

PPR in 2005

- 06 History
- 08 Key consolidated figures
- 10 The PPR Group
 - 10 Group organisational chart
 - 11 Positioning and strategy
 - 12 Map of worldwide locations at 31/12/2005
 - 14 2005 highlights and outlook

History

Established in 1963 by François Pinault in the timber and building material businesses, the PPR group positioned itself in the middle of the 1990s in the Retail sector, in which it soon became a major player. The purchase 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 development of the Group. PPR continues to expand its two activities in high-growth markets through powerful and recognised brands.

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, specialising in electrical equipment distribution (through CDME, which became Rexel in 1993) and in trading with Africa.

1991

- With the acquisition of Conforama, the Group enters the Retail activity.

1992

- The Pinault-Printemps Group is born with the takeover of Au Printemps SA, which held 54% of La Redoute and Finaref.

1994

- Merger of La Redoute with the Group, which is 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.
- Launch of fnac.com, the Fnac website.

1997

- Takeover by Redcats (PPR home shopping activity) of Ellos, the leader in the Scandinavian mail-order market.
- Creation of Fnac Junior, a store concept 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 United States.
- 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 building up a multi-brand luxury goods group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.

2000

- Acquisition of Surcouf, a specialised PC distributor.
- Acquisition by Gucci Group of Boucheron and BEDAT & Co.
- Launch of Citadium, the new Printemps sports store.

2001

- Gucci Group acquires Bottega Venta and Balenciaga and signs partnership agreements with Stella McCartney and Alexander McQueen.
- Conforama enters the Italian market with the purchase of the Emmetza 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 further increases its stake in Gucci Group to 54.4%.
- Sale of Guilbert mail order activity to Staples Inc.
- Sale of part of the Credit and Financial Services activity in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and to BNP Paribas (90% of Facet).

2003

- Pinault-Printemps-Redoute raises its stake in Gucci Group to 67.6%.
- Sale of Pinault Bois & Matériaux to the Wolesley group in the UK.
- Sale of the Guilbert “contract” activity to Office Depot the American group.
- Further sale of 14.5% of Finaref.

2004

- The Group raises its stake in Gucci Group to 99.4% following tender offer launched in April-May.
- Sale of Rexel.
- Divestment of the Group's remaining 24.5% stake in Finaref.

2005

- Change in the corporate name: Pinault-Printemps-Redoute becomes PPR.
- Sale of MobilePlanet.
- Sale of the 10% residual stake in Facet.

Key consolidated figures

(in € million)	2004 ⁽¹⁾	2005	Change
Revenue	17,042	17,766	+4.2%
Revenue earned outside France (as % of revenue)	50.2%	51.3%	+1.1 pt
Gross margin	7,388	7,734	+4.7%
Recurring operating income	986	1,084	+9.9%
Operating margin (as % of revenue)	5.8%	6.1%	+0.3 pt
Income before taxes	795	762	-4.1%
Net income from continuing operations attributable to equity holders of the parent	464	535	+15.4%
Free cash flow from operations ⁽²⁾	729	955	+31.0%
Debt-to-equity ratio at 31/12 (net financial debt as a percentage of shareholders' equity for the consolidated entity)	58.9%	56.4%	-2.5 pts

Per share data (in €)	2004 ⁽¹⁾	2005	Change
Net income per share from continuing operations attributable to equity holders of the parent	3.89	4.50	+15.7%
Net dividend per share	2.52	2.72 ⁽³⁾	+7.9%

Excluding non-recurring items, the change in net income from continuing operations attributable to equity holders of the parent was as follows:

	2004 ⁽¹⁾	2005	Change
Net income from continuing operations attributable to equity holders of the parent	485	539	+11.2%
Net income from continuing operations attributable to equity holders of the parent (in €)	4.06	4.53	+11.6%

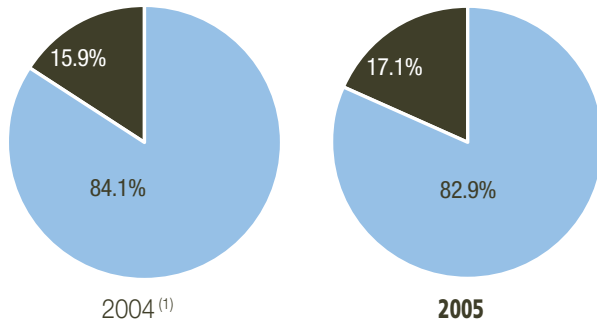
⁽¹⁾ 2004: adjusted for the impact of the transition to IFRS and change in the reporting period of Gucci Group (consolidation over the period from January-December).

⁽²⁾ Net cash from operating activities – net acquisitions of intangible assets and property, plant and equipment.

⁽³⁾ Submitted to the approval of the Shareholders' Meeting of May 23, 2006.

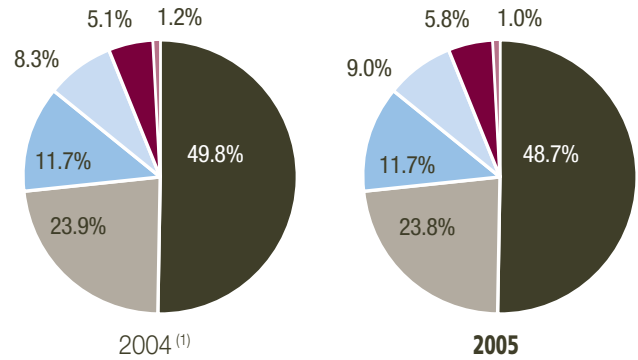
⁽⁴⁾ Excluding holding company.

Breakdown of revenue by sector



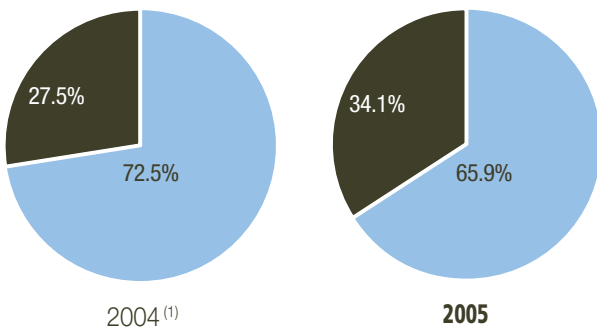
RETAIL
LUXURY GOODS

Breakdown of revenue by geographic region



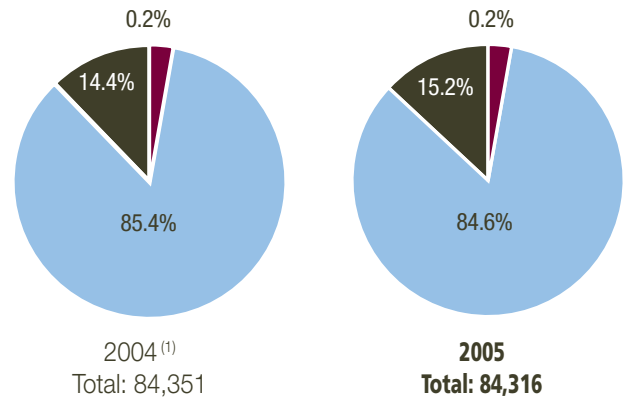
FRANCE
EUROPE (EXCLUDING FRANCE)
AMERICAS
AFRICA
ASIA
OCEANIA

Breakdown of recurring operating income by activity⁽⁴⁾



RETAIL
LUXURY GOODS

Breakdown of employees at December 31 by activity



RETAIL
LUXURY GOODS
HOLDING COMPANY

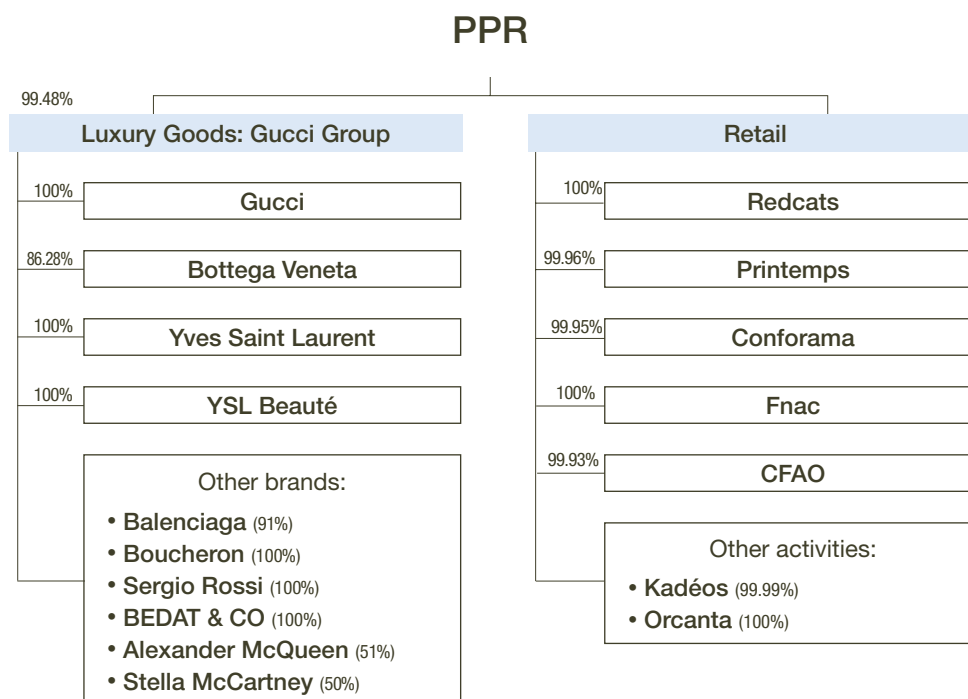
The PPR Group

A leading player

PPR is driven by its goal of sustainable growth and continues to expand internationally in a spirit of achievement and creativity. PPR is a leading group in each of its activities, both through the power of its brands and the skills of its teams. The Group's specific balance in terms of products, sales formats and geographic locations has been the engine for its above-market growth. The size of the Group, which recorded nearly €18 billion in revenues in 2005, is also a major competitive advantage.

Because of the size and diversity of its activities, there is no single competitor on the scale of PPR. Each brand is developing in its own competitive environment, as described in the section on the Group's activities.

Group organisation chart at 31/12/2005



Percentage stake at December 31, 2005.

Positioning and strategy

PPR is a global leader in two universes: Luxury Goods and Retail. This unique positioning reflects the Group's strategic choices and its entrepreneurial spirit.

A strong entrepreneurial culture

Since its inception in 1963, the PPR Group has constantly been on the move, guided by a strong entrepreneurial culture. At each stage in its history, PPR has acted boldly and imposed its performance-driven culture, developing each of its businesses and offering them strong prospects for growth. The entrepreneurial spirit lies at the heart of the Group's fundamental identity and has made PPR a global player in the Luxury Goods and Retail, with revenues of nearly €18 billion in 2005.

A unique combination of two businesses

Today, PPR is one of the rare groups of its size to combine Luxury Goods and Retail. These two different, but complementary, universes where success is closely tied to brand management, the quality of customer services, and control of distribution, are also among the most profitable sectors and give PPR a particularly attractive profile. Gucci Group, with its prestigious brands, gives PPR a global presence in high-growth markets. The Retail companies are major players in stable and mature consumer markets. By combining both universes, PPR achieves a special balance in terms of products, sales formats, brands and geographic locations, driving higher-than-average growth in its markets.

A strategy of organic growth, focused on international activities

PPR is growing through a strategy of organic growth, generating strong cash flow, and emphasis on international activities. In the Luxury Goods activity, Gucci Group combines leading, clearly positioned brands, the complementary features of which form one of the greatest assets. These prestigious brands are expanding because of the growing success of their designers, the expertise of their craftsmen, the relevance of their positioning, and their development in markets offering the most promising momentum for growth. The Retail companies provide steady organic growth in promising markets because of their constant expansion and renewal of the product and service offering, the deployment of e-commerce, the launch of innovative store concepts, and the expansion of the retail network, particularly abroad, both in traditional countries and in high-potential new markets.

A decentralised operational management combined with pooled resources and skills

For a long time, the organisational style of PPR favoured operational decentralisation and proximity to the market and the customer, factors that guarantee responsiveness and speed of adaptation. Resources are pooled to improve performance. Knowledge-sharing among the various brands and companies is systematically encouraged to exploit the specific expertise of each company and brand in order to promote group-wide creativity and innovation. This organisation is a key factor in the performance of the Group's activities.

Map of worldwide locations

PPR generated €9,118 million in revenue overseas, representing 51.3% of the total of its activity.

GUCCI
GUCCI GROUP

426 directly-operated stores

Japan 140
Americas 74
Italy 53
France ⁽¹⁾ 31
South Korea 21
United Kingdom 19
Taiwan 17
Hong Kong 15
Germany 11
Switzerland 9
China 7
Spain 7
Singapore 5
Australia 4
Guam 4
Malaysia 4
Belgium 3
Austria 1
Netherlands 1

⁽¹⁾ Including Monaco.


REDCATS

More than 30 catalogues

France 14
United States 11
England 5
Belgium 5
Sweden 5
Norway 4
Finland 3
Germany 2
Austria 2
Switzerland 2
Portugal 2
Denmark 1
Spain 1
Japan 1

PRINTEMPS

18 directly-operated department stores ⁽¹⁾

France 18

⁽¹⁾ Excluding Citadium, Made in Sport, Madelios and Printemps Design. Excluding 8 affiliate stores.

at 31/12/2005



109 directly-operated stores ⁽¹⁾

France 68
Spain 12
Portugal 8
Belgium 6
Brazil 6
Italy 5
Switzerland 4

⁽¹⁾ Excluding Fnac Éveil & Jeux, Fnac Service and Surcouf.
Excluding 8 joint venture stores.



Conforama

199 directly-operated stores

France ⁽¹⁾ 142
Italy 19
Spain 15
Switzerland 11
Portugal 5
Poland 3
Croatia 3
Luxembourg 1

⁽¹⁾ Excluding 47 affiliate stores.

2005 highlights

PPR

Change of name and governance structure for Pinault-Printemps-Redoute

The Shareholders' Meeting of May 19, 2005 approved the change of the Pinault-Printemps-Redoute corporate name, which officially became PPR, a simpler and more international name. The Meeting also approved amending the Group's bylaws reflecting the change from a structure with a Supervisory Board and Management Board to a Board of Directors.

At the end of the Meeting, the Board of Directors elected François-Henri Pinault as Chairman and Chief Executive Officer of PPR. Patricia Barbizet was elected Vice-Chairman of the Board and François Pinault as Honorary Chairman. Five of the nine Board members elected are independent according to the criteria defined in the "Bouton Report".

In addition, one-third of the Board members are non-French. The three specialised Board Committees (Audit Committee, Remuneration Committee and Appointments Committee) are maintained within the Board of Directors, while a Strategy and Development Committee has been created to identify, study and recommend strategic development initiatives for PPR.

A strong financial structure

In the first half of 2005, PPR completed two disposals under excellent conditions. In April, MobilePlanet, a company specialising in Internet sale of mobile technology products, was sold to eXpansys Holdings Limited for €2.1 million. On June 30, PPR announced the completion of an agreement with Cetelem, a subsidiary of BNP Paribas, for the sale of its residual 10% stake in Facet (Conforama card activity) for €90 million of which 9.69% was sold in the first half.

In an extremely favourable interest rate environment, PPR continued its policy to extend the maturity of its debt and diversify its financing sources with the completion in June of a €300 million bond issue, with a 4% coupon and maturing in January 2013. In March, the Group cancelled 2 million treasury shares. During the year, PPR also sold a net 2,738,618 treasury shares for a total of €224.8 million. As of December 31, 2005, the Group held 149,514 treasury shares, including 25,000 shares under its liquidity contract.

Luxury Goods

With 426 directly-operated stores at the end of December, compared with 398 in 2004, the Luxury Goods activity performed extremely well in all its retail channels, reflecting the warm welcome that greeted all the 2005 collections from the Group's brands, particularly Gucci and Bottega Veneta.

These strong performances were driven by a number of initiatives during the year that confirmed the potential for creativity and innovation of the Group's brands. Leather goods, footwear, designer jewellery and cosmetics recorded very strong growth, and all geographic regions rose significantly.

and outlook

Gucci

The Gucci brand appointed Frida Giannini as Creative Director in men's ready-to-wear (January 2006), in addition to her responsibilities in women's ready-to-wear (March 2005) and all accessories (April 2004). The brand's collections again reflect creative talent, with models that unite youth and glamour, while maintaining the codes related to the history of the brand. As a result, the latest ready-to-wear collection presented by Frida Giannini in September was highly successful.

Every year, Gucci creates over 3,000 items, including several hundred for accessories alone. In 2005, growth was driven by leather goods, with the success of the *Hasler*, *Pelham*, *Punch* and *Creole* handbag lines and by the carry-over lines (permanent collections) like *Abbey*, *Eclipse*, *Flora*, or even the new *La Pelle Guccissima* collection launched in 2005. Available in all Gucci boutiques since August, *La Pelle Guccissima* uses the revolutionary technique of leather embossing, which gives an original and extremely contemporary 3D effect. At the end of 2005, Gucci had 207 directly-operated stores, up from 198 at the end of 2004.

Bottega Veneta

Bottega Veneta pursued the strong growth generated by its growing brand recognition among consumers and the expansion of its directly-operated stores. The brand is positioned in the exclusive fine leather goods market with highly sophisticated designs and all the 2005 collections were extremely well received. In leather goods, the leading revenue contributor, the *Veneta*, *Baby bag* and *Campana* bags confirmed their best-sales positions, while the two new *Ball bag* and *Cocker bag* lines were successfully rolled out with the 2005 Fall-Winter collection.

During the year, Bottega Veneta expanded its network of directly-operated stores, raising the number of stores from 65 at year-end 2004 to 83 at the end of 2005, a net 18 openings. Most of the new stores were in Asia: five in Japan, four in Taiwan, four in the South Korea, and four in the rest of Asia. In 2006, the brand will continue its store programme opening with two new flagship stores on Avenue Montaigne in Paris (300 sq.m.) and in the Omotesando district of Tokyo (270 sq.m.), as well as a 256 sq.m. store in Kalakua in Honolulu.

Yves Saint Laurent

At Yves Saint Laurent, a new management team was established in 2005, with the appointment of Valérie Hermann as Chairman and CEO and Raphaëlle Hanley as Creative Director for the accessory lines, which now represent 35% of the brand's sales.

The creative talent of Stefano Pilati, Creative Director of Yves Saint Laurent since April 2004, is widely recognised and he has given the brand an avant-garde edge, while maintaining a classic and elegant wardrobe. The *Cruise* collection which reached the stores in November has performed well. Stefano Pilati continues to expand the accessories offering and designed during the year a new bag named *Muse*. Created in workshops in Florence, Italy, *Muse* requires no fewer than 46 pieces of leather for manufacturing and is available in three colours (black, white and chocolate) and three sizes.

2005 highlights

YSL Beauté

In fragrances, YSL Beauté accelerated the number of new products launched during the year, including *Z Zegna*, the new perfume from Ermenegildo Zegna, the men's brand created in 1903. Available in France since April 2005, this fresh, elegant fragrance with a Mediterranean flavour is contained in a glass and metal bottle. The company also launched *My Queen* in September, the new women's fragrance created by Alexander McQueen with a base of parma violet. His bottle draws its inspiration from the lines and curves of Art Nouveau, in the great tradition of elegant crystal.

In cosmetics, *Rouge Pure Shine*, the latest lipstick from Yves Saint Laurent has been one of the success stories of the year. During the summer, YSL Beauté continued to launch its "looks", special encounters where cosmetics interpret fashion and suggest a trend for the season. Linda Cantello, Artistic Consultant for Yves Saint Laurent make-up, developed the *Bayadère Style* for 2005, a palette of brilliant colours inspired by the famous stripe pattern of Monsieur Saint Laurent.

Other brands

Balenciaga achieved spectacular growth in its activity over the year under its famous Creative Director Nicolas Ghesquière. His designs, are very close to haute couture, retain and modernise the integrity of the Cristobal Balenciaga, the Spanish founder of the brand, and were highly successful. To complete its flagship boutiques in Paris and New York, the brand is now working to open stores in Los Angeles, London and Italy. The brand also expanded its target customer base with the February launch of a line of women's down jackets in conjunction with Moncler, the specialist in upscale quilted clothing.

At Boucheron, the year was highlighted by the success of the new high-end *Trouble Désir* jewellery collection, launched in July. In 2005, the brand also opened two new directly-operated stores in Monaco and at Harrod's, as well as three franchise stores in Almaty, Dubai and Shanghai, its first Chinese store. In Paris, the newly renovated historic boutique on Place Vendôme opened its doors at the end of the year. An art book of sumptuous photographs of Boucheron works, titled *La Capture de l'Éclat*, was also published by Editions Cercle d'Art.

The Italian Luxury Goods footwear designer Sergio Rossi opened a new store on Fifth Avenue in New York. This new flagship store in North America presents the men's and women's shoe collections and the various accessory lines. Edmundo Castillo was appointed Creative Director for the brand; his imprint and Latin spirit will drive the growth of the brand.

Alexander McQueen continued to develop his handbag and footwear lines, designing the *Novak* bag, to achieve his goal of an identifiable and timeless "McQueen classic". Prices for this bag range from USD 1,100 for a small model to USD 13,000 for a large bag made from crocodile skin. To heighten the visibility of the brand, the designer also launched a new collection of sports shoes with the German brand Puma and an all-denim ready-to-wear line under the name "McQ – Alexander McQueen" with SINV SpA.

In 2005, Stella McCartney implemented a strategy of selective partnerships designed to initiate younger customers and expand her media coverage. The designer partnered with Adidas to launch a collection of women's sportswear, celebrating the merger of style and performance. She also created a women's ready-to-wear line that is both modern and classic for the Swedish retailer H&M.

and outlook

Retail

Printemps

In 2005, Printemps Haussmann in Paris opened the new accessories, men's and women's spaces at Printemps de la Mode and expanded the children's and lingerie departments to 300 sq.m. and 2,700 sq.m. respectively. At the Beauty care department, the Beauty Room, a new space on the first floor, offers an exclusive collection of about thirty bio and natural international brands.

The Paris stores in Nation and Place d'Italie as well as the Printemps stores in Nancy, Metz, Marseille, Rennes and Toulon continued to renovate and modernise. The Deauville store was completely renovated and offers new trendy brands along with an extensive watch and jewellery selection.

Reaffirming its positioning as the fashion trendsetter, Printemps has increased traffic in its stores with innovative events. The themes of *Frénétique Brésil*, *Parenthèse Végétale* and *Numéro de Charme* marked the seasons of the year, while the Christmas season was organised on the theme of Great Britain, suggesting fashion and new products, tradition and eccentricity.

Citadium renovated its selling areas for better visibility and dedicated a space to *Adidas by Stella McCartney*. The company also launched its website at citadium.com, the showcase for the megastore and current news. Made in Sport launched promotional campaigns tied to sports events like the next soccer World Cup. Two new stores were opened in Nancy and Nantes during the year.

Redcats

In France, the Redcats brands continued their quest for innovation. La Redoute is strengthening its positioning as a fashion player, offering a new line of *La Redoute by Gaultier* clothing with the signature stripes of the designer in his 2005 Spring-Summer catalogue. At the same time, as part of its strategy to expand internationally, La Redoute entered the Norwegian, Greek and Italian markets. Its presence in Italy is based on a partnership agreement with Postalmarket (Bernardi Group), which will begin with the 2006 Spring-Summer collection, distributed through a catalogue printed in 450,000 copies and on Internet (www.laredoute.it).

So'Home, the home furnishings catalogue of La Redoute, received double recognition during the year: the award for best catalogue design and the award for best consumer catalogue.

Somewhere expanded its distribution concepts with the launch of an entirely new trial boutique dedicated to men's ready-to-wear in the retail centre Marché de Saint-Germain in Paris, and a new franchise experiment in Saint-Étienne. The brand also won the 2005 trophy for best merchant site at the direct retail trade show.

Daxon modernised its new 2005 Spring-Summer catalogue targeted at seniors with a new sports line featuring Florence Arthaud the navigator.

Finally, at the end of December, Vertbaudet launched VB2U ("VB to you"), a new catalogue designed exclusively for the 10 to 15 year- age group. The 2006 Spring-Summer collection, in which 70% of the products have been designed by the Vertbaudet stylists under its own brand name *V.I.K.*, will also appear on Internet in 2006 on the website www.vertbaudet.fr.

In the United States, three new catalogues came out early in the year: two catalogues of overstocked items ("Brylane Catalog Outlet" and "Chadwick's Catalog Outlet") and a catalogue of outside lingerie by Roaman's ("Intimate Promise"). At the same time, in April Redcats launched Millena, a new Internet platform shared by the websites of the "Home & Lifestyles" brands in the United States and laredoute.fr. The teams are now able to set up in less than one day a short-term sales operation to react more quickly to the competition, economic conditions and customer expectations.