



PRESS RELEASE

Paris, February 27, 2008



2007 Annual Results

Outstanding 2007 performances

- **Substantial growth in recurring operating income: +33%**
- **Net income from continuing operations, Group share, at record level: €1,058 million (+51%)**
- **Further growth in free cash flow from operations: +32%**

François-Henri Pinault, Chairman and Chief Executive Officer, said: “*PPR once again achieved outstanding operational and financial performances in 2007, and I wish to thank all our teams for their contribution. These results reflect the strength of our brands and retail concepts, active in the fastest-growing consumer and luxury goods segments in over 90 countries. Our success is also due to the ongoing implementation of our strategy, which gives the Group a remarkably dynamic and balanced profile, a key competitive edge in today’s tougher economic environment. PPR is confident in delivering another year of growth and improved financial performances in 2008, while pursuing its expansion in high-growth markets.*”

(in €million)	2007	2006	Change
<b>Revenues</b>	<b>19,761</b>	<b>17,026</b>	<b>+ 16.1%</b>
<b>Recurring operating income</b>	<b>1,696</b>	<b>1,276</b>	<b>+ 32.9%</b>
<i>as a % of revenues</i>	<i>8.6%</i>	<i>7.5%</i>	<i>1.1 pt</i>
<b>Net income, Group share, from continuing operations</b>	<b>1,058</b>	<b>703</b>	<b>+50.5%</b>
Net income, Group share	922	685	+ 34.6%
<b>Net income, Group share, from continuing operations excluding non-current items</b>	<b>904</b>	<b>712</b>	<b>+ 27.0%</b>
- per share	€7.05	€5.86	+20.3%

**Sharp growth in 2007 revenues**

In 2007, PPR achieved **revenues** from continuing operations of €19.8 billion, up 16% on a reported basis and 7% on a comparable basis compared to 2006. The year was marked by the acquisition and first-time consolidation of Puma, which has enhanced PPR’s portfolio of global brands with strong growth potential.

### **Notable growth in recurring operating income**

Group **recurring operating income** amounted to €1,696 million, up 33% compared to 2006. The recurring operating margin rose by a sizable 1.1 point, to 8.6% of revenues. This remarkable growth was primarily driven by sharp rises in recurring operating income at CFAO (+27%), Fnac (+15%) and all Gucci Group brands (+29%). The Gucci Group brands posting the strongest improvements were Bottega Veneta (+69%), Yves Saint Laurent (+35%) and Yves Saint Laurent Beauté, which doubled its recurring operating income.

Excluding Puma, recurring operating income was up 14% and recurring operating margin stood at 8.1%.

### **Net income from continuing operations, Group share, reaches record level**

PPR achieved a 51% increase in **Group share of net income from continuing operations**, which reached a record €1,058 million in 2007. This strong gain is attributable to the positive financial impact of the Puma consolidation and significant growth in Group operating performances, as well as strict control over financial expenses and current taxes.

Excluding the Puma contribution, consolidated net income from continuing operations at historical group structure totaled nearly €1 billion for the year ended December 31, 2007, an increase of 33% compared to 2006.

**Net income, Group share** stood at €22 million, up 35% compared to 2006.

**Group share of net income from continuing operations excluding non-current items** increased by 27% to €04 million in 2007.

**Net earnings per share** stood at €7.19, up more than 27% compared to 2006. Excluding non-current items, net earnings per share from continuing operations rose by over 20% to €7.05 for the year ended December 31, 2007.

### **A solid financial structure**

The PPR Group balance sheet at December 31, 2007 reflects the impact of the acquisition and first-time full consolidation of Puma.

**Free cash flow from operations** reached €1,394 million in 2007, a substantial 32% increase over 2006. Excluding the impact of the consolidation of Puma, free cash flow from operations at historical Group structure was up nearly 12% compared to 2006.

(in €million)	Dec. 31, 2007	Dec. 31, 2006
<b>Capital employed</b>	<b>16,728</b>	<b>12,332</b>
Net assets held for sale	55	254
<b>Shareholders' equity <sup>(1)</sup></b>	<b>10,662</b>	<b>9,125</b>
<b>Net indebtedness</b>	<b>6,121</b>	<b>3,461</b>
<sup>(1)</sup> o/w Group share	9,218	8,971

**Capital employed** increased by 36% compared to the previous year-end. Excluding the Puma consolidation, capital employed at PPR historical Group structure amounted to €12,375 million as of December 31, 2007, virtually unchanged from the prior-year level.

**Shareholders' equity** rose by €1,537 million compared to December 31, 2006. This rise reflects the increase in minority interests, primarily attributable to the entry of Puma within the Group scope of consolidation.

PPR **net indebtedness** amounted to €6,121 million as of December 31, 2007. The change primarily reflects the acquisition of 63.6% of the Puma share capital in 2007.

#### **A significantly higher dividend**

Pursuing its policy of sustained **dividend** growth, the Board of Directors will ask the June 9, 2008 Shareholders' Meeting to approve a dividend payment of €3.45 per share, representing a 15% increase compared to the dividend for 2006. The dividend will be payable as of June 16, 2008.

#### **Subsequent events**

A project for strategic agreement was concluded between PPR and L'Oréal regarding YSL Beauté.

#### **Outlook**

Notwithstanding changes expected in its economic environment and thanks to the geographical balance of its activities, the power of its brands and retail concepts, the relevance of its business models and the talent of its teams, PPR expects to achieve another year of growth and improved financial performances in 2008.

The Group's consolidated financial statements (as at December 31, 2007) are available at [www.ppr.com](http://www.ppr.com).

## PRESENTATION

You may attend the presentation of the 2007 Annual Results today at 8.30 am Paris time at the « PublicisCinema » - 129, avenue des Champs-Élysées – 75008 Paris.

A live videocast (Real and Windows Media Player formats) as well as the presentation slides (PDF) will be available at 8.30am Paris time at [www.ppr.com](http://www.ppr.com). A replay will be available later in the day.

You will also have the opportunity to podcast the presentation at [www.ppr.com](http://www.ppr.com) later in the day.



### About PPR

PPR develops a portfolio of high-growth global brands. Through its general consumer brands and its luxury brands, PPR generated sales of EUR 19.8 billion in 2007. The Group is present in 90 countries with approximately 93,000 employees. PPR shares are listed on Euronext Paris (# 121485, PRTP.PA, PPF).

To explore the universe of PPR brands, go to [www.ppr.com](http://www.ppr.com): Fnac, Redcats Group (La Redoute, Vertbaudet, Somewhere, Cyrillus, Daxon, Ellos, The Sportsman's Guide, The Golf Warehouse and brands of the plus-size division), Conforama, CFAO, Puma and the Luxury brands of Gucci Group (Gucci, Bottega Veneta, Yves Saint Laurent, YSL Beauté, Balenciaga, Boucheron, Sergio Rossi, Alexander McQueen and Stella McCartney).



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**CONSOLIDATED FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2007**

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## Consolidated income statement

(in € million)	Year ended December 31, 2007	Year ended December 31, 2006
<b>CONTINUING OPERATIONS</b>		
<b>Revenue</b>	<b>19,760.9</b>	<b>17,025.6</b>
Cost of sales	(10,970.9)	(9,554.1)
<b>Gross profit</b>	<b>8,790.0</b>	<b>7,471.5</b>
Payroll expenses	(2,824.0)	(2,532.5)
Other recurring operating income and expenses	(4,270.2)	(3,663.2)
<b>Recurring operating income</b>	<b>1,695.8</b>	<b>1,275.8</b>
Other non-recurring operating income and expenses	100.3	14.9
<b>Operating income</b>	<b>1,796.1</b>	<b>1,290.7</b>
Finance costs	(321.8)	(280.2)
<b>Income before taxes</b>	<b>1,474.3</b>	<b>1,010.5</b>
Income taxes	(298.2)	(262.4)
Share in earnings of associates	1.2	2.2
<b>Net income from continuing operations</b>	<b>1,177.3</b>	<b>750.3</b>
o/w attributable to equity holders of the parent	1,058.2	703.3
o/w attributable to minority interests	119.1	47.0
<b>DISCONTINUED OPERATIONS</b>		
<b>Net income from discontinued operations</b>	<b>(135.9)</b>	<b>(18.2)</b>
o/w attributable to equity holders of the parent	(135.9)	(18.0)
o/w attributable to minority interests		(0.2)
<b>Net income of consolidated companies</b>	<b>1,041.4</b>	<b>732.1</b>
o/w attributable to equity holders of the parent	922.3	685.3
o/w attributable to minority interests	119.1	46.8
<b>Net income attributable to equity holders of the parent</b>	<b>922.3</b>	<b>685.3</b>
Earnings per share (in €)	7.19	5.64
Fully diluted earnings per share (in €)	7.17	5.63
<b>Net income from continuing operations attributable to equity holders of the parent</b>	<b>1,058.2</b>	<b>703.3</b>
Earnings per share (in €)	8.25	5.79
Fully diluted earnings per share (in €)	8.22	5.78
<b>Net income from continuing operations excluding non-recurring items attributable to equity holders of the parent</b>	<b>904.2</b>	<b>711.7</b>
Earnings per share (in €)	7.05	5.86
Fully diluted earnings per share (in €)	7.03	5.85

## Consolidated balance sheet

<b>ASSETS</b>	<b>As at</b>	<b>As at</b>
(in € million)	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Goodwill	6,653.6	5,609.3
Other intangible assets	10,135.2	6,602.7
Property, plant and equipment	2,174.3	1,900.6
Investments in associates	19.7	19.3
Non-current financial assets	266.1	216.0
Deferred tax assets	701.7	692.8
Other non-current assets	30.4	13.9
<b>Non-current assets</b>	<b>19,981.0</b>	<b>15,054.6</b>
Inventories	3,234.1	2,744.2
Trade receivables	1,503.8	1,116.4
Customer loans	235.3	397.7
Current tax receivables	105.1	56.8
Other current financial assets	93.5	74.1
Other current assets	1,062.6	1,136.4
Cash and cash equivalents	1,713.2	1,555.6
<b>Current assets</b>	<b>7,947.6</b>	<b>7,081.2</b>
<b>Assets classified as held for sale</b>	<b>283.5</b>	<b>253.5</b>
<b>Total assets</b>	<b>28,212.1</b>	<b>22,389.3</b>

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>As at</b>	<b>As at</b>
(in € million)	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Shareholders' equity attributable to equity holders of the parent	9,218.2	8,971.1
Shareholders' equity attributable to minority interests	1,443.3	153.4
<b>Shareholders' equity</b>	<b>10,661.5</b>	<b>9,124.5</b>
Long-term borrowings	4,670.3	3,140.7
Provisions for retirement and similar benefits	250.0	248.6
Provisions	145.6	140.9
Deferred tax liabilities	2,879.0	1,939.8
<b>Non-current liabilities</b>	<b>7,944.9</b>	<b>5,470.0</b>
Short-term borrowings	3,184.8	1,902.7
Financing of customer loans	235.3	397.7
Other current financial liabilities	72.6	44.7
Trade payables	2,942.6	2,500.6
Provisions for retirement and similar benefits	17.2	12.1
Provisions	95.5	112.5
Current tax liabilities	319.5	279.7
Other current liabilities	2,509.1	2,544.8
<b>Current liabilities</b>	<b>9,376.6</b>	<b>7,794.8</b>
<b>Liabilities associated with assets classified as held for sale</b>	<b>229.1</b>	
<b>Total liabilities and shareholders' equity</b>	<b>28,212.1</b>	<b>22,389.3</b>

(in € million)	<b>As at</b>	<b>As at</b>
	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Gross borrowings excluding the financing of customer loans	7,855.1	5,043.4
Fair value hedging derivative instruments (interest rate)	(20.6)	(26.6)
Cash and cash equivalents	(1,713.2)	(1,555.6)
<b>Net financial indebtedness</b>	<b>6,121.3</b>	<b>3,461.2</b>

## Consolidated cash flow statement

(in € million)	As at December 31, 2007	As at December 31, 2006
<b>Net income from continuing operations</b>	<b>1,177.3</b>	<b>750.3</b>
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	400.1	346.2
Other non-cash income and expenses	(150.6)	26.3
<b>Cash flow from operating activities</b>	<b>1,426.8</b>	<b>1,122.8</b>
Interest paid/received	277.7	183.8
Dividends received	(0.7)	(1.2)
Net income tax payable	317.6	247.3
<b>Cash flow from operating activities before tax, dividends and interest</b>	<b>2,021.4</b>	<b>1,552.7</b>
Change in working capital requirement	229.9	28.4
Change in customer loans	(0.6)	13.0
Income tax paid	(309.1)	(200.4)
<b>Net cash from operating activities</b>	<b>1,941.6</b>	<b>1,393.7</b>
Purchases of property, plant and equipment and intangible assets	(594.3)	(410.0)
Proceeds from sale of property, plant and equipment and intangible assets	46.4	72.5
Acquisitions of subsidiaries, net of cash acquired	(3,337.5)	(295.1)
Proceeds from disposal of subsidiaries net of cash transferred	349.2	168.6
Purchases of other financial assets	(118.3)	(48.8)
Proceeds from sale of other financial assets	12.0	197.1
Interest and dividends received	59.2	38.6
<b>Net cash from investing activities</b>	<b>(3,583.3)</b>	<b>(277.1)</b>
Share capital increase/decrease <sup>(1)</sup>	(6.7)	720.5
Treasury share transactions	(147.9)	(65.5)
Dividends paid to parent company shareholders	(385.2)	(325.7)
Dividends paid to minority interests	(72.1)	(29.9)
Bond issues	1,797.1	413.3
Bond redemptions <sup>(1)</sup>	(606.7)	(1,611.0)
Increase (decrease) in other borrowings	1,650.5	(196.9)
Interest paid and equivalent	(333.5)	(224.5)
<b>Net cash from (used in) financing activities</b>	<b>1,895.5</b>	<b>(1,319.7)</b>
Net cash from assets classified as held for sale	(15.9)	70.4
Impact of exchange rate variations	(2.9)	8.2
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>235.0</b>	<b>(124.5)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,215.8</b>	<b>1,340.3</b>
<b>Cash and cash equivalents at end of the year</b>	<b>1,450.8</b>	<b>1,215.8</b>

<sup>(1)</sup> including €719.6 million in 2006 with no impact on cash movements.