

March 2016

# letter

TO SHAREHOLDERS

MESSAGE FROM  
THE CHAIRMAN AND CEO

—  
"VALUE CREATION  
UNDERLIES  
EVERYTHING  
THAT WE DO"

2015 GROUP RESULTS

—  
€11.6bn  
REVENUE IN 2015

€1.65bn  
RECURRING  
OPERATING  
INCOME IN 2015

NEWS FROM  
OUR BRANDS

—  
GUCCI:  
A YEAR OF  
REINVENTION

KERING SHARE

—  
SHARE PRICE  
PERFORMANCE



KERING

**MESSAGE FROM  
THE CHAIRMAN AND CEO**

*"VALUE CREATION UNDERLIES  
EVERYTHING THAT WE DO"*



**FRANÇOIS-HENRI PINAULT**

Dear shareholders,

2015 was marked by significant changes all over the world, including slowing growth in China, turbulent money and financial markets and the resurgence of geopolitical tensions. These developments have not weakened our convictions. Our sector will continue to benefit from the deep-seated, favourable economic and demographic trends currently at large.

Despite this more complex economic and geopolitical environment, Kering reported solid 2015 results fuelled by brisk sales momentum. At €11.6 billion, consolidated revenue was up 4.6% on a comparable basis and 15.4% on a reported basis.

We have created one of the world's leading Luxury and Sport groups founded on a culture of creativity and innovation. We have strong ambitions to further develop our Group and continue along the path to profitable growth.

2015 was also marked by the Group's arrival at a new stage in its development. Having made the most of a strong growth cycle to strengthen our portfolio of brands and expand our distribution networks, Kering is now present in the world's top cities and locations. Today, our priority lies in getting the most out of those assets and in enhancing value creation.

Having brought together a portfolio of complementary brands, our multi-brand model serves as the backbone of our strategy. Propelled by the power of the Group, our brands are growing more quickly and robustly together than would have been the case alone. Gucci's development is a prime example: in early 2015, a swift wave of initiatives by the brand's new management team restored its fashion authority status. These initiatives will now enable Gucci, which currently generates nearly €4 billion in revenue, to pursue its expansion.

On that note, our focus is more than ever before on organic growth. During the year, every single one of the Group's teams, in both operating and support functions, has worked to transform our methods. In reinforcing the positioning of each of our brands, we hope to provide a clear and well-segmented product offering for each brand and to align their distribution networks with our customers' expectations, thereby boosting productivity. Digital technology is yet another focus, as it has the power to communicate brand image and capture customer loyalty. This in turn contributes to healthy, sustainable organic growth.

Value creation underlies everything that we do. We have put in place specific organisations and working methods to increase and intensify our efforts. In doing so, we have created the right conditions to continue to strengthen our profitability, return on capital employed and free cash flow generation.

Lastly, sustainability guides all of our actions and our commitment in this area drives our performance. Our Environmental Profit & Loss Account methodology, which we are sharing with everyone, has positioned us as a recognised leader.

I am confident that the work of our creative teams and the commitment of our entire workforce will enable us to continue our growth trajectory into 2016 and beyond.

A handwritten signature in black ink, appearing to read 'Pinault', written in a cursive style.

## 2015 GROUP RESULTS

### REVENUE in 2015

€11.6bn

### RECURRING OPERATING INCOME in 2015

€1.65bn

### LUXURY ACTIVITIES

€7.87bn

REVENUE IN 2015

### RECURRING OPERATING MARGIN in 2015

14.2%

### BREAKDOWN OF REVENUE by region



WESTERN  
EUROPE  
31%

ASIA-  
PACIFIC  
26%

NORTH  
AMERICA  
23%

### BREAKDOWN OF REVENUE by activity



LUXURY  
68%

SPORT &  
LIFESTYLE  
32%



JAPAN  
10%



OTHER COUNTRIES  
10%

Kering's **revenue** totalled €11.6 billion in 2015, reflecting its growth momentum. Group sales rose 15.4% on 2014 as reported and 4.6% on a comparable Group structure and exchange rate basis, representing Kering's best performance over the last three years.

While the breakdown of revenue by region remained well-balanced, regional trends were mixed. Western Europe and Japan posted revenue growth on a comparable basis of around 10%, while growth was lacklustre in North America and the Asia-Pacific region.

**Recurring operating income** totalled €1.65 billion, representing a slight 1% decrease on 2014. In first-half 2015, recurring operating income was down 5%, but the situation reversed in the second half of the year, with an increase of 3%. Recurring operating margin came out at 14.2% for full-year 2015.

**Net income attributable to owners of the parent**, up by nearly 32% over the year, totalled €696 million. Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent once again topped the €1 billion mark, although it edged back slightly compared with 2014 due mainly to finance costs and income tax expense for the year.

**Cash flow from operations** came in at €660 million in 2015. After a contraction in first-half 2015, particularly compared to 2014, which was boosted by the sale of a real estate asset, cash flow improved significantly in second-half 2015, despite the persistently adverse impact of currency hedges. This reflected the Group's initiatives to strengthen financial discipline, which paid off in the second half of the year.

The Group's net debt totalled €4.7 billion as of December 31, 2015, representing 2.3 times EBITDA, not impairing the financial structure of the Group, which remains very healthy.

In 2015, Kering's Luxury activities delivered revenue of €7.9 billion, up by more than 16% as reported and by more than 4% on a comparable basis. Throughout the year, revenue for Luxury activities were driven by sales in directly operated stores, which were up 7% year-on-year and 9% in the fourth quarter.

In 2015, growth for the Group's Luxury activities was strongest in the traditional, more mature markets. Driven by high tourist numbers and steadily rising sales to local customers, the Luxury activities posted a very strong revenue performance in Western Europe (up 13% on a comparable basis) and Japan. With the exception of Latin America, sales in

emerging countries were more mixed, with the Asia-Pacific region once again exposed to poor market conditions in Hong Kong and Macau.

The Luxury activities' recurring operating income amounted to €1.7 billion in 2015, up 2.5% year-on-year and 5% in the second half, made possible by steady performances from Gucci and Bottega Veneta, and Saint Laurent's stellar growth.

Gucci saw a return to growth in 2015. The brand's new creative vision, coupled with the rapid roll-out of its new strategy in the first half of the year, provided fresh impetus and drove promising performances in the fourth quarter.

### SPORT & LIFESTYLE ACTIVITIES

€3.68bn

REVENUE IN 2015

The Sport & Lifestyle activities generated revenue of €3.7 billion in 2015, up by 13.5% as reported and by 5.9% on a comparable basis. Recurring operating income totalled €95 million. In 2015, PUMA confirmed its revenue growth trajectory, with sales

up nearly 7% year-on-year on a comparable basis, doubling its 2014 performance, and revenue at a record high of €3.4 billion. PUMA's repositioning of its product offering around two categories, Sport Performance and, in particular, Shoes, is paying off in all regions.

### 2015 DIVIDEND

At the Annual General Meeting to be held on April 29, 2016, the Board of Directors will ask shareholders to approve a **€4 per share dividend** for 2015.

As a reminder, an interim dividend of €1.50 per share was paid on January 25, 2016. Subject to shareholder approval, the remaining €2.50 per share will be paid on May 6, 2016.

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GUCCI

# *a year of reinvention*

At the beginning of 2015, Gucci embarked on a new chapter in its history.

The strategic vision conceived by President and CEO Marco Bizzarri and Creative Director Alessandro Michele aims to create a new image for the brand, more relevant and more in line with the world of today.



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**T**his past year has been one of reinvention and transformation for Gucci. In December 2014, Marco Bizzarri, who formerly served as CEO of Stella McCartney and then Bottega Veneta and finally as Kering's CEO Luxury - Couture & Leather Goods division, was appointed to the helm of the Florentine House. He was tasked with reinvigorating the brand and re-establishing its reputation as one of the world's most influential luxury fashion brands. *'There was a need to change perspective by recapturing the spirit of innovation and by concentrating on the present and future of the brand'*, he declared.

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**IN ONLY 10 MONTHS,  
ALESSANDRO MICHELE HAS  
BEEN ABLE TO INFUSE  
HIS CREATIVITY INTO THE  
COLLECTIONS, ADVERTISING  
CAMPAIGNS, STORES,  
WINDOWS AND ACROSS ALL  
OF GUCCI'S TOUCH POINTS.**

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Bizzarri overhauled the management structure, and in January 2015 surprised the industry by appointing Alessandro Michele – previously Associate Creative Director and an accessories designer – as Gucci's new Creative Director.

The new vision of the 42-year-old designer, who studied at *Accademia di Costume e di Moda* in Rome, embraces the stated goal of focussing on the fashion codes, innovation and modern attitude of the House. The biggest challenge, and at the same time the biggest opportunity, was to create a new image for Gucci through the development of a more

## NEWS FROM OUR BRANDS

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**'Throughout its history, Gucci has always created attention and excitement through its innovative and distinctive products and collections as it has become Italy's most renowned fashion house and one of the most iconic and prominent luxury brands in the world. Alessandro Michele has both the qualities and the vision necessary to bring a new contemporary perspective to Gucci and lead the brand into an exciting new creative chapter of its history.'**

**FRANÇOIS-HENRI PINAULT**  
Chairman and CEO of Kering

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appealing and engaging aesthetic. In only 10 months, a remarkably short period of time given the scale and ambition of the task, the new Creative Director has been able to infuse his creativity into the collections, advertising campaigns, stores, windows and across all of Gucci's touch points.

The 2015 fashion shows clearly demonstrated that the brand was taking a new direction, gaining the attention of the fashion world. The Men's Fall/Winter 2015 Collection, presented a year ago, in January, and literally put together

in just five days, was critically acclaimed, as was the Women's Fall/Winter 2015 Collection, which followed in February. The journey continued with Cruise 2016, Alessandro Michele's first complete collection. Presented in New York in June, this event marked the turning point in the transformation of Gucci. The collection was particularly appreciated by the press and buyers, who praised the courage of the new brand statement. Lastly, the Men's and Women's Spring/Summer 2016 fashion shows, staged in June and September 2015 respectively, received another enthusiastic response from the indus-

try, reinforcing the excitement around the new creative direction.

However, the reinvention is not just confined to the catwalk. The Cruise Collection started to arrive in some of the stores from mid-September, two months ahead of the industry-standard time. Concurrently, the new store concept, one of the key elements of Gucci's new identity, was unveiled at the Via Montenapoleone flagship store during Milan Fashion Week, along with new packaging.



As far as distribution is concerned, a series of strategic collaborations has also been established with select specialty stores such as Dover Street Market (in Tokyo, New York, London and Beijing), Boon the Shop (in Seoul) and Antonia (in Milan). Meanwhile, Gucci's website has also been redesigned, bringing Alessandro Michele's new aesthetic to life through beautiful design, rich imagery, engaging storytelling and exclusive brand content, combined with a smart user-experience. With over 100 million visitors per year, gucci.com represents the most important customer touch point for the brand. The

first version of the new website was launched in October in the US and Canada, with a roll out to all other regions planned in 2016.

Throughout the year, the brand's new creative spirit has also been brought to life in a series of new advertising campaigns that have caught people's attention. Partnering with photographer Glen Luchford, Gucci has produced print and digital advertising that perfectly captures Alessandro Michele's fresh vision and eccentric style.

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**The historical codes of the brand – Italian style, jet-set lifestyle, femininity and sexiness – are being reinterpreted and reshaped to create a new modern attitude for the House.**

**'I am trying to cause a little revolution inside the company, to push another language, a different way to talk about beauty and sexiness, which is an old word. It's about sensuality now.'**

**ALESSANDRO MICHELE**  
Creative Director

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## NEWS FROM OUR BRANDS

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As if to mark a full-circle journey from Alessandro Michele's appointment in January to the achievement of the House's repositioning, in November the British Fashion Council bestowed a remarkable honour on the House by awarding Gucci's Creative Director with the 2015 International Designer of the Year Award, marking him out as one of the most influential creative directors within the fashion industry today.

2015 has thus been the year in which the foundations of the new Gucci have been laid. Since the fourth quarter of 2015, stores have been increasingly filled with the new collections, pro-



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viding clients with the first opportunity to purchase those items that the press has reacted so enthusiastically towards.

The new chapter continued with the presentation of Gucci's Men's and Women's Fall/Winter 2016 Fashion Shows in Milan in January and February respectively. Both collections were once again acclaimed by the critics. Gucci will next be heading to London in June to stage its Cruise 2017 Fashion Show.

### Kering

[www.kering.com](http://www.kering.com)  
Brands section

**1**  
Women's Fall/Winter 2016 collection in Milan

**2**  
Cruise 2016 in New York

**3**  
Alessandro Michele

### Gucci

[www.gucci.com](http://www.gucci.com)

**4**  
Georgia May Jagger and Alessandro Michele at the 2015 British Fashion Awards

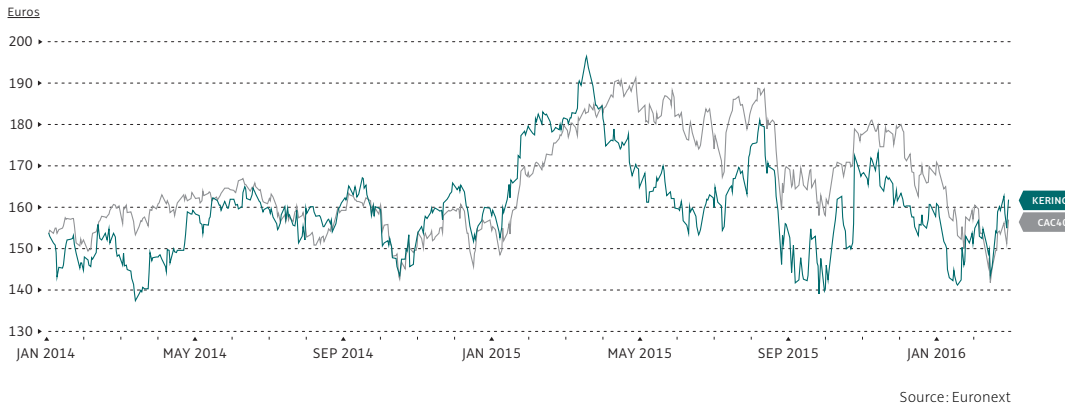
**5**  
Spring/Summer 2016 campaign by Glen Luchford

## KERING SHARE

# PERFORMANCE OF THE KERING SHARE

### SHARE PRICE PERFORMANCE

compared to the CAC 40 Index since January 1, 2014



### MARKET CAPITALISATION

as of December 31, 2015

€19.9bn

### HIGHEST SHARE PRICE

between January 1<sup>st</sup> and December 31, 2015

€197

### LOWEST SHARE PRICE

between January 1<sup>st</sup> and December 31, 2015

€139.05

The Kering share's performance in 2015 reflected unsettled worldwide economic conditions favoring defensive and domestic names to more international profiles.

The share ended the year down -1% versus +9% for the CAC 40, its benchmark index. The European luxury sector has globally

underperformed indexes in 2015, especially for the stocks most exposed to some emerging markets slowdown and currencies headwinds.

In early 2016 the trend reverted, and Kering gained +2% versus a 6% drop for the CAC 40

as of end-February. Such reversal was notably helped by a solid set of 2015 Full Year results.

## SHAREHOLDER CONTACT

### MANAGING YOUR ACCOUNT

For all requests regarding the management of your pure registered share\* account, CACEIS is your main contact.

#### CACEIS

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For any other request, please contact:

#### KERING SHAREHOLDER'S DEPARTMENT

By phone: +33 (0)1 45 64 65 64

By email: [actionnaire@kering.com](mailto:actionnaire@kering.com)

NB: the Order form can be downloaded on [kering.com](http://kering.com), Finance/Shareholder section

\* If you own administrated registered shares, your account manager stays your main contact.

## PROVISIONAL CALENDAR

April 21, 2016

2016 1<sup>st</sup> quarter sales

April 29, 2016

Annual General Meeting

May 6, 2016

Payment of final dividend\*

\*Ex-date will be on May 4, 2016.

July 2016

2016 Half-Year results

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