

September 2015

letter

TO SHAREHOLDERS

MESSAGE FROM
THE CHAIRMAN

—
"I AM FULLY
CONFIDENT
AS WE ENTER
THE SECOND HALF
OF THE YEAR"

2015 FIRST-HALF
RESULTS

—
€5.5 bn
REVENUE

€773 m
RECURRING OPERATING
INCOME

KERING EYEWEAR

—
'COLLEZIONE
UNO' UNVEILED
IN VENICE

NEWS OF THE GROUP

—
CANNES 2015
WOMEN
IN MOTION

SUSTAINABILITY

—
KERING
PRESENTS ITS
ENVIRONMENTAL
PROFIT & LOSS



KERING

*"I AM FULLY CONFIDENT
AS WE ENTER THE SECOND
HALF OF THE YEAR"*



FRANÇOIS-HENRI PINAULT

Dear shareholders,

Kering delivered a sound performance in the first half of 2015. Group revenues were up 17% as reported and up 3.5% on a comparable basis, buoyed by strong sales growth in the second quarter in a volatile economic and currency environment. Our integrated, responsive business model enables us to capture growth in the most dynamic markets.

Our Luxury activities, lifted by sales in our directly-operated stores across mature markets, continued on a strong upward trend, reflecting the relevance of our strategy and the action plans in place. We are particularly satisfied with the progress at Gucci and the positive reception given the change of creative and executive management in early 2015. In six months, the house's teams have demonstrated their deep understanding of the brand's identity. It was very satisfying to see that the fashion industry responded favorably to what we are doing – the Cruise and Men's Fall Winter 2015/16 collections were very positively received, re-establishing Gucci in its role as a fashion authority.

2015 is a year of undertakings for our Group, both in our existing businesses and in new ventures. While investing in projects (launch of new entity Kering Eyewear, expansion of brands' online presence, continuation of PUMA's relaunch plan) that will secure and strengthen our growth in the medium to long term, we remain as responsive as ever in the short term, focusing on efficiency. Our number one priority is to foster organic growth in each of our businesses.

As we enter the second half of the year, I am fully confident in the Group's ability to combine strict management discipline with organic growth at each of our brands. I want to reiterate our confidence in Kering's sound fundamentals and in our proven multi-brand strategy. We are in good shape to address a fast-moving environment and to deliver strong profitable growth over the long run.

Solid performances
in an environment that
remains volatile

Kering posted **revenue** of €5,512.5 million in first-half 2015, up 17% on a reported basis and up 3.5% on a comparable Group structure and exchange rate basis. Exchange rate fluctuations during the six months had a positive impact on revenue. Sales growth in mature markets was once again buoyant (up 5.5% based on comparable data), driven by Western Europe and Japan, while sales in emerging markets were stable. Revenue generated outside the eurozone accounted for 79% of total consolidated revenue in first-half 2015.

The Group's gross margin for the first half of 2015 stood at €3,399 million, up €397 million or 13.2% as reported.

Kering's **recurring operating income** amounted to €773 million in the first six months of 2015, down 5.4% from first-half 2014 on a reported basis, and consolidated **recurring operating margin** came to 14.0%. For its part, EBITDA came broadly stable at €972 million, putting Group EBITDA margin at 17.6%.

Other non-recurring operating income and expenses amounted to a net expense of €42 million. This item notably encompasses inventory write-offs and restructuring charges at Gucci following the changes in the creative and management teams.

Net financial expense amounted to €136 million. Within this, the cost of net debt was down 25% year on year to €64 million, reflecting two opposite effects: an increase in average debt during the first half, which was more than offset by lower net financing costs, thanks to the Group's active management of its debt profile and the recent issuance of bonds bearing a much lower interest rate.

The effective corporate tax rate amounted to 23.8% in the first half with a recurring tax rate of 19.8%, representing a slight increase compared to last year.

In the first half of 2014, the consolidated income statement still reflected the effect of the Group's exit from retail activities. By contrast, the Group's results for the first six months of 2015 are free of any such impact. Consequently, the Group's share of consolidated net income more than doubled to €423 million during the first half (versus €185 million for the same period of 2014).

Adjusted for non-recurring items, **net income** from continuing operations, Group share, totalled €489 million.

Earnings per share amounted to €3.36 in the first six months of 2015, up sharply compared to first-half 2014 (€1.47).

In the first half, net debt increased compared to end-December 2014. This was due to the seasonal effect, including dividend payments in the first half, which this year represented a cash outflow of €537 million.

2015 FIRST-HALF RESULTS

REVENUE
in first-half 2015

€5.5 bn

**RECURRING OPERATING
INCOME** in first-half 2015

€773 m

LUXURY DIVISION RESULTS

€3.76 bn

REVENUE IN FIRST-HALF 2015

In the first half, Luxury activities posted an increase in sales of 18% in reported terms, with a sharp rebound in the second quarter, leading to a resilient first half with revenue up 3% at constant perimeter and exchange rates. Revenue for the first half amounted to €3,762 million.

The sharp fluctuations in exchange rates experienced in late 2014 and in early 2015 have had two major consequences for the Division. Firstly, revenue growth expressed in euros is much higher than the figure expressed at constant exchange rates. And secondly, price differences between countries have increased, which has led to a direct effect on tourist travel.

The increase in revenue was driven by a solid performance in retail, up 13% on a comparable basis in the second quarter and up 7% in the first half, with a number of contrasts between geographies. Wholesale sales were 7% lower than in first-half 2014 on a comparable basis, with the decrease primarily attributable to Gucci.

Western Europe posted a strong 9.5% increase in revenue, driven by robust sales in eurozone countries thanks to both the sharp increase in tourist numbers in Europe and steadily rising sales to local customers.

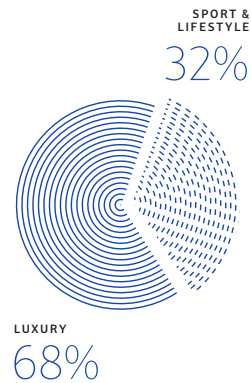
In North America revenue climbed 4% year on year, fuelled by 6% growth in the second quarter. Revenue in Japan advanced 7% during the first half against a backdrop of

a much higher number of tourists from Mainland China and another period of robust sales in the domestic market.

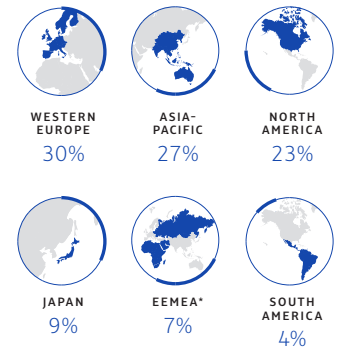
In the Asia-Pacific region (excluding Japan), revenue declined 2% in the first half, as an upturn in spending by Chinese customers in certain countries within the region – such as South Korea, Taiwan and Australia – was not sufficient to offset the sales contraction experienced in Hong Kong and Macau.

As a whole, Luxury brands generated robust recurring operating income of €806 million, unchanged from last year. Recurring operating margin came in at 21.4%, down 380 basis points as reported. More than half of this decrease was due to the combined effects of exchange rate fluctuations and currency hedges, which had an extremely significant dilutive impact during the period. The remainder of the decline was attributable to the contraction in recurring operating income posted by Gucci and weaker performance by the Watches brands. Both Bottega Veneta and Yves Saint Laurent increased their contribution, and together accounted for 30% of the Luxury activities' recurring operating income.

BREAKDOWN OF REVENUE
by Division



BREAKDOWN OF REVENUE
by region



*EEMEA: EASTERN EUROPE, MIDDLE EAST AND AFRICA

SPORT & LIFESTYLE DIVISION RESULTS

€1.73 bn

REVENUE IN FIRST-HALF 2015

The Sport & Lifestyle Division reported revenue of €1,731 million in first-half 2015, up 15.5% as reported and 5% based on comparable exchange rates. Currency effects were significant during the period as the Division is exposed to currencies that have appreciated considerably against the euro since the end of 2014.

PUMA posted a convincing revenue performance, with sales up 15.5% as reported and 6% in comparable terms, accelerating in the second quarter to almost 8%. Throughout the first half, the quality of PUMA's revenue growth continued to improve, with footwear, a category that represents 46% of sales, returning to solid growth (up 16%). PUMA's steadier revenue performance confirms the greater attractiveness of its product offering with key distributors and final customers.

Volcom and Electric, the other Sport & Lifestyle brands, had a somewhat more muted first half, but posted improving trends in the second quarter, with revenue up 3%. Volcom in particular saw very good growth in the second quarter

(up 6%), led by strong wholesale and satisfactory sell-through in North America, as well as growing e-commerce.

The Sport & Lifestyle Division ended the first half of 2015 with recurring operating income of around €38 million, while the margin narrowed by 250 basis points to 2.2%. This fall in profitability mainly reflects the lower margin recorded by PUMA, due to ongoing investments in brand-building initiatives, especially marketing and sponsoring, at a time when currency pressure has been exacerbated.



'COLLEZIONE UNO' UNVEILED IN VENICE

In September 2014, Kering launched a strategic initiative aimed at building in-house Eyewear expertise for its Luxury and Sport & Lifestyle brands.

Eyewear is a relevant and high potential market, growing at a high-single digit pace in the premium high-end segment. The Eyewear business of Kering's brands represents approximately 350 million euros in revenues, making the Group one of the top five Eyewear companies worldwide and was managed up until last year through a licensing business model.

In order to maximize the potential of its complete and balanced brand portfolio, Kering has decided to internalize the value chain for its Eyewear activities, from design to product development, from supply chain to brand strategy, and from marketing to sales.

The Eyewear category will progressively be brought in-house and operated by Kering's recently established Eyewear organization. Through this innovative venture, the Group will exploit new significant value-creation opportunities, notably through the implementation of both sales and distribution synergies.

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**"EYEWEAR IS A STRATEGIC CATEGORY FOR KERING BRANDS. THROUGH THIS INNOVATIVE PROJECT, KERING AIMS AT HELPING THEM FULFILL THEIR FULL GROWTH POTENTIAL IN THIS BUSINESS SEGMENT WHILE LEVERAGING THE UNIQUE APPEAL OF EACH OF THEM."**

—

**ROBERTO VEDOVOTTO**  
CEO of Kering Eyewear

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The Eyewear Collections are now designed and developed internally in collaboration with the creative teams of the Kering brands, with the same attention to craftsmanship and detail as in all other product categories.

Kering Eyewear was officially launched in June 2015 in the exquisite setting of Palazzo Grassi in Venice where 'Collezione Uno', including nine of the Group's brands in Luxury and Sport & Lifestyle, was unveiled.

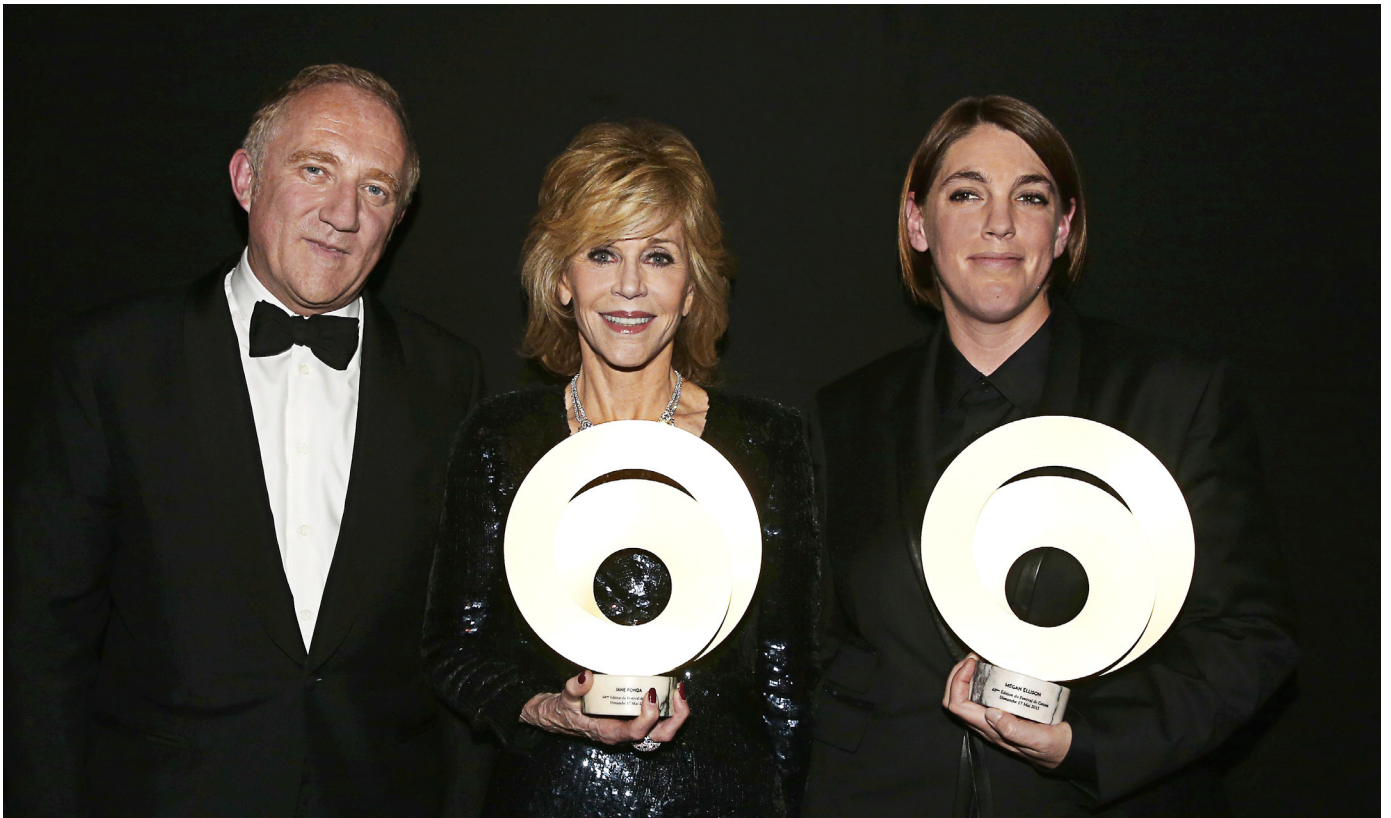
The first Global Sales Campaign began on July 1, 2015, at Kering Eyewear's headquarters in Padua, Italy, followed by local sales events in key countries.

'Collezione Uno' will finally be available in stores from November 2015.

CANNES 2015

women in motion

At the 68th Cannes Film Festival, Kering and the Festival launched the first edition of the 'Women in Motion' programme, highlighting the contribution made by women to the art of cinema.



François-Henri Pinault, Jane Fonda & Megan Ellison.

Deeply committed to the cause of women, notably through the Kering Foundation, Kering strengthened its longstanding ties with the cinema industry with an official five-year partnership with the Cannes Festival. This enables the Group's clothing and accessories brands (apart from jewellery and watches) to also become Partners of the Festival, and benefit from exceptional media exposure throughout the event.

THE 'WOMEN IN MOTION' TALKS: DISCUSSING THE ROLE AND IMPORTANCE OF WOMEN IN FILM

Throughout the event, Kering and the Festival de Cannes hosted the 'Women in Motion' Talks, a series of discussions focused on women and the movie industry. Well-known figures committed to the world of cinema shared their views on the multiple facets of

these issues. This first edition of the 'Women in Motion' Talks welcomed actresses Isabella Rossellini, Golshifteh Farahani and Isabelle Huppert, producers Christine Vachon or Claudie Ossard, director, photographer and visual artist Agnès Varda, but also Thierry Frémeaux, General Delegate of the Cannes Film Festival.



Claudie Ossard & Isabelle Rossellini.

Three talented women were put under the spotlight, representing three different eras and generations of the film industry.

Jane Fonda, the American actress, two-time Academy Award winner, producer and philanthropist, received a special 'Women in Motion' Honor Award, for the richness of her career, her numerous professional achievements as well as for her long-lasting and relentless commitment for peace, women and equality. The promising and remarkable career of the independent American producer Megan Ellison was also celebrated. Lastly, a tribute was paid to the American actress Olivia de Havilland, living symbol of Hollywood Golden Age, for her talent, career and commitment to the world of film.

**SUPPORT FOR THE FILM INDUSTRY:
A LONGSTANDING COMMITMENT
OF THE KERING GROUP**

Kering's partnership with the Festival de Cannes strengthens the existing ties of the Group and its brands with the film industry. Movie financing, restoration of film masterpieces, documentary film making, support for films in competition are, amongst other initiatives, part of Kering's involvement with cinema over the years. The Group and its

brands also support other international institutions or events, including the Tribeca Film Institute in New York and the Venice International Film Festival, as well as sponsoring numerous awards for filmmakers. This partnership comes as a natural extension of the historic and artistic dialogue between fashion and film, two industries devoted to creating emotion using savoir-faire and technology for a creative purpose.

François-Henri Pinault, the Kering Group's Chairman and CEO, said: *"I am delighted with our partnership with the Festival de Cannes, whose authority and legitimacy are renowned. Creativity, imagination, the power of narrative and "mise-en-scène" are common to our two worlds. For many years now, Kering has been committed to empowering women and supporting the film industry. Film, as a universal, contemporary and diverse art form, that mirrors society and is accessible to all, represents Kering's choice of cultural engagement. We are enthusiastic about joining forces with the Festival de Cannes to bring our commitment to the next level."*



Agnès Varda.

Kering
www.kering.com/en/festival-de-cannes

Festival de Cannes
www.festival-cannes.com



ICE AND THE SKY

Kering decided this year to support, as co-producer, the new film *Ice and the Sky*, directed by Luc Jacquet, Academy-Award winner in 2006 for his *March of the Penguins*. Scheduled for release on October 21, 2015, *Ice and the Sky* tells the story of the farsseeing glaciologist and climate specialist Claude Lorius, among the first scientists to have recognized the impact of climate change.

www.iceandsky.com

KERING PRESENTS ITS ENVIRONMENTAL PROFIT & LOSS

Kering has found a new way to unlock business potential via its Environmental Profit and Loss Account (E P&L), measuring and monetising the environmental impacts of its activities right across its supply chains. In addition to publishing the results of its Group E P&L, Kering has open-sourced its E P&L methodology in order to encourage other corporations to understand their impact on natural capital and thus moves our industries toward more sustainable practices.

WHAT IS AN E P&L?

An E P&L is an innovative tool developed by Kering which measures the environmental impacts of a given business, both within its own operations and across all of its supply chains, and translates these into monetary values. It allows us to make better decisions as it provides a clear understanding and accurate measurement of our impacts, placing sustainability at the core of our daily business.

RESULTS OF KERING'S FIRST GROUP E P&L*

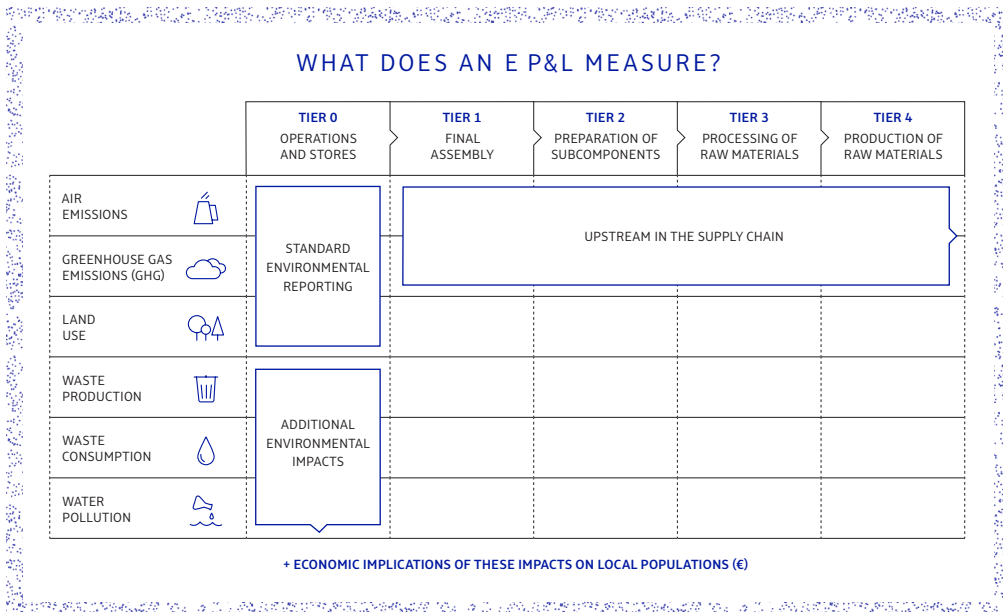
Via the E P&L, Kering analyses its impacts from raw material production, to their processing and transport, right up to the finished product on the boutique floor. Presented in financial terms, the results of an E P&L allow Kering to translate environmental impacts into a language that the business world better understands, to better monitor the performance of the Group's brands and business units; and to pinpoint priority areas of the business where the deployment of sustainable solutions is required.

This enables Kering to reduce the impact of our existing sourcing and manufacturing processes, and to proactively adapt to changes in our supply chain, including fluctuations in the availability of raw materials. 2014 was the first year that all of the Group's brands were covered by an E P&L, leading Kering to publish the results of its first Group E P&L in May 2015.

Discover more at

www.kering.com/en/sustainability/epl

*2013 results



PERFORMANCE OF THE KERING SHARE

CHANGE IN THE PRICE OF THE KERING SHARE
compared to the CAC 40 Index since January 1, 2015



Source: Thomson / Reuters

MARKET CAPITALISATION
as of August 31, 2015

€19.3 bn

HIGHEST SHARE PRICE
between January 1
and August 31, 2015

€197

LOWEST SHARE PRICE
between January 1
and August 31, 2015

€146.25

After ending first-half 2015 on a largely stable note, the Kering share's performance at end-August 2015 reflected the stock market turbulence in the wake of concerns over economic slowdown in China and its repercussions on global growth.

Against this backdrop and despite a positive reaction to the Group's first-half results published in late July, Kering's share price, like most Luxury stocks, retreated over the first eight months of the year, with bulk of the drop being attributable to the significant

volatility in financial markets witnessed during summer.

SHAREHOLDER CONTACT

MANAGING YOUR ACCOUNT

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

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Email: actionnaire@kering.com

NB: the Order form can be downloaded on kering.com, Finance/Shareholder section

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

PROVISIONAL CALENDAR

October 22, 2015
2015 3rd quarter sales

