
GUCCI
GUCCI GROUP

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GUCCI GROUP
"BUILDING ON STRENGTHS"

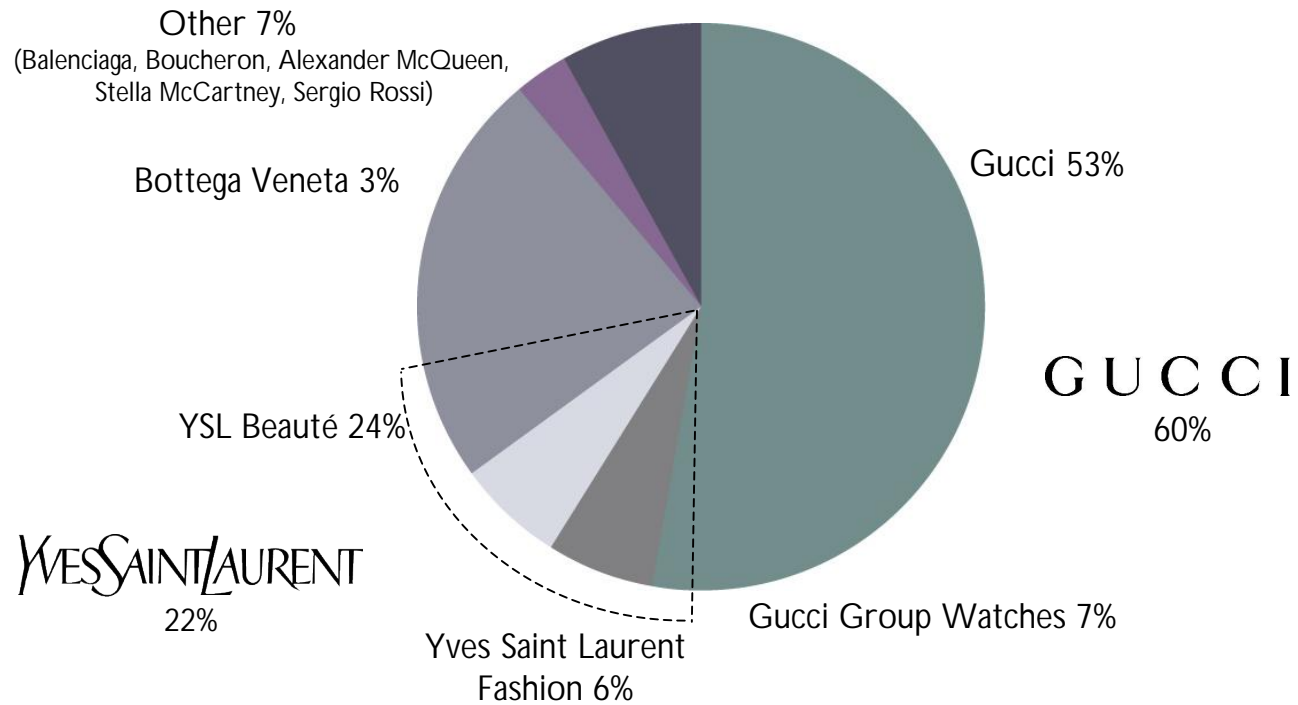
December 14th 2004

ROADMAP

1. Gucci Group Today
2. Group Objectives
3. Seven Key Actions
4. Conclusion: Building on Strengths

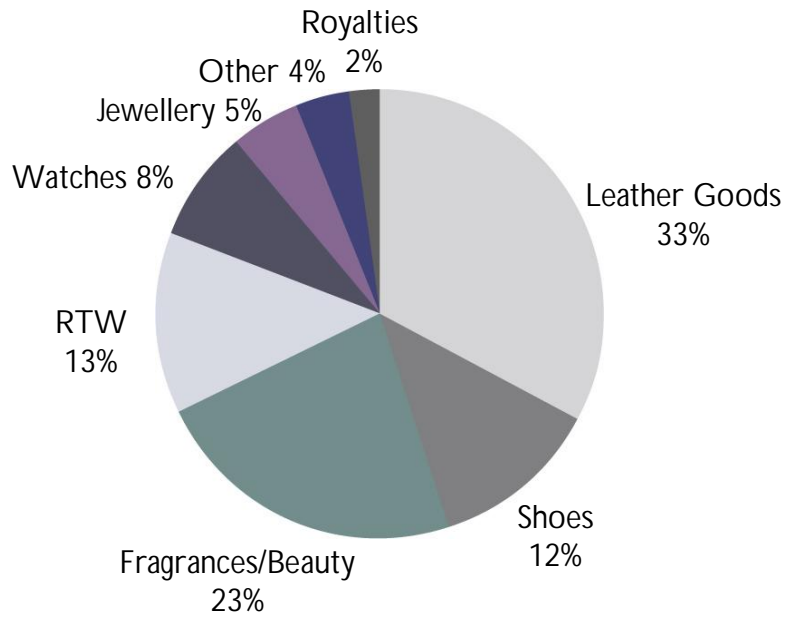
GUCCI GROUP TODAY

GUCCI GROUP PORTFOLIO

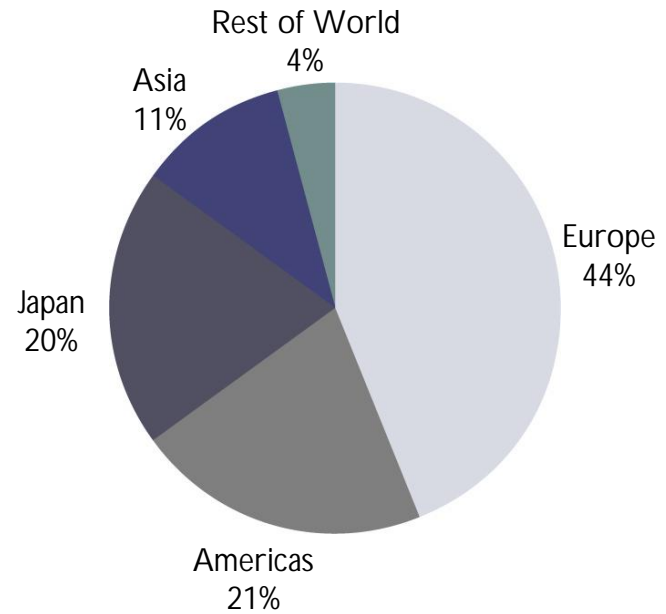


2003 revenues: € 2,587M
2003 employees: 11,254

GUCCI GROUP PORTFOLIO



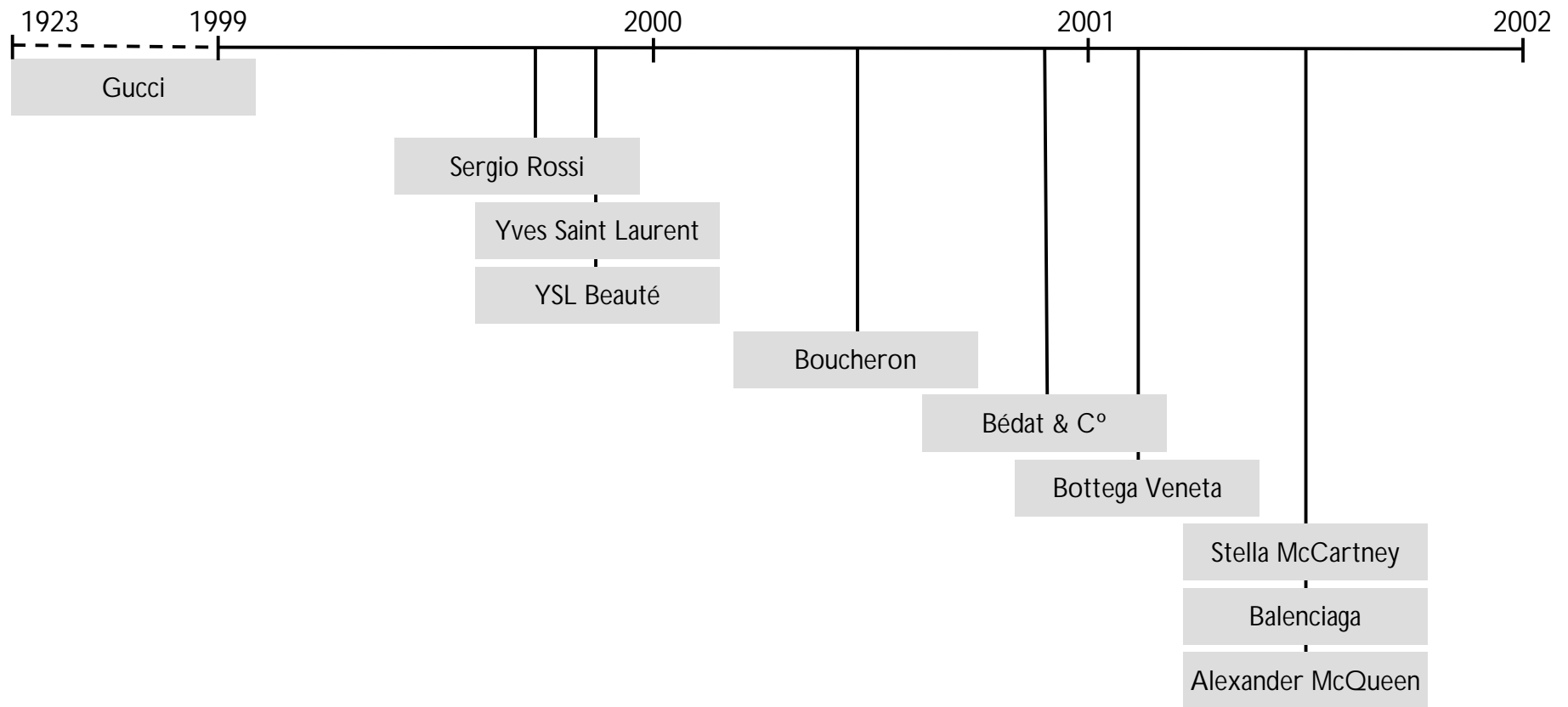
by product category



by region

396 DOS: 51% of revenues

MULTI-BRAND STRATEGY LAUNCHED IN 1999



MULTI-BRAND STRATEGY RATIONALE STRONG, BUT LESSONS LEARNED

What worked

- Doubled scale: € 1.2B 1999
€ 2.6B 2003
- Diversified risks
- Accessed new segments
- Captured extraordinary brands
- Acquired exceptional talent and capabilities

What did not work

- Management distraction from core Gucci brand
- “One size fits all” approach to most acquired brands
- Timeline to profitability has slipped
- Group EBITA margin: 22% 1999
10% 2003

GROUP OBJECTIVES

GROUP OBJECTIVES

- Significantly improve Group revenues and results
- Renew focus on Gucci brand
- Assign specific role to each brand within portfolio

SIGNIFICANTLY IMPROVE GROUP REVENUES AND RESULTS

- Grow revenues by at least 10% CAGR *
- Group EBITA will grow faster than revenues *

RENEW FOCUS ON GUCCI BRAND

- Double size of Gucci brand in 7 years
- Rebuild Gucci brand gross margin towards 70%
- Increase marketing and communications spend to competitive levels

ASSIGN SPECIFIC ROLE TO EACH BRAND WITHIN PORTFOLIO

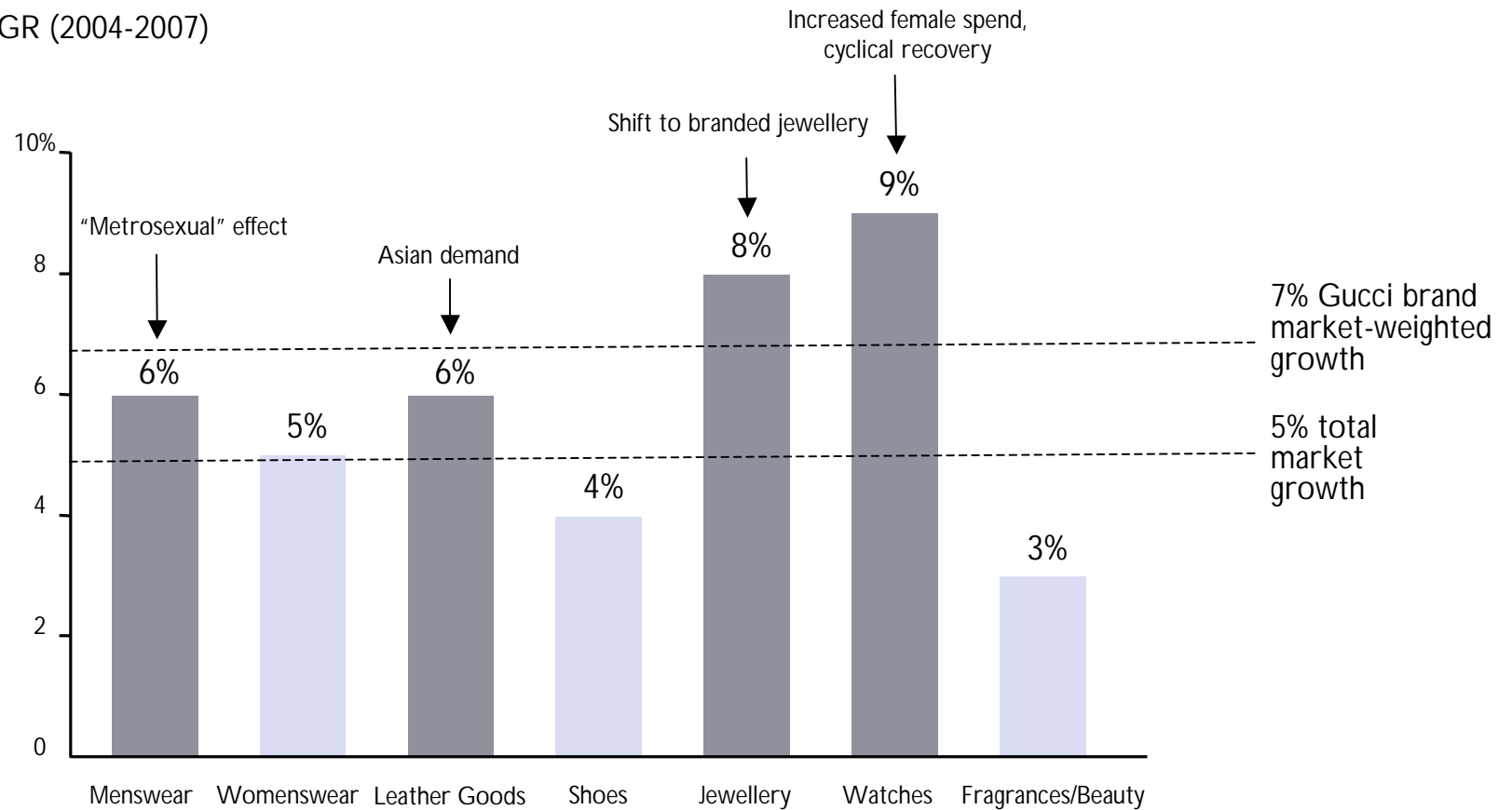
Fundamental drivers of profitable, organic growth	Provide capabilities and access to new segments	Potential for long-term growth – must breakeven by 2007
<ul style="list-style-type: none">• Gucci	<ul style="list-style-type: none">• Boucheron• Gucci Group Watches (incl. Bédât)	<ul style="list-style-type: none">• Sergio Rossi
<ul style="list-style-type: none">• Yves Saint Laurent	<ul style="list-style-type: none">• YSL Beauté	<ul style="list-style-type: none">• Alexander McQueen
<ul style="list-style-type: none">• Bottega Veneta		<ul style="list-style-type: none">• Balenciaga• Stella McCartney

LUXURY GOODS: A GROWTH MARKET

- Global market: €134 B in 2004
- Expected growth 2004-2007: 5% CAGR
- Growth drivers
 - Steady economic growth
 - Broader consumer base
 - Fast rising Asian wealth

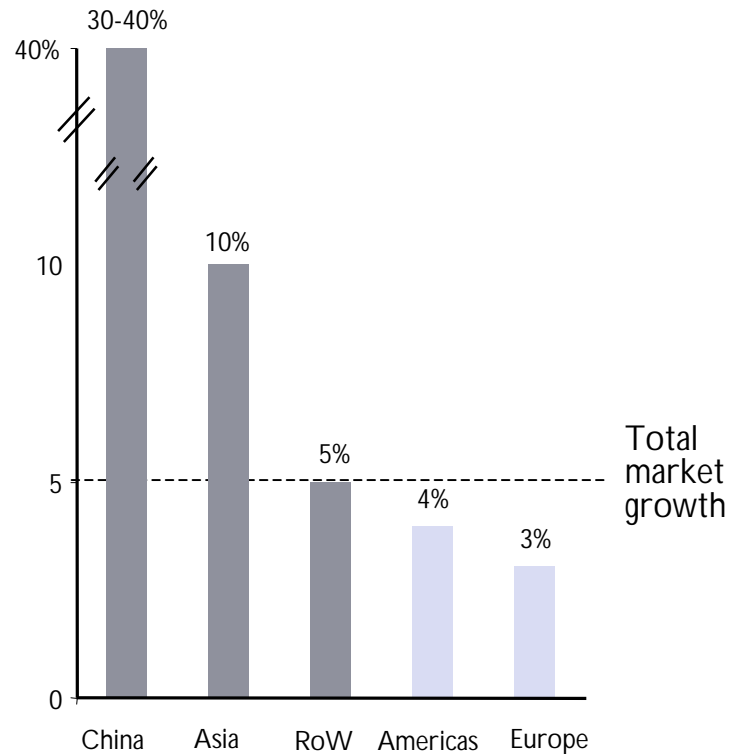
GUCCI GROUP SET TO CAPTURE FASTER GROWTH IN KEY PRODUCTS

Global Luxury Goods Market
CAGR (2004-2007)



GUCCI GROUP SET TO CAPTURE FASTER GROWTH IN KEY MARKETS

Global Luxury market
CAGR 2004-2007



- Long experience, outstanding teams in place
- China
 - Started exploring potential of Chinese market before 1995
 - First stores opened in Beijing and Shanghai in 1997
 - Eight Gucci stores, already breaking even
 - Gucci flagship in Shanghai
 - Will be investing strongly
- Strong momentum in Hong Kong and Taiwan
- c.13% of Hong Kong Gucci business from mainland Chinese tourists
- 60% of new Gucci Group DOS openings in Asia

7 KEY ACTIONS

KEY ACTIONS (2004-2007)

1. Capture considerable opportunities for Gucci brand in specific, high-growth product categories and regions
2. Translate essence of Yves Saint Laurent into most desirable products
3. Grow Bottega Veneta to € 200M revenues, with solid profitability
4. Fix Boucheron and Sergio Rossi
5. Build Alexander McQueen, Balenciaga and Stella McCartney to break even by 2007
6. Enhance consumer understanding and marketing techniques in our innovation/ branding/communication processes
7. Ensure best-in-class throughout whole supply chain

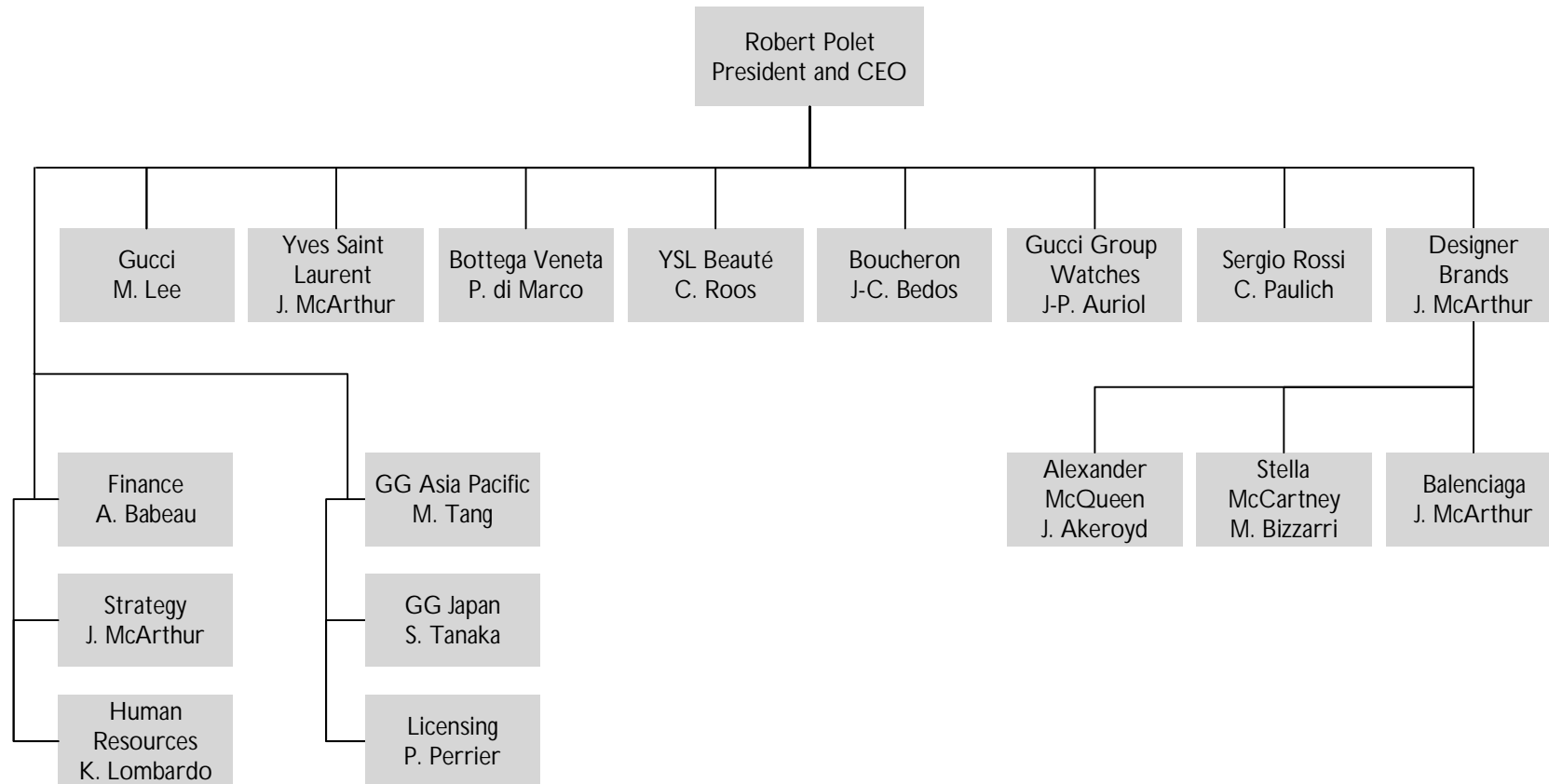
KEY ENABLER

empowered brand teams

Empowered brand teams with integrated responsibilities for design/merchandising/operations

- Freedom within framework set by Group:
 - Strategy
 - Roles and responsibilities
- Brand CEOs are now brand custodians and have full operational responsibility over:
 - Design
 - Advertising
 - Visual display
 - Store concept
 - Public relations
 - Merchandising
 - Operations
- Transparent performance-based compensation

GUCCI GROUP MANAGEMENT



KEY ACTION 1

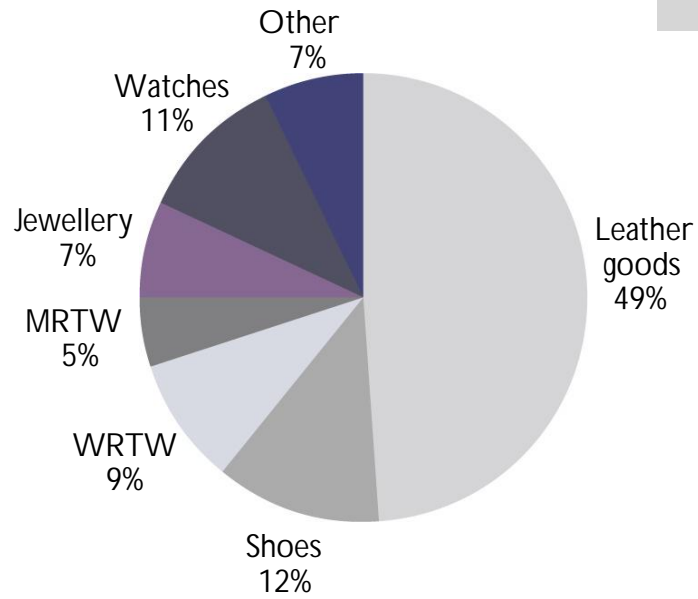
Capture considerable opportunities for Gucci brand
in specific, high-growth product categories and regions

GUCCI BRAND POSITIONING/DNA

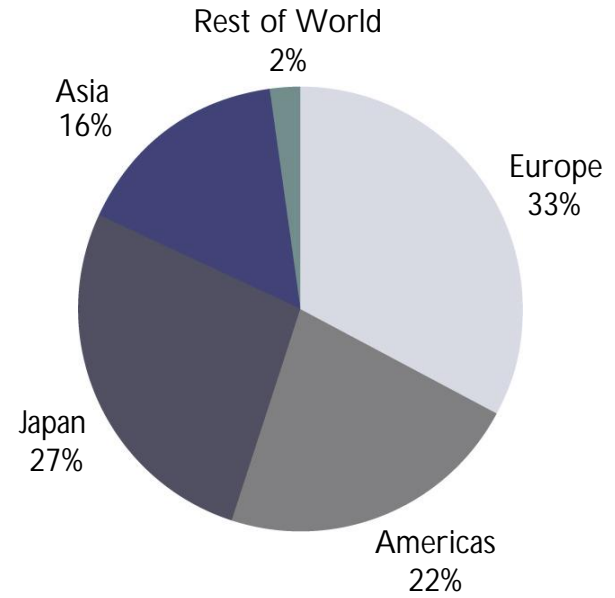
- 1923 - fine leather goods producer
- “Made in Italy” – tradition, artisan skills and quality
“Quality is remembered long after price is forgotten”
- Heritage of extraordinary fashion icons
Horsebit, Bamboo, GG logo, Grace Kelly Flora, Green/Red/Green web
- Product authority across wide range of categories (leather goods, shoes, RTW, jewellery, silks) for both women and men
- Perfect balance between tradition and innovation
- The trend-setter; stylish, sexy and fashion conscious
- Present on all continents for decades
(in US since 1950s and Japan since 1960s)

GUCCI BRAND

2003 revenues
€1,522M



by product category



by region

197 DOS: 70% of revenues

CAPTURE CONSIDERABLE OPPORTUNITIES FOR GUCCI BRAND - 1

- Dedicated brand team with new CEO
- Outstanding designers and their teams
- Well received first collections

CAPTURE CONSIDERABLE OPPORTUNITIES FOR GUCCI BRAND - 2

Set key priorities in product categories

- Capitalise on leading edge fashion, product innovation and quality
 - Creativity
 - Craftmanship
- Continue successful momentum in leather goods and shoes
- Boost sales in fast-growing jewellery, watches and men's RTW

CAPTURE CONSIDERABLE OPPORTUNITIES FOR GUCCI BRAND - 3

Set key priorities in major regions

- Exploit growth opportunities in Asia-Pacific
 - Maintain strong growth in Hong Kong, Mainland China and Taiwan
 - Exploit opportunities in new markets
 - Entry into India in 2006
- Regain momentum in Japan
 - New teams
 - Tailor products
- Drive growth in North America
 - Increase sales densities
- Strengthen positions in specific European markets via store openings and expansions
- 22 net new DOS worldwide by 2007

KEY ACTION 2

Translate essence of Yves Saint Laurent into most desirable products

YVES SAINT LAURENT BRAND POSITIONING/DNA

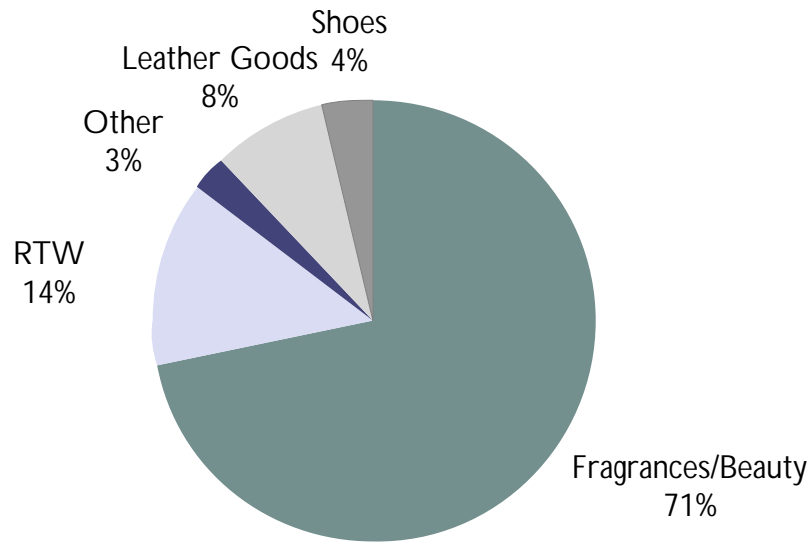
“ Dressing real women for all occasions of real life with love and affection, respect, style, grace, elegance, quality, fit, sensuality ”

Yves Saint Laurent

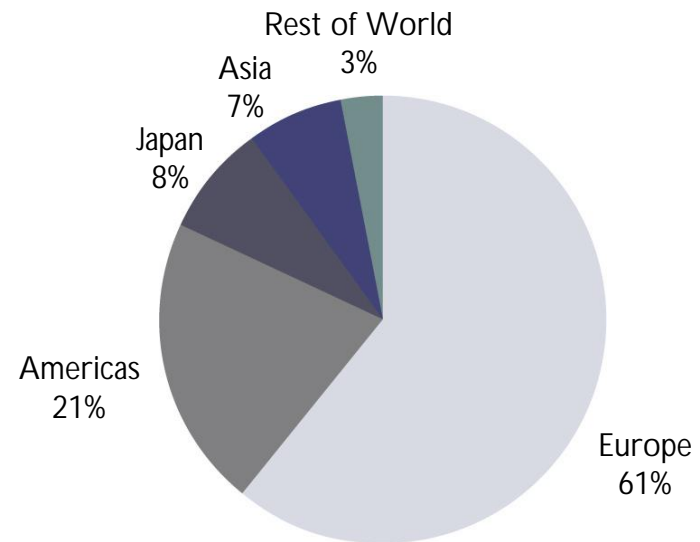
- A premier French luxury fashion and beauty brand
- “Master of Colour”
- Innovative, creator of ready-to-wear
- Provocative
- Fashion icons and depth of archives
Safari, Pantsuit, Cassandra logo, “Love”, Tuxedo

YVES SAINT LAURENT BRAND - FASHION AND BEAUTY

2003 revenues
€ 560M



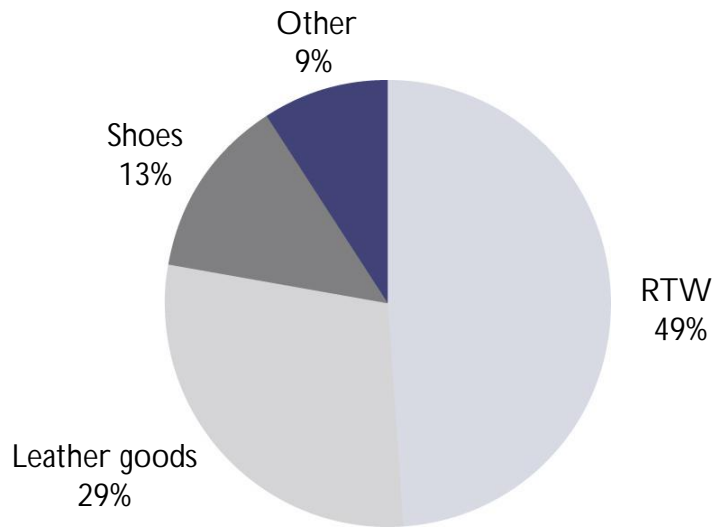
by product category



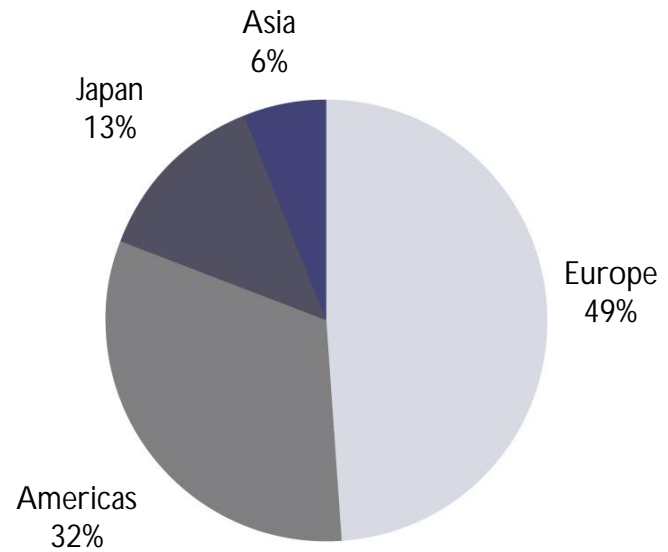
by region

YVES SAINT LAURENT FASHION

2003 revenues
€ 154M



by product category



by region

61 DOS: 61% of revenues

YVES SAINT LAURENT FASHION TODAY

What worked

- Repositioned as desirable luxury
 - High quality luxury product, respecting YSL heritage
 - Outstanding media and editorial presence
- Best quality distribution
 - 61 revamped/new DOS in key locations worldwide
 - >400 of the most prestigious wholesale doors worldwide
- Built legitimate leather goods business
 - Not part of original heritage but totally in sync with brand's DNA
- Strong growth of revenue

What did not work

- Heavy investments ahead of revenues
- Positioning somewhat intimidating
- Product collections not yet totally balanced



Rebuilding global fashion brand takes time

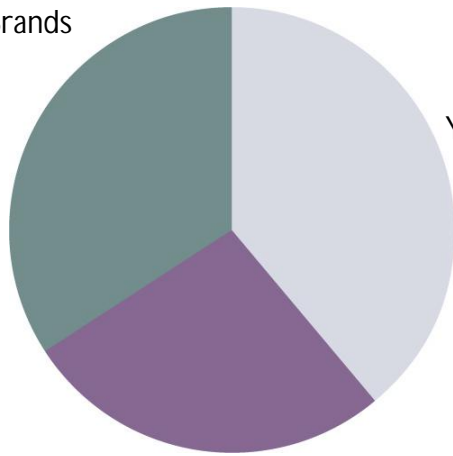
ACTIONS TO ADDRESS YVES SAINT LAURENT FASHION ISSUES

- Dedicated brand team in place, led by CEO
 - Setting product and brand strategy
- Highly talented designer and design teams
 - First collection Cruise 2005 now hitting stores
- Develop products more in line with brand's DNA
 - Build on brand's heritage and codes
 - Better balance in collections and price points
 - Merchandising balance day vs. evening
 - Fill out all classifications and end usage in RTW and other categories
 - Accelerate growth of successful handbags and shoes
- Optimise retail and wholesale networks
 - Revenue growth driven by better sell-through rather than POS growth
 - Lighten-up interiors of our stores
- Review of all cost structures to ensure effectiveness

YSL BEAUTE

2003 revenues
€ 615M

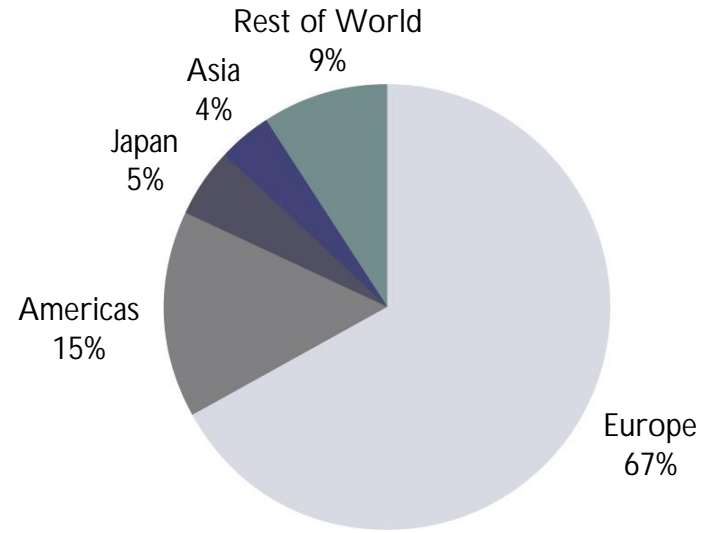
Roger & Gallet
and Licensed Brands
34%



Yves Saint Laurent
Make-up and Skincare
27%

by brand

Yves Saint Laurent
Fragrances
39%



by region

Europe
67%

Americas
15%

Japan
5%

Asia
4%

Rest of World
9%

- Agile player with flexibility to respond quickly to changing markets
- Important platform for development of YSL brand
- Provides access to capabilities in fragrances, make-up and skincare
 - Focus on core businesses
 - Innovate with creativity and speed
- Major initiatives
 - Capturing full benefit of Cinéma launch
 - Focused communications investment behind Cinéma and key pillar lines
 - Measured, opportunistic entry into skincare
 - Growth focused on USA and Japan
- Ensure cost-competitiveness

KEY ACTION 3

Grow Bottega Veneta to € 200M in revenues, with solid profitability

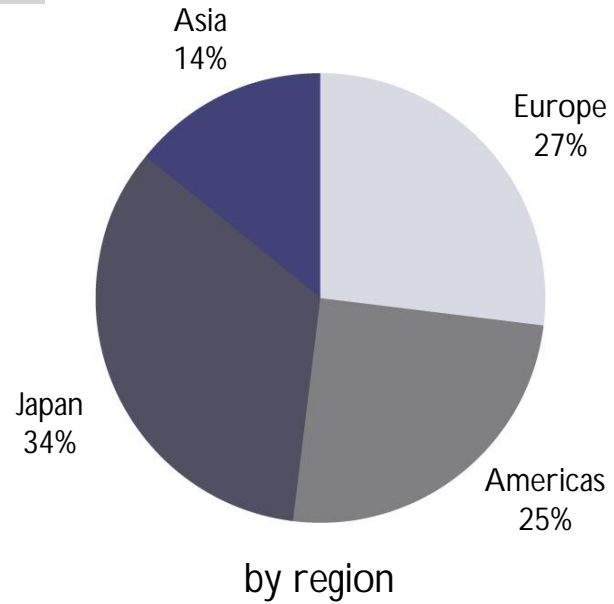
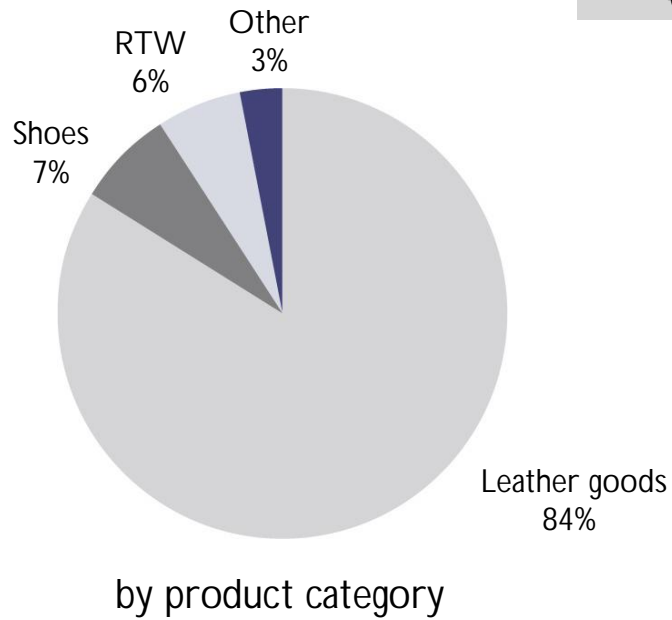
BOTTEGA VENETA: POSITIONING/DNA

“ When your own initials are enough ”

- Discreet elegance for discriminating clientele
- Superior quality in material and workmanship
- Exclusivity – unique products and fabrications
- Integrity – timeless, permanent products
- Classic collection of designs with permanent colour card

BOTTEGA VENETA

2003 revenues
€ 73M



64 DOS: 85% of revenues

BOTTEGA VENETA: ACTIONS

- Grow Bottega Veneta to € 200M revenues, within three years
- Continue with current strategy, a major success story with very talented designer and teams
- Clear positioning
- Gradually evolve product range (item-based and centred on core leather goods)
- Focus on retail channel (expansion and organic growth)
20 net new DOS openings through 2007, to reach 84 in total
- Profitability within next 2 years

KEY ACTION 4

Fix Boucheron and Sergio Rossi

BOUCHERON

- French jeweller and watchmaker of high quality, positioned at top end of luxury market
- New management team in place
- Implement new strategy to turn around business within four years
 - Reposition brand on core values (coloured stones, precious material, mystery)
 - Product built on heritage
 - Broader entry range
 - Recovering position in watch business
- Strengthen platform for growth through wholesale/franchising and adapted retail network
- Already strong reduction of costs within business – HQ, US network

SERGIO ROSSI

- Sophisticated, high quality, Italian, beautifully designed, sensual and comfortable shoes
- Bought a profitable company, but
 - Over-invested in production and distribution
 - Some collections didn't fully hit the mark
- Focus on driving to break even by 2007
 - Collection balance, e.g. broader leather goods offering, more usage occasions for women's shoes, full range of men's shoes
 - Adjust store network
 - Manage costs tightly

KEY ACTION 5

Build Alexander McQueen, Balenciaga and Stella McCartney to break even by 2007

DESIGNER BRANDS: THE OPPORTUNITY

- 3 very talented designers
- Successful ventures – healthy revenue growth
- Reinforce merchandising and structure of collections
- Aggressive growth plans for each brand
- Capital effective growth
 - Limited retail presence
 - Focus on wholesale
 - Selective licensing



Aim to break even by 2007

KEY ACTION 6

Enhance consumer understanding and marketing techniques
in our innovation/branding/communication processes

- Develop more systematic, disciplined and formal approach to capturing consumer behaviour vis-à-vis our brands, products and communication through consumer research techniques
- Embed voice of consumer into our creative and merchandising processes
- Develop segmentation model and ensure brands are well positioned and clearly targeted at their core consumers

KEY ACTION 7

Ensure best-in-class throughout whole supply chain

- Control all value-added: product development and production quality controlled in-house
- Build on existing high quality production assets
 - Leather goods: close-knit partnership of 3500 craftspeople in Tuscan hills and Veneto
 - Shoes: product development centre built to capture know-how
 - Ready-to-Wear: control development and industrialisation phases in Italy and France
 - Watches and Fragrances: in-house Swiss and French production expertise
- Integrated global warehousing & distribution platform, handling 7.6 million units in 2004
- Recognition of competitive challenges – continuous need to improve capabilities
 - Greater rotation of assortment
 - Increased flexibility and speed
 - In-season replenishment
- Remain cost-competitive

GUCCI GROUP ROLES

- Set framework for strategy and roles & responsibilities
- Capture of synergies across Group
 - Common production and distribution platforms
 - Back office support in regions
 - Media buying
 - Real estate
 - Shared services (Finance, IT, Legal)
- Provide world-class services to the divisions
 - Human resources
 - Licensing
 - Treasury and tax
 - Sharing of best practices
- Talent management

KEY ENABLER: PEOPLE

People in Gucci Group think and act as if it were their own company

- Committed, passionate, execution-driven
- Talented people, entrepreneurial
- Multi-national DNA
- Innovation- and creativity-driven

CONCLUSION: BUILDING ON STRENGTHS

- Focus on Gucci brand
- Customise strategy for each brand
- Rebuild profitability
- Ensure cost competitiveness
- Enhance capabilities in:
 - Consumer knowledge (in balance with creativity)
 - Supply chain

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