- a positive €89 million impact from a lower increase in trade receivables compared to the previous year;
- an unfavourable €217 million effect of changes in cash flows resulting from a sharp decrease in trade payables compared to one year earlier;
- a €174 million negative impact from cash flows arising due to the sharp decrease in other operating or non-current payables and receivables.

Corporate income tax paid was up slightly on 2011.

In 2012, net operating investments included €6 million in proceeds from disposals of property, plant and equipment and intangible assets (€4 million in 2011).

Gross operating investments amounted to €442 million, up 75% year-on-year and breaking down as follows:

| *(in € millions)* | 2012 | 2011 | Change |
|---|---|---|---|
| Luxury Division | 337.3 | 172.9 | +95.1% |
| Sport & Lifestyle Division | 91.1 | 74.8 | +21.8% |
| Corporate | 13.5 | 4.6 | +193.5% |
| **Gross operating investments** | **441.9** | **252.3** | **+75.1%** |

In 2012, 36% of the Group's gross operating investments concerned store opening programmes, and around 18% related to store conversions and/or renovations. Investments in France accounted for around 7% of the total in 2012. In 2011, 30% of the Group's gross operating investments concerned store opening programmes, and around 25% related to store conversions and/or renovations.

The Luxury Division accounted for €164 million of the overall increase in gross operating investments, with all of its brands experiencing a steady pace of store openings, particularly Gucci (58 new stores) and Bottega Veneta (31 new stores).

### Available cash flow

In 2012, cash outflows relating to net finance costs included €69 million in interest and dividends received (versus €11 million in 2011). Out of this total, €63 million corresponded to the proceeds received following the redemption at 68.5% of par of the first tranche of the bonds indexed to PPR shares, which matured in November 2012.

Consequently, available cash flow for the year amounted to €768 million, representing a 4.1% increase on the €738 million generated in 2011.

### Dividends paid

Dividends paid in 2012 were 4.3% higher than in 2011. The 2012 figure included €33 million paid to minority shareholders of consolidated subsidiaries (€13 million in 2011), of which €23 million related to PUMA and its subsidiaries (€9 million in 2011). The dividend paid by PPR to its own shareholders during the year came to €441 million, on a par with 2011.

### Acquisitions and disposals

PPR and PUMA purchased a total of 465,314 PUMA shares on the market during 2012 for an aggregate €120 million.

The amount of some €15 million recorded under "Acquisitions of PPR shares" primarily relates to the purchase of 115,000 shares in connection with the Group's stock option plans.

In 2011, this item totalled €120 million and principally concerned the purchase of 1,030,967 shares for subsequent cancellation.

Acquisitions and disposals of securities in 2012 chiefly concerned the acquisition of Brioni and the sale of Cfao, as well as cash flows from assets classified as "held for sale or for distribution to owners" – mainly reflecting the sale of The Sportsman's Guide and The Golf Warehouse.

Other acquisitions and disposals of securities in 2011 chiefly 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.

### 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 2012 with net income of €506 million, compared with €664 million in 2011.

At its February 14, 2013 meeting, the Board decided that at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2012 it will ask shareholders to approve a cash payment for the 2012 dividend, corresponding to €3.75 per share, as well as a stock dividend to be paid in the form of Fnac group shares, whose distribution ratio will be determined at a later date.

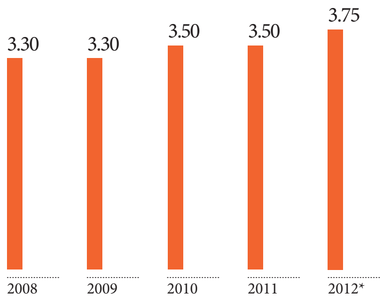
An interim dividend in the amount of €1.50 per share was paid on January 24, 2013 pursuant to a decision by the Board of Directors on December 3, 2012.

If this dividend is approved, the total cash dividend payout – to be made in 2013 – would amount to €473 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:

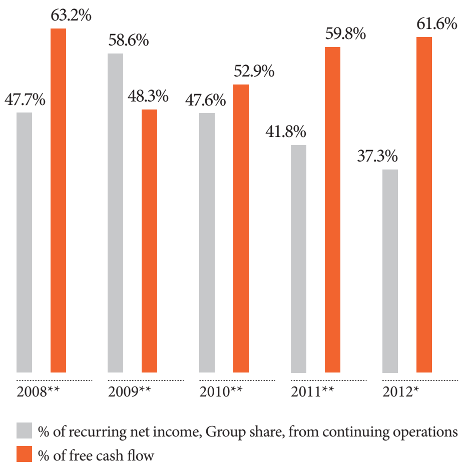
- 37.3% of net income from continuing operations (excluding non-recurring items) attributable to owners of the parent, versus 41.8% in 2011;
- 61.6% of available cash flow, compared with 59.8% in 2011.

DIVIDEND PER SHARE
(IN €)




* Subject to approval at the Annual General Meeting.

PAYOUT RATIOS




* Subject to approval at the Annual General Meeting.
** Reported data, 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

### PPR continues its divestment of the Redcats group

On January 3, 2013, PPR announced that it had received a firm offer from Alpha Private Equity Fund 6 ("APEF 6") to acquire Redcats' Children and Family division – comprising the Cyrillus and Vertbaudet brands – for an enterprise value of €119 million. On that basis, PPR has entered into exclusive negotiations with APEF 6 for the purposes of completing the transaction. The transaction, which is still subject to informing and consulting with employee representative bodies and to approval of the competition authorities, should be finalised in the coming months.

On February 5, 2013, PPR finalised the sale of OneStopPlus, Redcats' US-based subsidiary specialising in large size clothing through both mail order and online channels.

### PPR strengthens its portfolio of luxury brands by acquiring Qeelin and Christopher Kane

On December 10, 2012, PPR announced that it had acquired a majority stake in the Chinese fine jewellery brand Qeelin, and the transaction was completed in early January 2013.

Launched in 2004, Qeelin is the first Chinese luxury jeweller to have developed an international network of boutiques in the most prestigious shopping districts worldwide. It currently operates 14 boutiques (seven in Mainland China, four in Hong Kong and three in Europe) and is listed in a number of multi-brand stores such as Colette in Paris and Restir in Tokyo. By acquiring a majority stake in Qeelin, PPR has enhanced its portfolio of luxury brands in the jewellery segment and strengthened its presence in the Chinese market.

On January 15, 2013, PPR acquired a majority stake in the luxury designer brand Christopher Kane with a view to developing the brand's business in close partnership with its eponymous creator, the Scottish designer Christopher Kane. Founded in 2006, Christopher Kane is a distinctive and exciting brand with a unique DNA.

By acquiring these two brands – which both have strong organic growth potential – PPR is expanding its portfolio while continuing its strategy of promoting new creative talent.

As of the date of this Reference Document, there is no material change in the financial or commercial situation of the Group since December 31, 2012.

## 1.9. OUTLOOK

The start to 2013 was characterised by a mixed economic landscape, and it is against this backdrop that the core strengths which underpinned PPR's solid results in 2012 will once again come into play throughout the coming year.

PPR is confident that 2013 will be another year of robust revenue growth and enhanced operating and financial performances. It also expects to finalise its strategic repositioning in the Luxury and Sport & Lifestyle sectors.

# 2. INVESTMENT POLICY

In 2012, 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 success of each Group entity and leverage its 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 provides scope 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

### 2012

Financial investments represented net cash inflows of €697 million for 2012, with disposals well exceeding acquisitions of financial assets.

#### *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, on the approval of the competition authorities. Brioni is one of the world's most reputable men's fashion houses, owing to its exceptional sartorial expertise. It is a profitable and growing business with its own tailoring workshops, the largest of which is located in Penne in the Abruzzo region of Italy. As of December 31, 2012, the company had 1,800 employees and was distributed in 35 directly-owned stores, as well as through an extensive network of points-of-sale around the world.

Brioni was consolidated in PPR's financial statements as from January 1, 2012.

#### *Sale of the remaining stake in Cfao*

Following a share purchase agreement signed on July 26, 2012 between PPR and the Japanese group Toyota Tsusho Corporation ("TTC"), in early August 2012, TTC acquired from PPR 29.8% of the share capital of Cfao at a price of €37.50 per share, making it Cfao's main shareholder. Subsequently, in December 2012 PPR tendered its residual 12.2% stake in Cfao to the voluntary public offer launched by TTC in October 2012 for Cfao's remaining capital. The tender price was the same as that applied when TTC purchased its 29.8% interest, i.e., €37.50 per share.

The 42% stake in Cfao held by PPR prior to these transactions was deconsolidated based on a total sale price of €967 million, which was received in full at end-December 2012. The capital gain on the sale was recorded in "Other non-recurring operating income and expenses".

#### *Plan to demerge and float Fnac and sale of Fnac Italy*

In 2012, PPR continued its strategic refocusing and decided on a plan to demerge and float Fnac. The principle of this plan was unanimously approved by PPR's Board of Directors on October 9, 2012. This planned operation has already been presented for consultation to all of the employee representative bodies concerned and will be submitted for shareholder approval at PPR's Annual General Meeting on June 18, 2013. During the second half of 2012, the Fnac group began the preparatory work for its listing process.

The sale of Fnac Italy initiated in the second half of 2011 was finalised in the second half of 2012. An agreement was entered into in November 2012 to sell Fnac Italy to the investment fund Orlando Italy. The transaction was completed in January 2013. A provision was recognised at end-December 2012 for the financial consequences of the transaction.

#### *Continued divestment of the Redcats group*

The process begun by PPR in second-half 2011 to sell the Redcats group was continued in 2012.

On November 8, 2012, PPR announced that an agreement had been signed between Redcats and Northern Tool + Equipment (NTE) to sell the Sports & Leisure activities of Redcats USA, including The Sportsman's Guide and The Golf Warehouse, for an enterprise value of USD 215 million. The sale was completed on December 17, 2012 and the sale price was collected in accordance with the terms agreed.

Redcats' interest in The Sportsman's Guide and The Golf Warehouse was deconsolidated as of the date of the sale and the resulting capital gain was recognised.

On December 5, 2012, PPR announced that Redcats had entered into an agreement to sell OneStopPlus, its plus-size business in the United States, to Charlesbank Capital Partners and Webster Capital for an enterprise value of USD 525 million. This transaction – which was contingent on the customary closing conditions and approval by the US antitrust authorities – was finalised on February 5, 2013 and marks the final step in the sale of all of Redcats USA's operations. The capital gain on the sale of OneStopPlus is recorded in the first quarter of 2013.

### *Other changes in the Group's business portfolio*

In 2012, PPR and PUMA purchased a total of 465,314 PUMA shares on the market for an aggregate €120 million. This raised PPR's stake in PUMA from 79.9% as of December 31, 2011, to 83% as of December 31, 2012.

## 2011

Financial investments represented net cash inflows of €735 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 subsidiariy, 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.

## 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 of logistics centres in the retail sector, and the development of IT systems.

In 2012, the global economy was impeded by the continuing sovereign debt crisis and the ensuing slowdown in growth, particularly in Europe and the United States. Against this backdrop, emerging markets remained the crucial drivers for global growth.

Amid 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 appropriateness 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 has begun to bear fruit and will be fundamental for future achievement.

Gross operating investments amounted to €442 million, up 75% year-on-year.

In 2012, 36% of the Group's gross operating investments concerned store opening programmes, and around 18% related to store conversions and/or renovations. Investments in France accounted for around 7% of the total in 2012. In 2011, 30% of the Group's gross operating investments concerned store opening programmes, and around 25% related to store conversions and/or renovations.

The Luxury Division accounted for €164 million of the overall increase in gross operating investments, with all of its brands experiencing a steady pace of store openings, particularly Gucci (58 new stores) and Bottega Veneta (31 new stores).

In 2012, net operating investments included €6 million in proceeds from disposals of property, plant and equipment and intangible assets (€4 million in 2011).

### Luxury Division

In 2012, the Luxury Division's operating investments almost doubled, to €337 million, as a result of store openings, extensions and refurbishments as well as significant investments in infrastructures, systems and the supply chain.

The Luxury Division continued to invest in its directly-operated store network during the year, via a major renovation and expansion programme – which made up almost half of all of its store-related investments – and 122 net store additions, including 42 in Greater China (Mainland China, Hong Kong and Macao) and 19 in other emerging markets. Almost half of these net store additions (61 stores) were in the Division's mature markets, testifying to the growth potential that these regions represent for the Division's brands.

### Gucci

Gucci reported gross operating investments amounting to €204 million in 2012, a rise of 83% compared to 2011. Store-related investments accounted for more than half of gross operating investments.

As of December 31, 2012, Gucci operated 429 stores directly, including 166 in emerging countries, of which 72 in Greater China. There were 53 net store additions during the year (versus 59 in 2011), including 25 in emerging countries.

### Bottega Veneta

Bottega Veneta's gross operating investments leapt 42% year-on-year to €41 million in 2012, chiefly as a result of opening, extending and refurbishing stores.

Bottega Veneta's network of directly-operated stores totalled 196 as of December 31, 2012, including 41 in Greater China and 35 in other emerging countries. There were 26 net store additions during the year, versus 22 in 2011.

### Yves Saint Laurent

Gross operating investments amounted to €22 million in 2012, representing an almost three-fold increase on 2011 that reflects the opening of new stores during the year as well as work carried out in stores scheduled to open during the first half of 2013.

As of December 31, 2012, the Yves Saint Laurent brand directly operated 89 stores, including 12 in Greater China and 19 in other emerging countries. There were six store additions during the year (net of closures).

### Other Luxury brands

Other brands in the Luxury Division reported gross operating investments amounting to €70 million in 2012, a rise of 181% compared to 2011.

The network of directly-operated stores owned by Other Luxury brands totalled 244 outlets as of December 31, 2012, including 30 in Greater China and 12 in other emerging countries. A total of 202 stores are located in these brands' traditional markets, mainly concentrated in Japan and Western Europe. The consolidation of Brioni led to the addition of 35 new stores as of January 1, 2012. Excluding Brioni, PPR's Other Luxury brands saw 37 net store openings in 2012.

## Sport & Lifestyle Division

Gross operating investments for the Sport & Lifestyle Division amounted to €91 million in 2012, of which half was dedicated to developing the store network and the other half to IT systems and optimising the supply chain.

The Division's network of directly-operated stores totalled 637 outlets as of December 31, 2012, including 383 in emerging markets. There were 738 net store openings in 2012 overall.

## PUMA

PUMA's gross operating investments increased 14% year-on-year to €81 million, mainly reflecting additional investments for opening, extending and renovating sales outlets.

As of December 31, 2012, the brand operated a total of 594 stores directly. Two-thirds of new stores opened in the year were in emerging markets.

## Other Sport & Lifestyle brands

During the year, Volcom and Electric's gross operating investments amounted to some €10 million.

As of December 31, 2012, the aggregate store network directly operated by Volcom and Electric comprised 43 stores, including six in emerging countries. There were 14 net store openings during the year.

## Fnac

Despite the economic headwinds, Fnac has maintained its operating investments aimed at transforming its business model. In 2012, Fnac's gross operating investments amounted to €87 million.

As of December 31, 2012, Fnac's store network comprised 154 outlets, including 66 outside France. Five new stores were opened in the year, of which three in France (including two out-of-town stores), one in Spain and one in Brazil.

# 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 and maturity limits. Counterparties to derivative transactions are included in the Group's counterparty risk management procedures. Each of these transactions requires approval and is governed by limits and maturities that are reviewed on a regular basis. Counterparties are assessed using an internal classification system based on the rating they have received from rating agencies. Counterparties must be rated at least "BBB" by Standard & Poor's and 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).

Shares held in connection with 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, the first of which matured in November 2012, while the other will mature in 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 annual 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 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 €4,023.6 million as of December 31, 2012, excluding lines drawable by Redcats, compared to €4,135 million as of December 31, 2011.

PPR has a Euro Medium Term Notes (EMTN) programme in Luxembourg for its bond issuances, representing €5 billion. As of December 31, 2012, €3,100 million of this amount had been used. The EMTN programme was extended on December 11, 2012 for a further one-year period. PPR's short-term debt is rated "A2" by Standard & Poor's, while its long-term debt is rated "BBB" with a stable 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, 2010 and 2012 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.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a "step-up coupon" clause that applies in the event that PPR's rating is downgraded to non-investment grade (see Notes 28.4 and 28.5 to the annual consolidated financial statements).

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/EBITDA less than or equal to 3.75 (see Note 28.5.3 to the annual consolidated financial statements). This ratio is calculated based on pro forma data. As of December 31, 2012, PPR and PPR Finance SNC had not drawn down any of the confirmed lines of credit 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, 2012 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

In accordance with the AMF's recommendations, this section deals only with risks identified by the Group as having a potentially significant impact.

### Macroeconomic and social instability

The global economic slowdown continued through 2012, due, in particular, to the financial crisis in Europe. As some countries risk default, and many others introduce austerity measures, the Group is 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 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

PPR's base activities are underpinned by powerful global brands in the Group's Luxury and Sport & Lifestyle Divisions. 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.).

Luxury Division brands are therefore broadening their offerings, increasing the number of collections, and developing new partnerships with renowned designers. Hedi Slimane joined Yves Saint Laurent as the brand's Creative Director, and Alexander Wang was appointed as the new Creative Director at Balenciaga. 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.

## 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, 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 79 to 82.

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 "Main existing insurance programmes" section below).

## 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, and regularly examines ways to adapt these documents for new organisations, while ensuring they are distributed to all of the Group's employees. 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 76 to 79).

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 organisations.

## 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 other 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.

Brand protection takes many forms, from upstream practices with the legal structuring of our brand portfolios, to downstream practices, including anti-counterfeiting raids carried out by the police. The costs of tackling counterfeiting, within the brands and at the Group's head office, are divided between legal and security functions, or measures put in place inside the stores. These costs are however relatively insignificant at the Group level.

In 2012, the Group strengthened its resources in this area and set up a centre of expertise dedicated to protecting the intellectual property of the Group's intangible assets.

## 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. Further information on contractual obligations and other commitments is provided in Notes 33.3.1 and 33.3.4 to the 2012 consolidated financial statements on pages 248 and 249 of this document.

## 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 2012 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 nine years (see Note 33.2. to the 2012 annual consolidated financial statements, on page 245 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), there have been no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the issuer is aware) that have had in the recent past or are 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. (see section 3 "Sustainability" of the Reference Document, pages 49 to 55).

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 the 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 because a significant portion of its products is distributed through wholesalers. It manages these risks by constant monitoring of amounts outstanding. As applicable, provisions are set aside against the value of the Division's assets. Credit risk is also minimised by appropriate insurance coverage.

### Seasonality of sales

The Group's performance is traditionally affected by the seasonal nature of its businesses, which generate the bulk of their earnings and free cash flow from operations in the second half of the year. However, due to disposals completed in 2012, or currently ongoing, and the ensuing repositioning of the Group within the Luxury and Sport & Lifestyle sectors, the seasonal nature of the Group's activities is decreasing to the extent that it is no longer considered a significant risk.

## 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 117 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, damage 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;
- damage 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, 2012, were as follows:

- fire, explosions or water damage and the ensuing operating losses: €300 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 2012: €0.918 million;
- claims covered by the Group itself through its reinsurance companies, in 2011: €4.88 million.

At the end of 2012, the Group acquired an excess reinsurance company in order to strengthen its self-coverage. Taking out self-insurance through the Group's reinsurance subsidiaries 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, 2012, the Group's reinsurance companies have covered damage and operating losses of up to €5 million per claim, capped at €6.5 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 2012 expenses): €14 million.

Specific additional policies may also be taken out by certain subsidiaries or businesses or by virtue of local specificities in certain countries (occupational accidents, contributions to natural disaster funds, etc.). These are managed at the level of each company and/or country.

# 4. CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012

The comparative information for 2011 has been restated, as described in Note 2.23 to the Consolidated financial statements.

## 4.1. CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| *(in € millions)* | Notes | 2012 | 2011 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | **5** | **9,736.3** | **8,062.3** |
| Cost of sales | | (3,776.2) | (3,086.5) |
| **Gross margin** | | **5,960.1** | **4,975.8** |
| Payroll expenses | 6-7 | (1,493.6) | (1,229.1) |
| Other recurring operating income and expenses | | (2,675.0) | (2,245.3) |
| **Recurring operating income** | **8** | **1,791.5** | **1,501.4** |
| Other non-recurring operating income and expenses | 9 | (25.2) | (23.5) |
| **Operating income** | | **1,766.3** | **1,477.9** |
| Finance costs, net | 10 | (147.7) | (201.8) |
| **Income before tax** | | **1,618.6** | **1,276.1** |
| Corporate income tax | 11 | (297.6) | (295.2) |
| Share in earnings of associates | | 36.9 | 46.6 |
| **Net income from continuing operations** | | **1,357.9** | **1,027.5** |
| o/w attributable to owners of the parent | | 1,323.7 | 968.4 |
| o/w attributable to non-controlling interests | | 34.2 | 59.1 |
| **DISCONTINUED OPERATIONS** | | | |
| **Net income (loss) from discontinued operations** | **12** | **(275.5)** | **18.0** |
| o/w attributable to owners of the parent | | (275.5) | 17.9 |
| o/w attributable to non-controlling interests | | | 0.1 |
| **Net income of consolidated companies** | | **1,082.4** | **1,045.5** |
| Net income attributable to owners of the parent | | 1,048.2 | 986.3 |
| Net income attributable to non-controlling interests | | 34.2 | 59.2 |
| **Net income attributable to owners of the parent** | | **1,048.2** | **986.3** |
| Earnings per share *(in €)* | 13.1 | 8.32 | 7.82 |
| Fully diluted earnings per share *(in €)* | 13.1 | 8.31 | 7.81 |
| **Net income from continuing operations attributable to owners of the parent** | | **1,323.7** | **968.4** |
| Earnings per share *(in €)* | 13.1 | 10.51 | 7.68 |
| Fully diluted earnings per share *(in €)* | 13.1 | 10.50 | 7.67 |
| **Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent** | | **1,268.8** | **989.7** |
| Earnings per share *(in €)* | 13.2 | 10.07 | 7.85 |
| Fully diluted earnings per share *(in €)* | 13.2 | 10.06 | 7.84 |

## 4.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| *(in € millions)* | Notes | 2012 | 2011 |
|---|---|---|---|
| **Net income** | | **1,082.4** | **1,045.5** |
| Actuarial gains and losses (1) | | (16.1) | (10.5) |
| Unrecognised surplus of pension plan assets | | (4.0) | (7.0) |
| Share in other comprehensive income (expense) of associates – items not reclassified to income | | | (0.5) |
| **Total items not reclassified to income** | | **(20.1)** | **(18.0)** |
| Foreign exchange gains (losses) | | (19.5) | 26.2 |
| Cash flow hedges (1) | | 97.2 | (22.2) |
| Available-for-sale financial assets (1) | | (0.1) | (0.9) |
| Share in other comprehensive income (expense) of associates | | 8.7 | (9.5) |
| **Total items to be reclassified to income** | | **86.3** | **(6.4)** |
| **Other comprehensive income (expense), net of tax** | **14** | **66.2** | **(24.4)** |
| **Total comprehensive income** | | **1,148.6** | **1,021.1** |
| o/w attributable to owners of the parent | | 1,125.5 | 958.3 |
| o/w attributable to non-controlling interests | | 23.1 | 62.8 |

*(1) Net of tax.*

# 4.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS OF DECEMBER 31, 2012 AND 2011

### Assets

| *(in € millions)* | Notes | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| Goodwill | 15 | 3,871.0 | 4,214.9 |
| Brands and other intangible assets | 16 | 10,489.9 | 10,331.1 |
| Property, plant and equipment | 17 | 1,376.3 | 1,372.0 |
| Investments in associates | 19 | 25.8 | 735.8 |
| Non-current financial assets | 20 | 273.7 | 279.5 |
| Deferred tax assets | 11.2 | 600.2 | 562.4 |
| Other non-current assets | | 28.9 | 12.2 |
| **Non-current assets** | | **16,665.8** | **17,507.9** |
| Inventories | 21 | 1,736.5 | 2,202.5 |
| Trade receivables | 22 | 985.3 | 1,087.4 |
| Current tax receivables | 11.2 | 75.7 | 95.2 |
| Other current financial assets | 23 | 87.0 | 45.3 |
| Other current assets | 23 | 494.7 | 575.5 |
| Cash and cash equivalents | 27 | 2,081.0 | 1,270.7 |
| **Current assets** | | **5,460.2** | **5,276.6** |
| **Assets classified as held for sale or for distribution to owners** | **12** | **3,130.5** | **2,169.3** |
| TOTAL ASSETS | | **25,256.5** | **24,953.8** |

### Equity and liabilities

| *(in € millions)* | Notes | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| Share capital | 24 | 504.5 | 508.0 |
| Capital reserves | | 2,416.1 | 2,511.3 |
| Treasury shares | | (3.3) | (114.6) |
| Translation adjustments | | (24.2) | (11.0) |
| Remeasurement of financial instruments | | 41.4 | (60.2) |
| Other reserves | | 8,479.3 | 8,091.5 |
| **Equity attributable to owners of the parent** | **24** | **11,413.8** | **10,925.0** |
| Non-controlling interests | | 704.9 | 824.5 |
| **Total equity** | **24** | **12,118.7** | **11,749.5** |
| Non-current borrowings | 28 | 2,988.9 | 3,066.2 |
| Provisions for pensions and other post-employment benefits | 25 | 98.2 | 119.2 |
| Other provisions | 26 | 92.3 | 100.5 |
| Deferred tax liabilities | 11.2 | 2,772.3 | 2,846.9 |
| **Non-current liabilities** | | **5,951.7** | **6,132.8** |
| Current borrowings | 28 | 1,595.1 | 1,611.4 |
| Other current financial liabilities | 23-29 | 207.9 | 130.8 |
| Trade payables | 23 | 684.5 | 1,535.6 |
| Provisions for pensions and other post-employment benefits | 25 | 6.6 | 7.9 |
| Other provisions | 26 | 167.7 | 136.1 |
| Current tax liabilities | 11.2 | 318.4 | 338.4 |
| Other current liabilities | 23 | 1,400.4 | 1,712.1 |
| **Current liabilities** | | **4,380.6** | **5,472.3** |
| **Liabilities associated with assets classified as held for sale or for distribution to owners** | **12** | **2,805.5** | **1,599.2** |
| TOTAL EQUITY AND LIABILITIES | | **25,256.5** | **24,953.8** |

# 4.4. CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| *(in € millions)* | Notes | 2012 | 2011 |
|---|---|---|---|
| **Net income from continuing operations** | | **1,357.9** | **1,027.5** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | | 275.1 | 238.0 |
| Other non-cash income and expenses | | (156.4) | (146.9) |
| **Cash flow from operating activities** | 32.1 | **1,476.6** | **1,118.6** |
| Interest paid/received | | 163.2 | 207.1 |
| Dividends received | | (0.1) | (0.1) |
| Net income tax payable | 11.1 | 361.0 | 369.8 |
| **Cash flow from operating activities before tax, dividends and interest** | | **2,000.7** | **1,695.4** |
| Change in working capital requirement | | (272.5) | (180.5) |
| Corporate income tax paid | | (362.2) | (335.6) |
| **Net cash from operating activities** | | **1,366.0** | **1,179.3** |
| Purchases of property, plant and equipment and intangible assets | 32.2 | (441.9) | (252.3) |
| Proceeds from disposals of property, plant and equipment and intangible assets | | 6.1 | 3.9 |
| Purchases of subsidiaries, net of cash acquired | 32.3 | (219.3) | (435.7) |
| Proceeds from disposals of subsidiaries and associates, net of cash transferred | 32.3 | 916.5 | 1,171.0 |
| Purchases of other financial assets | | (92.5) | (35.4) |
| Proceeds from sales of other financial assets | | 21.2 | (4.2) |
| Interest and dividends received | | 68.9 | 11.0 |
| **Net cash from investing activities** | | **259.0** | **458.3** |
| Increase/decrease in share capital and other transactions with owners | 32.4 | (204.9) | (324.9) |
| Treasury share transactions | 32.5 | (14.9) | (119.5) |
| Dividends paid to owners of the parent company | | (440.7) | (441.0) |
| Dividends paid to non-controlling interests | | (32.6) | (12.8) |
| Bond issues | 28-32.6 | 676.5 | 159.0 |
| Bond redemptions | 28-32.6 | (138.7) | (1,236.2) |
| Increase/decrease in other borrowings | 28-32.6 | (565.9) | 448.2 |
| Interest paid and equivalent | | (231.1) | (204.1) |
| **Net cash used in financing activities** | | **(952.3)** | **(1,731.3)** |
| Net cash from discontinued operations | 12 | 97.1 | 87.4 |
| Impact of exchange rate variations | | 3.0 | (16.3) |
| **Net increase (decrease) in cash and cash equivalents** | | **772.8** | **(22.6)** |
| | | | |
| **Cash and cash equivalents at beginning of year** | **32** | **1,202.3** | **1,224.9** |
| **Cash and cash equivalents at end of year** | **32** | **1,975.1** | **1,202.3** |

# 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 | Equity: Non-controlling interests | Equity: Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2011** | **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** |
| Increase/decrease in share capital | 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** | **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** |
| **Total comprehensive income** | | | | | **(13.2)** | **101.6** | **1,037.1** | **1,125.5** | **23.1** | **1,148.6** |
| Increase/decrease in share capital | (884,187) | (3.5) | (95.2) | | | | | (98.7) | | (98.7) |
| Treasury shares[3] | 1,036,279 | | | 111.3 | | | (10.1) | 101.2 | | 101.2 |
| Valuation of share-based payment | | | | | | | 8.9 | 8.9 | 0.6 | 9.5 |
| Dividends paid and interim dividends | | | | | | | (629.8) | (629.8) | (32.7) | (662.5) |
| Changes in Group structure | | | | | | | (18.3) | (18.3) | (110.6) | (128.9) |
| **As of December 31, 2012[2]** | **126,091,629** | **504.5** | **2,416.1** | **(3.3)** | **(24.2)** | **41.4** | **8,479.3** | **11,413.8** | **704.9** | **12,118.7** |

*(1) Shares with a par value of €4 each.*
*(2) Number of shares outstanding as of December 31, 2012: 126,116,702.*
*(3) Net of tax.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

# 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, 2012 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, 2012 and authorised their publication on February 14, 2013. 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, 2012 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, 2012

The Group's consolidated financial statements comply with the amendments to published standards and interpretations which came into effect on January 1, 2012 and have been adopted by the European Union.

The following amendment is also mandatorily applicable as of January 1, 2012:

- amendment to IFRS 7 – Disclosures – *Transfers of Financial Assets*.

This amendment is not applicable to the Group and had no material impact on the consolidated financial statements.

### 2.2.2. Standards, amendments and interpretations not mandatorily applicable as of January 1, 2012

The Group has elected to early adopt the following amendment whose application is not mandatory as of January 1, 2012:

- amendment to IAS 1 – *Presentation of Items of Other Comprehensive Income*.

The Group elected not to early adopt the following amendment published by the IASB and optionally applicable as of January 1, 2012:

- amendment to IAS 19 – *Employee Benefits*.

The impacts for the Group of the application of this amendment are likely to be limited: since the Group already recognises all actuarial gains and losses in other comprehensive income, the discontinuation of the "corridor method" provided for by the revised standard will have no impact on the consolidated financial statements.

The Group is currently assessing the impact of new standards and amendments. Specifically, the impacts on the Group of IFRS 10, IFRS 11, IFRS 12 as well as the amendments to the revised IAS 28, which are applicable to financial periods beginning on or after January 1, 2014 and have been adopted by the European Union, should be limited.

#### 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 disclosures 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 of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as goodwill.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, based on the fair value of shares potentially purchased if the strike price is linked to the fair value. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

#### Put options granted after January 1, 2009

The revised IAS 27 states that all equity transactions with non-controlling interests 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 of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as a deduction from equity.

This liability is initially recorded at the present value of the strike price and at the end of subsequent reporting periods, based on the fair value of shares potentially purchased if the strike price is linked to the fair value. Subsequent changes in the value of the commitment are recorded by an adjustment to equity.

### 2.3.3. Statement of cash flows

The Group's statement of cash flows is prepared in accordance with IAS 7– *Statement of Cash Flows*. The Group prepares its statement of cash flows using the indirect method.

## 2.4. Consolidation principles

The consolidated financial statements include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

### 2.4.1. Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the Group exercises control. Control is defined as the ability to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain economic benefit from its activities. This situation generally implies directly or indirectly holding more than 50% of the voting rights. The existence and effect of potential voting rights that are exercisable or convertible are taken into account in the assessment of control.

Subsidiaries are 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 included in the consolidated financial statements. 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 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, corresponding to an approximate value for the rate at the transaction date in the absence of significant fluctuations;
- 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. 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 3 to 10 years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment loss exists, such as a scheduled closure, a redundancy plan or a downward revision of market forecasts. When the asset's recoverable amount is less than its net carrying amount, an impairment loss is recognised. Where the recoverable amount of an individual asset cannot be determined precisely, the Group determines the recoverable amount of the CGU or group of CGUs to which the asset belongs.

### Lease contracts

Agreements whose fulfilment depends on the use of one or more specific assets and which transfer the right to use the asset 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 statement of cash flows, cash and cash equivalents include 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, determined by reference to the fair value of services rendered by the beneficiaries, is 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 which is measured at fair value through income at the end of each reporting period.

### 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 balances 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 is 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 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 or for distribution to owners and discontinued operations

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 or for distribution to owners, and discontinued operations.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale or for distribution to owners if it is highly probable that their carrying amount will be recovered principally through a sale or distribution transaction rather than through continuing use. Non-current assets (or disposal groups) held for sale or for distribution to owners 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 or for distribution. They are presented on separate lines in the consolidated statement of financial position, without restatement for previous periods.

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 and licences, 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 treasury 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 discrete 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.

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. Gucci Group's head office expenses, which are now assumed by the brands (especially the long-term performance-based remuneration plan), have been allocated among each brand, with any residual head office expenses absorbed by the PPR holding companies.

The management data used to assess operating segment performance are prepared in accordance with IFRS as applied by the Group for its consolidated financial statements.

## 2.23. Restatement of comparative information

For 2012, the Group has identified non-current assets held for sale or for distribution to owners, and discontinued operations within the meaning of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. These concern Redcats and Fnac, 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 or for distribution to owners, and discontinued operations are as follows:

### Consolidated income statement for the year ended December 31, 2011

| *(in € millions)* | 2011 Published in February 2012 | IFRS 5 | 2011 restated |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| **Revenue** | **12,227.2** | **(4,164.9)** | **8,062.3** |
| Cost of sales | (6,003.3) | 2,916.8 | (3,086.5) |
| **Gross margin** | **6,223.9** | **(1,248.1)** | **4,975.8** |
| Payroll expenses | (1,836.6) | 607.5 | (1,229.1) |
| Other recurring operating income and expenses | (2,784.9) | 539.6 | (2,245.3) |
| **Recurring operating income** | **1,602.4** | **(101.0)** | **1,501.4** |
| Other non-recurring operating income and expenses | (58.1) | 34.6 | (23.5) |
| **Operating income** | **1,544.3** | **(66.4)** | **1,477.9** |
| Finance costs, net | (215.4) | 13.6 | (201.8) |
| **Income before tax** | **1,328.9** | **(52.8)** | **1,276.1** |
| Corporate income tax | (317.4) | 22.2 | (295.2) |
| Share in earnings of associates | 46.6 | | 46.6 |
| **Net income from continuing operations** | **1,058.1** | **(30.6)** | **1,027.5** |
| o/w attributable to owners of the parent | 999.0 | (30.6) | 968.4 |
| o/w attributable to non-controlling interests | 59.1 | | 59.1 |
| **DISCONTINUED OPERATIONS** | | | |
| **Net income (loss) from discontinued operations** | **(12.6)** | **30.6** | **18.0** |
| o/w attributable to owners of the parent | (12.7) | 30.6 | 17.9 |
| o/w attributable to non-controlling interests | 0.1 | | 0.1 |
| **Net income of consolidated companies** | **1,045.5** | | **1,045.5** |
| Net income attributable to owners of the parent | 986.3 | | 986.3 |
| Net income attributable to non-controlling interests | 59.2 | | 59.2 |
| **Net income attributable to owners of the parent** | **986.3** | | **986.3** |
| Earnings per share *(in €)* | 7.82 | | 7.82 |
| Fully diluted earnings per share *(in €)* | 7.81 | | 7.81 |
| **Net income from continuing operations attributable to owners of the parent** | **999.0** | **(30.6)** | **968.4** |
| Earnings per share *(in €)* | 7.92 | | 7.68 |
| Fully diluted earnings per share *(in €)* | 7.91 | | 7.67 |
| **Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent** | **1,054.9** | **(65.2)** | **989.7** |
| Earnings per share *(in €)* | 8.36 | | 7.85 |
| Fully diluted earnings per share *(in €)* | 8.35 | | 7.84 |

## Consolidated statement of cash flows for the year ended December 31, 2011

| *(in € millions)* | 2011 Published in February 2012 | IFRS 5 | 2011 restated |
|---|---|---|---|
| **Net income from continuing operations** | **1,058.1** | **(30.6)** | **1,027.5** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | 309.0 | (71.0) | 238.0 |
| Other non-cash income and expenses | (133.4) | (13.5) | (146.9) |
| **Cash flow from operating activities** | **1,233.7** | **(115.1)** | **1,118.6** |
| Interest paid/received | 212.8 | (5.7) | 207.1 |
| Dividends received | (1.4) | 1.3 | (0.1) |
| Net income tax payable | 393.8 | (24.0) | 369.8 |
| **Cash flow from operating activities before tax, dividends and interest** | **1,838.9** | **(143.5)** | **1,695.4** |
| Change in working capital requirement | (234.5) | 54.0 | (180.5) |
| Change in customer loans | | | |
| Corporate income tax paid | (364.8) | 29.2 | (335.6) |
| **Net cash from operating activities** | **1,239.6** | **(60.3)** | **1,179.3** |
| Purchases of property, plant and equipment and intangible assets | (325.3) | 73.0 | (252.3) |
| Proceeds from disposals of property, plant and equipment and intangible assets | 20.0 | (16.1) | 3.9 |
| Purchases of subsidiaries, net of cash transferred | (436.7) | 1.0 | (435.7) |
| Proceeds from disposals of subsidiaries, net of cash transferred | 1,171.2 | (0.2) | 1,171.0 |
| Purchases of other financial assets | (36.7) | 1.3 | (35.4) |
| Proceeds from sales of other financial assets | (3.5) | (0.7) | (4.2) |
| Interest and dividends received | 12.9 | (1.9) | 11.0 |
| **Net cash from investing activities** | **401.9** | **56.4** | **458.3** |
| Increase/decrease in share capital and other transactions with owners | (324.9) | | (324.9) |
| Treasury share transactions | (119.5) | | (119.5) |
| Dividends paid to owners of the parent company | (441.0) | | (441.0) |
| Dividends paid to non-controlling interests | (12.8) | | (12.8) |
| Bond issues | 159.0 | | 159.0 |
| Bond redemptions | (1,236.2) | | (1,236.2) |
| Increase/decrease in other borrowings | 447.7 | 0.5 | 448.2 |
| Interest paid and equivalent | (210.4) | 6.3 | (204.1) |
| **Net cash used in financing activities** | **(1,738.1)** | **6.8** | **(1,731.3)** |
| Net cash from (used in) discontinued operations | 92.5 | (5.1) | 87.4 |
| Impact of exchange rate variations | (18.5) | 2.2 | (16.3) |
| **Net decrease in cash and cash equivalents** | **(22.6)** | | **(22.6)** |
| **Cash and cash equivalents at beginning of year** | **1,224.9** | | **1,224.9** |
| **Cash and cash equivalents at end of year** | **1,202.3** | | **1,202.3** |

# NOTE 3 HIGHLIGHTS

## 3.1. Changes in Group structure

The PPR group consolidated financial statements for the year ended December 31, 2012 include the financial statements of the companies listed in Note 36.

### 3.1.1. 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, on the approval of the competition authorities. Brioni is one of the world's most reputable men's fashion houses, owing to its exceptional sartorial expertise. It is a profitable and growing business with its own tailoring workshops, the largest of which is located in Penne in the Abruzzo region of Italy. As of December 31, 2012, the company had 1,800 employees and was distributed in 35 directly-owned stores, as well as through an extensive network of points-of-sale around the world.

Brioni was consolidated in PPR's financial statements as from January 1, 2012. The purchase price was allocated on a preliminary basis during the second half of 2012, with the majority recognised under the Brioni trademark and the residual balance recognised as goodwill.

### 3.1.2. Sale of PPR's residual stake in Cfao

Following a share purchase agreement signed on July 26, 2012 between PPR and the Japanese group Toyota Tsusho Corporation ("TTC"), in early August 2012 TTC acquired from PPR 29.8% of the share capital of Cfao at a price of €37.50 per share, making it Cfao's main shareholder. Subsequently, in December 2012 PPR tendered its residual 12.2% stake in Cfao to the voluntary public offer launched by TTC in October 2012 for Cfao's remaining capital. The tender price was the same as that applied when TTC purchased its 29.8% interest, i.e., €37.50 per share.

The 42% stake in Cfao held by PPR prior to these transactions was deconsolidated based on a total sale price of €967 million, which was received in full at end-December 2012. The capital gain on the sale was recorded in "Other non-recurring operating income and expenses".

### 3.1.3. Plan to demerge and float Fnac

PPR continued its strategic refocusing and decided on a plan to demerge and float Fnac. The principle of this plan was unanimously approved by PPR's Board of Directors on October 9, 2012.

During the second half of 2012, the Fnac group (previously Caumartin Participations, Fnac's holding company) will be taken public by PPR paying its shareholders a special stock dividend corresponding to the Fnac group shares held by PPR. This planned operation has already been presented for consultation to all of the employee representative bodies concerned and will be submitted for shareholder approval at PPR's Annual General Meeting on June 18, 2013.

During the second half of 2012, the Fnac group began the preparatory work for its listing process. With the support of PPR, it also continued to implement its "Fnac 2015" strategic offensive plan, aimed at strengthening its leadership position in its markets. The plan is based on three key principles: broadening the product range to the entire "Leisure & Technology" segment; giving priority to customer relations; and focusing on the family market.

Also in 2012, Fnac pursued the plan announced on January 13, 2012, aimed at generating savings of €80 million over the full year. 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. It also involves a recruitment freeze in every country, a pay restraint policy and the cutting of 310 jobs in France (affecting only support functions at the headquarters and in stores) and 200 outside France (across all other countries). Fnac's four stores in Switzerland will be run directly from France, and the Swiss headquarters will be downsized.

Also as part of the cost-savings plan, an agreement was entered into in November 2012 to sell Fnac Italy to the investment fund Orlando Italy. The sale was completed in January 2013. A provision was recognised at end-December 2012 for the financial consequences of the transaction.

In accordance with IFRS 5, the Fnac group has been classified with "Non-current assets held for sale or for distribution to owners and discontinued operations". Its results and cash flows have therefore been presented on separate lines in the consolidated income statement and statement of cash flows as "from discontinued operations", and have been restated for 2011.

#### 3.1.4. Continuing the divestment of the Redcats group

The process begun by PPR in second-half 2011 to sell the Redcats group was continued in 2012.

On November 8, 2012, PPR announced that an agreement had been signed between Redcats and Northern Tool + Equipment (NTE) to sell the Sports & Leisure activities of Redcats USA, including The Sportsman's Guide and The Golf Warehouse, for an enterprise value of USD 215 million. This sale was designed to give The Sportsman's Guide and The Golf Warehouse brands the opportunity to team up with a partner that offers a strong strategic fit. It was completed on December 17, 2012 and the Group received the proceeds in line with the terms of the sale agreement.

Starting from this date, Redcats' interest in The Sportsman's Guide and The Golf Warehouse was deconsolidated and net result from the disposal has been recorded.

On December 5, 2012, PPR announced that Redcats had entered into an agreement to sell OneStopPlus, its plus-size business in the United States, to Charlesbank Capital Partners and Webster Capital for an enterprise value of USD 525 million. This sale will place OneStopPlus in an excellent position to leverage the full potential of its brands and successfully pursue its development. The transaction – which is contingent on the customary closing conditions and approval by the US antitrust authorities – was finalised on February 5, 2013 and mark the final step in the sale of all of Redcats USA's operations. The gain or loss on the sale of OneStopPlus is recorded in the first quarter of 2013.

### 3.2. Highlights

#### 3.2.1. Launch of PUMA's Transformation Programme

On July 18, 2012, PUMA announced that it intended to speed up and significantly expand the scope of its Transformation Programme in order to increase efficiencies in terms of organisation, processes and systems and to streamline its cost structure, notably in Europe. During 2012, a €125 million provision was recognised as a non-recurring operating expense for these measures, chiefly covering costs related to store closures and brand reorganisation in Europe, at headquarters and in subsidiaries outside Europe.

On October 23, 2012, Jean-François Palus was appointed Chairman of the Administrative Board of PUMA SE to replace Jochen Zeitz as from December 1, 2012. Jochen Zeitz will retain his seat on PPR's Board of Directors, as approved by PPR's shareholders at their April 27, 2012 Annual General Meeting.

#### 3.2.2. Enhanced financial strength

On January 16, 2012, PPR added €250 million worth of bonds to its 3.75% bonds that mature on April 8, 2015, bringing the total amount of the initial issue to €750 million.

On March 23, 2012, Standard & Poor's announced that it had upgraded PPR's long-term rating from "BBB-" to "BBB" with a stable outlook, in view of the Group's solid operating performances in 2011.

On April 23, 2012, PPR issued €500 million worth of seven-year bonds with a fixed-rate coupon of 3.125%.

The first tranche of the bonds indexed to PPR's share price that were issued on May 16, 2008 matured in November 2012. The redemption of these bonds on November 16, 2012 generated a €63 million gain which was recognised in the second half of the year.

#### 3.2.3. Significant events

On March 7, 2012, Yves Saint Laurent and PPR announced the appointment of Hedi Slimane as Creative Director at Yves Saint Laurent. In his new role, Hedi Slimane has total creative responsibility for the brand's image and all its collections.

On August 3, 2012, PPR and YOOX teamed up to create a joint venture to be 51%-owned by PPR and 49% by YOOX Group. The newly created company is entirely dedicated to managing the online stores of several of PPR's luxury brands: Yves Saint Laurent, Alexander McQueen, Balenciaga, Bottega Veneta, Sergio Rossi and Stella McCartney.

On November 5, 2012, the Balenciaga fashion House and Nicolas Ghesquière announced that they had mutually decided to end their partnership. Nicolas Ghesquière had been Creative Director of Balenciaga since 1997. Alexander Wang was appointed as the new Creative Director on December 3, 2012. He will design the brand's women's and men's ready-to-wear and accessories, and is responsible for its image.

# 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 |
|---|---|---|
| **December 31, 2012** | | |
| Revenue | 3,638.8 | 945.1 |
| - Non-Group | 3,638.8 | 945.1 |
| - Group | | |
| **Recurring operating income (loss)** | **1,126.4** | **300.1** |
| Recurring charges to depreciation, amortisation and provisions on non-current operating assets | 133.9 | 20.5 |
| Other non-cash recurring operating income and expenses | (10.9) | (2.1) |
| Purchases of property, plant and equipment and intangible assets, gross | 203.9 | 41.3 |
| **Segment assets** | **8,178.5** | **711.8** |
| **Segment liabilities** | **1,887.3** | **160.3** |
| **December 31, 2011** | | |
| Revenue | 3,143.2 | 682.6 |
| - Non-Group | 3,143.2 | 682.6 |
| - Group | | |
| **Recurring operating income (loss)** | **947.7** | **204.6** |
| Recurring charges to depreciation, amortisation and provisions on non-current operating assets | 123.5 | 15.6 |
| Other non-cash recurring operating income and expenses | (18.1) | (0.7) |
| Purchases of property, plant and equipment and intangible assets, gross | 111.3 | 29.1 |
| **Segment assets** (1) | **7,996.5** | **609.3** |
| **Segment liabilities** (1) | **1,823.2** | **164.6** |

*(1) As of December 31, 2011, segment assets and liabilities shown under "Corporate" chiefly comprised the contributions of Redcats and Fnac.*

Non-current segment assets comprise goodwill, brands and other intangible assets, property, plant and equipment and other non-current assets.

Segment assets comprise non-current segment assets, inventories, trade receivables and other current assets.

Segment liabilities comprise deferred tax liabilities on brands, trade payables and other current liabilities.

| Yves Saint Laurent | Other Luxury brands | Luxury Division | PUMA | Other Sport & Lifestyle brands | Sport & Lifestyle Division | Corporate | Total |
|---|---|---|---|---|---|---|---|
| 472.8 | 1,155.6 | 6,212.3 | 3,270.7 | 261.2 | 3,531.9 | (7.9) | 9,736.3 |
| 472.8 | 1,155.1 | 6,211.8 | 3,263.3 | 261.2 | 3,524.5 | | 9,736.3 |
| | 0.5 | 0.5 | 7.4 | | 7.4 | (7.9) | |
| 65.0 | 120.1 | 1,611.6 | 290.0 | 14.8 | 304.8 | (124.9) | 1,791.5 |
| 10.8 | 38.5 | 203.7 | 60.3 | 5.7 | 66.0 | 5.4 | 275.1 |
| (0.6) | (0.5) | (14.1) | (4.2) | 0.2 | (4.0) | 1.6 | (16.5) |
| 21.8 | 70.3 | 337.3 | 81.2 | 9.9 | 91.1 | 13.5 | 441.9 |
| 1,132.9 | 1,844.9 | 11,868.1 | 6,436.1 | 556.0 | 6,992.1 | 122.4 | 18,982.6 |
| 228.2 | 472.2 | 2,748.0 | 1,675.3 | 126.1 | 1,801.4 | 168.1 | 4,717.5 |
| 353.7 | 737.5 | 4,917.0 | 3,009.0 | 146.7 | 3,155.7 | (10.4) | 8,062.3 |
| 353.7 | 737.1 | 4,916.6 | 2,999.0 | 146.7 | 3,145.7 | | 8,062.3 |
| | 0.4 | 0.4 | 10.0 | | 10.0 | (10.4) | |
| 40.9 | 69.4 | 1,262.6 | 333.2 | 13.5 | 346.7 | (107.9) | 1,501.4 |
| 9.3 | 23.2 | 171.6 | 58.2 | 2.5 | 60.7 | 5.7 | 238.0 |
| 0.7 | | (18.1) | (9.1) | | (9.1) | 2.9 | (24.3) |
| 7.5 | 25.0 | 172.9 | 71.1 | 3.7 | 74.8 | 4.6 | 252.3 |
| 1,134.2 | 1,396.4 | 11,136.4 | 6,440.3 | 563.2 | 7,003.5 | 1,655.7 | 19,795.6 |
| 401.1 | 351.2 | 2,740.1 | 1,701.7 | 128.5 | 1,830.2 | 1,401.4 | 5,971.7 |

## 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)* | 2012 | 2011 |
|---|---|---|
| Western Europe | 2,937.5 | 2,611.8 |
| North America | 1,983.1 | 1,496.6 |
| Japan | 1,158.4 | 983.5 |
| **Sub-total – mature markets** | **6,079.0** | **5,091.9** |
| Eastern Europe, Middle East and Africa | 685.2 | 540.5 |
| South America | 532.2 | 467.9 |
| Asia-Pacific (excluding Japan) | 2,439.9 | 1,962.0 |
| **Sub-total – emerging markets** | **3,657.3** | **2,970.4** |
| **Total revenue** | **9,736.3** | **8,062.3** |

## 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)* | 2012 | 2011 |
|---|---|---|
| Goodwill | 3,871.0 | 4,214.9 |
| Brands and other intangible assets | 10,489.9 | 10,331.1 |
| Property, plant and equipment | 1,376.3 | 1,372.0 |
| Other non-current assets | 28.9 | 12.2 |
| **Non-current segment assets** | **15,766.1** | **15,930.2** |
| Inventories | 1,736.5 | 2,202.5 |
| Trade receivables | 985.3 | 1,087.4 |
| Other current assets | 494.7 | 575.5 |
| **Segment assets** | **18,982.6** | **19,795.6** |
| Investments in associates | 25.8 | 735.8 |
| Non-current financial assets | 273.7 | 279.5 |
| Deferred tax assets | 600.2 | 562.4 |
| Current tax receivables | 75.7 | 95.2 |
| Other current financial assets | 87.0 | 45.3 |
| Cash and cash equivalents | 2,081.0 | 1,270.7 |
| Assets classified as held for sale or for distribution to owners | 3,130.5 | 2,169.3 |
| **Total assets** | **25,256.5** | **24,953.8** |

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Deferred tax liabilities on brands | 2,632.6 | 2,724.0 |
| Trade payables | 684.5 | 1,535.6 |
| Other current liabilities | 1,400.4 | 1,712.1 |
| **Segment liabilities** | **4,717.5** | **5,971.7** |
| Total equity | 12,118.7 | 11,749.5 |
| Non-current borrowings | 2,988.9 | 3,066.2 |
| Non-current provisions for pensions and other post-employment benefits | 98.2 | 119.2 |
| Other non-current provisions | 92.3 | 100.5 |
| Other deferred tax liabilities | 139.7 | 122.9 |
| Current borrowings | 1,595.1 | 1,611.4 |
| Other current financial liabilities | 207.9 | 130.8 |
| Current provisions for pensions and other post-employment benefits | 6.6 | 7.9 |
| Other current provisions | 167.7 | 136.1 |
| Current tax liabilities | 318.4 | 338.4 |
| Liabilities associated with assets classified as held for sale or for distribution to owners | 2,805.5 | 1,599.2 |
| **Total equity and liabilities** | **25,256.5** | **24,953.8** |

# NOTE 5 REVENUE

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Net sales of goods | 9,583.4 | 7,931.2 |
| Net sales of services | 7.2 | 4.7 |
| Revenue from concessions and licences | 145.2 | 126.1 |
| Other revenue | 0.5 | 0.3 |
| **Total** | **9,736.3** | **8,062.3** |

# 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)* | 2012 | 2011 |
|---|---|---|
| Luxury Division | (943.0) | (752.3) |
| Sport & Lifestyle Division | (483.1) | (414.1) |
| Corporate | (67.5) | (62.7) |
| **Total** | **(1,493.6)** | **(1,229.1)** |

In 2012, payroll expenses recorded under "Corporate" include a €4.0 million charge (€4.8 million in 2011) 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:

| | 2012 | 2011 |
|---|---|---|
| Luxury Division | 17,384 | 13,542 |
| Sport & Lifestyle Division | 11,720 | 10,492 |
| Corporate | 274 | 258 |
| **Total** | **29,378** | **24,292** |

The total headcount of continuing operations is as follows:

| | 2012 | 2011 |
|---|---|---|
| Luxury Division | 18,905 | 15,085 |
| Sport & Lifestyle Division | 14,235 | 13,602 |
| Corporate | 299 | 270 |
| **Total** | **33,439** | **28,957** |

# 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 | 2002/1 Plan | 2002/2 Plan |
|---|---|---|
| | Subscription options | Subscription options |
| Grant date | 05/03/2002 | 05/03/2002 |
| Expiry date | 05/02/2012 | 05/02/2012 |
| Number of beneficiaries | 1,074 | 1,053 |
| Number initially granted | 438,296 | 410,271 |
| Number outstanding as of Jan. 1, 2012 | 155,723 | 154,418 |
| Number forfeited in 2012 | 4,710 | 5,000 |
| Number exercised in 2012 | 5,950 | |
| Number expired in 2012 | 145,063 | 149,418 |
| Number outstanding as of Dec. 31, 2012 | | |
| Number exercisable as of Dec. 31, 2012 | | |
| Strike price *(in €)* | 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 | 2005/1 Plan | 2005/2 Plan | 2005/3 Plan | 2005/4 Plan | 2006/1 Plan | 2007/1 Plan |
|---|---|---|---|---|---|---|---|---|---|
| | Subs-cription options | Subs-cription options | Subs-cription options | Subs-cription options | Subs-cription options | Subs-cription options | Subs-cription options | Purchase options | Purchase options |
| Grant date | 07/09/2003 | 07/09/2003 | 05/25/2004 | 01/03/2005 | 05/19/2005 | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/14/2007 |
| Expiry date | 07/08/2013 | 07/08/2013 | 05/24/2014 | 01/02/2015 | 05/18/2015 | 05/18/2015 | 07/05/2015 | 05/22/2014 | 05/13/2015 |
| Vesting of rights | (a) | (a) | (a) | (a) | (b) | (b) | (b) | (b) | (b) |
| Number of beneficiaries | 721 | 18 | 846 | 13 | 458 | 22 | 15 | 450 | 248 |
| Number initially granted | 528,690 | 5,430 | 540,970 | 25,530 | 333,750 | 39,960 | 20,520 | 403,417 | 355,500 |
| Number outstanding as of Jan. 1, 2012 | 38,136 | 300 | 125,159 | 3,980 | 121,295 | 32,160 | 10,400 | 200,675 | 287,102 |
| Number forfeited in 2012 | 450 | | 1,206 | | 784 | | | 801 | 9,340 |
| Number exercised in 2012 | 15,796 | 300 | 56,133 | 3,230 | 26,251 | 30,640 | 8,480 | 42,844 | 33,632 |
| Number of shares issued | | | | | | | | | |
| Number expired in 2012 | | | | | | | | | |
| Number outstanding as of Dec. 31, 2012 | 21,890 | | 67,820 | 750 | 94,260 | 1,520 | 1,920 | 157,030 | 244,130 |
| Number exercisable as of Dec. 31, 2012 | 21,890 | | 67,820 | 750 | 94,260 | 1,520 | 1,920 | 157,030 | 244,130 |
| Strike price *(in €)* | 66.00 | 67.50 | 85.57 | 75.29 | 78.01 | 78.97 | 85.05 | 101.83 | 127.58 |
| Fair value at measurement date *(in €)* | 15.37 | 15.06 | 15.75 | 11.61 | 11.19 | 10.98 | 12.38 | 13.62 | 20.99 |
| Weighted average price of options exercised/ shares issued *(in €)* | 131.61 | 135.35 | 128.03 | 129.00 | 128.24 | 131.97 | 130.63 | 130.15 | 138.62 |

| Stock option and free share plans | 2007/2 Plan | 2008/3 Plan | 2009/2 Plan | 2010/1 Plan | 2010/2 Plan | 2011/1 Plan | 2011/2 Plan | 2012/1 Plan | 2012/2 Plan |
|---|---|---|---|---|---|---|---|---|---|
| | Purchase options | Free shares | Free shares | Free shares | Free shares | Free shares | Free shares | Free shares | Free shares |
| Grant date | 09/17/2007 | 10/22/2008 | 05/07/2009 | 05/19/2010 | 05/19/2010 | 05/19/2011 | 05/19/2011 | 04/27/2012 | 04/27/2012 |
| Expiry date | 09/16/2015 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Vesting of rights | (b) | (d) | (d) | (c) | (d) | (c) | (d) | (c) | (d) |
| Number of beneficiaries | 14 | 194 | 161 | 274 | 108 | 184 | 76 | 198 | 88 |
| Number initially granted | 51,300 | 53,755 | 46,505 | 89,364 | 25,035 | 67,379 | 9,455 | 69,399 | 39,640 |
| Number outstanding as of Jan. 1, 2012 | 46,300 | 48,795 | 41,685 | 82,720 | 24,150 | 67,184 | 9,125 | | |
| Number forfeited in 2012 | 2,000 | 1,100 | 1,210 | 14,729 | 525 | 1,660 | 255 | 1,835 | 965 |
| Number exercised in 2012 | 2,900 | | | | | | | | |
| Number of shares issued | | 47,695 | 250 | 67,991 | | | | | |
| Number expired in 2012 | | | | | | | | | |
| Number outstanding as of Dec. 31, 2012 | 41,400 | | 40,225 | | 23,625 | 65,524 | 8,870 | 67,564 | 38,675 |
| Number exercisable as of Dec. 31, 2012 | 41,400 | | | | | | | | |
| Strike price (in €) | 127.58 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Fair value at measurement date *(in €)* | 24.74 | 21.39 | 32.21 | 72.63 | 60.62 | 83.53 | 69.91 | 88.73 | 74.62 |
| Weighted average price of options exercised/ shares issued *(in €)* | 131.58 | | | | | | | | |

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 | 2005/1 Plan | 2005/2 Plan | 2005/3 Plan |
|---|---|---|---|---|---|---|
| | Subscription options | Subscription options | Subscription options | Subscription options | Subscription options | Subscription options |
| Volatility | 33.25% | 33.25% | 25.65% | 23.75% | 21.00% | 21.00% |
| Risk-free interest rate | 4.08% | 4.08% | 4.45% | 3.83% | 3.49% | 3.49% |

| Stock option and free share plans | 2005/4 Plan | 2006/1 Plan | 2007/1 Plan | 2007/2 Plan | 2008/3 Plan | 2009/2 Plan |
|---|---|---|---|---|---|---|
| | Subscription options | Purchase options | Purchase options | Purchase options | Free shares | Free shares |
| Volatility | 20.50% | 23.00% | 23.00% | 24.50% | 42.00% | 40.00% |
| Risk-free interest rate | 3.38% | 4.08% | 4.49% | 4.47% | 4.06% | 4.06% |

| Stock option and free share plans | 2010/1 Plan | 2010/2 Plan | 2011/1 Plan | 2011/2 Plan | 2012/1 Plan | 2012/2 Plan |
|---|---|---|---|---|---|---|
| | Free shares | Free shares | Free shares | Free shares | Free shares | Free shares |
| Volatility | 35.00% | 35.00% | 28.00% | 28.00% | 29.00% | 29.00% |
| Risk-free interest rate | 1.85% | 1.85% | 2.32% | 2.32% | 0.97% | 0.97% |

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 2012 in respect of stock option and free share plans was €8.9 million (€8 million in 2011), including €4.9 million shown within "Discontinued operations" (€4.8 million in 2011).

### 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, 2012 and their movements during the year are as follows:

| | 2008/I Plan | 2008/II Plan | 2008/III Plan | 2008/IV Plan | 2008/V Plan |
|---|---|---|---|---|---|
| | Subscription options | Subscription options | Subscription options | Subscription options | Subscription options |
| Grant date | 07/21/2008 | 04/14/2009 | 04/22/2010 | 04/15/2011 | 04/30/2012 |
| Expiry date | 07/20/2013 | 04/13/2014 | 04/21/2015 | 04/21/2016 | 04/21/2017 |
| Number initially granted | 113,000 | 139,002 | 126,184 | 151,290 | 145,375 |
| Number outstanding as of Jan. 1, 2012 | 10,900 | 7,000 | 116,193 | 138,837 | |
| Number exercised in 2012 | 8,900 | 4,000 | | | |
| Number forfeited/(reinstated) in 2012 | 500 | 500 | 17,500 | 35,374 | 30,406 |
| Number outstanding as of Dec. 31, 2012 | 1,500 | 2,500 | 98,693 | 103,463 | 114,969 |
| Number exercisable as of Dec. 31, 2012 | 1,500 | 2,500 | 98,693 | | |
| Weighted average price of options exercised *(in €)* | 243.70 | 227.71 | | | |

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 | 2008/V Plan |
|---|---|---|---|---|---|
| Volatility | 29.10% | 47.70% | 34.50% | 29.20% | 26.80% |
| Risk-free interest rate | 4.60% | 1.97% | 1.60% | 2.40% | 0.30% |

In 2012, PUMA recognised an expense of €2.8 million (€6.5 million in 2011).

### 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 2012, Gucci Group NV recognised a €1.6 million expense in respect of SARs within recurring operating income (€5.4 million in 2011).

The strike price of SARs outstanding as of December 31, 2012 is between €40.18 and €94.85 and the weighted average remaining contractual term is 2.3 years (3.1 years as of end-2011).

The carrying amount of the liability relating to these SARs was €2.3 million as of December 31, 2012, with an intrinsic value of €1.8 million (€4.4 million and €3.5 million, respectively, as of December 31, 2011).

| Plan movements | 2012 | 2011 |
|---|---|---|
| **SARs outstanding as of January 1** | **44,204** | **111,204** |
| ***Weighted average strike price (in €)*** | ***84.59*** | ***78.31*** |
| SARs granted during the year | | |
| *Weighted average strike price (in €)* | | |
| SARs exercised during the year | 27,000 | 67,000 |
| *Weighted average strike price (in €)* | *87.55* | *74.16* |
| SARs forfeited during the year | | |
| *Weighted average strike price (in €)* | | |
| **SARs outstanding as of December 31** | **17,204** | **44,204** |
| ***Weighted average strike price (in €)*** | ***79.94*** | ***84.59*** |
| SARs exercisable as of December 31 | 2,200 | 14,200 |
| *Weighted average strike price (in €)* | *45.32* | *75.31* |

### 7.3.2. Characteristics of SARs granted by PUMA

The SARs granted by PUMA expired in 2011 and no new SAR plans have been set up since.

# 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)* | 2012 | 2011 |
|---|---|---|
| Luxury Division | 1,611.6 | 1,262.6 |
| Sport & Lifestyle Division | 304.8 | 346.7 |
| Corporate | (124.9) | (107.9) |
| **Total** | **1,791.5** | **1,501.4** |

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €275.1 million in 2012 (€238.0 million in 2011). Other net non-cash operating income amounted to €16.5 million in 2012 (€24.3 million in 2011).

# NOTE 9 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Non-recurring operating expenses** | **(261.3)** | **(35.6)** |
| Restructuring costs | (158.5) | (13.4) |
| Asset impairment | (53.6) | (7.1) |
| Capital losses on disposals | (0.5) | (0.2) |
| Other | (48.7) | (14.9) |
| **Non-recurring operating income** | **236.1** | **12.1** |
| Capital gains on disposals | 233.4 | 5.9 |
| Other | 2.7 | 6.2 |
| **Total** | **(25.2)** | **(23.5)** |

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each brand's economic performance. The net balance of this caption was an expense of €25.2 million in 2012 and included the following items:

- restructuring costs of €158.5 million, mainly concerning PUMA's restructuring plan totalling €125.0 million;
- asset impairment totalling €53.6 million, including €50.0 million for the Sergio Rossi brand;
- net capital gains on disposals amounting to €232.9 million, chiefly relating to the capital gains from the sale of the residual interest in Cfao;
- other income and expenses primarily relating to claims and litigation in relation to third parties, mainly concerning arbitration between PUMA and Estudio 2000, a former partner in Spain, totalling €25.0 million (see Note 33.5).

This line item amounted to an expense of €23.5 million in 2011 and included the following items:

- restructuring costs of €13.4 million;
- asset impairment totalling €7.1 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)* | 2012 | 2011 |
|---|---|---|
| **Cost of net debt** | **(211.4)** | **(210.3)** |
| Income from cash and cash equivalents | 6.7 | 10.0 |
| Finance costs at amortised cost | (196.2) | (201.1) |
| Finance costs on financial liabilities at fair value through income | (24.3) | (25.9) |
| Gains and losses on borrowings hedged by fair value hedges | 0.3 | 3.1 |
| Gains and losses on fair value hedging derivatives | 2.1 | 3.6 |
| **Other financial income and expenses** | **63.7** | **8.5** |
| Net losses on available-for-sale financial assets | (1.0) | (0.9) |
| Gains and losses on financial liabilities at fair value through income | 104.7 | 6.1 |
| Foreign exchange gains and losses | (3.2) | (3.2) |
| Ineffective portion of cash flow hedges | (26.0) | 11.0 |
| Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges) | (2.0) | 0.4 |
| Impact of discounting assets and liabilities | (6.3) | (4.8) |
| Other finance costs | (2.5) | (0.1) |
| **Total** | **(147.7)** | **(201.8)** |

# 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)* | 2012 | 2011 |
|---|---|---|
| **Income before tax** | **1,618.6** | **1,276.1** |
| Taxes paid out of operating income | (361.0) | (369.8) |
| Other taxes payable not impacting operating cash flow | (5.2) | (5.2) |
| Income tax payable | (366.2) | (375.0) |
| Deferred tax income/(expense) | 68.6 | 79.8 |
| **Total tax charge** | **(297.6)** | **(295.2)** |
| | | |
| **Effective tax rate** | **18.39%** | **23.13%** |

PPR recognised a €5.7 million tax charge in the 2012 consolidated financial statements further to the decision of the Board of Directors on December 3, 2012 to pay an interim dividend of €1.50 per share.

### 11.1.2. Reconciliation of the tax rate

| *(as a % of pre-tax income)* | 2012 |
|---|---|
| **Tax rate applicable in France** | **36.10%** |
| Impact of taxation of foreign subsidiaries | -7.12% |
| **Theoretical tax rate** | **28.98%** |
| Effect of items taxed at reduced rates | 2.12% |
| Effect of permanent differences | -3.12% |
| Effect of unrecognised temporary differences | 1.02% |
| Effect of unrecognised tax losses carried forward | -3.43% |
| Effect of changes in tax rates | 0.16% |
| Effect of disposal of Cfao | -3.34% |
| Other | -4.00% |
| **Effective tax rate** | **18.39%** |

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)* | 2012 | 2011 |
|---|---|---|
| Income before tax | 1,618.6 | 1,276.1 |
| Non-recurring items | (25.2) | (23.5) |
| **Recurring income before tax** | **1,643.8** | **1,299.6** |
| Total tax charge | (297.6) | (295.2) |
| Tax on non-recurring items | 62.3 | 2.0 |
| **Recurring tax charge** | **(359.9)** | **(297.2)** |
| | | |
| **Recurring tax rate** | **21.89%** | **22.87%** |

## 11.2. Movement in statement of financial position headings

### 11.2.1. Net current tax liabilities

| (in € millions) | 2011 | Net income | Cash outflows relating to operating activities | Cash outflows relating to investing activities | Assets classified as held for sale or for distribution to owners and discontinued operations | Other changes in Group structure | Other items recognised in equity | 2012 |
|---|---|---|---|---|---|---|---|---|
| Current tax receivables | 95.2 | | | | | | | 75.7 |
| Current tax liabilities | (338.4) | | | | | | | (318.4) |
| **Net current tax liabilities** | **(243.2)** | **(361.0)** | **362.2** | **-** | **2.3** | **(15.2)** | **12.2** | **(242.7)** |

### 11.2.2. Deferred tax

| (in € millions) | 2011 | Net income | Assets classified as held for sale or for distribution to owners and discontinued operations | Other changes in Group structure | Other items recognised in equity | 2012 |
|---|---|---|---|---|---|---|
| Deferred tax assets | 562.4 | | | | | 600.2 |
| Deferred tax liabilities | (2,846.9) | | | | | (2,772.3) |
| **Deferred tax** | **(2,284.5)** | **68.6** | **108.8** | **(48.0)** | **(17.0)** | **(2,172.1)** |

| (in € millions) | 2011 | Net income | Assets classified as held for sale or for distribution to owners and discontinued operations | Other changes in Group structure | Other items recognised in equity | 2012 |
|---|---|---|---|---|---|---|
| Intangible assets | (2,724.3) | 10.7 | 191.8 | (64.3) | (7.7) | (2,593.8) |
| Property, plant and equipment | 30.1 | (2.2) | (1.8) | (9.7) | (1.1) | 15.3 |
| Other non-current assets | (8.5) | 6.2 | (3.3) | 0.0 | (0.1) | (5.7) |
| Other current assets | 258.4 | 8.9 | 11.7 | 11.5 | (14.1) | 276.4 |
| Total equity | (18.6) | 5.4 | 16.3 | | 7.1 | 10.2 |
| Borrowings | (7.6) | (12.6) | | | | (20.2) |
| Provisions for pensions and other post-employment benefits | 42.5 | 0.9 | (2.9) | 0.8 | 3.8 | 45.1 |
| Other provisions | 35.3 | 9.2 | (21.5) | 2.1 | 0.0 | 25.1 |
| Other current liabilities | 87.2 | 21.5 | (44.5) | 8.8 | (7.5) | 65.5 |
| Recognised tax losses and tax credits | 21.0 | 20.6 | (37.0) | 2.8 | 2.6 | 10.0 |
| **Net deferred tax assets (liabilities)** | **(2,284.5)** | **68.6** | **108.8** | **(48.0)** | **(17.0)** | **(2,172.1)** |
| Deferred tax assets | 562.4 | | | | | 600.2 |
| Deferred tax liabilities | (2,846.9) | | | | | (2,772.3) |
| **Deferred tax** | **(2,284.5)** | **68.6** | **108.8** | **(48.0)** | **(17.0)** | **(2,172.1)** |

### 11.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €2,260.3 million as of December 31, 2012 (€2,337.2 million as of December 31, 2011).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

*(in € millions)*

| | |
|---|---|
| **As of January 1, 2011** | **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** |
| Losses generated during the year | 18.6 |
| Losses utilised and time barred during the year | (83.8) |
| Effect of changes in Group structure and exchange rate adjustments | (11.7) |
| **As of December 31, 2012** | **2,260.3** |
| | |
| **Ordinary tax loss carry-forwards** | **436.9** |
| Expiring in less than five years | 229.9 |
| Expiring in more than five years | 207.0 |
| **Indefinite tax loss carry-forwards** | **1,823.4** |
| **Total** | **2,260.3** |

Deductible temporary differences for which no deferred tax asset was recognised as of December 31, 2012 amounted to a negative €47.7 million (a negative €9.0 million as of December 31, 2011).

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2012.

## NOTE 12 NON-CURRENT ASSETS HELD FOR SALE OR FOR DISTRIBUTION TO OWNERS AND DISCONTINUED OPERATIONS

In the second half of 2012, PPR continued to implement its strategic refocusing, and finalised the plan to demerge and float Fnac, which was approved by PPR's Board of Directors on October 9, 2012. In accordance with IFRS 5, Fnac was classified within assets "held for sale or for distribution to owners and discontinued operations" in the 2012 consolidated financial statements.

During 2012, PPR also pressed ahead with the sale of the Redcats group, which was launched during the second half of 2011, the Group having decided to sell Redcats' different activities separately. Redcats continued therefore to be presented within assets "held for sale or for distribution to owners and discontinued operations "in the consolidated financial statements.

For all periods presented, assets classified as held for sale or for distribution to owners and discontinued operations, comprise Redcats, Fnac group, Fnac Italy, Conforama, Fnac éveil et jeux, Cfao, YSL Beauté, Surcouf and Bédat.

In accordance with IFRS 5, the Group measured these disposal groups and related assets at the lower of carrying amount and fair value less costs to sell. Prior to its classification as held for sale in accordance with IFRS 5, Fnac was tested for impairment.

For all periods presented, the net income or loss from these activities is shown separately on the face of the income statement within "Discontinued operations", and is restated in the statement of cash flows.

The assets and liabilities classified as held for sale or for distribution 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 or for distribution and discontinued operations are as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Revenue** | **7,077.3** | **7,637.1** |
| Cost of sales | (4,168.5) | (4,488.3) |
| **Gross margin** | **2,908.8** | **3,148.8** |
| Payroll expenses | (1,066.6) | (1,168.9) |
| Other recurring operating income and expenses | (1,655.2) | (1,802.7) |
| **Recurring operating income** | **187.0** | **177.2** |
| Other non-recurring operating income and expenses | (437.0) | (73.4) |
| **Operating income** | **(250.0)** | **103.8** |
| Finance costs, net | (35.9) | (32.9) |
| **Income before tax** | **(285.9)** | **70.9** |
| Corporate income tax | (33.0) | (44.7) |
| Share in earnings of associates | 1.5 | 1.3 |
| Net income (loss) on disposal of discontinued operations | 41.9 | (9.5) |
| **Net income** | **(275.5)** | **18.0** |
| o/w attributable to owners of the parent | (275.5) | 17.9 |
| o/w attributable to non-controlling interests | | 0.1 |

As of December 31, 2012, the Fnac and Redcats groups were the main contributors to net income of "Non-current assets held for sale or for distribution to owners and discontinued operations".

## Redcats

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Revenue** | **3,016.9** | **3,047.9** |
| **Recurring operating income** | **115.0** | **115.6** |
| ***as a % of revenue*** | ***3.8%*** | ***3.8%*** |
| EBITDA | 150.6 | 152.8 |
| *as a % of revenue* | *5.0%* | *5.0%* |
| Gross operating investments | 31.1 | 34.3 |

## Fnac

| *(in € millions)* | 2012 (1) | 2011 (1) |
|---|---|---|
| **Revenue** | **4,061.1** | **4,164.9** |
| **Recurring operating income** | **79.3** | **102.6** |
| ***as a % of revenue*** | ***2.0%*** | ***2.5%*** |
| EBITDA | 143.9 | 173.6 |
| *as a % of revenue* | *3.5%* | *4.2%* |
| Gross operating investments | 86.6 | 73.0 |

*(1) Excluding Fnac Italy.*

Other non-recurring operating income and expenses include the following items:

- asset impairment totalling €288.1 million, primarily the historical goodwill of Redcats and Fnac following the results of the impairment tests;
- restructuring and other costs totalling €148.9 million.

In 2012, net income on disposal of discontinued operations included the net gains or losses from the sale of Avenue and Somewhere. This item also included a €145 million reversal of deferred taxes following the reclassification for tax purposes of exclusive very long-term licencing agreements relating to several PPR group brands. Fnac group entered into an agreement for the sale of Fnac Italy finalised in January 2013. At end-2012, the financial impact of this sale was reflected in full within "Net income (loss) on disposal of discontinued operations".

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Net cash from (used in) operating activities | 135.9 | (65.1) |
| Net cash from (used in) investing activities | 18.6 | (84.9) |
| Net cash from financing activities | 54.1 | 264.4 |
| Impact of exchange rate variations | (1.4) | (16.5) |
| **Net change in cash and cash equivalents** | **207.2** | **97.9** |
| Opening cash and changes in intra-Group cash flows | (110.1) | (10.5) |
| **Net cash from discontinued operations** (1) | **97.1** | **87.4** |

*(1) Line item in the consolidated statement of cash flows.*

The impact of assets held for sale or for distribution to owners on the Group's consolidated statement of financial position was as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Assets classified as held for sale or for distribution to owners** | **3,130.5** | **2,169.3** |
| **Liabilities associated with assets classified as held for sale or for distribution to owners** | **2,805.5** | **1,599.2** |

Liabilities associated with assets classified as held for sale or for distribution to owners include €269.8 million in gross borrowings financing Redcats' customer loans.

Other comprehensive expense, net of tax, relating to non-current assets held for sale or for distribution to owners and discontinued operations amounted to €45.3 million.

## 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, 2012

| *(in € millions)* | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to ordinary shareholders** | **1,048.2** | **1,323.7** | **(275.5)** |
| Weighted average number of ordinary shares outstanding | 126,174,343 | 126,174,343 | 126,174,343 |
| Weighted average number of treasury shares | (188,871) | (188,871) | (188,871) |
| **Weighted average number of ordinary shares** | **125,985,472** | **125,985,472** | **125,985,472** |
| **Basic earnings per share** ***(in €)*** | **8.32** | **10.51** | **(2.19)** |
| | | | |
| **Net income attributable to ordinary shareholders** | **1,048.2** | **1,323.7** | **(275.5)** |
| Convertible and exchangeable instruments | | | |
| **Diluted net income attributable to owners of the parent** | **1,048.2** | **1,323.7** | **(275.5)** |
| Weighted average number of ordinary shares | 125,985,472 | 125,985,472 | 125,985,472 |
| Potentially dilutive ordinary shares | 97,738 | 97,738 | 97,738 |
| **Weighted average number of diluted ordinary shares** | **126,083,210** | **126,083,210** | **126,083,210** |
| **Fully diluted earnings per share** ***(in €)*** | **8.31** | **10.50** | **(2.19)** |

### Earnings per share as of December 31, 2011

| *(in € millions)* | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to ordinary shareholders** | **986.3** | **968.4** | **17.9** |
| 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** | **7.68** | **0.14** |
| | | | |
| **Net income attributable to ordinary shareholders** | **986.3** | **968.4** | **17.9** |
| Convertible and exchangeable instruments | | | |
| **Diluted net income attributable to owners of the parent** | **986.3** | **968.4** | **17.9** |
| 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** | **7.67** | **0.14** |

### 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)* | 2012 | 2011 |
|---|---|---|
| **Net income attributable to ordinary shareholders** | **1,323.7** | **968.4** |
| Other non-recurring operating income and expenses | (25.2) | (23.5) |
| Income tax on other non-recurring operating income and expenses | 62.3 | 2.0 |
| Non-controlling interests in other non-recurring operating income and expenses | 17.8 | 0.2 |
| **Net income excluding non-recurring items** | **1,268.8** | **989.7** |
| Weighted average number of ordinary shares outstanding | 126,174,343 | 126,900,161 |
| Weighted average number of treasury shares | (188,871) | (747,618) |
| **Weighted average number of ordinary shares** | **125,985,472** | **126,152,543** |
| **Basic earnings per share excluding non-recurring items *(in €)*** | **10.07** | **7.85** |
| | | |
| **Net income excluding non-recurring items** | **1,268.8** | **989.7** |
| Convertible and exchangeable instruments | | |
| **Diluted net income attributable to owners of the parent** | **1,268.8** | **989.7** |
| Weighted average number of ordinary shares | 125,985,472 | 126,152,543 |
| Potentially dilutive ordinary shares | 97,738 | 118,442 |
| **Weighted average number of diluted ordinary shares** | **126,083,210** | **126,270,985** |
| **Fully diluted earnings per share *(in €)*** | **10.06** | **7.84** |

## NOTE 14 OTHER COMPREHENSIVE INCOME

The components of other comprehensive income include:

- gains and losses arising from translating the financial statements of foreign operations;
- the effective portion of gains and losses on 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 |
|---|---|---|---|
| Foreign exchange gains and losses | 26.2 | | 26.2 |
| Cash flow hedges | (4.4) | (17.8) | (22.2) |
| *- change in fair value* | *(46.3)* | | |
| *- gains and losses reclassified to income* | *41.9* | | |
| Available-for-sale assets | (1.4) | 0.5 | (0.9) |
| *- change in fair value* | *(1.4)* | | |
| *- gains and losses reclassified 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 income (expense) of associates | (10.0) | | (10.0) |
| **Other comprehensive expense as of December 31, 2011** | **(8.3)** | **(16.1)** | **(24.4)** |

| *(in € millions)* | Gross | Income tax | Net |
|---|---|---|---|
| Foreign exchange gains and losses | (19.5) | | (19.5) |
| Cash flow hedges | 84.7 | 12.5 | 97.2 |
| *- change in fair value* | *44.7* | | |
| *- gains and losses reclassified to income* | *40.0* | | |
| Available-for-sale assets | (0.1) | | (0.1) |
| *- change in fair value* | *(0.1)* | | |
| *- gains and losses reclassified to income* | | | |
| Unrecognised surplus of pension plan assets | (4.0) | | (4.0) |
| Actuarial gains and losses | (20.4) | 4.3 | (16.1) |
| Share in other comprehensive income (expense) of associates | 8.7 | | 8.7 |
| **Other comprehensive income as of December 31, 2012** | **49.4** | **16.8** | **66.2** |

A negative amount on the "Gains and losses reclassified to income" line item corresponds to a gain recognised in the income statement.

Gains and losses on cash flow hedging instruments reclassified to income are recognised under gross margin.

Gains and losses on available-for-sale financial assets reclassified to income are recognised under net finance costs.

# NOTE 15 GOODWILL

| *(in € millions)* | Gross | Impairment losses | Net |
|---|---|---|---|
| **Goodwill as of January 1, 2011** | **5,356.2** | **(816.4)** | **4,539.8** |
| Acquisitions | 307.3 | | 307.3 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | (1,413.8) | 729.3 | (684.5) |
| Impairment losses | | | |
| 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** |
| Acquisitions | 117.6 | | 117.6 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | (433.2) | 29.5 | (403.7) |
| Impairment losses (see Note 18) | | | |
| Put options granted to non-controlling shareholders | (47.0) | | (47.0) |
| Translation adjustments | (10.8) | | (10.8) |
| Other movements | (0.3) | 0.3 | |
| **Goodwill as of December 31, 2012** | **3,929.2** | **(58.2)** | **3,871.0** |

All goodwill recognised in 2012 was allocated to CGUs at year-end.

The breakdown of the net amount of goodwill by activity is as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Luxury Division | 2,319.5 | 2,266.3 |
| Sport & Lifestyle Division | 1,551.5 | 1,544.9 |
| Fnac | | 403.7 |
| **Total** | **3,871.0** | **4,214.9** |

# NOTE 16 BRANDS AND OTHER INTANGIBLE ASSETS

| *(in € millions)* | Brands | Other intangible assets | Total |
|---|---|---|---|
| **Gross amount as of December 31, 2011** | **10,083.0** | **836.0** | **10,919.0** |
| Changes in Group structure | 264.8 | 30.3 | 295.1 |
| Acquisitions | | 67.5 | 67.5 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | (311.3) | (311.3) |
| Other disposals | | (17.8) | (17.8) |
| Translation adjustments | (6.5) | (0.6) | (7.1) |
| Other movements | | 7.2 | 7.2 |
| **Gross amount as of December 31, 2012** | **10,341.3** | **611.3** | **10,952.6** |
| **Accumulated amortisation and impairment as of December 31, 2011** | **(35.3)** | **(552.6)** | **(587.9)** |
| Changes in Group structure | | (24.0) | (24.0) |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | 237.2 | 237.2 |
| Other disposals | | 15.9 | 15.9 |
| Amortisation | | (49.5) | (49.5) |
| Impairment losses (see Note 18) | (50.0) | | (50.0) |
| Translation adjustments | | | |
| Other movements | | (4.4) | (4.4) |
| **Accumulated amortisation and impairment as of December 31, 2012** | **(85.3)** | **(377.4)** | **(462.7)** |
| **Carrying amount as of December 31, 2011** | **10,047.7** | **283.4** | **10,331.1** |
| Changes in Group structure | 264.8 | 6.3 | 271.1 |
| Acquisitions | | 67.5 | 67.5 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | (74.1) | (74.1) |
| Other disposals | | (1.9) | (1.9) |
| Amortisation | | (49.5) | (49.5) |
| Impairment losses (see Note 18) | (50.0) | | (50.0) |
| Translation adjustments | (6.5) | (0.6) | (7.1) |
| Other movements | | 2.8 | 2.8 |
| **Carrying amount as of December 31, 2012** | **10,256.0** | **233.9** | **10,489.9** |

| *(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 or for distribution to owners 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 or for distribution to owners and discontinued operations | 21.1 | 102.8 | 123.9 |
| Other disposals | | 13.5 | 13.5 |
| Amortisation | (2.0) | (65.6) | (67.6) |
| Impairment losses | | | |
| 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 or for distribution to owners and discontinued operations | (62.5) | (81.9) | (144.4) |
| Other disposals | | (2.3) | (2.3) |
| Amortisation | (2.0) | (65.6) | (67.6) |
| Impairment losses | | | |
| 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** |

The breakdown of net brand value by activity is as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Luxury Division | 6,399.6 | 6,184.3 |
| Sport & Lifestyle Division | 3,856.4 | 3,863.4 |
| **Total** | **10,256.0** | **10,047.7** |

# NOTE 17 PROPERTY, PLANT AND EQUIPMENT

| *(in € millions)* | Land and buildings | Plant and equipment | Other PP&E | Total |
|---|---|---|---|---|
| **Gross amount as of December 31, 2011** | **680.4** | **2,193.8** | **283.6** | **3,157.8** |
| Changes in Group structure | 59.8 | 47.1 | 0.2 | 107.1 |
| Acquisitions | 5.6 | 269.9 | 110.8 | 386.3 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | (755.9) | (52.0) | (807.9) |
| Disposals | 2.5 | (78.0) | (26.2) | (101.7) |
| Translation adjustments | (1.5) | (26.6) | (2.4) | (30.5) |
| Other movements | 6.0 | 50.4 | (38.7) | 17.7 |
| **Gross amount as of December 31, 2012** | **752.8** | **1,700.7** | **275.3** | **2,728.8** |
| **Accumulated depreciation and impairment as of December 31, 2011** | **(160.5)** | **(1,473.7)** | **(151.6)** | **(1,785.8)** |
| Changes in Group structure | (5.4) | (36.3) | | (41.7) |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | 594.8 | 16.5 | 611.3 |
| Disposals | 0.2 | 63.7 | 24.5 | 88.4 |
| Depreciation | (21.7) | (183.0) | (28.7) | (233.4) |
| Impairment losses (see Note 18) | | | | |
| Translation adjustments | 0.7 | 16.0 | 1.5 | 18.2 |
| Other movements | (1.4) | (9.1) | 1.0 | (9.5) |
| **Accumulated depreciation and impairment as of December 31, 2012** | **(188.1)** | **(1,027.6)** | **(136.8)** | **(1,352.5)** |
| **Carrying amount as of December 31, 2011** | **519.9** | **720.1** | **132.0** | **1,372.0** |
| Changes in Group structure | 54.4 | 10.8 | 0.2 | 65.4 |
| Acquisitions | 5.6 | 269.9 | 110.8 | 386.3 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | | (161.1) | (35.5) | (196.6) |
| Disposals | 2.7 | (14.3) | (1.7) | (13.3) |
| Depreciation | (21.7) | (183.0) | (28.7) | (233.4) |
| Impairment losses (see Note 18) | | | | |
| Translation adjustments | (0.8) | (10.6) | (0.9) | (12.3) |
| Other movements | 4.6 | 41.3 | (37.7) | 8.2 |
| **Carrying amount as of December 31, 2012** | **564.7** | **673.1** | **138.5** | **1,376.3** |
| o/w assets owned outright | 514.4 | 673.1 | 136.4 | 1,323.9 |
| o/w assets held under finance leases | 50.3 | | 2.1 | 52.4 |

| *(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 or for distribution to owners 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 or for distribution to owners 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 | | | | |
| 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 or for distribution to owners 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 | | | | |
| 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 |

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 | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Luxury Division | 9.5%-12.5% | 9.4%-11.9% | 3.5% | 3.5% |
| Sport & Lifestyle Division | 10.9%-13.2% | 10.8% | 2.5% | 2.5% |

## 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 9.8%.

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 9.9% 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 10.9%.

For information purposes, PUMA's market capitalisation was €3.7 billion as of December 31, 2012. 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, 2012, PPR holds a near-83% 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 10.8% pre-tax discount rate.

The impairment tests carried out by the Group in 2012 gave rise to the recognition of impairment losses on goodwill, property, plant and equipment and intangible assets totalling €50 million (see Note 18.3). As regards the difference between value in use and the carrying amount, the Group considers that, based on events that are foreseeable within reason, any changes impacting the key assumptions described below would not give rise to the recognition of an impairment loss. In particular, a 5% decrease in the normative cash flows used to calculate the terminal value would not give rise to the recognition of an impairment loss.

### 18.3. Impairment losses recognised during the period

The impairment tests carried out by the Group in 2012 led to the recognition of an impairment loss on the brand Sergio Rossi totalling €50 million. Historic goodwill was written down in full in 2010.

This expense is recognised in the income statement under "Other non-recurring operating income and expenses".

## NOTE 19 INVESTMENTS IN ASSOCIATES

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Investments in associates | 25.8 | 735.8 |

As of December 31, 2012, investments in associates mainly comprised the investments in Wilderness, further to the sale during the second half of all the residual interest in Cfao (i.e., 42%).

Cfao's results for 2012 correspond to the Group's share of net income totalling €36.2 million recognised as of June 30, 2012 as a result of the sale of the residual interest in Cfao during the second half and its deconsolidation. The capital gain on the sale was recorded in "Other non-recurring operating income and expenses" (see Note 9).

The market value of the Group's interest in Wilderness amounts to €15.6 million. Wilderness' consolidated financial statements are available on its website, at http://www.wilderness-holdings.com.

## NOTE 20 NON-CURRENT FINANCIAL ASSETS

Non-current financial assets break down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Non-consolidated investments | 53.9 | 41.9 |
| Derivative financial instruments (see Note 29) | 12.4 | 13.3 |
| Available-for-sale financial assets | 10.3 | 10.3 |
| Loans and receivables due from non-consolidated investments | 34.5 | 57.6 |
| Deposits and guarantees | 110.5 | 112.1 |
| Other | 52.1 | 44.3 |
| **Total** | **273.7** | **279.5** |

# NOTE 21 INVENTORIES

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Commercial inventories | 1,940.6 | 2,436.5 |
| Industrial inventories | 348.2 | 310.0 |
| **Gross amount** | **2,288.8** | **2,746.5** |
| Allowances | (552.3) | (544.0) |
| **Carrying amount** | **1,736.5** | **2,202.5** |

| Movements in allowances | 2012 |
|---|---|
| **As of January 1** | **(544.0)** |
| Net charges | (1.8) |
| Changes in Group structure | (37.6) |
| Assets classified as held for sale or for distribution to owners and discontinued operations | 26.5 |
| Translation adjustments | 4.6 |
| **As of December 31** | **(552.3)** |

The carrying amount of inventories pledged to secure liabilities was €103.0 million as of December 31, 2012 (€127.9 million as of December 31, 2011).

# NOTE 22 TRADE RECEIVABLES

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Trade receivables | 1,083.2 | 1,169.8 |
| Allowances | (97.9) | (82.4) |
| **Carrying amount** | **985.3** | **1,087.4** |

| Movements in allowances | 2012 |
|---|---|
| **As of January 1** | **(82.4)** |
| Net charges | (8.8) |
| Changes in Group structure | (12.3) |
| Assets classified as held for sale or for distribution to owners and discontinued operations | 5.4 |
| Translation adjustments | 0.2 |
| **As of December 31** | **(97.9)** |

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Not past due | 801.4 | 856.7 |
| Less than one month past due | 132.0 | 130.1 |
| One to six months past due | 65.8 | 96.0 |
| More than six months past due | 84.0 | 87.0 |
| Allowance for doubtful receivables | (97.9) | (82.4) |
| **Carrying amount** | **985.3** | **1,087.4** |

The carrying amount of trade receivables pledged to secure liabilities was €54.1 million as of December 31, 2012 (€1.8 million as of December 31, 2011).

# NOTE 23 OTHER CURRENT ASSETS AND LIABILITIES

| *(in € millions)* | 2011 | Working capital cash flows | Other cash flows | Assets classified as held for sale or for distribution to owners and discontinued operations | Changes in Group structure | Translation adjustments and other | 2012 |
|---|---|---|---|---|---|---|---|
| Inventories | 2,202.5 | 103.1 | | (583.3) | 38.8 | (24.6) | 1,736.5 |
| Trade receivables | 1,087.4 | 36.0 | | (123.8) | 20.9 | (35.2) | 985.3 |
| Other current financial assets and liabilities | (85.5) | 0.1 | (193.0) | | | 157.5 | (120.9) |
| Current tax receivables/payables | (243.2) | | 1.2 | 2.3 | (15.2) | 12.2 | (242.7) |
| Trade payables | (1,535.6) | 83.3 | | 765.0 | (23.0) | 25.8 | (684.5) |
| Other | (1,136.6) | 50.0 | (19.5) | 317.1 | (35.6) | (81.1) | (905.7) |
| **Other current assets and liabilities** | **289.0** | **272.5** | **(211.3)** | **377.3** | **(14.1)** | **54.6** | **768.0** |

Other current financial assets and liabilities primarily comprise derivative financial instruments (see Note 29). 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

As of December 31, 2012, the share capital amounted to €504,466,808 comprising 126,116,702 fully paid-up shares with a par value of €4 each (127,000,889 shares with a par value of €4 each as of December 31, 2011).

## 24.1. PPR treasury shares and options on PPR shares

In 2012, treasury shares decreased by 1,036,279 as a result of the following transactions:

- the acquisition of 1,027,556 shares under the liquidity agreement;
- the disposal of 1,027,556 shares under the liquidity agreement;
- the cancellation of 1,030,967 PPR shares pursuant to a decision by the Board of Directors on February 15, 2012;
- the acquisition of 115,000 PPR shares to be allotted to employees under 2008 and 2010 free share plans;
- the allotment of 115,936 shares to employees under the 2008 to 2010 free share plans maturing in 2012;
- the acquisition of 75,000 PPR shares to be allotted to employees under the 2006 and 2007 stock purchase option plans;
- the disposal of 79,376 shares to employees under the 2006 and 2007 stock purchase option plans.

As a result of the various stock subscription options exercised in 2012, the share capital increased by 146,780 shares.

As of December 31, 2012, PPR's share capital was made up of 126,116,702 shares with a par value of €4 each.

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 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, 2012, PPR did not hold any treasury shares in connection with the liquidity agreement (no treasury shares were held under the agreement as of December 31, 2011). Outside the scope of the liquidity agreement, PPR held 25,073 treasury shares (1,061,352 treasury shares held as of December 31, 2011).

### 24.2. Appropriation of 2012 net income

At its February 14, 2013 meeting, the Board decided that at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2012 it will ask shareholders to approve a cash payment for the 2012 dividend, corresponding to €3.75 per share, as well as a stock dividend to be paid in the form of Fnac group shares, whose distribution ratio will be determined at a later date.

An interim dividend in the amount of €1.50 per share was paid on January 24, 2013 pursuant to a decision by the Board of Directors on December 3, 2012.

If this dividend is approved, the total dividend cash payout – to be made in 2013 – would amount to €472.9 million.

The dividend paid in respect of 2011 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)* | 2012 | 2011 |
|---|---|---|
| **Present value of obligation as of January 1** | **385.7** | **358.7** |
| Current service cost | 14.5 | 13.9 |
| Contributions paid by beneficiaries | 4.3 | 3.3 |
| Interest cost | 16.2 | 17.0 |
| Benefits paid | (22.2) | (18.3) |
| Past service cost | | (3.4) |
| Actuarial gains and losses | 30.6 | 13.3 |
| Curtailments and settlements | (23.2) | (5.1) |
| Changes in Group structure | 30.2 | 0.1 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | (1.1) | |
| Exchange differences | 4.6 | 6.2 |
| **Present value of obligation as of December 31** | **439.6** | **385.7** |

As of December 31, 2012, the present value of the obligation amounted to €439.6 million, breaking down as:

- €115.2 million in respect of wholly unfunded plans (€107.0 million as of end-2011);
- €324.4 million in respect of fully or partially funded plans (€278.7 million as of end-2011).

The breakdown in the present value of the obligation by type of plan and country as of December 31, 2012 was as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Retirement gratuities – France | 96.1 | 82.2 |
| Long-service awards – France | 2.5 | 1.8 |
| Statutory termination indemnities (TFR) – Italy | 29.9 | 20.9 |
| Supplementary plans – United Kingdom | 132.7 | 136.0 |
| Supplementary plans (LPP) – Switzerland | 91.7 | 51.1 |
| Other | 86.7 | 93.7 |
| **Present value of obligation as of December 31** | **439.6** | **385.7** |

Changes in the fair value of defined benefit plan assets are shown below:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Fair value of defined benefit plan assets as of January 1** | **202.7** | **189.3** |
| Contributions paid by employer | 12.5 | 13.4 |
| Contributions paid by beneficiaries | 4.3 | 3.3 |
| Expected return on plan assets | 8.9 | 8.4 |
| Benefits paid | (17.4) | (17.4) |
| Actuarial gains and losses | 9.8 | 2.1 |
| Settlements | (15.4) | (1.7) |
| Changes in Group structure | 15.2 | 0.1 |
| Assets classified as held for sale or for distribution to owners and discontinued operations | (0.8) | |
| Exchange differences | 3.9 | 5.2 |
| **Fair value of defined benefit plan assets as of December 31** | **223.7** | **202.7** |

The Group expects to pay an estimated €7.3 million in contributions in 2013.

Funded defined benefit plan assets break down as follows:

- insurance policies account for 15% of the total fair value of plan assets (16.8% as of end-2011);
- equity instruments account for 22.7% (19.3% as of end-2011);
- debt instruments account for 57.8% (54.9% as of end-2011);
- other assets account for 4.5% (9.0% as of end-2011).

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)* | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Present value of obligation | 439.6 | 385.7 | 358.7 | 400.6 | 462.8 |
| Fair value of defined benefit plan assets | (223.7) | (202.7) | (189.3) | (196.7) | (204.1) |
| **Funding shortfall/(surplus)** | **215.9** | **183.0** | **169.4** | **203.9** | **258.7** |
| Unrecognised past service cost | (0.7) | (0.8) | (0.9) | (2.1) | (7.0) |
| Amount not recognised in assets | 16.3 | 12.0 | 4.7 | 0.9 | 5.4 |
| Fair value of redemption rights | | 0.8 | 2.0 | 1.5 | 1.5 |
| **Provisions (net assets) recognised in the statement of financial position** | **231.5** | **195.0** | **175.2** | **204.2** | **258.6** |
| o/w provisions – continuing operations | 104.8 | 127.1 | 175.2 | 204.2 | 258.4 |
| o/w provisions – discontinued operations | 126.8 | 67.9 | | | 0.2 |
| Experience adjustments on plan liabilities | 4.4% | 1.9% | 1.7% | 1.6% | 0.1% |
| Experience adjustments on plan assets | 2.8% | 1.0% | 0.7% | 3.1% | 13.1% |

## 25.2. Expenses recognised

The total expense of €14.5 million recognised in respect of defined benefit plans breaks down as follows:

| *(in € millions)* | | 2012 | 2011 |
|---|---|---|---|
| Current service cost | | 14.5 | 13.9 |
| Interest cost | | 16.3 | 17.0 |
| Expected return on plan assets | | (8.9) | (8.4) |
| Actuarial gains/losses recognised in income | | 0.4 | 0.1 |
| Past service cost taken to income | | (0.9) | (3.4) |
| Curtailments and settlements | | (6.9) | (4.5) |
| **Total expense** | | **14.5** | **14.7** |
| o/w recognised | in operating expenses | 7.1 | 8.9 |
| | in finance costs, net | 3.4 | 5.7 |
| | in discontinued operations | 4.0 | 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 2012, actuarial losses were recognised for a total of €20.4 million.

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €112.7 million as of December 31, 2012.

## 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 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Discount rate | 3.50% | 4.50% | 2.00% | 2.50% | 3.50% | 4.50% | 4.35% | 4.75% |
| Expected return on plan assets | 4.50% | 4.50% | 2.05% | 3.21% | | | 4.92% | 4.90% |
| Expected rate of increase in salaries | 2.95% | 2.78% | 1.85% | 1.92% | 2.00% | 3.95% | 0.87% | 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.

Based on the actuarial assumptions in the table above, the sensitivity tests carried out show that the impact of a 25 basis-point decrease in the eurozone discount rate would not be material and would represent less than 0.05% of consolidated equity.

# NOTE 26 PROVISIONS

| *(in € millions)* | 2011 | Charge | Reversal (utilised provision) | Reversal (surplus provision) | Translation adjustments | Assets classified as held for sale or for distribution to owners and discontinued operations | Other | 2012 |
|---|---|---|---|---|---|---|---|---|
| Provisions for restructuring costs | | | | | | | | |
| Provisions for claims and litigation | 15.2 | 7.6 | (4.3) | (0.1) | (0.2) | | (0.8) | 17.4 |
| Other non-current provisions | 85.3 | 2.0 | (1.3) | (30.0) | (0.6) | | 19.5 | 74.9 |
| **Other non-current provisions** | **100.5** | **9.6** | **(5.6)** | **(30.1)** | **(0.8)** | | **18.7** | **92.3** |
| Provisions for restructuring costs | 46.5 | 166.1 | (75.1) | (0.5) | (0.6) | (41.4) | 0.2 | 95.2 |
| Provisions for claims and litigation | 67.8 | 3.1 | (38.9) | (3.7) | (0.2) | | 7.9 | 36.0 |
| Other current provisions | 21.8 | 25.9 | (0.2) | (7.0) | | (0.6) | (3.4) | 36.5 |
| **Current provisions** | **136.1** | **195.1** | **(114.2)** | **(11.2)** | **(0.8)** | **(42.0)** | **4.7** | **167.7** |
| **Total** | **236.6** | **204.7** | **(119.8)** | **(41.3)** | **(1.6)** | **(42.0)** | **23.4** | **260.0** |
| **Impact on income** | **29.1** | **(204.7)** | | **41.3** | | | | **(163.4)** |
| - Impact on recurring operating income | (6.2) | (7.8) | | | | | | (7.8) |
| - Impact on other non-recurring operating income and expenses | (25.7) | (173.1) | | 37.6 | | | | (135.5) |
| - Impact on net finance costs | | | | | | | | |
| - Impact on income taxes | | | | | | | | |
| - Impact on income (loss) from discontinued operations | 61.0 | (23.8) | | 3.7 | | | | (20.1) |

Provisions for claims and litigation mainly relate to claims brought by third parties and litigation with tax authorities in various countries. Provisions for restructuring costs chiefly reflect expenditure relating to PUMA's Transformation Programme recorded during the period (see Note 3.1.5). Other provisions mainly cover risks relating to vendor warranties (see Note 33.2).

# NOTE 27 CASH AND CASH EQUIVALENTS

## 27.1. Breakdown by category

Cash and cash equivalents break down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Cash | 1,232.5 | 939.9 |
| Cash equivalents | 848.5 | 330.8 |
| **Total** | **2,081.0** | **1,270.7** |

As of December 31, 2012, cash equivalents include UCITS, certificates of deposit and term deposits with a maturity of less than three months.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in March 2008 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, 2012, no reclassifications were made as a result of these reviews.

## 27.2. Breakdown by currency

| *(in € millions)* | 2012 | % | 2011 | % |
|---|---|---|---|---|
| EUR | 1,495.7 | 71.9% | 631.2 | 49.7% |
| USD | 180.7 | 8.7% | 199.6 | 15.7% |
| GBP | 45.7 | 2.2% | 30.0 | 2.4% |
| CNY | 44.4 | 2.1% | 49.5 | 3.9% |
| HKD | 42.9 | 2.0% | 37.2 | 2.9% |
| CHF | 38.4 | 1.9% | 71.0 | 5.6% |
| JPY | 27.5 | 1.3% | 52.2 | 4.1% |
| Other currencies | 205.7 | 9.9% | 200.0 | 15.7% |
| **Total** | **2,081.0** | | **1,270.7** | |

# NOTE 28 BORROWINGS

## 28.1. Breakdown of borrowings by maturity

| *(in € millions)* | 2012 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond |
|---|---|---|---|---|---|---|---|
| **Non-current borrowings** | **2,988.9** | | **1,003.6** | **822.1** | **25.5** | **360.3** | **777.4** |
| Bonds | 2,298.9 | | 704.2 | 751.3 | | 348.8 | 494.6 |
| Confirmed lines of credit | | | | | | | |
| Other bank borrowings | 419.1 | | 294.7 | 64.3 | 21.6 | 7.6 | 30.9 |
| Obligations under finance leases | 58.6 | | 4.0 | 3.9 | 3.9 | 3.9 | 42.9 |
| Other borrowings | 212.3 | | 0.7 | 2.6 | | | 209.0 |
| **Current borrowings** | **1,864.9** | **1,864.9** | | | | | |
| Bonds | 749.4 | 749.4 | | | | | |
| Confirmed lines of credit | | | | | | | |
| Drawdowns on unconfirmed lines of credit | 295.2 | 295.2 | | | | | |
| Other bank borrowings | 147.4 | 147.4 | | | | | |
| Obligations under finance leases | 4.1 | 4.1 | | | | | |
| Bank overdrafts | 105.9 | 105.9 | | | | | |
| Commercial paper | 449.0 | 449.0 | | | | | |
| Other borrowings | 113.9 | 113.9 | | | | | |
| **Total** | **4,853.8** | **1,864.9** | **1,003.6** | **822.1** | **25.5** | **360.3** | **777.4** |
| **%** | | **38.4%** | **20.7%** | **16.9%** | **0.6%** | **7.4%** | **16.0%** |

| *(in € millions)* | 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 |
| 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 | | | | | |
| 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%** |

All gross borrowings as of December 31, 2012 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 issue indexed to changes in the PPR share price is recognised at fair value through income.

As of December 31, 2012, a fair value adjustment of €4.3 million (€4.5 million as of December 31, 2011) was recognised in respect of borrowings – mainly bond issues – partially or fully hedged in a fair value hedging relationship.

Bond issues represented 62.8% of gross borrowings as of December 31, 2012 and 51.6% as of end-2011.

Borrowings with a maturity of more than one year represented 61.6% of total gross borrowings as of December 31, 2012 and 62.3% as of December 31, 2011.

The total amount of confirmed lines of credit (excluding facilities available to Redcats) was €4,058.9 million at the end of the reporting period, including €35.3 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 €269.8 million to gross borrowings as of December 31, 2012.

## 28.2. Breakdown by repayment currency

| *(in € millions)* | 2012 | Non-current borrowings | Current borrowings | % | 2011 | % |
|---|---|---|---|---|---|---|
| EUR | 4,058.8 | 2,602.8 | 1,456.0 | 83.6% | 4,041.5 | 82.1% |
| JPY | 432.2 | 202.7 | 229.5 | 8.9% | 468.6 | 9.5% |
| CHF | 180.7 | 133.7 | 47.0 | 3.7% | 193.0 | 3.9% |
| USD | 96.5 | 43.2 | 53.3 | 2.0% | 93.7 | 1.9% |
| CNY | 39.9 | | 39.9 | 0.8% | 3.4 | 0.1% |
| GBP | 4.4 | 3.0 | 1.4 | 0.1% | 90.2 | 1.8% |
| Other currencies | 41.3 | 3.5 | 37.8 | 0.9% | 31.7 | 0.7% |
| **Total** | **4,853.8** | **2,988.9** | **1,864.9** | | **4,922.1** | |

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)* | 2012 | 2011 |
|---|---|---|
| Bonds | 3,048.3 | 2,539.9 |
| Other bank borrowings | 566.5 | 550.5 |
| Confirmed lines of credit | | |
| Drawdowns on unconfirmed lines of credit | 295.2 | 457.6 |
| Commercial paper | 449.0 | 823.5 |
| Obligations under finance leases | 62.7 | 64.2 |
| Bank overdrafts | 105.9 | 68.4 |
| Other borrowings | 326.2 | 418.0 |
| **Total** | **4,853.8** | **4,922.1** |

Group borrowings primarily consist of bonds, bank borrowings, drawdowns on confirmed lines of credit and commercial paper issues, which account for 90.4% of gross borrowings as of December 31, 2012 (88.0% as of December 31, 2011).

As of December 31, 2012, other borrowings include €215.0 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, 2012.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier* – CSSF) on December 11, 2012. The programme existing as of December 31, 2012 expires on December 11, 2013.

As of December 31, 2012, the bonds issued under this programme totalled €3,100.1 million.

All borrowings benefit from the rating awarded to the PPR group by Standard & Poor's ("BBB" with a stable outlook) and are not subject to any financial covenants.

*(in € millions)*

| Par value | Issue interest rate | Effective interest rate | Issue date | Documented/ non-documented hedge | Maturity | 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| 600.0 (1) | 4.00% fixed | 4.08% & 4.79% | 06/29/2005 & 06/19/2006 | - | 01/29/2013 | **599.7** | 597.2 |
| 200.0 (2) | 6.405% fixed | - | 05/16/2008 | - | 11/16/2012 | | 191.8 |
| 200.0 (3) | 6.536% fixed | - | 05/16/2008 | - | 05/16/2013 | **149.7** | 199.5 |
| 550.1 (4) | 8.625% fixed | 8.86% & 7.86% | 04/03/2009 | - | 04/03/2014 | **550.4** | 551.1 |
| 150.0 (5) | 7.75% fixed | 7.94% | 06/03/2009 | 6-month Euribor floating rate swap for €150 million *Documented under IFRS* | 06/03/2014 | **153.8** | 153.7 |
| 150.0 (6) | 6.50% fixed | 6.57% | 06/29/2009 | - | 06/29/2017 | **149.5** | 149.4 |
| 200.0 (7) | 6.50% fixed | 6.57% | 11/06/2009 | - | 11/06/2017 | **199.3** | 199.2 |
| 750.0 (8) | 3.75% fixed | 3.87% & 3.24% | 04/08/2010 01/26/2012 | - | 04/08/2015 | **751.3** | 498.0 |
| 500.0 (9) | 3.125% fixed | 3.31% | 04/23/2012 | - | 04/23/2019 | **494.6** | |

(1) *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.*

(2) *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, indexed to changes in the PPR share price, was €136.9 million maturing on November 16, 2012.*

(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 €238.2 million and a minimum of €138.2 million, maturing on May 16, 2013.*

(4) *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.*

(5) *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.*

(6) *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.*

(7) *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.*

(8) *Issue price: bond issue, comprised of 500,000 bonds with a par value of €1,000 each under the EMTN programme, issued on April 8, 2010 and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.*
*Redemption: in full on April 8, 2015.*

(9) *Issue price: bond issue on April 23, 2012, comprised of 500,000 bonds with a par value of €1,000 each under the EMTN programme.*
*Redemption: in full on April 23, 2019.*

The bonds issued in 2009, 2010 and 2012 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.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a "step-up coupon" clause that applies in the event that 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 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| 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 the Luxury Division*

*(in € millions)*

| Par value | Issue interest rate | Effective interest rate | Issue date | Documented/ non-documented hedge | Maturity | 2012 | 2011 |
|---|---|---|---|---|---|---|---|
| 37.9 (1) | Floating USD Libor +1.00% | - | 08/08/2003 | - | 08/15/2013 | **3.8** | 7.7 |
| 35.0 (2) | Floating Euribor +0.70% | - | 03/29/2004 | - | 06/30/2014 | **4.1** | 6.7 |
| 48.8 (3) | Floating JPY Tibor +0.65% | - | 11/15/2010 | - | 11/15/2013 | **39.6** | 49.7 |
| 35.2 (4) | Floating JPY Tibor +0.35% | - | 03/31/2011 | - | 03/31/2016 | **24.6** | 35.9 |
| 52.8 (5) | Floating JPY Tibor +0.38% | - | 05/15/2011 | - | 04/15/2014 | **45.8** | 56.7 |
| 35.2 (6) | Floating JPY Tibor +0.45% | - | 12/14/2011 | - | 12/14/2014 | **35.2** | 39.9 |
| 37.4 (7) | Floating JPY Tibor +0.45% | - | 12/14/2011 | - | 09/15/2016 | **29.9** | 42.4 |
| 41.4 (8) | Floating JPY Tibor +0.50% | - | 09/27/2012 | - | 09/28/2015 | **41.4** | |

*(1) Redeemable loan contracted by Gucci America Inc. for USD 50 million (€37.9 million). The outstanding balance on this loan was USD 5 million (€3.8 million) as of December 31, 2012.*

*(2) Loan redeemable as of 2006 initially contracted for €35 million.*

*(3) Redeemable loan contracted in November 2010 for JPY 5,540 million (€48.8 million). The outstanding balance on this loan was JPY 4,500 million (€39.6 million) as of December 31, 2012.*

*(4) Redeemable loan contracted in March 2011 for JPY 4,000 million (€35.2 million). The outstanding balance on this loan was JPY 2,800 million (€24.6 million) as of December 31, 2012.*

*(5) Redeemable loan contracted in May 2011 for JPY 6,000 million (€52.8 million). The outstanding balance on this loan was JPY 5,200 million (€45.8 million) as of December 31, 2012.*

*(6) Loan contracted in December 2011 for JPY 4,000 (€35.2 million).*

*(7) Redeemable loan contracted in December 2011 for JPY 4,250 million (€37.4 million). The outstanding balance on this loan was JPY 3,400 million (€29.9 million) as of December 31, 2012.*

*(8) Redeemable loan contracted in September 2012 for JPY 4,700 million (€41.4 million). The outstanding balance on this loan was JPY 4,700 million (€41.4 million) as of December 31, 2012.*

### 28.5.2. Confirmed lines of credit available to the Group

As of December 31, 2012, the Group had access to €4,431.6 million in confirmed lines of credit (versus €4,551.0 million as of December 31, 2011).

### 28.5.3. Breakdown of confirmed lines of credit

**PPR and PPR Finance SNC:** €3,811.0 million breaking down by maturity as follows:

| *(in € millions)* | 2012 | Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| Confirmed lines of credit | **3,811.0** | 100.0 | 3,711.0 | | **3,901.0** |

The confirmed lines of credit include a syndicated line for €2.5 billion set up on January 14, 2011 and maturing in January 2016.

As of December 31, 2012, 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, 2012 amounted to €3,811.0 million.

**Other confirmed lines** of credit: €620.6 million breaking down by maturity as follows:

| *(in € millions)* | 2012 | Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| Redcats (1) | 372.7 | 270.0 | 102.7 | | 380.9 |
| PUMA (2) | 247.9 | 247.9 | | | 253.6 |
| Volcom | | | | | 15.5 |
| | **620.6** | 517.9 | 102.7 | | **650.0** |

*(1) Redcats: including €270 million, USD 48.7 million (€36.9 million) and SEK 565 million (€65.8 million). As of December 31, 2012, Redcats had drawn down a total of €307.5 million.*

*(2) PUMA: including €35.3 million drawn down in the form of bank borrowings at the end of December 2012.*

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, 2012, PPR and PPR Finance SNC had not drawn down any of the €3,811.0 million available under confirmed lines of credit subject to this covenant.

The Group was in compliance with all these covenants as of December 31, 2012 and there is no foreseeable risk of breach.

The Group has access to confirmed lines of credit totalling €4,058.9 million (excluding facilities available to Redcats).

The undrawn balance on these confirmed lines of credit as of December 31, 2012 was €4,023.6 million (€4,135.0 million as of December 31, 2011).

The undrawn confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €449.0 million remained outstanding as of December 31, 2012 (€823.5 million as of December 31, 2011).

# 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, 2012 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)* | 2012 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | Beyond | 2011 |
|---|---|---|---|---|---|---|---|---|
| Swaps: fixed-rate lender | 431.9 | 281.9 | 150.0 | | | | | 150.0 |
| Swaps: fixed-rate borrower | | | | | | | | 150.0 |
| Other interest rate instruments (1) | 152.5 | | 152.5 | | | | | 152.5 |
| **Total** | **584.4** | **281.9** | **302.5** | | | | | **452.5** |

*(1) Including floating/floating rate swaps.*

As part of the Group's interest rate hedging strategy, these instruments are primarily designed to:

- convert fixed-rate bonds into floating-rate debt: the Group has entered into interest rate swaps as a fixed-rate lender in an amount of €150 million to hedge PPR bond issues;
- convert fixed-rate negotiable debt securities, borrowings and credit-line drawdowns into floating-rate debt: the Group has entered into interest rate swaps as a fixed-rate lender in an amount of €281.9 million.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2012, documented and non-documented financial instruments can be analysed as follows:

| *(in € millions)* | 2012 | Fair value hedges | Cash flow hedges | Non-documented hedges |
|---|---|---|---|---|
| Swaps: fixed-rate lender | 431.9 | 150.0 | | 281.9 |
| Other interest rate instruments | 152.5 | | | 152.5 |
| **Total** | **584.4** | **150.0** | | **434.4** |

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, 2012, 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.

The Group had no cash flow hedges as of December 31, 2012.

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, 2012, 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)* | 2012 | 2012 maturities: Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| **Fixed-rate financial assets** | **252.3** | 240.8 | 10.6 | 0.9 | **346.8** |
| Bonds | 3,048.3 | 749.4 | 1,804.3 | 494.6 | 2,539.9 |
| Commercial paper | 312.0 | 312.0 | | | 821.5 |
| Other borrowings | 8.1 | 2.8 | 3.7 | 1.6 | 108.9 |
| **Fixed-rate financial liabilities** | **3,368.4** | 1,064.2 | 1,808.0 | 496.2 | **3,470.3** |

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

| *(in € millions)* | 2012 | 2012 maturities: Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| **Floating-rate financial assets** | **1,924.5** | 1,908.5 | 16.0 | | **1,023.4** |
| Bonds | | | | | |
| Commercial paper | 137.0 | 137.0 | | | 2.0 |
| Other borrowings | 1,348.4 | 663.7 | 403.5 | 281.2 | 1,449.8 |
| **Floating-rate financial liabilities** | **1,485.4** | 800.7 | 403.5 | 281.2 | **1,451.8** |

The Group's exposure to interest rate risk **after the impact of hedging** is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk after hedging:

| *(in € millions)* | 2012 | 2012 maturities: Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| **Fixed-rate financial assets** | **252.3** | 240.8 | 10.6 | 0.9 | **346.8** |
| Bonds | 2,894.5 | 749.4 | 1,650.5 | 494.6 | 2,386.2 |
| Commercial paper | 30.1 | 30.1 | | | 821.5 |
| Other borrowings | 8.1 | 2.8 | 3.7 | 1.6 | 258.9 |
| **Fixed-rate financial liabilities** | **2,932.7** | 782.3 | 1,654.2 | 496.2 | **3,466.6** |

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

| *(in € millions)* | 2012 | 2012 maturities: Less than one year | One to five years | More than five years | 2011 |
|---|---|---|---|---|---|
| **Floating-rate financial assets** | **1,924.5** | 1,908.5 | 16.0 | | **1,023.4** |
| Bonds | 153.7 | | 153.7 | | 153.7 |
| Commercial paper | 419.0 | 419.0 | | | 2.0 |
| Other borrowings | 1,348.4 | 663.7 | 403.5 | 281.2 | 1,299.8 |
| **Floating-rate financial liabilities** | **1,921.1** | 1,082.7 | 557.2 | 281.2 | **1,455.5** |

Financial assets and liabilities consist of interest-bearing items recorded in the statement of financial position.

The breakdown of gross borrowings by type of interest rate before and after hedging transactions is as follows:

| *(in € millions)* | 2012 | Before hedging | | After hedging | |
|---|---|---|---|---|---|
| | | Fixed-rate | Floating-rate | Fixed-rate | Floating-rate |
| **Gross borrowings** | **4,853.8** | **3,368.4** | **1,485.4** | **2,932.7** | **1,921.1** |
| % | | 69.4% | 30.6% | 60.4% | 39.6% |

| *(in € millions)* | 2011 | Before hedging | | After hedging | |
|---|---|---|---|---|---|
| | | 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% |

### 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 €2.7 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, 2012. As of December 31, 2011, the impact of a sudden 50 basis point increase or decrease in interest rates was estimated at €5.8 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, 2012.

| *(in € millions)* | Impact on reserves | Impact on income |
|---|---|---|
| **As of December 31, 2012** | | |
| Increase of 50 basis points | | 0.4 |
| Decrease of 50 basis points | | (0.5) |
| **As of December 31, 2011** | | |
| Increase of 50 basis points | | 2.9 |
| Decrease of 50 basis points | | (3.3) |

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)* | 2012 | 2011 |
|---|---|---|
| Currency forwards and currency swaps | (1,565.8) | (1,251.2) |
| Currency options – export tunnels | (244.0) | (594.7) |
| Currency options – purchases | 130.3 | 172.4 |
| Currency options – sales | (71.4) | (79.9) |
| **Total** | **(1,750.9)** | **(1,753.4)** |

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, 2012, documented and non-documented derivative instruments were as follows:

| *(in € millions)* | 2012 | EUR | USD | JPY |
|---|---|---|---|---|
| **Cash flow hedges** | | | | |
| Forward purchases and forward purchase swaps | **962.3** | 2.3 | 940.8 | |
| Forward sales and forward sale swaps | **(1,583.3)** | (35.0) | (571.7) | |
| Currency options – purchases of export tunnels | **(244.0)** | | | (244.0) |
| **Fair value hedges** | | | | |
| Forward purchases and forward purchase swaps | **268.0** | 2.4 | 88.5 | 37.2 |
| Forward sales and forward sale swaps | **(834.2)** | (16.5) | (138.9) | (66.5) |
| **Not documented** | | | | |
| Forward purchases and forward purchase swaps | **330.2** | | 112.3 | 45.7 |
| Forward sales and forward sale swaps | **(708.8)** | (35.3) | (591.5) | |
| Currency options – purchases | **130.3** | | 129.7 | |
| Currency options – sales | **(71.4)** | (17.0) | (9.9) | |
| **Maturity** | | | | |
| **Less than one year** | | | | |
| Forward purchases and forward purchase swaps | **1,535.4** | 4.6 | 1,116.6 | 82.9 |
| Forward sales and forward sale swaps | **(3,095.4)** | (86.8) | (1,302.1) | (66.5) |
| Currency options – purchases of export tunnels | **(228.2)** | | | (228.2) |
| Currency options – purchases | **130.3** | | 129.7 | |
| Currency options – sales | **(71.4)** | (17.0) | (9.9) | |
| **More than one year** | | | | |
| Forward purchases and forward purchase swaps | **25.1** | 0.1 | 25.0 | |
| Forward sales and forward sale swaps | **(30.9)** | | | |
| Currency options – purchases of export tunnels | **(15.8)** | | | (15.8) |
| 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, 2012, 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 | 2011 |
|---|---|---|---|---|---|---|---|
| 4.3 | 1.7 | | 6.4 | | | 6.8 | **1,081.4** |
| (136.6) | (36.3) | (42.0) | (261.3) | (246.3) | (103.4) | (150.7) | **(1,306.5)** |
| | | | | | | | **(594.7)** |
| 16.4 | 17.2 | | 31.3 | 34.1 | 12.2 | 28.7 | **253.8** |
| (96.2) | (118.0) | | (85.1) | (186.4) | (19.4) | (107.2) | **(786.1)** |
| 96.6 | 46.2 | | 24.0 | | | 5.4 | **159.9** |
| | (26.9) | (43.2) | | | | (11.9) | **(653.7)** |
| | | | | | | 0.6 | **172.4** |
| (13.8) | (11.3) | (9.4) | | | | (10.0) | **(79.9)** |
| 117.3 | 65.1 | | 61.7 | 34.1 | 12.2 | 40.9 | **1,483.5** |
| (228.6) | (177.9) | (85.2) | (346.4) | (420.5) | (117.1) | (264.3) | **(2,734.3)** |
| | | | | | | | **(567.8)** |
| | | | | | | 0.6 | **172.4** |
| (13.8) | (11.3) | (9.4) | | | | (10.0) | **(79.9)** |
| | | | | | | | **11.6** |
| (4.2) | (3.3) | | | (12.2) | (5.7) | (5.5) | **(12.0)** |
| | | | | | | | **(26.9)** |

As of December 31, 2012, the exposure to foreign exchange risk on the statement of financial position was as follows:

| *(in € millions)* | 2012 | EUR | USD | JPY |
|---|---|---|---|---|
| Monetary assets | **2,340.6** | 17.8 | 949.2 | 144.8 |
| Monetary liabilities | **1,225.2** | 2.7 | 366.9 | 441.2 |
| Gross exposure in the statement of financial position | 1,115.4 | 15.1 | 582.3 | (296.4) |
| Forecast gross exposure | 831.5 | 42.0 | (429.5) | 243.8 |
| **Gross exposure before hedging** | **1,946.9** | **57.1** | **152.8** | **(52.6)** |
| Hedging instruments | (1,835.3) | (63.8) | (21.8) | (273.3) |
| **Gross exposure after hedging** | **111.6** | **(6.7)** | **131.0** | **(325.9)** |

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, 2012 | Impact on reserves | | Impact on income | |
|---|---|---|---|---|
| *(in € millions)* | 10% increase | 10% decrease | 10% increase | 10% decrease |
| USD | (33.6) | 41.0 | (1.7) | 8.4 |
| JPY | 22.2 | (26.6) | (0.2) | (0.1) |
| CNY | 22.4 | (27.4) | (0.4) | 0.4 |

| 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 |

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, 2012, 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 | 2011 |
|---|---|---|---|---|---|---|---|
| 139.1 | 201.0 | 1.1 | 100.7 | 213.6 | 37.5 | 535.8 | **2,342.3** |
| 9.2 | 185.9 | 0.6 | 3.9 | 52.4 | 0.3 | 162.1 | **1,632.1** |
| 129.9 | 15.1 | 0.5 | 96.8 | 161.2 | 37.2 | 373.7 | 710.2 |
| 137.3 | 37.1 | 46.8 | 255.6 | 246.3 | 103.3 | 148.8 | 865.2 |
| **267.2** | **52.2** | **47.3** | **352.4** | **407.5** | **140.5** | **522.5** | **1,575.4** |
| (225.9) | (173.5) | (51.4) | (284.7) | (398.6) | (110.5) | (231.8) | (1,662.0) |
| **41.3** | **(121.3)** | **(4.1)** | **67.7** | **8.9** | **30.0** | **290.7** | **(86.6)** |

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 €4.2 million on the Group's pre-tax consolidated income and would result in a €4.2 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 €9.5 million on the Group's pre-tax consolidated income and would result in a €9.5 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, 2012, the value of indexed bond issues includes an adjustment of €2.3 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 not have a material impact on the market value of indexed bond issues or on the finance cost for the year. Similarly, an increase of 10% in PPR's issuer spread would not have a material impact on the market value of indexed bond issues or on the finance cost for the year.

All bonds issued in 2009 and 2010 within the scope of the EMTN programme, including the additional bonds issued in January 2012 for the April 2010 bond issue, are subject to a "step-up coupon" clause in the event that 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 €22.5 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, 2012, 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.

The fair value of foreign exchange derivatives is recognised in other current financial assets or liabilities.

| *(in € millions)* | 2012 | Interest rate risk | Foreign exchange risk | Other market risks | 2011 |
|---|---|---|---|---|---|
| **Derivative assets** | **89.6** | **12.4** | **77.2** | | **45.0** |
| **Non-current** | **12.4** | **12.4** | | | **13.3** |
| At fair value through income | 1.1 | 1.1 | | | 1.9 |
| Cash flow hedges | | | | | |
| Fair value hedges | 11.3 | 11.3 | | | 11.4 |
| **Current** | **77.2** | | **77.2** | | **31.7** |
| At fair value through income | 5.5 | | 5.5 | | 2.5 |
| Cash flow hedges | 66.2 | | 66.2 | | 29.2 |
| Fair value hedges | 5.5 | | 5.5 | | |
| **Derivative liabilities** | **18.7** | | **18.7** | | **130.8** |
| **Non-current** | | | | | |
| At fair value through income | | | | | |
| Cash flow hedges | | | | | |
| Fair value hedges | | | | | |
| **Current** | **18.7** | | **18.7** | | **130.8** |
| At fair value through income | 2.4 | | 2.4 | | 21.0 |
| Cash flow hedges | 16.3 | | 16.3 | | 104.1 |
| Fair value hedges | | | | | 5.7 |
| **Total** | **70.9** | **12.4** | **58.5** | | **(85.8)** |

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 €11.3 million as of December 31, 2012 and €11.4 million as of December 31, 2011.

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2012 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 (excluding facilities available to Redcats) totalling €4,058.9 million. As of December 31, 2012, this includes an amount of €4,023.6 million not yet drawn and available cash of €2,081.0 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 €2,081.0 million and €985.3 million, respectively, as of December 31, 2012.

| *(in € millions)* | 2012 | | | | |
|---|---|---|---|---|---|
| | Carrying amount | Cash flow | Less than one year | One to five years | More than five years |
| **Non-derivative financial instruments** | | | | | |
| Bonds | 3,048.3 | (3,038.3) | (738.2) | (1,800.1) | (500.0) |
| Commercial paper | 449.0 | (449.0) | (449.0) | | |
| Other borrowings | 1,356.5 | (1,753.2) | (730.3) | (697.3) | (325.6) |
| Trade payables | 684.5 | (684.5) | (684.5) | | |
| Other non-derivative financial instruments associated with assets classified as held for sale or for distribution to owners | 1,484.8 | (1,493.7) | (1,393.6) | (100.1) | |
| **Derivative financial instruments** | | | | | |
| **Interest rate hedges** | **(12.4)** | | | | |
| Interest rate swaps | | 12.6 | 4.5 | 8.1 | |
| Other interest rate instruments | | | | | |
| **Foreign exchange hedges** | **(58.5)** | | | | |
| Currency forwards and currency swaps | | | | | |
| Outflows | | (3,990.2) | (3,953.4) | (36.8) | |
| Inflows | | 4,004.5 | 3,968.8 | 35.7 | |
| Other foreign exchange instruments | | | | | |
| Outflows | | (320.1) | (304.3) | (15.8) | |
| Inflows | | 349.2 | 331.6 | 17.6 | |
| **Total** | **6,952.2** | **(7,362.7)** | **(3,948.4)** | **(2,588.7)** | **(825.6)** |

| *(in € millions)* | 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 or for distribution to owners | 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)** |

# 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, 2012 are presented below:

| *(in € millions)* | 2012 | | 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 | 273.7 | 273.7 | | 64.2 | 197.1 | | 11.3 | 1.1 |
| **Current assets** | | | | | | | | |
| Trade receivables | 985.3 | 985.3 | | | | 985.3 | | |
| Customer loans | | | | | | | | |
| Other current financial assets | 87.0 | 87.0 | | | 9.8 | | 71.7 | 5.5 |
| Cash and cash equivalents | 2,081.0 | 2,081.0 | 848.5 | | | 1,232.5 | | |
| **Non-current liabilities** | | | | | | | | |
| Non-current borrowings | 2,988.9 | 3,225.2 | | | | 2,988.9 | | |
| **Current liabilities** | | | | | | | | |
| Current borrowings | 1,595.1 | 1,596.7 | 149.7 | | | 1,445.4 | | |
| Financing of customer loans | | | | | | | | |
| Other current financial liabilities | 207.9 | 207.9 | | | | 189.2 | 16.3 | 2.4 |
| Trade payables | 684.5 | 684.5 | | | | 684.5 | | |

| *(in € millions)* | 2011 | | 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 | 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 | | |

As of December 31, 2012, 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, 2012 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 future 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 as of 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, 2012:

| *(in € millions)* | Fair value hierarchy | | | 2012 |
|---|---|---|---|---|
| | Market price = Level 1 | Models based on observable inputs = Level 2 | Models based on non-observable inputs = Level 3 | |
| **Non-current assets** | | | | |
| Non-current financial assets | 10.3 | 12.4 | | 22.7 |
| **Current assets** | | | | |
| Trade receivables | | | | |
| Customer loans | | | | |
| Other current financial assets | | 77.2 | | 77.2 |
| Cash and cash equivalents | 619.4 | 229.1 | | 848.5 |
| **Non-current liabilities** | | | | |
| Non-current borrowings | | | | |
| **Current liabilities** | | | | |
| Current borrowings | | 149.7 | | 149.7 |
| Financing of customer loans | | | | |
| Other current financial liabilities | | 18.7 | | 18.7 |
| Trade payables | | | | |

| *(in € millions)* | Fair value hierarchy | | | 2011 |
|---|---|---|---|---|
| | Market price = Level 1 | Models based on observable inputs = Level 2 | Models based on non-observable inputs = Level 3 | |
| **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 | | | | |

# NOTE 31 NET DEBT

Group net debt breaks down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Gross borrowings excluding the financing of customer loans | 4,584.0 | 4,677.6 |
| Fair value hedges (interest rate) | (11.3) | (11.4) |
| Cash and cash equivalents | (2,081.0) | (1,270.7) |
| **Net debt** | **2,491.7** | **3,395.5** |

# NOTE 32 STATEMENT OF CASH FLOWS

Cash and cash equivalents net of bank overdrafts amounted to €1,975.1 million as of December 31, 2012, reflecting total cash and cash equivalents presented in the statement of cash flows.

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Cash and cash equivalents as reported in the statement of financial position** | **2,081.0** | **1,270.7** |
| Bank overdrafts | (105.9) | (68.4) |
| **Cash and cash equivalents as reported in the statement of cash flows** | **1,975.1** | **1,202.3** |

## 32.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Net income from continuing operations** | **1,357.9** | **1,027.5** |
| Net recurring charges to depreciation, amortisation and provisions on non-current operating assets | 275.1 | 238.0 |
| Expenses relating to share-based payment | 7.5 | 11.4 |
| Impairment losses on non-current operating assets | 53.6 | 7.1 |
| Gains/(losses) on asset disposals, net of tax | (233.4) | (5.9) |
| Income/(expenses) in respect of fair value movements | (51.2) | (3.6) |
| Deferred tax | (68.6) | (79.8) |
| Share in earnings of associates | (36.9) | (46.6) |
| Dividends received from associates | 22.6 | 21.6 |
| Other non-cash income and expenses | 150.0 | (51.1) |
| **Cash flow from operating activities** | **1,476.6** | **1,118.6** |

## 32.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €441.9 million in 2012 (€252.3 million in 2011).

### 32.3. Acquisitions and disposals of subsidiaries

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Acquisitions of subsidiaries, net of cash acquired | (219.3) | (435.7) |
| Proceeds from disposals of subsidiaries and associates, net of cash transferred | 916.5 | 1,171.0 |
| **Total** | **697.2** | **735.3** |

In 2012, acquisitions of subsidiaries mainly concerned Brioni (see Note 3.1.1). Proceeds from disposals of subsidiaries related mainly to the sale of the residual interest in Cfao in second-half 2012 (see Note 3.1.2).

In 2011, acquisitions of subsidiaries mainly concerned Volcom Inc. and Sowind Group, while proceeds from the disposal of subsidiaries essentially included the amount collected on the sale of shares in 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. Increase/decrease in share capital and other transactions with owners

In 2012, transactions with owners mainly concern (i) PPR and PUMA's acquisition of PUMA shares, bringing the Group's interest to nearly 83% as of December 31, 2012; and (ii) the acquisition by PUMA of additional shares in its subsidiaries, as well as the acquisition by PPR of shares in Gucci Group NV held by non-controlling interests within the scope of a squeeze-out procedure (see Note 33.1).

### 32.5. Treasury share transactions

In 2012, the impact of acquisitions and disposals of treasury shares resulted from (see Note 24.1):

- the acquisition of 1,027,556 shares and the disposal of 1,027,556 shares held under the liquidity agreement, resulting in a net inflow of €0.4 million;
- the disposal of 79,376 shares following the exercise of stock purchase options under the 2006 and 2007 stock purchase option plans for €9.0 million;
- the acquisition of 75,000 shares in connection with future subscriptions under the 2006 and 2007 stock purchase option plans for €9.9 million;
- the cancellation of 1,030,967 shares with no impact on cash;
- the acquisition of 115,000 shares in connection with 2008 and 2010 free share plans for €14.4 million.

In 2011, the impact of acquisitions and disposals of treasury shares resulted from:

- 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.

### 32.6. Debt issues and redemptions

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Bond issues | 676.5 | 159.0 |
| Bond redemptions | (138.7) | (1,236.2) |
| Increase/decrease in other borrowings | (565.9) | 448.2 |
| **Total** | **(28.1)** | **(629.0)** |

Debt issues primarily concerned the issuance in January 2012 of €250 million of additional bonds in connection with the bond maturing in April 2015, bringing the total amount of the issue to €750 million; and the issuance on April 23, 2012 of a new €500 million, 3.125% fixed-rate bond maturing in April 2019.

Bond redemptions mainly concerned the repayment of the first tranche of the May 2008 bond issue indexed to changes in the PPR share price, which fell due on November 16, 2012.

Changes in other borrowings include issues and redemptions of PPR Finance 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.

In a judgement handed down on July 10, 2012 in the context of a squeeze-out bid initiated in respect of the minority shareholders in Gucci Group NV, the Enterprise Chamber of the Amsterdam Court of Appeal ordered the transfer of all of the Gucci Group NV shares held by the minority shareholders to PPR SA. This transfer was completed on August 22, 2012.

## 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**<br>Sale of Guilbert Contract to Office Depot | Tax warranties covering periods not yet time barred. |
| **June 2003**<br>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**<br>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**<br>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. |
| **December 2012**<br>Sale of The Sportsman's Guide and The Golf Warehouse | PPR made customary representations and warranties. Generally, representations and warranties survive until December 14, 2013, except (i) certain fundamental representations (including with respect to organization, capitalization and authority) survive indefinitely and (ii) representations with respect to employment and benefit plans terminate six months after the applicable statute of limitations. PPR's liability for breaches of the representations and warranties is generally capped at USD 21.5m. |

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.

| *(in € millions)* | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Less than one year | One to five years | More than five years | 2012 | 2011 |
| Non-current borrowings (see Note 28) | 1,864.9 | 2,211.5 | 777.4 | 4,853.8 | 4,922.1 |
| Operating lease agreements | 569.8 | 1,316.3 | 623.6 | 2,509.7 | 2,422.5 |
| Binding purchase commitments | 119.1 | 58.0 | | 177.1 | 143.6 |
| **Total commitments given** | **2,553.8** | **3,585.8** | **1,401.0** | **7,540.6** | **7,488.2** |
| **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, 2012, total future minimum lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €3.3 million (€15.6 million as of December 31, 2011).

The 2012 rental charge in respect of minimum lease payments amounted to €622.0 million (€589.0 million in 2011), and the charge for contingent payments was €327.6 million (€270.0 million in 2011), based on actual revenue.

Sub-lease revenue totalled €3.5 million in 2012 (€4.6 million in 2011).

#### *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)* | 2012 | 2011 |
|---|---|---|
| Less than one year | 9.2 | 8.9 |
| One to five years | 31.9 | 30.3 |
| More than five years | 52.6 | 59.8 |
| | **93.7** | **99.0** |
| Finance costs included | (28.7) | (33.0) |
| **Present value of future minimum lease payments** | **65.0** | **66.0** |

As of December 31, 2012, 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, 2012 | Statement of financial position total (carrying amount) | Corresponding % | Amount of assets pledged as of Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Intangible assets | | | | 10,489.9 | | |
| Property, plant and equipment | 08/09/2004 | 03/28/2018 | 307.2 | 1,376.3 | 22.3% | 198.5 |
| Non-current financial assets | | | | 273.7 | | |
| **Total non-current assets pledged as collateral** | | | **307.2** | **12,139.9** | **2.5%** | **198.5** |

### 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 1.6 million training hours as of December 31, 2012 and 1.5 million hours as of December 31, 2011.

### 33.3.4. Other commitments

Other commitments break down as follows:

| *(in € millions)* | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Less than one year | One to five years | More than five years | 2012 | 2011 |
| Confirmed lines of credit (see Note 28) | 617.9 | 3,813.7 | | 4,431.6 | 4,551.0 |
| Letters of credit | 7.8 | 7.3 | | 15.1 | 25.6 |
| Other guarantees received | 42.8 | 1.8 | 1.1 | 45.7 | 22.1 |
| **Total commitments received** | **668.5** | **3,822.8** | **1.1** | **4,492.4** | **4,598.7** |
| Guarantees given to banks responsible for cash pooling arrangements | 4.5 | | 19.1 | 23.6 | 4.2 |
| Rent guarantees, property guarantees | 14.0 | 15.0 | 23.5 | 52.5 | 45.0 |
| Sponsoring and advertising commitments | 86.8 | 193.4 | 44.1 | 324.3 | 416.7 |
| Other commitments | 93.8 | 21.4 | 25.6 | 140.8 | 115.6 |
| **Total commitments given** | **199.1** | **229.8** | **112.3** | **541.2** | **581.5** |

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 had 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 had been in progress since December 2011 further to prior arbitration proceedings that gave rise to an award, which was cancelled by the

Madrid Court in June 2011, at the request of PUMA SE. A ruling was handed down on December 7, 2012 ordering PUMA SE to pay €42 million to Estudio 2000. This includes an indemnity for loss of clientele of €17 million recognised in assets and €25 million in damages recognised in non-recurring operating income in 2012.

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, 2012, the Artémis group held 40.9% of PPR's share capital and 56.5% of its voting rights.

The main transactions carried out between PPR's consolidated companies and Artémis in 2012 are described below:

- payment of the 2011 dividend totalling €180.7 million (€180.7 million in 2010);
- recognition of fees totalling €2.2 million (€3.6 million in 2011) 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)* | 2012 | 2011 |
|---|---|---|
| Trade receivables | 1.6 | 1.8 |
| Sales of goods and services | 17.9 | 16.5 |

## 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)* | 2012 | 2011 |
|---|---|---|
| Short-term benefits | 24.7 | 22.7 |
| Payroll taxes | 6.1 | NC |
| Post-employment benefits | 0.6 | 1.0 |
| Other long-term benefits | 1.0 | 0.3 |
| Termination indemnities | 4.3 | 3.8 |
| Share-based payment | 6.5 | 6.7 |
| **Total** | **43.2** | **34.5** |

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.

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. PPR continues its divestment of the Redcats group

On January 3, 2013, PPR announced that it had received a firm offer from Alpha Private Equity Fund 6 ("APEF 6") to acquire Redcats' Children and Family division – comprising the Cyrillus and Vertbaudet brands – for an enterprise value of €119 million. On that basis, PPR has entered into exclusive negotiations with APEF 6 for the purposes of completing the transaction. The transaction, which is still subject to informing and consulting with employee representative bodies and to approval of the competition authorities, should be finalised in the coming months.

On February 5, 2013, PPR finalised the sale of OneStopPlus, Redcats' US-based subsidiary specialising in large size clothing through both mail order and online channels.

## 35.2. PPR strengthens its portfolio of luxury brands by acquiring Qeelin and Christopher Kane

On December 10, 2012, PPR announced that it had acquired a majority stake in the Chinese fine jewellery brand Qeelin, and the transaction was completed in early January 2013.

Launched in 2004, Qeelin is the first Chinese luxury jeweller to have developed an international network of boutiques in the most prestigious shopping districts worldwide. It currently operates 14 boutiques (seven in Mainland China, four in Hong Kong and three in Europe) and is listed in a number of multi-brand stores such as Colette in Paris and Restir in Tokyo. By acquiring a majority stake in Qeelin, PPR has enhanced its portfolio of luxury brands in the jewellery segment and strengthened its presence in the Chinese market.

On January 15, 2013, PPR acquired a majority stake in the luxury designer brand Christopher Kane with a view to developing the brand's business in close partnership with its eponymous creator, the Scottish designer Christopher Kane. Founded in 2006, Christopher Kane is a distinctive and exciting brand with a unique DNA.

By acquiring these two brands – which both have strong organic growth potential – PPR is expanding its portfolio while continuing its strategy of promoting new creative talent.

# NOTE 36 LIST OF CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2012

Details of Group subsidiaries are provided below.

Consolidation method: Full consolidation: F

Equity method: E

| Company | % interest Dec. 31, 2012 | | % interest Dec. 31, 2011 | |
|---|---|---|---|---|
| **PPR** | **Parent company** | | | |
| **LUXURY DIVISION** | | | | |
| **France** | | | | |
| ARCADES PONTHIEU | F | 95.00 | Creation | |
| BALENCIAGA SA | 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 | Merger | | F | 100.00 |
| BRIONI FRANCE SA | F | 100.00 | Acquisition | |
| 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 (1) | F | 50.00 | F | 50.00 |
| STELLA McCARTNEY FRANCE SAS | F | 50.00 | 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 MAXIMILANSTRASSE GmbH | Merger | | F | 100.00 |

| Company | % interest Dec. 31, 2012 | | % interest Dec. 31, 2011 | |
|---|---|---|---|---|
| TRADEMA GmbH | F | 50.00 | F | 50.00 |
| YVES SAINT LAURENT GERMANY GmbH | F | 100.00 | F | 100.00 |
| **Austria** | | | | |
| GUCCI AUSTRIA GmbH | F | 100.00 | F | 100.00 |
| YVES SAINT LAURENT GERMANY GmbH | F | 100.00 | Creation | |
| **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 |
| **Spain** | | | | |
| BOTTEGA VENETA ESPANA SL | F | 100.00 | F | 100.00 |
| BRIONI RETAIL SPAGNA SRL | F | 100.00 | Acquisition | |
| 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 |
| STELLA McCARTNEY SPAIN SL | F | 50.00 | Creation | |
| YVES SAINT LAURENT SPAIN SA | F | 100.00 | F | 100.00 |
| **United Kingdom** | | | | |
| ALEXANDER McQUEEN TRADING Ltd | F | 100.00 | F | 100.00 |
| AUTUMNPAPER Limited | F | 100.00 | F | 100.00 |
| BALENCIAGA UK Ltd | F | 100.00 | F | 100.00 |
| BIRDSWAN SOLUTIONS Ltd | 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 |
| BRIONI UK Ltd | F | 100.00 | Acquisition | |
| 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 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| SOWIND UK Ltd (1) | Liquidation | | F | 50.00 |
| STELLA McCARTNEY Limited | F | 50.00 | F | 100.00 |
| YVES SAINT LAURENT UK Ltd | F | 100.00 | F | 100.00 |
| **Greece** | | | | |
| LUXURY GOODS GREECE AE | F | 94.75 | F | 51.00 |
| **Hungary** | | | | |
| GUCCI Hungary KFT | F | 100.00 | F | 100.00 |
| **Ireland** | | | | |
| GUCCI IRELAND Limited | F | 100.00 | F | 100.00 |
| **Italy** | | | | |
| ALTO VICENTINO PELLETTERIE Srl | F | 100.00 | Creation | |
| ARDORA Srl | F | 100.00 | Acquisition | |
| BRIONI SpA | F | 100.00 | Acquisition | |
| BRIONI OUTLET Srl | F | 100.00 | Acquisition | |
| BRIONI RETAIL Srl | F | 100.00 | Acquisition | |
| BRIONI RETAIL EUROPA Srl | F | 100.00 | Acquisition | |
| BRIONI RETAIL ITALIA Srl | F | 100.00 | Acquisition | |
| BURINI Srl | F | 100.00 | Acquisition | |
| 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 |
| BOTTEGA VENETA 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 |
| 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 |
| E_LITE SRL (1) | F | 51.00 | Creation | |
| GARPE Srl (1) | F | 100.00 | F | 100.00 |
| 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 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| 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 | F | 51.00 |
| PIGINI Srl (1) | F | 100.00 | F | 100.00 |
| REGAIN 1957 Srl (1) | F | 100.00 | F | 100.00 |
| ROMAN MODE Srl | F | 100.00 | Acquisition | |
| ROMAN STYLE SpA | F | 100.00 | Acquisition | |
| 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 |
| SFORZA Srl | F | 100.00 | Acquisition | |
| SOWIND ITALIA Srl | F | 50.00 | F | 50.00 |
| STELLA McCARTNEY ITALIA Srl | F | 50.00 | F | 100.00 |
| TIGER FLEX Srl (1) | F | 100.00 | F | 100.00 |
| TRAMOR Srl | F | 100.00 | F | 100.00 |
| 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 |
| G OPERATIONS BV | F | 100.00 | Creation | |
| OLIMA BV | F | 100.00 | F | 100.00 |
| **Czech Republic** | | | | |
| BRIONI PRAGUE SRO | F | 100.00 | Acquisition | |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| LUXURY GOODS CZECH REPUBLIC SRO | F | 100.00 | F | 100.00 |
| **Switzerland** | | | | |
| BOUCHERON (SUISSE) SA | F | 100.00 | F | 100.00 |
| BRIONI SWITZERLAND SA | F | 100.00 | Acquisition | |
| 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 (1) | F | 50.00 | F | 50.00 |
| SOWIND SA (1) | F | 50.00 | F | 50.00 |
| **Sweden** | | | | |
| GUCCI SWEDEN AB | F | 100.00 | F | 100.00 |
| **Brazil** | | | | |
| BOTTEGA VENETA HOLDING Ltda | F | 100.00 | F | 100.00 |
| GUCCI BRAZIL 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. | Liquidation | | F | 100.00 |
| LUXURY TIMEPIECES (CANADA) Inc. | Liquidation | | F | 100.00 |
| **United States** | | | | |
| BALENCIAGA AMERICA Inc. | 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 |
| BRIONI RETAIL ASPEN Inc. | F | 100.00 | Acquisition | |
| BRIONI RETAIL BAL HARBOUR LLC | F | 100.00 | Acquisition | |
| BRIONI RETAIL BEVERLY HILLS Inc. | F | 100.00 | Acquisition | |
| BRIONI RETAIL HOLDING Inc. | F | 100.00 | Acquisition | |
| BRIONI RETAIL NEW YORK Inc. | F | 100.00 | Acquisition | |
| BRIONI ROMAN STYLE USA CORPORATION Ltd | F | 100.00 | Acquisition | |
| BRIONI STORE LLC | F | 100.00 | Acquisition | |
| B/W CLOTHIERS LLC | F | 100.00 | Acquisition | |
| E_LITE US Inc. (1) | F | 51.00 | Creation | |
| 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 |
| ROMAN LOOK Ltd | F | 100.00 | Acquisition | |
| SERGIO ROSSI USA Inc. | F | 100.00 | F | 100.00 |
| STELLA McCARTNEY AMERICA Inc. | F | 50.00 | F | 100.00 |
| TRADEMA OF AMERICA Inc. (1) | F | 50.00 | F | 50.00 |
| 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 | F | 100.00 |
| 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 | 100.00 | F | 51.00 |
| ALEXANDER McQUEEN (SHANGAI) TRADING Limited | F | 100.00 | 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 SHANGAI COMMERCIAL ENTERPRISE | F | 100.00 | F | 100.00 |
| BOUCHERON HONG KONG Limited | F | 100.00 | Creation | |
| BRIONI HONG KONG Ltd | F | 100.00 | Creation | |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| GUCCI (CHINA) TRADING Ltd | F | 100.00 | F | 100.00 |
| PPR 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 (SHANGAI) ENTERPRISE MANAGEMENT Ltd | F | 100.00 | F | 100.00 |
| GUCCI WATCHES MARKETING CONSULTING (SHANGAI) Ltd | F | 100.00 | F | 100.00 |
| LUXURY TIMEPIECES (HONG KONG) Limited | F | 100.00 | F | 100.00 |
| SERGIO ROSSI (SHANGAI) TRADING Ltd | F | 100.00 | F | 100.00 |
| SERGIO ROSSI MACAU Ltd | F | 100.00 | Creation | |
| STELLA McCARTNEY (SHANGAI) TRADING Ltd | F | 50.00 | Creation | |
| SOWIND ASIA Ltd (1) | F | 50.00 | F | 50.00 |
| YVES SAINT LAURENT MACAU Limited | F | 100.00 | Creation | |
| YVES SAINT LAURENT (SHANGHAI) TRADING Limited | F | 100.00 | F | 100.00 |
| **Korea** | | | | |
| BALENCIAGA KOREA Ltd | F | 100.00 | Creation | |
| 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 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 |
| BRIONI JAPAN & CO. Limited | F | 100.00 | Acquisition | |
| GUCCI GROUP JAPAN HOLDING Limited | Merger | | F | 100.00 |
| 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 |
| STELLA McCARTNEY JAPAN Limited | F | 50.00 | Creation | |
| SOWIND JAPON KK (1) | F | 50.00 | F | 50.00 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **United Arab Emirates** | | | | |
| LUXURY GOODS GULF LLC | F | 49.00 | F | 49.00 |
| **Kuwait** | | | | |
| LUXURY GOODS KUWAIT WII | 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 |
| **FNAC** | | | | |
| FNAC GROUP | F | 100.00 | F | 100.00 |
| **France** | | | | |
| FNAC SA | F | 100.00 | F | 100.00 |
| 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 | F | 100.00 |
| 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 | F | 100.00 |
| FNAC TOURISME | F | 100.00 | F | 100.00 |
| FORM@HOME | F | 100.00 | F | 100.00 |
| KYRO CONCEPT | F | 100.00 | Acquisition | |
| LYSIANE THOMAS DIFFUSION | F | 100.00 | F | 100.00 |
| MSS | F | 100.00 | F | 100.00 |
| RELAIS FNAC | F | 100.00 | F | 100.00 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **Belgium** | | | | |
| FNAC BELGIUM | F | 100.00 | F | 100.00 |
| **Spain** | | | | |
| GRANDES ALMACENES FNAC ESPANA | F | 100.00 | F | 100.00 |
| **Italy** | | | | |
| FNAC ITALIA SpA | Disposal | | 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 VERTBAUDET | 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 | 100.00 | F | 99.90 |
| SADAS | F | 100.00 | F | 100.00 |
| LES TROUVAILLES | F | 100.00 | F | 100.00 |
| RELAIS COLIS | F | 100.00 | F | 100.00 |
| SOMEWHERE | Disposal | | F | 100.00 |
| 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 |
| GIORNICA | F | 100.00 | F | 100.00 |
| REDCATS BUSINESS DEVELOPMENT | F | 100.00 | F | 100.00 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **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 | Merger | | F | 100.00 |
| ELLOS TILI OY | F | 100.00 | F | 100.00 |
| REDCATS OY | F | 100.00 | F | 100.00 |
| **United Kingdom** | | | | |
| CYRILLUS UK | F | 100.00 | F | 100.00 |
| HOLDSWORTH COLLECTION Limited | F | 100.00 | F | 100.00 |
| MOVITEX UK Limited | F | 100.00 | F | 100.00 |
| REDCATS (BRANDS) Limited | F | 100.00 | F | 100.00 |
| REDCATS FINANCE Limited | F | 100.00 | F | 100.00 |
| REDCATS UK PLC | F | 100.00 | F | 100.00 |
| REDOUTE UK | F | 100.00 | F | 100.00 |
| 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 |
| **Portugal** | | | | |
| REDCATS Portugal | F | 100.00 | F | 100.00 |

| Company | % interest Dec. 31, 2012 | % interest Dec. 31, 2011 |
|---|---|---|
| **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 | F 100.00 |
| **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 |
| REDCATS USA, Inc. | F 100.00 | F 100.00 |
| SPS INVESTMENT LLC | F 100.00 | F 100.00 |
| TGW MANAGEMENT SERVICES Inc. | Disposal | F 100.00 |
| TGW GIFT CARDS Inc. | Disposal | F 100.00 |
| THE GOLF WAREHOUSE | Disposal | F 100.00 |
| THE SPORTMAN'S GUIDE OUTLET Inc. | Disposal | F 100.00 |
| THE SPORTSMAN'S GUIDE Inc. | Disposal | F 100.00 |
| TSG MANAGEMENT SERVICES Inc. | Disposal | F 100.00 |
| UNITED RETAIL HOLDING CORPORATION | Disposal | F 100.00 |
| UNITED RETAIL DISTRIBUTION SERVICES, Inc. | Disposal | F 100.00 |
| UNITED RETAIL GROUP, Inc. | Disposal | F 100.00 |
| UNITED RETAIL LOGISTIC OPERATIONS, Inc. | Disposal | F 100.00 |

| Company | % interest Dec. 31, 2012 | % interest Dec. 31, 2011 |
|---|---|---|
| UNITED RETAIL, Inc. | Disposal | 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 | F 100.00 |
| **PUMA** | | |
| PUMA SE (GERMANY) | F 82.99 | F 79.87 |
| **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 |
| **Germany** | | |
| DOBOTEX DEUTSCHLAND GmbH [1] | F 100.00 | F 100.00 |
| BRANDON GERMANY GmbH | F 100.00 | F 100.00 |
| 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 MBH | F 100.00 | F 100.00 |
| DOBOTEX ÖSTERREICH GmbH [1] | 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 DOO | F 100.00 | F 100.00 |

| Company | % interest Dec. 31, 2012 | | % interest Dec. 31, 2011 | |
|---|---|---|---|---|
| **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 | F | 100.00 |
| **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 |
| **Israel** | | | | |
| PUMA SPORT ISRAEL Ltd | F | 100.00 | Creation | |
| **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 | 100.00 | F | 51.20 |
| BRANDON LOGISTICS AB | Merger | | F | 100.00 |
| BRANDON STOCKHOLM AB | Merger | | 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 |
| 2XPRESSIONS 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 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **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 |
| BRANDON USA, Inc. | F | 100.00 | F | 100.00 |
| PUMA WHEAT ACCESSORIES, Ltd | F | 51.00 | F | 50.00 |
| JANED LLC | F | 51.00 | F | 50.00 |
| **British Virgin Islands** | | | | |
| LIBERTY CHINA HOLDING Ltd (1) | F | 100.00 | F | 100.00 |
| **Mexico** | | | | |
| DOBOTEX DE MEXICO SA de CV | F | 100.00 | Creation | |
| 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 |
| **Peru** | | | | |
| DISTRUIBUIDORA DEPORTIVA PUMA SAC | F | 100.00 | F | 100.00 |
| DISTRUIBUIDORA DEPORTIVA PUMA TACNA SAC | F | 100.00 | F | 100.00 |
| PUMA RETAIL PERU SAC | F | 100.00 | Creation | |
| **Uruguay** | | | | |
| PUMA SPORTS LA SA | F | 100.00 | F | 100.00 |
| **Botswana** | | | | |
| WILDERNESS HOLDINGS Ltd | E | 25.10 | 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 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **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 | F | 100.00 |
| **Hong Kong** | | | | |
| BRANDON HONG KONG Ltd | F | 100.00 | Creation | |
| DEVELOPMENT SERVICES Ltd | F | 100.00 | F | 100.00 |
| DOBO CAT Ltd (1) | Dissolution | | 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 | F | 100.00 | F | 100.00 |
| **Singapore** | | | | |
| PUMA SPORTS SINGAPORE Pte Ltd | F | 100.00 | F | 100.00 |
| **Taiwan** | | | | |
| PUMA TAIWAN SPORTS Ltd (1) | F | 100.00 | F | 100.00 |
| **Vietnam** | | | | |
| WORLD CAT VIETNAM CO Ltd | F | 100.00 | F | 100.00 |
| WORLD CAT VIETNAM SOURCING & DEVELOPMENT SERVICES CO Ltd | F | 100.00 | Creation | |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| **VOLCOM** | | | | |
| Volcom Inc. | F | 100.00 | F | 100.00 |
| **United States** | | | | |
| VOLCOM RETAIL Inc. | F | 100.00 | F | 100.00 |
| VOLCOM ENTERTAINMENT Inc. | F | 100.00 | F | 100.00 |
| LS&S RETAIL Inc. | F | 100.00 | F | 100.00 |
| VOLCOM OUTLET Inc. | F | 100.00 | F | 100.00 |
| ELECTRIC VISUAL EVOLUTION LLC | F | 100.00 | F | 100.00 |
| **Luxembourg** | | | | |
| VOLCOM LUXEMBOURG HOLDING SA | F | 100.00 | Creation | |
| **Switzerland** | | | | |
| VOLCOM INTERNATIONAL SARL | F | 100.00 | F | 100.00 |
| WELCOM DISTRIBUTION SARL | F | 100.00 | F | 100.00 |
| **Spain** | | | | |
| VOLCOM DISTRIBUTION SPAIN SL | F | 100.00 | F | 100.00 |
| ELECTRIC VISUAL EVOLUTION SPAIN | F | 100.00 | F | 100.00 |
| **France** | | | | |
| VOLCOM SAS | F | 100.00 | F | 100.00 |
| VOLCOM RETAIL FRANCE | F | 100.00 | F | 100.00 |
| SARL ELECTRIC EUROPE | F | 100.00 | F | 100.00 |
| **United Kingdom** | | | | |
| VOLCOM DISTRIBUTION (UK) Limited | F | 100.00 | F | 100.00 |
| VOLCOM RETAIL (UK) Limited | F | 100.00 | F | 100.00 |
| **Australia** | | | | |
| VOLCOM AUSTRALIA HOLDING COMPANY Pty Ltd | F | 100.00 | F | 100.00 |
| VOLCOM AUSTRALIA Pty Ltd | F | 100.00 | F | 100.00 |
| ELECTRIC VISUAL EVOLUTION AUSTRALIA Pty Ltd | F | 100.00 | F | 100.00 |
| **New Zealand** | | | | |
| VOLCOM NEW ZEALAND Limited | F | 100.00 | F | 100.00 |
| ELECTRIC VISUAL EVOLUTION NEW ZEALAND Limited | F | 100.00 | F | 100.00 |
| **Japan** | | | | |
| VOLCOM JAPAN GODOGAISHIYA | F | 100.00 | F | 100.00 |
| **HOLDING COMPANIES AND OTHER** | | | | |
| **France** | | | | |
| BUYCO | - | - | F | 100.00 |

| Company | % interest | | | |
|---|---|---|---|---|
| | Dec. 31, 2012 | | Dec. 31, 2011 | |
| CFAO | Disposal | | E | 41.99 |
| CFP | - | - | 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 |
| 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** | | | | |
| SAPARDIS DEUTSCHLAND SE | F | 100.00 | F | 100.00 |
| **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** | | | | |
| E-PPR LUX SA | F | 100.00 | Creation | |
| FI HOLDING LUX SA | F | 100.00 | Creation | |
| PPR DISTRI LUX SA | F | 100.00 | Creation | |
| 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 | 100.00 | 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** | | | | |
| LUXURY GOODS SERVICES SA | F | 100.00 | F | 100.00 |
| **China** | | | | |
| PPR HOLDING LIMITED | F | 100.00 | F | 100.00 |
| **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, 2012

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2012 on:

- the audit of the accompanying consolidated financial statements of PPR SA;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

## 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 assets and liabilities of the Group as of December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## 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 second half of the year, your Company systematically tests goodwill and assets with an indefinite useful life for impairment, and also assesses whether there is indication of impairment of long-term assets, in accordance with the methods described in Note 2.10 to the consolidated financial statements. We examined the methods used to implement these impairment tests, the cash flow forecasts and assumptions used.
- Your Company raises the provisions described in Note 2.16 to the consolidated financial statements. Our procedures mainly consisted in assessing the data and assumptions underlying such estimates, verifying, on a test basis, the Company's calculations and examining the Management approval procedures for these estimates. We have assessed the reasonableness of those estimates on these bases.
- Note 2.17 to the consolidated financial statements sets out the methods used to measure post-employment and other long-term employee benefit obligations. These obligations were measured by independent actuaries. Our procedures consisted in examining the data used, assessing the underlying assumptions and verifying that Note 25 to the consolidated financial statements provides the appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and therefore 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, April 15, 2013
The Statutory Auditors

KPMG Audit
*Division of KPMG SA*
Philippe Arnaud Hervé Chopin

Deloitte & Associés
Antoine de Riedmatten

# 6. PARENT COMPANY FINANCIAL STATEMENTS

## 6.1. BALANCE SHEET – ASSETS

### AS OF DECEMBER 31, 2012 AND 2011

| ASSETS<br>*(in € millions)* | Notes | Gross | Depreciation, amortisation and provisions | Dec. 31, 2012<br>Carrying amount | Dec. 31, 2011<br>Carrying amount |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investments | | 11,166.7 | (975.2) | 10,191.5 | 9,939.9 |
| Other long-term investments [1] | | 0.5 | | 0.5 | 111.5 |
| | 3 | 11,167.2 | (975.2) | 10,192.0 | 10,051.4 |
| Property, plant and equipment and intangible assets | 4 | 20.0 | (16.5) | 3.5 | 4.3 |
| **Non-current assets** | | **11,187.2** | **(991.7)** | **10,195.5** | **10,055.7** |
| **Current assets** | | | | | |
| Receivables [2] [3] | 5 | 93.5 | (0.2) | 93.3 | 67.6 |
| Marketable securities | 6 | 64.9 | (3.1) | 61.8 | 61.3 |
| Cash [3] | 6 | 2.5 | | 2.5 | 0.2 |
| **Current assets** | | **160.9** | **(3.3)** | **157.6** | **129.1** |
| **TOTAL ASSETS** | | **11,348.1** | **(995.0)** | **10,353.1** | **10,184.8** |
| *(1) o/w due in less than one year:* | | | | *0.2* | *111.0* |
| *(2) o/w due in more than one year:* | | | | *0.0* | *0.0* |
| *(3) o/w concerning associates:* | | | | *64.8* | *30.2* |

# 6.2. BALANCE SHEET – SHAREHOLDERS' EQUITY AND LIABILITIES AS OF DECEMBER 31, 2012 AND 2011

| SHAREHOLDERS' EQUITY AND LIABILITIES *(in € millions)* | Notes | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 504.5 | 508.0 |
| Additional paid-in capital | | 2,040.1 | 2,135.3 |
| Reserves | 7 | 1,588.7 | 1,589.5 |
| Retained earnings | | 1,706.1 | 1,672.3 |
| Net income for the year | | 505.6 | 663.6 |
| **Shareholders' equity** | | **6,345.0** | **6,568.7** |
| **Provisions** | **8** | **50.8** | **66.4** |
| **Liabilities** | | | |
| Bonds (1) | 9.1 | 3,100.1 | 2,550.1 |
| Other borrowings (1) (3) | 9.1 | 594.5 | 938.6 |
| Other liabilities (2) (3) | 10 | 262.7 | 61.0 |
| | | **3,957.3** | **3,549.7** |
| **TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES** | | **10,353.1** | **10,184.8** |
| *(1) o/w due in more than one year:* | | *2,452.6* | *2,502.6* |
| *(2) o/w due in more than one year:* | | *0.0* | *0.0* |
| *(3) o/w concerning associates:* | | *354.6* | *705.7* |

## 6.3. INCOME STATEMENT

For the years ended December 31, 2012 and 2011

| *(in € millions)* | Notes | 2012 | 2011 |
|---|---|---|---|
| Operating income | | 100.8 | 55.8 |
| Operating expenses | | (117.3) | (84.4) |
| **Net operating loss** | **12** | **(16.5)** | **(28.6)** |
| Dividends | | 876.1 | 665.2 |
| Other financial income and expenses | | (129.4) | (214.5) |
| **Net financial income** | **13** | **746.7** | **450.7** |
| **Recurring income before tax** | | **730.2** | **422.1** |
| Net non-recurring income/(expense) | 14 | (364.7) | 124.9 |
| Employee profit-sharing | | (2.0) | (2.1) |
| Income tax | 15 | 142.1 | 118.7 |
| **Net income for the year** | | **505.6** | **663.6** |

## 6.4. STATEMENT OF CASH FLOWS

For the years ended December 31, 2012 and 2011

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Dividends received | 876.1 | 665.2 |
| Interest on borrowings | (174.8) | (174.0) |
| Income tax received | 111.6 | 63.8 |
| Other | (11.4) | (118.3) |
| **Change in cash resulting from operating activities** | **801.5** | **436.7** |
| (Acquisitions)/disposals of operating assets | (1.8) | 26.5 |
| Change in long-term investments | (574.9) | 1,194.2 |
| **Change in cash resulting from investing activities** | **(576.7)** | **1,220.7** |
| Net change in borrowings | 206.5 | (1,221.1) |
| Share capital increases | 12.1 | 13.9 |
| Dividends paid by PPR | (440.6) | (441.1) |
| **Change in cash resulting from financing activities** | **(222.0)** | **(1,648.3)** |
| **Change in cash and cash equivalents** | **2.8** | **9.1** |
| | | |
| **Cash and cash equivalents at beginning of year** | **61.5** | **52.4** |
| **Cash and cash equivalents at end of year** | **64.3** | **61.5** |

# 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, 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** |
| Appropriation of 2011 net income | | | | 663.6 | (663.6) | - |
| Dividends paid | | | | (440.6) | | (440.6) |
| Interim dividend | | | | (189.2) | | (189.2) |
| Exercise of stock options | 146,780 | 0.6 | 11.5 | | | 12.1 |
| Cancellation of shares | (1,030,967) | (4.1) | (106.7) | | | (110.8) |
| Changes in tax-driven provisions | | | | (0.8) | | (0.8) |
| 2012 net income | | | | | 505.6 | 505.6 |
| **As of December 31, 2012** | **126,116,702** | **504.5** | **2,040.1** | **3,294.8** | **505.6** | **6,345.0** |

At December 31, 2012, PPR's share capital comprised 126,116,702 shares with a par value of €4 per share.

# 6.6. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## Note 1. 2012 highlights

On October 9, 2012, PPR's Board of Directors unanimously approved the plan to demerge and float Fnac. The Fnac group (previously Caumartin Participations, Fnac's holding company) will be taken public by PPR paying its shareholders a special stock dividend corresponding to Fnac group shares held by PPR. This planned operation has already been presented for consultation to all of the employee representative bodies concerned and will be submitted for shareholder approval at PPR's Annual General Meeting on June 18, 2013.

On January 16, 2012, PPR added €250 million worth of bonds to its bonds with a fixed-rate coupon of 3.75% that mature on April 8, 2015, bringing the total amount of the issue to €750 million.

On April 23, 2012, PPR issued €500 million worth of seven-year bonds with a fixed-rate coupon of 3.125%.

In November 2012, PPR redeemed at maturity its €200 million May 2008 bond issue indexed to changes in the PPR share price, generating €63 million in income.

## Note 2. Accounting policies and methods

The annual financial statements are prepared in accordance with the provisions of the French accounting standards setter (*Comité de la réglementation comptable* – CRC) 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. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded in the balance sheet at their acquisition cost. Depreciation and amortisation is calculated using the straight-line method based on the nature and useful life of each component.

## 2.2. 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 French accounting standards authority (*Conseil national de la comptabilité* – CNC) 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 value, and the share of consolidated or revalued shareholders' equity. Other methods are used where necessary.

An impairment loss is recorded when market value falls below the gross value.

### *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 liquidity agreements 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 also classified under "Other long-term investments". These shares are not written down to reflect the share price.

## 2.3. Receivables

Receivables are recorded in the balance sheet at their par value, and are written down where they present a risk of non-recovery.

## 2.4. 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 falls below the gross value.

### *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.

## 2.5. 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 gains or losses generated on financial instruments used in hedging transactions are offset against the corresponding 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.

### 2.6. 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 gains or losses are immediately recorded in the income statement.

### 2.7. 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.

### 2.8. Provisions

Provisions are recognised in accordance with 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 CRC regulation no. 2008-15 of December 4, 2008 on the accounting treatment of stock option plans and employee free share plans.

### 2.9. Tax consolidation

PPR has set up a tax consolidation group in France with several sub-groups and 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, 2011 | Increase | Decrease | As of Dec. 31, 2012 |
|---|---|---|---|---|
| **Gross value** | | | | |
| **Investments** | **10,585.9** | **580.8** | | **11,166.7** |
| Gucci Group NV | 2,556.6 | 10.3 | | 2,566.9 |
| Redcats | 1,171.6 | | | 1,171.6 |
| Fnac group (formerly Caumartin Participations) | 82.4 | 539.6 | | 622.0 |
| Financière Marothi | 4,648.1 | | | 4,648.1 |
| Sapardis | 1,804.0 | | | 1,804.0 |
| Discodis | 299.7 | | | 299.7 |
| Other | 23.5 | 30.9 | | 54.4 |
| **Other long-term investments** | **111.5** | **124.3** | **(235.3)** | **0.5** |
| Treasury shares (liquidity agreement) (1) | | 124.2 | (124.2) | |
| Treasury shares (to be cancelled) (1) | 110.8 | | (110.8) | |
| Loans | 0.6 | | (0.3) | 0.3 |
| Deposits and guarantees | 0.1 | 0.1 | | 0.2 |
| **Gross value** | **10,697.4** | **705.1** | **(235.3)** | **11,167.2** |
| **Impairment losses** | | | | |
| **Investments** | **(646.0)** | **(329.3)** | **0.1** | **(975.2)** |
| **Impairment losses** | **(646.0)** | **(329.3)** | **0.1** | **(975.2)** |
| **CARRYING AMOUNT** | **10,051.4** | | | **10,192.0** |

*(1) The amount corresponding to treasury shares is unavailable and recognised in tax-driven reserves.*

### *Treasury share transactions*

In 2012, the Group made a net disposal of 1,036,279 treasury shares, resulting from the following transactions:

- the acquisition of 1,027,556 shares under the liquidity agreement;
- the disposal of 1,027,556 shares under the liquidity agreement;
- the cancellation of 1,030,967 PPR shares pursuant to a decision by the Board of Directors on February 15, 2012;
- the acquisition of 115,000 shares in connection with free share plans;
- the allotment of 67,991 shares under the 2010 free share plans which mature in May 2012, 47,695 shares under the 2008 free share plan which matured in October 2012, and the early allotment of 250 shares under the May 2009 free share plan;
- the acquisition of 75,000 shares to be allotted to employees under stock purchase option plans;
- the disposal of 42,844 shares to employees under the May 2006 stock purchase option plan, 33,632 shares under the May 2007 stock purchase option plan, and 2,900 shares under the September 2007 stock purchase option plan.

As a result of the various stock subscription options exercised in 2012, the share capital increased by 146,780 shares.

As of December 31, 2012, 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 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 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, 2012, PPR held no treasury shares in connection with the liquidity agreement.

Outside the scope of the liquidity agreement, PPR holds 1,216 treasury shares to be granted to employees under the 2011 free share plans which mature in 2013, and 23,857 treasury shares in connection with stock purchase option plans.

As of December 31, 2011, 1,061,352 treasury shares were held by the Company outside the scope of said agreement.

## Note 4. Property, plant and equipment and intangible assets

Movements in property, plant and equipment and intangible assets are presented below:

| *(in € millions)* | Land and buildings | Plant and equipment | Other | Total |
|---|---|---|---|---|
| **Gross value** | | | | |
| December 31, 2011 | 2.7 | 0.4 | 16.2 | 19.3 |
| Acquisitions | 0.2 | | 1.5 | 1.7 |
| Disposals | | | (1.0) | (1.0) |
| **December 31, 2012** | **2.9** | **0.4** | **16.7** | **20.0** |
| **Depreciation, amortisation and provisions** | | | | |
| December 31, 2011 | (2.1) | (0.3) | (12.6) | (15.0) |
| Additions | (0.3) | | (2.2) | (2.5) |
| Reversals on disposals | | | 1.0 | 1.0 |
| **December 31, 2012** | **(2.4)** | **(0.3)** | **(13.8)** | **(16.5)** |
| **Carrying amount** | | | | |
| December 31, 2011 | 0.6 | 0.1 | 3.6 | 4.3 |
| **December 31, 2012** | **0.5** | **0.1** | **2.9** | **3.5** |

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, 2012 | Dec. 31, 2011 |
|---|---|---|
| Tax consolidation current accounts | 50.7 | 15.5 |
| Interest rate swap and forex suspense account | 6.1 | 6.9 |
| Receivable in respect of the sale of Conforama | - | 19.8 |
| Kadéos account | 9.4 | - |
| Income tax benefit | 8.4 | 3.0 |
| Group customers | 14.1 | 7.9 |
| Group customers – Accrued income | - | 6.8 |
| Bond issue premiums | (0.5) | 0.3 |
| Other | 4.0 | 5.4 |
| Prepaid expenses | 1.1 | 2.0 |
| **TOTAL** | **93.3** | **67.6** |
| o/w concerning associates | 64.8 | 30.2 |

## Note 6. Marketable securities and cash

These line items break down as follows:

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Treasury shares pending employee grants | 0.1 | 0.3 |
| Treasury shares pending allocation to stock purchase option plans | 3.2 | 3.5 |
| Listed securities | 61.6 | 60.9 |
| Impairment of listed securities | (3.1) | (3.4) |
| **Marketable securities** | **61.8** | **61.3** |
| Bank deposits and fund transfers | 2.5 | 0.2 |
| **Cash** | **2.5** | **0.2** |
| **CASH AND CASH EQUIVALENTS** | **64.3** | **61.5** |
| o/w concerning associates | - | - |

Listed securities mainly comprise mutual funds (Sicav) for €55.8 million (€55.1 million as of December 31, 2011).

## Note 7. Reserves

The Company's reserves before the appropriation of net income break down as follows:

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| 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** |
| Tax-driven provisions | 3.4 | 4.2 |
| **TOTAL** | **1,588.7** | **1,589.5** |

## Note 8. Provisions

| *(in € millions)* | Dec. 31, 2011 | Additions | Reversals (utilised provisions) | Reversals (surplus provisions) | Reclassification | Dec. 31, 2012 |
|---|---|---|---|---|---|---|
| Disputes | 44.1 | 21.9 | 38.0 | 3.0 | 3.4 | 28.4 |
| Risks relating to subsidiaries | 3.8 | | | 3.8 | | |
| Pensions and other employee benefit obligations | 5.7 | 0.6 | | | | 6.3 |
| Other contingencies | 12.8 | 7.0 | 0.3 | | (3.4) | 16.1 |
| **TOTAL** | **66.4** | **29.5** | **38.3** | **6.8** | | **50.8** |
| o/w: | | | | | | |
| operating items | | | | | | |
| financing items | | 0.6 | | | | |
| non-recurring items | | 28.9 | 38.3 | 6.8 | | |

The main actuarial assumptions used to determine pensions and other employee benefit obligations are:

- discount rates of 3.50% versus 4.50% in 2011;
- salary increase rate of 3.00% as in 2011.

## Note 9. Borrowings

### Bond issues

| *(in € millions)* | Interest rate | Issue date | Hedge | Maturity | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|---|---|---|---|
| Bond issue (1) | 4.00% fixed | 06/29/2005 & 06/19/2006 | - | 01/29/2013 | **600.0** | 600.0 |
| Bond issue (2) | 6.405% fixed | 05/16/2008 | - | 11/16/2012 | | 200.0 |
| Bond issue (3) | 6.536% fixed | 05/16/2008 | - | 05/16/2013 | **200.0** | 200.0 |
| Bond issue (4) | 8.625% fixed | 04/03/2009 | - | 04/03/2014 | **550.1** | 550.1 |
| Bond issue (5) | 7.75% fixed | 06/03/2009 | 6-month Euribor floating rate swap for €150 million | 06/03/2014 | **150.0** | 150.0 |
| Bond issue (6) | 6.50% fixed | 06/29/2009 | - | 06/29/2017 | **150.0** | 150.0 |
| Bond issue (7) | 6.50% fixed | 11/06/2009 | - | 11/06/2017 | **200.0** | 200.0 |
| Bond issue (8) | 3.75% fixed | 04/08/2010 & 01/26/2012 | - | 04/08/2015 | **750.0** | 500.0 |
| Bond issue (9) | 3.125% fixed | 04/23/2012 | - | 04/23/2019 | **500.0** | |

*(1) Issue price: bond issue, comprising 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.*

*(2) Issue price: bond issue indexed to PPR shares, issued on May 16, 2008 under the EMTN programme, comprising 2,362,907 bonds with a par value of €84.64 each.*
*Redemption: the redemption price, indexed to changes in the PPR share price, was €136.9 million at maturity on November 16, 2012.*

*(3) Issue price: bond issue indexed to PPR shares, issued on May 16, 2008 under the EMTN programme, comprising 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.*

*(4) Issue price: bond issue, comprising 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.*

*(5) Issue price: bond issue on June 3, 2009, comprising 150,000 bonds with a par value of €1,000 each under the EMTN programme.*
*Redemption: in full on June 3, 2014.*

*(6) Issue price: bond issue on June 29, 2009, comprising 3,000 bonds with a par value of €50,000 each under the EMTN programme.*
*Redemption: in full on June 29, 2017.*

*(7) Issue price: bond issue on November 6, 2009, comprising 4,000 bonds with a par value of €50,000 each under the EMTN programme.*
*Redemption: in full on November 6, 2017.*

*(8) Issue price: bond issue, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme, issued on April 8, 2010 and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.*
*Redemption: in full on April 8, 2015.*

*(9) Issue price: bond issue on April 23, 2012, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme.*
*Redemption: in full on April 23, 2019.*

The bonds issued in 2009, 2010 and 2012 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.

In addition, the bonds issued in 2009 and 2010 – including the additional bonds issued in January 2012 to the April 2010 issue – include a "step-up coupon" clause that applies in the event that PPR's rating is downgraded to non-investment grade.

### 9.1. Breakdown by type

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| **Bonds** | **3,100.1** | **2,550.1** |
| Interest on bond issues | 111.1 | 101.2 |
| Long- and medium-term borrowings | 152.5 | 152.5 |
| Interest on long- and medium-term borrowings | 0.1 | 0.1 |
| Cash current accounts | 330.7 | 683.6 |
| Interest on cash current accounts | 0.1 | 1.2 |
| **Other borrowings** | **594.5** | **938.6** |
| **TOTAL** | **3,694.6** | **3,488.7** |
| o/w concerning associates | 330.8 | 684.8 |

As of December 31, 2012 and 2011, no borrowings were secured by collateral.

### 9.2. Breakdown by maturity

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Less than one year | 1,242.0 | 986.1 |
| One to five years | 1,952.6 | 2,152.6 |
| More than five years | 500.0 | 350.0 |
| **TOTAL** | **3,694.6** | **3,488.7** |

### 9.3. Net debt

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Borrowings | 3,694.6 | 3,488.7 |
| Marketable securities | (64.9) | (61.3) |
| Cash | (2.5) | (0.2) |
| **TOTAL** | **3,627.2** | **3,427.2** |

### 9.4. Information on interest rates

| | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Average interest rate over the year | 4.81% | 4.96% |
| % average debt at fixed rates | 80.00% | 69.00% |
| % average debt at floating rates | 20.00% | 31.00% |

## Note 10. Other liabilities

These line items break down as follows:

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| Tax consolidation current accounts | 16.5 | 11.9 |
| Dividends to be paid | 189.2 | - |
| Tax and employee-related liabilities | 20.9 | 15.0 |
| Other | 36.1 | 34.1 |
| **TOTAL** | **262.7** | **61.0** |
| o/w concerning associates | 23.8 | 20.9 |

## Note 11. Off-balance sheet commitments

### 11.1. Interest rate hedges

| *(in € millions)* | Dec. 31, 2012 | Y+1 | Y+2 | Y+3 | Y+4 | Y+5 | >Y+5 | Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| Swaps: fixed-rate lender | 150.0 | | 150.0 | | | | | 150.0 |
| 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 sets up interest rate swaps in connection with certain fixed-rate bond issues.

As of December 31, 2012, 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.

### 11.2. 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 | 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 |
| Grant date | 05/03/02 | 05/03/02 | 07/09/03 | 07/09/03 | 05/25/04 |
| Expiry date | 05/02/12 | 05/02/12 | 07/08/13 | 07/08/13 | 05/24/14 |
| Vesting of rights | (a) | (a) | (a) | (a) | (a) |
| Number of beneficiaries | 1,074 | 1,053 | 721 | 18 | 846 |
| Number initially granted | 438,296 | 410,271 | 528,690 | 5,430 | 540,970 |
| Number outstanding as of Jan. 1, 2012 | 155,723 | 154,418 | 38,136 | 300 | 125,159 |
| Number forfeited in 2012 | 4,710 | 5,000 | 450 | | 1,206 |
| Number exercised in 2012 | 5,950 | | 15,796 | 300 | 56,133 |
| Number of shares issued (AGM) | | | | | |
| Number expired in 2012 | 145,063 | 149,418 | | | |
| Number outstanding as of Dec. 31, 2012 | | | 21,890 | | 67,820 |
| Number exercisable as of Dec. 31, 2012 | | | 21,890 | | 67,820 |
| Strike price *(in €)* | 128.10 | 140.50 | 66.00 | 67.50 | 85.57 |

| Stock option and free share plans | 2005/1 Plan | 2005/2 Plan | 2005/3 Plan | 2005/4 Plan | 2006/1 Plan |
|---|---|---|---|---|---|
| | Subscription options | Subscription options | Subscription options | Subscription options | Purchase options |
| Grant date | 01/03/05 | 05/19/05 | 05/19/05 | 07/06/05 | 05/23/06 |
| Expiry date | 01/02/15 | 05/18/15 | 05/18/15 | 07/05/15 | 05/22/14 |
| Vesting of rights | (a) | (b) | (b) | (b) | (b) |
| Number of beneficiaries | 13 | 458 | 22 | 15 | 450 |
| Number initially granted | 25,530 | 333,750 | 39,960 | 20,520 | 403,417 |
| Number outstanding as of Jan. 1, 2012 | 3,980 | 121,295 | 32,160 | 10,400 | 200,675 |
| Number forfeited in 2012 | | 784 | | | 801 |
| Number exercised in 2012 | 3,230 | 26,251 | 30,640 | 8,480 | 42,844 |
| Number of shares issued (AGM) | | | | | |
| Number expired in 2012 | | | | | |
| Number outstanding as of Dec. 31, 2012 | 750 | 94,260 | 1,520 | 1,920 | 157,030 |
| Number exercisable as of Dec. 31, 2012 | 750 | 94,260 | 1,520 | 1,920 | 157,030 |
| Strike price *(in €)* | 75.29 | 78.01 | 78.97 | 85.05 | 101.83 |

| Stock option and free share plans | 2007/1 Plan | 2007/2 Plan | 2008/3 Plan | 2009/2 Plan | 2010/1 Plan |
|---|---|---|---|---|---|
| | Purchase options | Purchase options | Free shares | Free shares | Free shares |
| Grant date | 05/14/07 | 09/17/07 | 10/22/08 | 05/07/09 | 05/19/10 |
| Expiry date | 05/13/15 | 09/16/15 | N/A | N/A | N/A |
| Vesting of rights | (b) | (b) | (d) | (d) | (c) |
| Number of beneficiaries | 248 | 14 | 194 | 161 | 274 |
| Number initially granted | 355,500 | 51,300 | 53,755 | 46,505 | 89,364 |
| Number outstanding as of Jan. 1, 2012 | 287,102 | 46,300 | 48,795 | 41,685 | 82,720 |
| Number forfeited in 2012 | 9,340 | 2,000 | 1,100 | 1,210 | 14,729 |
| Number exercised in 2012 | 33,632 | 2,900 | | | |
| Number of shares issued (AGM) | | | 47,695 | 250 | 67,991 |
| Number expired in 2012 | | | | | |
| Number outstanding as of Dec. 31, 2012 | 244,130 | 41,400 | | 40,225 | |
| Number exercisable as of Dec. 31, 2012 | 244,130 | 41,400 | | | |
| Strike price *(in €)* | 127.58 | 127.58 | N/A | N/A | N/A |

| Stock option and free share plans | 2010/2 Plan | 2011/1 Plan | 2011/2 Plan | 2012/1 Plan | 2012/2 Plan |
|---|---|---|---|---|---|
| | Free shares | Free shares | Free shares | Free shares | Free shares |
| Grant date | 05/19/10 | 05/19/11 | 05/19/11 | 04/27/12 | 04/27/12 |
| Expiry date | N/A | N/A | N/A | N/A | N/A |
| Vesting of rights | (d) | (c) | (d) | (c) | (d) |
| Number of beneficiaries | 108 | 184 | 76 | 198 | 88 |
| Number initially granted | 25,035 | 67,379 | 9,455 | 69,399 | 39,640 |
| Number outstanding as of Jan. 1, 2012 | 24,150 | 67,184 | 9,125 | | |
| Number forfeited in 2012 | 525 | 1,660 | 255 | 1,835 | 965 |
| Number exercised in 2012 | | | | | |
| Number of shares issued (AGM) | | | | | |
| Number expired in 2012 | | | | | |
| Number outstanding as of Dec. 31, 2012 | 23,625 | 65,524 | 8,870 | 67,564 | 38,675 |
| Number exercisable as of Dec. 31, 2012 | | | | | |
| Strike price *(in €)* | N/A | N/A | N/A | N/A | N/A |

*Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.*

*(a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.*

*(b) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full) 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.*

### 11.3. Other off-balance sheet commitments

| *(in € millions)* | Dec. 31, 2012 | Dec. 31, 2011 |
|---|---|---|
| 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)* | 2012 | 2011 |
|---|---|---|
| Group management fees | 73.6 | 38.6 |
| Property rental income | 0.2 | 3.1 |
| Payroll expenses | (28.6) | (21.9) |
| External purchases and expenses, taxes | (67.7) | (53.4) |
| Depreciation, amortisation and provisions | (2.5) | (2.0) |
| Other income and expenses | 8.5 | 7.0 |
| **TOTAL** | **(16.5)** | **(28.6)** |

## Note 13. Net financial income

Net financial income breaks down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| **Net interest expense** | **(129.4)** | **(214.5)** |
| Expenses and interest on non-Group debt | (186.5) | (199.5) |
| Indexed bond redemption benefit | 63.0 | |
| Interest on Group current accounts | (5.9) | (15.0) |
| **Dividends** | **876.1** | **665.2** |
| Gucci Group NV | 268.3 | 210.6 |
| Discodis | 21.4 | 28.8 |
| Discodis (interim dividend) | 550.3 | - |
| Fnac group (formerly Caumartin Participations) | 20.5 | 325.8 |
| Redcats | - | 100.0 |
| PPR Finance | 15.6 | - |
| **TOTAL** | **746.7** | **450.7** |
| o/w concerning associates | | |
| Interest on inter-company current accounts | (5.9) | (15.0) |
| Dividends | 876.1 | 665.2 |

## Note 14. Net non-recurring income/(expense)

Net non-recurring income/(expense) breaks down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Net proceeds from disposals of operating assets | (0.1) | 28.5 |
| Net proceeds from disposals of securities, impairment losses and related transactions | (347.3) | 111.0 |
| Cost of disputes, litigation and restructuring | (8.8) | 38.8 |
| Other non-recurring income/(expense) | (8.5) | (53.4) |
| **TOTAL** | **(364.7)** | **124.9** |

In 2012, net non-recurring income chiefly comprises provisions for impairment in respect of the investments in Redcats and the Fnac group.

## Note 15. Income tax

This line item breaks down as follows:

| *(in € millions)* | 2012 | 2011 |
|---|---|---|
| Tax consolidation benefit | 141.5 | 45.7 |
| Tax losses owed to subsidiaries (tax consolidation) | - | 68.5 |
| Income tax on dividends | (5.7) | - |
| Other | 6.3 | 4.5 |
| **TOTAL** | **142.1** | **118.7** |

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 80 companies in 2012 and 84 in 2011.

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 146 employees in 2012 compared to 118 in 2011.

As of December 31, 2012, the number of unused training hours vested by employees under the individual training entitlement (*Droit Individuel à la Formation* – DIF) was 8,774 as compared to 7,012 as of December 31, 2011.

### 16.2. Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

| *(in € thousands)* | KPMG Audit | | Deloitte & Associés | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Statutory audit, certification, review of parent company and consolidated financial statements | 323 | 323 | 296 | 292 |
| Other audit-related services | 75 | 53 | 58 | 153 |
| Other services provided | - | - | - | - |
| **TOTAL** | **398** | **376** | **354** | **445** |

### 16.3. Consolidating company

PPR is controlled by Artémis, which holds 40.9% of its share capital.

Artémis is wholly owned by Financière Pinault.

### 16.4. Transactions with related parties

The support agreement between Artémis and PPR signed on September 27, 1993 generated an expense of €2.5 million in 2012 compared with an expense of €3.6 million in 2011.

The other transactions with related parties were contracted at arm's length conditions. As a result, no additional disclosures are required pursuant to Article R. 183-198 11 of the French Commercial Code.

## Note 17. Subsequent events

On January 24, 2013, PPR paid out an interim dividend amounting to €1.50 per share.

## Note 18. Subsidiaries and investments

| *(in € thousands)* | | 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)** | | | |
| Fnac group (formerly Caumartin Participations) | France | 545,719 | 226,704 |
| Conseil et Assistance | France | 2,010 | 1,289 |
| Discodis | France | 153,567 | (526,122) |
| Financière Marothi | France | 2,351,188 | 1,953,217 |
| Redcats | France | 401 | 517,253 |
| Sapardis | France | 1,799,936 | (177,677) |
| Trémi 2 | France | 20,710 | |
| Printemps Réassurances | Luxembourg | 9,945 | 0 |
| | Sub-total | | |
| **B – Investments (less than 50%-owned and representing over 1% of share capital)** | | | |
| Gucci Group NV | Netherlands | 108,246 (1) | 2,890,645 (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, 2011.*

| % of capital held | Carrying amount of shares Gross | Carrying amount of shares Net | Outstanding loans granted by the Company | Endorsements and guarantees given by the Company | Last published revenue excl. VAT | Last published net income (loss) | Dividends received by the Company during the year |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| 99.99 | 621,952 | | | | | (331,968) | 20,533 |
| 90.00 | 7,724 | | | | | 101 | |
| 99.99 | 299,736 | | | | | 903,538 | 571,716 |
| 99.99 | 4,648,062 | | | | | 215 | |
| 99.99 | 1,171,633 | | | | 27,710 | (319,819) | |
| 100.00 | 1,804,008 | | | | | (4,662) | |
| 100.00 | 20,475 | | | | | (374) | |
| 100.00 | 10,188 | | | | | | |
| | 8,583,778 | 7,616,477 | | | | | |
| | | | | | | | |
| 33.53 | 2,566,912 | 2,566,912 | | | 66,158[1] | 548,776[1] | 268,305 |
| | | | | | | | |
| | | | | | | | |
| | 6,817 | 1,813 | | | | | |
| | 2,004 | 31 | | | | | |
| | | | | | | | |
| | 0 | 0 | | | | | |
| | 3,812 | 3,812 | | | | | |
| | **11,163,323** | **10,189,045** | | | | | |

## 6.7. FIVE-YEAR FINANCIAL SUMMARY

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Share capital at year-end** | | | | | |
| Share capital *(in €)* | 504,466,808 | 508,003,556 | 507,316,736 | 506,314,352 | 506,221,508 |
| Number of ordinary shares outstanding | 126,116,702 | 127,000,889 | 126,829,184 | 126,578,588 | 126,555,377 |
| Maximum number of potential shares to be issued | 188,160 | 641,571 | 833,932 | 1,127,714 | 1,366,355 |
| by conversion of bonds | | | | | |
| by exercise of stock subscription options | 188,160 | 641,571 | 833,932 | 1,127,714 | 1,366,355 |
| **Operations and results for the year *(in € thousands)*** | | | | | |
| Income from operating activities | 73,581 | 38,622 | 36,290 | 39,644 | 42,429 |
| Net income before tax, employee profit-sharing, depreciation, amortisation and provisions | 680,689 | 794,979 | 445,002 | 910,418 | 4,550 |
| Income tax (expense)/benefit | 142,124 | 118,722 | 63,554 | 111,193 | 102,620 |
| Employee profit-sharing for the year | 2,055 | 2,120 | 2,087 | 1,501 | 1,804 |
| Net income after tax, employee profit-sharing, depreciation, amortisation and provisions | 505,561 | 663,606 | 529,279 | 717,634 | 76,521 |
| Dividend distribution | 472,937 (1) | 444,503 | 443,902 | 417,709 | 417,633 |
| **Data per share *(in €)*** | | | | | |
| Net income after tax, employee profit-sharing, but before depreciation, amortisation and provisions | 6.51 | 7.18 | 3.99 | 8.06 | 0.83 |
| Net income after tax, employee profit-sharing, depreciation, amortisation and provisions | 4.01 | 5.23 | 4.17 | 5.67 | 0.60 |
| Dividend | | | | | |
| Net dividend per share (2) | 3.75 (1) | 3.50 | 3.50 | 3.30 | 3.30 |
| **Employee data** | | | | | |
| Average number of employees during the year | 146 | 118 | 112 | 110 | 111 |
| Total annual payroll *(in € thousands)* | 19,794 | 15,667 | 15,481 | 13,111 | 15,836 |
| Total employee benefits paid during the year (social security, social works, etc.) *(in € thousands)* | 8,817 | 6,213 | 6,389 | 13,549 | 6,654 |

*(1) – Subject to approval by the Annual General Meeting.*
*– Including an interim dividend of €1.50 per share paid on January 24, 2013.*
*A stock dividend to be paid in the form of Fnac group shares will also be proposed to the Annual General Meeting on June 18, 2013.*

*(2) 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 under Article 158-3 2 of the French Tax Code.*

# 7. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

*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 with 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, 2012 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 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, 2012 and the results of its operations for the year 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 2.2. 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 in 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 these procedures, 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, April 15, 2013

The Statutory Auditors

| KPMG Audit<br>*Division of KPMG SA* | | Deloitte & Associés |
|---|---|---|
| Philippe Arnaud | Hervé Chopin | Antoine de Riedmatten |

# 8. FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS IN 2012

| *(in € thousands)* | KPMG AUDIT | | | | DELOITTE & ASSOCIÉS | | | | TOTAL FEES | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | AMOUNT (EXCL. TAXES) | | % | | AMOUNT (EXCL. TAXES) | | % | | AMOUNT (EXCL. TAXES) | | % |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | Change |
| **Statutory audit** | | | | | | | | | | | |
| Certification, review of parent company and consolidated financial statements | 3,737.0 | 3,684.0 | 83% | 86% | 5,077.0 | 3,167.0 | 62% | 74% | 8,814.0 | 6,851.0 | 28.7% |
| *Issuer* | *324.5* | *348.0* | *7%* | *8%* | *302.8* | *404.0* | *4%* | *9%* | *627.3* | *752.0* | *-16.6%* |
| *Fully consolidated subsidiaries* | *3,412.5* | *3,336.0* | *75%* | *78%* | *4,774.2* | *2,763.0* | *59%* | *65%* | *8,186.7* | *6,099.0* | *34.2%* |
| Other work and audit-related services | 348.0 | 93.0 | 8% | 2% | 2,212.4 | 333.0 | 27% | 8% | 2,560.4 | 426.0 | 501.0% |
| *Issuer* | *205.0* | *53.0* | *5%* | *1%* | *121.0* | *216.0* | *1%* | *5%* | *326.0* | *269.0* | *21.2%* |
| *Fully consolidated subsidiaries* | *143.0* | *40.0* | *3%* | *1%* | *2,091.4* | *117.0* | *26%* | *3%* | *2,234.4* | *157.0* | *1,323.2%* |
| **Sub-total** | **4,085.0** | **3,777.0** | **90%** | **89%** | **7,289.4** | **3,500.0** | **90%** | **82%** | **11,374.4** | **7,277.0** | **56.3%** |
| **Other services provided by the networks to fully consolidated subsidiaries** | | | | | | | | | | | |
| Legal, tax, and employment-related services | 339.0 | 479.0 | 7% | 11% | 755.0 | 613.0 | 9% | 14% | 1,094.0 | 1,092.0 | 0.2% |
| Other | 101.0 | 5.0 | 2% | 0% | 86.0 | 153.0 | 1% | 4% | 187.0 | 158.0 | 18.4% |
| **Sub-total** | **440.0** | **484.0** | **10%** | **11%** | **841.0** | **766.0** | **10%** | **18%** | **1,281.0** | **1,250.0** | **2.5%** |
| **TOTAL** | **4,525.0** | **4,261.0** | **100%** | **100%** | **8,130.4** | **4,266.0** | **100%** | **100%** | **12,655.4** | **8,527.0** | **48.4%** |

Other services directly related to the statutory audit provided by Deloitte & Associés in 2012 mainly concern special engagements related to the sale of SLG and OSP.

CHAPTER 6

# Share capital and ownership structure

# 1. SHARE CAPITAL

## 1.1. SHARE CAPITAL

### Share capital as of December 31, 2012

As of December 31, 2012, the share capital amounted to €504,466,808 and was divided into 126,116,702 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 175,227,258 (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 0.056% of the share capital, representing 0.065% of the voting rights;
- the Company directly held 25,073 treasury shares, but did not hold any under the liquidity agreement; none of the Company's shares were held by controlled companies.

### 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 |
|---|---|---|---|---|---|
| **2012** | Exercise of options | €11,473,054 | €587,120 | | 146,780 |
| | Cancellation of shares | €(106,686,316) | €(4,123,868) | | (1,030,967) |
| | | **€(95,213,262)** | **€(3,536,748)** | **€504,466,808** | **126,116,702** |
| 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** |

## 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 19, 2011 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 €160 per share and states that the number of shares purchased may not exceed 10% of the share capital.

The Annual General Meeting on April 27, 2012 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 €180 per share.

On June 18, 2013, 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 2012 – Trading costs – Number of treasury shares held as of December 31, 2012

### *Share buy-backs*

- 525,252 shares were bought back pursuant to the authorisation given by the Annual General Meeting on May 19, 2011, at an average price of €124.83;
- 692,304 shares were bought back by the Company pursuant to the authorisation given by the Annual General Meeting on April 27, 2012, at an average price of €119.89.

In 2012, PPR therefore bought back a total of 1,217,556 shares at an average price of €122.02, for the following purposes:

- 115,000 shares to be granted to employees under the 2008 and 2010 free share plans;
- 75,000 shares to be granted under stock option plans, in particular the 2006 and 2007 plans;
- 1,027,556 shares purchased under the liquidity agreement.

### *Sales of treasury shares*

In 2012, PPR sold 1,027,556 shares at an average price of €121.25, under the aforementioned liquidity agreement.

79,376 shares were sold to employees under the 2006 and 2007 stock purchase option plans.

An additional 115,936 shares were granted to employees under the 2008 and 2010 free share plans, maturing in 2012.

### *Trading costs*

Total share trading costs amounted to €0.5 million in 2012.

### Share cancellations in 2012

On February 15, 2012, the Board of Directors decided to reduce the share capital by cancelling 1,030,967 shares.

As of the end of the reporting period, the Company did not hold any treasury shares under the liquidity agreement. It directly held 25,073 shares (including 1,216 shares to be granted to employees under the 2009 free share plans which matured in 2011 and 23,857 shares to be granted under stock option plans) with a par value of €4 per share and a carrying amount of €3,343,549, representing 0.02% of the share capital.

### Buy-backs and sales of PPR shares carried out between January 1 and March 15, 2013

Since January 1, 2013, the Company has acquired 159,850 shares at an average price of €163.30 and has sold 159,850 shares at an average price of €163.50, in connection with the liquidity agreement.

As of December 31, 2012 and as of March 15, 2013, the Company did not hold any shares under the liquidity agreement.

Excluding the liquidity agreement, the Company acquired 100,000 shares in connection with stock option plans. A total of 29,701 options were exercised under the 2006 plan and 30,470 options under the 2007 plan. In addition, the Company acquired 106,000 shares under the free share plan.

The number of treasury shares held by PPR as of March 15, 2013 therefore totals 170,902 shares with a par value of €4 per share and a carrying amount of €29,796,334.74.

### Share cancellations in 2013

No shares were cancelled between January 1 and March 15, 2013.

### Use of derivatives in 2012

PPR did not buy any call options on its own shares in 2012.

The call options which expired in 2012 were not exercised.

As of December 31, 2012, 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, 2012

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, with pre-emptive subscription rights, of shares, warrants and/or securities giving access, either immediately or in the future, to shares or to debt securities (3) | May 19, 2011 (7th) | 26 months (July 2013) | €200 million (1)<br>€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, 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 (1)<br>€6 billion (2) | Unused |
| Share capital increase via the issue, 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)<br>€6 billion (2) | Unused |
| Authorisation to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering or private placement, limited to 10% of the share capital per year | May 19, 2011 (11th) (related to the 9th and 10th resolutions above) | 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 increase 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 | Cancellation of 1,030,967 shares in February 2012 |
| **Stock options, free share grants and redeemable equity warrants** | | | | |
| Stock suscription or purchase 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, directors 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 and 109,039 shares in 2012 |
| Issue of redeemable equity warrants (BSAAR) to employees, directors and executive corporate officers | April 27, 2012 (9th) | 18 months (October 2013) | 0.5% of the share capital at the grant date | Unused |

*(1) This amount is deductible 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 is deductible from the overall €6 billion cap for issues of debt securities set by the 7th resolution.*

*(3) This amount is deductible 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 Meetings of May 19, 2011 and April 27, 2012 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, with the exception of the authorisation to reduce the share capital by cancelling shares.

The Extraordinary General Meeting on May 19, 2010 authorised the Board of Directors to grant stock 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 2012 (see below).

## Other securities giving access to the share capital

### Special report on stock subscription and purchase options and free share grants

The policy governing stock subscription and purchase 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 2011 and 2012, grants only concerned free shares recognised as performance shares, allocated to 260 and 286 employees, respectively (see page 293).

François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director, were granted performance shares in 2012. Further details on the granting of performance shares are provided in the "Corporate governance" section of this document, on page 104.

### Stock option plans

Grants are, in principle, made annually. However, no stock subscription and purchase option plans have been set up since 2007.

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, 2012, the number of options outstanding was 630,720 including 188,160 stock subscription options and 442,560 stock purchase options.

## PPR stock option plans as of December 31, 2012

| | 2003/1 Plan | 2003/2 Plan |
|---|---|---|
| | Subscription options | Subscription options |
| Date of Annual General Meeting | 05/21/2002 | 05/21/2002 |
| Date of Executive Board/Board of Directors' Meeting | 07/09/2003 | 07/09/2003 |
| Number of beneficiaries | 721 | 18 |
| Number of options initially granted | 528,690 | 5,430 |
| o/w: to members of the Executive Board (1)/ Directors and executive corporate officers | 109,000 | - |
| *François-Henri Pinault* | | |
| *Jean-François Palus* | | |
| o/w to the top ten employee beneficiaries | 37,855 | - |
| Number of options exercised as of Dec. 31, 2012 | 337,401 | 2,535 |
| Options forfeited as of Dec. 31, 2012 | 169,399 | 2,895 |
| Number of outstanding options as of Dec. 31, 2012 | 21,890 | 0 |
| Plan start date | 07/09/2003 | 07/09/2003 |
| Plan expiry date | 07/08/2013 | 07/08/2013 |
| Strike price | €66.00 | €67.50 |

*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 or subscribed | 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. | 11,093 | 120.90 |

### Performance share plans

Two free share plans involving 109,039 existing shares were granted on April 27, 2012.

In all, 286 employees received performance shares in 2012.

20,098 performance shares were granted to the two executive corporate officers.

49,301 performance shares were granted to senior managers of the Group.

39,640 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 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.

| 2004/1 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 |
| 05/25/2004 | 01/03/2005 | 05/19/2005 | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/14/2007 | 09/17/2007 |
| 846 | 13 | 458 | 22 | 15 | 450 | 248 | 14 |
| 540,970 | 25,530 | 333,750 | 39,960 | 20,520 | 403,417 | 355,500 | 51,300 |
| 90,000 | - | 50,000 | - | - | 55,000 | 60,000 | - |
| | - | *50,000* | - | - | *55,000* | *60,000* | - |
| | - | *2,100* | - | - | *7,700* | *7,700* | - |
| 36,305 | - | 23,828 | - | - | 18,940 | 20,780 | - |
| 188,883 | 23,880 | 158,738 | 32,840 | 11,630 | 143,084 | 33,872 | 2,900 |
| 284,267 | 900 | 80,752 | 5,600 | 6,970 | 103,303 | 77,498 | 7,000 |
| 67,820 | 750 | 94,260 | 1,520 | 1,920 | 157,030 | 244,130 | 41,400 |
| 05/25/2004 | 01/03/2005 | 05/19/2005 | 05/19/2005 | 07/06/2005 | 05/23/2006 | 05/14/2007 | 09/17/2007 |
| 05/24/2014 | 01/02/2015 | 05/18/2015 | 05/18/2015 | 07/05/2015 | 05/22/2014 | 05/13/2015 | 09/16/2015 |
| €85.57 | €75.29 | €78.01 | €78.97 | €85.05 | €101.83 | €127.58 | €127.58 |

| PPR free share plans as of Dec. 31, 2012 | 2009-II Plan | 2010-II Plan | 2011-I and II Plans | 2012-I and II Plans |
|---|---|---|---|---|
| Date of Annual General Meeting | 05/14/2007 | 05/14/2007 | 05/19/2010 | 05/19/2010 |
| Date of Board Meeting | 05/07/2009 | 05/19/2010 | 05/19/2011 | 04/27/2012 |
| Number of shares initially granted | 46,505 | 25,035 | 76,834 | 109,039 |
| *to the top ten employee beneficiaries of the Company* | *(1)* | *7,566* | *8,264* | *5,243* |
| Shares forfeited as of Dec. 31, 2012 | 6,030 | 1,410 | 2,440 | 2,800 |
| Number of shares issued as of Dec. 31, 2012 | 250 | | | |
| Number of shares outstanding as of Dec. 31, 2012 | 40,225 | 23,625 | 74,394 | 106,239 |
| Number of beneficiaries | 161 | 108 | 260 | 286 |
| Vesting date | 05/07/2013 | 05/19/2014 | 05/19/2013 (2) | 04/27/2014 (3) |
| Date on which shares may be sold | 05/07/2013 | 05/19/2014 | 05/19/2015 | 04/27/2016 |

*(1) See 2011 Reference Document, page 303.*
*(2) May 19, 2015 without any additional lock-in obligation for non-French residents.*
*(3) April 27, 2016 without any additional lock-in 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 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. | 5,243 |

**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, 2012, Company and Group employees held 437,182 shares, representing 0.35% of the share capital, under the provisions of Article L. 225-102 of the French Commercial Code (*Code de commerce*). Of those shares, 184,911 were free shares that are still locked-in and represent 0.15% of the share capital. Company employees also held 14,750 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 April 17, 2013, the Board of Directors acknowledged and proposed the following net income appropriation to the Annual General Meeting:

*(in €)*

| | |
|---|---|
| **Source** | |
| Retained earnings | 1,895,251,963.99 |
| Net income for the year | 505,561,401.82 |
| Total for appropriation | 2,400,813,365.81 |
| **Appropriation** | |
| Legal reserve (1) | - |
| Dividend (2) (3) | |
| - Cash Dividend | 472,937,632.50 |
| - In-Kind Dividend | See below (3) |
| Retained Earnings | Amount to be recorded by the Chief Executive Officer |
| Total | 2,400,813,365.81 |

(1) *No further charge to the legal reserve is proposed since the reserve stood at €51,534,910 as of December 31, 2012, i.e. above the minimum amount required by law (10% of the share capital).*

(2) *Representing a dividend of €3.75 per share qualifying for the 40% tax allowance, payable on June 25, 2013. This amount corresponds to the interim dividend paid on January 24, 2013 (€189,175,053.00) plus an additional dividend of €283,762,579.50, equal to €2.25 per share, calculated on the basis of the maximum number of shares carrying dividend rights.*

(3) *The distribution of an in-kind dividend in the form of the distribution of 1 Fnac group share per 8 shares of PPR, on the terms and conditions described below, has been proposed. The amount of retained earnings with respect to such distribution will be equal to the number of Fnac group shares distributed multiplied by the opening market price of Fnac group shares on June 20, 2013, which amount shall be recorded by the Chief Executive Officer.*

The Board of Directors will propose to the Annual General Meeting on June 18, 2013 the payment of a dividend of €3.75 per share eligible for dividends, as well as a stock dividend to be paid in the form of Fnac group shares.

An interim dividend in the amount of €1.50 per share was paid on January 24, 2013 pursuant to a decision by the Board of Directors on December 3, 2012.

The Board of Directors will therefore propose the balance of the dividend (€2.25 per share) as well as a stock dividend which will take the form of 1 Fnac group share per 8 PPR shares eligible for dividends. The maximum shares distributed by PPR in connection therewith will be 15,764,588 Fnac group shares, representing slightly less than 95% of Fnac group's share capital as of the ex-date, scheduled for June 20, 2013. For PPR shareholders, the distribution of Fnac group shares will be treated as a taxable dividend distribution.

Beneficiaries of the cash and stock dividend will be PPR shareholders (other than PPR itself and to holders of shares issued upon the exercise of options to purchase PPR shares after January 1, 2013) whose shares are recorded in their name for bookkeeping purposes at the close of business on the date preceding the ex-date, i.e., the evening of June 19, 2013 (after taking into account the orders executed during the day on June 19, 2013, even if the settlement and delivery of such orders takes place after the ex-date).

If the number of shares eligible for the cash and stock dividend is less than 126,116,702, the corresponding amounts will be retained in retained earnings and the number of Fnac group shares will be reduced accordingly (taking into account allocation parity).

The distribution of Groupe Fnac shares (but not the cash dividend) is conditioned on the approval of certain modifications to the bylaws of Fnac group at PPR's Annual General Meeting.

In order to address fractional shares resulting from the dividend consisting of allotment rights to Fnac group shares, on June 20, 2013, one allotment right will be detached from each PPR share and will equal one-eighth of a Group Fnac share; provided that no fractional shares of Fnac group will be delivered (allotment rights must be grouped by eight or multiples of eight) and eight allotment rights to Fnac group shares will automatically be converted into a distribution of one Fnac group as from the dividend payment date. If this dividend is approved, the balance of the dividend consisting of the supplemental €2.25 per share and the distribution rights to Fnac group shares will be detached, paid and delivered on June 20, 2013. Fnac group shares will simultaneously be admitted for listing on Euronext Paris.

Readers are advised to review the prospectus to be approved by the French financial markets authority (AMF) at the end of April 2013 to obtain further information notably about the operation of distribution of Groupe Fnac shares, the business of Groupe Fnac and its risk factors. The prospectus will be available upon request and also on the website of the AMF: www.amf-france.org, the websites of PPR: www.ppr.com and Groupe Fnac.

**Dividends paid out over the past three fiscal years**

| Year of payment | Net dividend | Qualifying for a tax credit of |
|---|---|---|
| 2012 | €3.50 | 40% |
| 2011 | €3.50 | 40% |
| 2010 | €3.30 | 40% |

## 1.6. SHARE PLEDGES

As of December 31, 2012, 7,925,000 registered shares were pledged by the Artémis group.

| Name of registered shareholder | Beneficiary | Pledge start date | Pledge expiry date | Terms of release of the pledges | Number of issuer shares pledged | % of the issuer's capital pledged (2) |
|---|---|---|---|---|---|---|
| Artémis | CA CIB | 03/01/2007 | Unspecified (1) | | 1,700,000 | 1.35% |
| Artémis | CA CIB | 11/02/2011 | Unspecified (1) | | 900,000 | 0.71% |
| Artémis | CA CIB | 07/26/2012 | Unspecified (1) | | 825,000 | 0.65% |
| Artémis | CA CIB | 09/28/2012 | Unspecified (1) | | 4,500,000 | 3.57% |

*(1) Full reimbursement or payment of the receivable.*

*(2) Based on the share capital as of December 31, 2012, comprising 126,116,702 shares with a par value of €4 each.*

In September 2010, the Artémis group issued €690 million worth of bonds exchangeable for existing PPR shares. The exchangeable bonds were issued by Misarte, a 99.6%-owned subsidiary of Artémis.

This issue was carried out as part of the Artémis group's strategy to optimise its financial structure and diversify its sources of financing.

Holders of exchangeable bonds may request to exchange their bonds for PPR shares, on the basis of one share per bond, subject to any subsequent adjustments and Misarte's right, instead of delivering the PPR shares, to pay all or part of their exchange value in cash.

In order to facilitate the exchange or redemption of bonds for PPR shares, 4,932,094 PPR shares to be delivered to bond-holders were placed in escrow at the time of the issue.

The bonds, which were admitted for trading on the Euro MTF market of the Luxembourg stock exchange, will be fully redeemed (with the exception of those redeemed in advance) on January 1, 2016.

The Company is not aware of any change in bonds held in escrow since September 2010, and, to its knowledge, any previous issues of exchangeable bonds carried out by the Artémis group have not led to any changes in its shareholding structure.

The distribution of Groupe Fnac shares as set out in the precedent paragraph 1.5 is likely to trigger an adjustment of the exchange parity of the bonds and of the number of PPR shares placed in escrow. This adjustment will be published according to the terms of the bonds.

## 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, 2012

| | 2012 | | | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 40.9 | 56.5 | 51,614,762 | 40.6 | 55.1 | 51,616,666 | 40.7 | 55.5 |
| Baillie Gifford (2) | 6,399,935 | 5.1 | 3.6 | 6,399,935 | 5 | 3.8 | | | |
| PPR | 25,073 | 0.0 | 0.0 | 1,061,352 | 0.8 | 0 | 82,039 | 0.1 | 0 |
| Employees | 451,932 | 0.4 | 0.4 | 407,324 | 0.3 | 0.3 | 321,382 | 0.3 | 0.2 |
| Public | 67,625,000 | 53.6 | 39.5 | 67,517,516 | 53.3 | 40.8 | 74,809,097 | 58.9 | 44.3 |
| **Total** | **126,116,702** | **100** | **100** | **127,000,889** | **100** | **100** | **126,829,184** | **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 the section entitled "General information on the Company – Annual General Meetings" on page 303).*

*(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 56.5% 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.

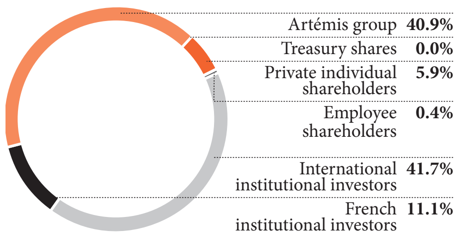
To the Company's knowledge, only one other shareholder holds more than 5% of the share capital of PPR. This is Baillie Gifford & Co, parent company of an investment management group based in Edinburgh (UK), acting on behalf of funds and clients under an asset management agreement.

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, 2012, private individual shareholders held 5.9% of the Group's share capital. Institutional investors owned 52.8% of the share capital, with 11.1% held by French companies and 41.7% by investors residing outside France.

Among the international institutional investors, UK-and US-based shareholders held 14.9% and 15.0% of the share capital, respectively. Continental European investors (excluding France) held 8.1% of the share capital, including notably Norway (1.9%), the Netherlands (1.8%) and Switzerland (1.3%). Shareholders based in the Asia-Pacific region represent 3.0% of the share capital.

BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2012




The main changes in share ownership in 2012 compared to 2011 are the 0.4-percentage point decrease in shares held by French institutional investors, the 1.2-percentage point increase in shares held by international institutional investors, the 0.4-percentage point decrease in shares held by private individual shareholders and the decrease in treasury shares.

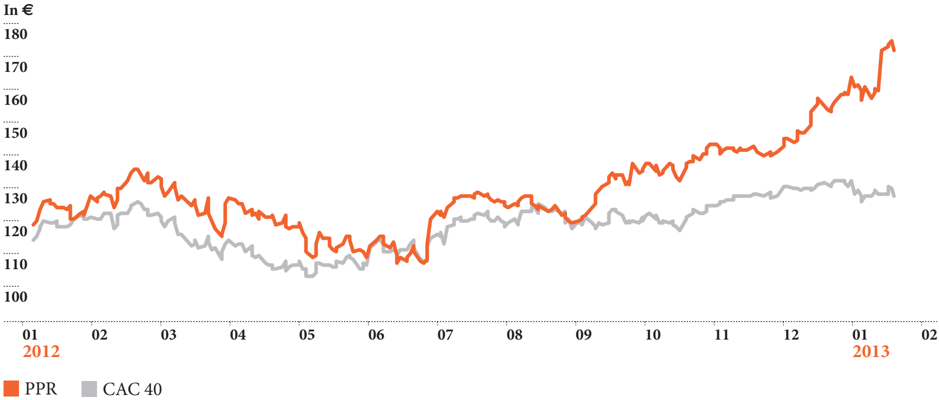
*Source: Identifiable Bearer Security (Titre au Porteur Identifiable) as of December 31, 2012.*

## 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 | 126,116,702 as of December 31, 2012 |
| Tickers | ISIN code: FR 0000121485<br>Reuters: PRTP.PA<br>Bloomberg: PPFP |

## Change in the price of the PPR share compared to the CAC 40 index since January 1, 2012




*Source: Euronext.*

## Market price and trading volume of the PPR share

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| High *(in €)* | 144.5 | 132.2 | 128.3 | 93.3 | 112.8 |
| Low *(in €)* | 106.4 | 90.5 | 81 | 36.3 | 31.1 |
| Price as of December 31 *(in €)* | 140.9 | 110.7 | 119.0 | 84.2 | 46.6 |
| **Market capitalisation as of December 31** *(in € millions)* | **17,764** | **14,034** | **15,093** | **10,663** | **5,897** |
| Daily average volume | 317,960 | 385,265 | 453,415 | 701,105 | 1,116,420 |
| **Number of shares as of December 31** | **126,116,702** | **127,000,889** | **126,829,184** | **126,578,588** | **126,555,377** |

*Source: Euronext.*

## Listed securities of the Group as of December 31, 2012

| 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 |
| PPR 3.125% April 2019 | FR 00 11 236 983 |

## Stock market data

### PPR share

| 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 | 124.4 | 128.5 | 119.1 | +6.1% | 260,349 | 678 | 5,467,331 |
| March | 131.2 | 136.9 | 124.1 | +1.1% | 327,917 | 941 | 7,214,172 |
| April | 124.0 | 131.7 | 114.1 | -2.1% | 574,564 | 1,341 | 10,916,723 |
| May | 120.6 | 127.0 | 114.1 | -9.0% | 427,367 | 1,145 | 9,402,063 |
| June | 112.3 | 118.1 | 108.2 | -2.4% | 411,801 | 974 | 8,647,812 |
| July | 112.6 | 123.8 | 106.4 | +8.7% | 425,207 | 1,059 | 9,354,558 |
| August | 126.4 | 129.0 | 121.3 | +1.8% | 209,462 | 605 | 4,817,617 |
| September | 124.0 | 128.9 | 118.9 | -3.9% | 330,633 | 816 | 6,612,658 |
| October | 129.6 | 137.3 | 119.2 | +13.6% | 397,784 | 1,184 | 9,149,023 |
| November | 137.4 | 144.2 | 132.5 | +5.7% | 240,834 | 725 | 5,298,354 |
| December | 141.6 | 144.5 | 139.4 | -1.8% | 231,506 | 610 | 4,398,611 |

| 2013 | Share price *(in €)* | | | | Volume | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Shares traded | |
| | Average | High | Low | Monthly change | Average daily | *(€m)* | Number of shares |
| January | 151.8 | 159.9 | 142.0 | +12.5% | 298,194 | 989 | 6,560,258 |
| February | 165.6 | 175.1 | 156.1 | +8.4% | 346,778 | 1,155 | 6,935,556 |

*Source: 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, private 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

Private 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 revenue and half-year results, and meetings to present its annual results. PPR also participates in industry conferences held by major banks. All of the presentation material is 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, which obligations 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.

2013 shareholders' agenda

| | |
|---|---|
| **April 25, 2013** | 2013 first-quarter revenue |
| **June 18, 2013** | Combined General Meeting |
| **July 2013** | 2013 half-year results |
| **October 2013** | 2013 third-quarter revenue |

CHAPTER 7
# Additional information

# 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 is made and paid into a reserve fund known as the "legal reserve". Said withdrawal ceases to 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, 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 is determined by the Annual General Meeting.

The balance, if any, is allocated among the shareholders.

The Annual General Meeting called upon to vote 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 are convened by the Board of Directors and deliberate on their agenda under the conditions provided for by the law and the regulations.

Meetings are 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 video-conference 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 are 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 elects its own chair.

Meeting minutes are prepared and copies thereof are 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 is 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. This 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 their 1992 merger.

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 their 1992 merger. 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 are 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 steps required 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 on 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

PPR's trade payables, amounting to €5.1 million as of December 31, 2012 (€5.7 million as of December 31, 2011), fall due in less than 60 days.

# 2. PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

**Jean-François Palus**

Group Managing Director

## 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 311) 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 261-262 and 283-284 respectively of said document.

Paris, April 18, 2013

Jean-François Palus

Group Managing Director
(*Directeur Général délégué*)

# 3. STATUTORY AUDITORS

## 3.1. PRINCIPAL STATUTORY AUDITORS

### KPMG Audit, a department 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, 2011: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements and the related Statutory Auditors' reports, set out on pages 6-7, 15-57, 136-162, 163-165, 173-262, 266-284, 263-264 and 285-286 respectively of the Reference Document filed on March 21, 2012 with the AMF;
- 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.

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

*(1) Not significant given the Group's business.*

*(2) This Reference Document does not include any profit forecasts.*

*(3) No quarterly financial statements have been published between the closing of the annual financial statements and the publication of the Reference Document.*

*(4) Not material.*

# 6. CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT

(ARTICLES L. 225-100 ET SEQ. OF THE FRENCH COMMERCIAL CODE)

# 7. CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

(ARTICLE 222-3 OF THE AMF'S GENERAL REGULATIONS)

# 8. INDEX

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**PPR**

*Société anonyme* (a French corporation) with a share capital of €504,466,808
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