

KERING



letter

TO SHAREHOLDERS

SEPTEMBER 2017

**MESSAGE FROM
THE CHAIRMAN AND CEO**

"In first-half 2017,
Kering delivered
remarkable
performances."

**2017 FIRST-HALF
RESULTS**

€7.3 bn
in revenue
€1.3 bn
in recurring
operating income

**NEWS FROM
THE BRANDS**

Yves Saint Laurent
Pomellato

**MESSAGE
FROM THE CHAIRMAN
AND CEO**



Dear Shareholders,

We are proud of the operating and financial performances we delivered in the first half of 2017. Kering reported outstanding revenue growth in the first six months of the year, outperforming the sector, and achieved record profits.

Consolidated revenue came out at €7,296 million in first-half 2017, rising sharply (up 26.5% on a comparable basis) in both the Luxury and Sport & Lifestyle activities (up 28.3% and 14.3%, respectively, on a comparable basis).

The second-quarter consolidated growth extended the strong momentum of the first quarter.

In Luxury, Gucci and Yves Saint Laurent enjoyed sustained growth momentum over the first six months of the year. The Other Luxury brands reported growth of more than 10% on a comparable basis, with a sharp acceleration at Balenciaga. The Sport & Lifestyle activities saw very strong expansion, with first-half revenue topping the €2 billion mark for the first time.

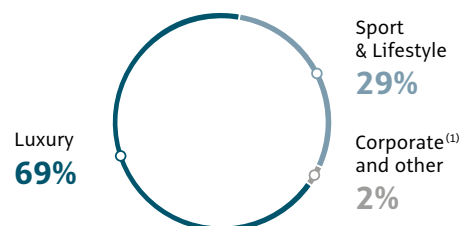
These remarkable performances in all regions of the world and across all of our activities underscore the relevance of our strategy and the quality of its execution, which is grounded in innovation, value creation and market share gains.

In an operating environment that remains uncertain, our excellent first-half results give us further confidence in our ability to deliver yet another year of growth with an improved operating performance.

François-Henri Pinault

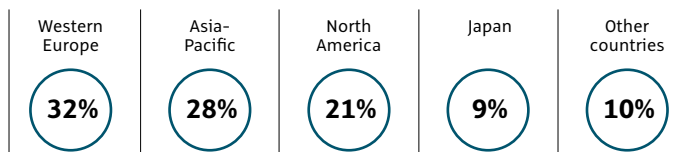
**2017 FIRST-HALF
RESULTS**

BREAKDOWN OF REVENUE (by activity)



(1) Includes the contribution of Kering Eyewear.

BREAKDOWN OF REVENUE (by region)



Record growth in revenue and profits in first-half 2017

Kering generated **revenue** of €7,296 million in the first-half of 2017, up 28.2% as reported and 26.5% based on a comparable Group structure and exchange rates.

Sales growth was strong in both mature and emerging markets, with notable increases of 33.5% in Western Europe and 34.4% in Asia Pacific on a comparable basis (32% and 28% of consolidated revenue, respectively). North America (21% of revenue) also posted a robust 20.7% increase in revenue on a comparable basis, while Japan (9% of revenue) continued on its growth trajectory by adding 6.4%. First-half consolidated revenue also included the contribution of Kering Eyewear for the first time.

The Group's **recurring operating income** for the period surged 57.1% as reported to €1,274.1 million. Consolidated **recurring operating margin** came in at 17.5%, up 330 basis points. By activity, recurring operating margin was 24.9% for Luxury and 5.3% for Sport & Lifestyle.

Free cash flow from operations more than doubled over the first six months of 2017, rising to €718 million from €323 million in first-half 2016.

The Group's **net debt** stood at €4,572 million as of June 30, 2017, down nearly 10% compared with end-June 2016. Net debt is traditionally higher at the end of the first half of the fiscal year than at December 31 due to the seasonal nature of the Group's business and the dividend payout date.

Net income attributable to owners of the parent totalled €825.8 million in the first six months of 2017, up by nearly 78% from €464.9 million in the same period of 2016. Adjusted for non-recurring items net of tax, attributable net income rose by more than 67% to €872 million.

GROUP

Revenue in first-half 2017
€7.3 bn

Recurring operating income in first-half 2017
€1.3 bn

Recurring operating margin in first-half 2017
17.5%

2017 FIRST-HALF RESULTS ACTIVITIES

LUXURY ACTIVITIES



€5.03 bn

Revenue in first-half 2017

Kering's Luxury activities delivered a record performance in the first half of 2017, with **revenue** up 29.7% as reported and 28.3% on a comparable basis to €5,031 million. The spectacular revenue increase was driven by 34% growth on a comparable basis in the directly operated store network (75% of sales), while online sales were also up 50%.

Gucci had an excellent first half across the board, with revenue up 43.4% on a comparable basis to €2,833 million. Recurring operating income amounted to €907 million for the period, up 69%, while operating margin rose by 440 basis points to 32%. Alessandro Michele's creative vision continued to meet with success among customers and distributors, consolidating Gucci's leading position in the world of fashion and luxury.

Bottega Veneta delivered a robust performance in the first six months of 2017. With revenue up 2% on a comparable basis, the Maison showed encouraging signs as to the implementation of its action plans. Satisfactory sales growth was achieved for Ready-to-Wear and Shoes, categories in which Bottega Veneta has focused its development plans in recent quarters.

Yves Saint Laurent maintained its strong growth momentum in the first half, posting a significant increase in profitability. Revenue rose by 28.5% on a comparable basis to €711 million. Anthony Vaccarello's collections fuelled expansion in all product categories and in all regions.

Sales from all **Other Luxury brands** increased by 10.1% on a comparable basis in the first half of 2017, with all regions except North America contributing to growth. Balenciaga achieved a particularly remarkable performance, benefiting from the creative renewal led by Demna Gvasalia. Watches & Jewelry brands continued to deliver very satisfactory growth, sustained by numerous product launches.

Recurring operating income from the Group's Luxury activities rose by 49.4% over the period, to €1,254 million.

SPORT & LIFESTYLE ACTIVITIES

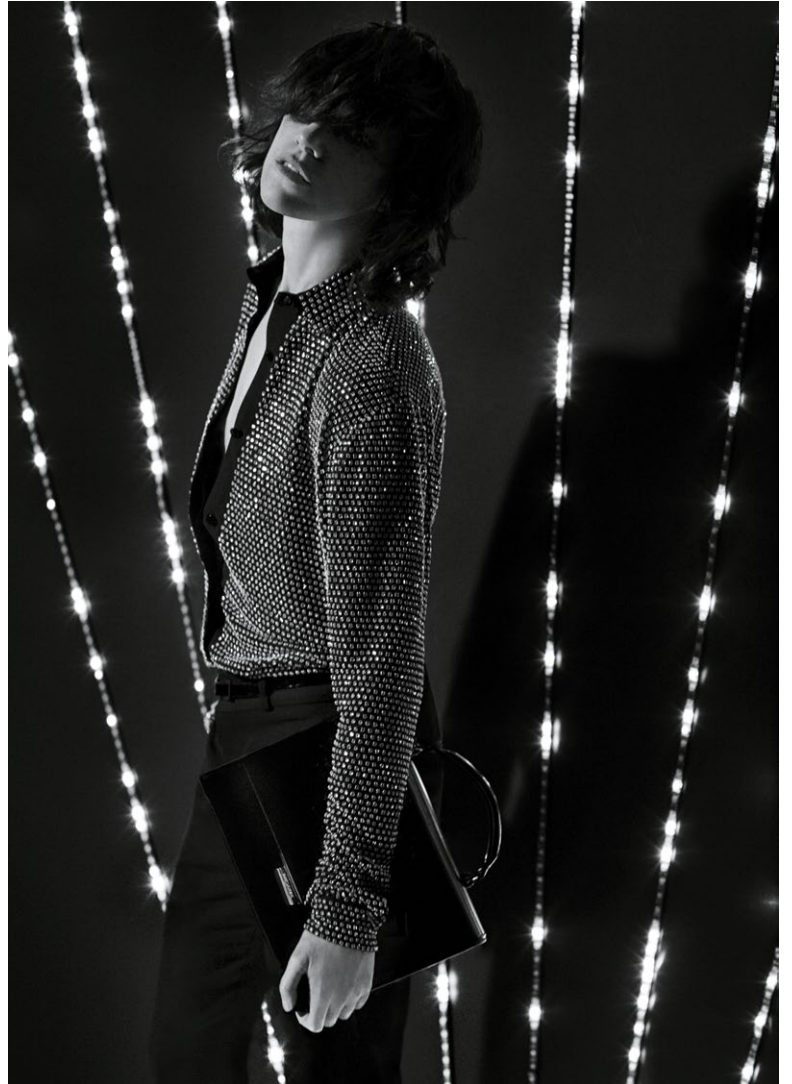


€2.08 bn

Revenue in first-half 2017

First-half **revenue** from the Sport & Lifestyle activities crossed the €2 billion mark for the first time in 2017, up 14.3% on a comparable basis. Recurring operating income amounted to €110 million for the period. Sales increased across all regions, notably in Western Europe (up 19.7% on a comparable basis) and North America (up 10.4%). Online sales were also up sharply.

Puma capitalised on its partnerships and sponsorships, notably with Rihanna, Usain Bolt and several prestigious football clubs, to deliver another strong performance, posting robust sales growth of 15.7% on a comparable basis in all of its main markets. All product categories turned in a solid performance, particularly Shoes (up 26.0% on a comparable basis) and Apparel (up 10.5%). The brand's recurring operating income more than doubled compared with the first half of 2016, to €113 million, with margin increasing sharply to 5.7%.



SAINT LAURENT

THE EVOLUTION OF YVES SAINT LAURENT

In 2016, for the sixth consecutive year, the iconic French house achieved a growth of over 20%. That continuing success is the result of a repositioning started in 2012 to increase the brand clarity and empower the strong brand awareness, fostered by a company reorganization and long-term strategy to grant to the house with fashion leadership and long term profitable growth.

Since its launch in 1961 by Mr Yves Saint Laurent and his partner Mr Pierre Bergé, the house has embodied a free-spirited elegance and a modern, effortless attitude. Today, those values are still the cornerstones of Yves Saint Laurent DNA.

Francesca Bellettini, CEO of Yves Saint Laurent, joined the house in September 2013. Since her arrival, she reinforced Yves Saint Laurent's strategy and positioning fuelling the growth in both sales and profitability, and built and empowered a team of brilliant executives worldwide. Under her helm, Anthony Vaccarello was appointed creative director of the brand in April 2016.

The Italian-Belgian designer studied at the prestigious school of La Cambre in Brussels. His very first collection received critical acclaim and caught the eye of the industry.

He launched his eponymous brand in 2009 in Paris where he gained a reputation as the go-to designer for cool edgy glamour and as a master of perfect cut. His first collection for Yves Saint Laurent was unveiled in September 2016 in a highly symbolic location: the construction site of the future Saint Laurent headquarters, rue de Bellechasse, in the heart of Paris.

Anthony Vaccarello was inspired by the spirit of the house and its timeless DNA.

With a great understanding of the brand's core values such as youth, capacity to bring couture to the street and ability to create a style that resonates in the modern times; he strongly empowered a highly desirable "couture cool" vision that has been very well received both by the historical customer base and new clients globally.

Thanks to the implementation of a highly consistent strategy in terms of products, distribution and communication, the brand has built solid foundations for its development and is ready to pursue its evolution and to keep enhancing the fashion leadership of Saint Laurent on the market.

Saint Laurent's primary objective remains to create and market highly desirable products that embody the core values of the brand through innovation and unparalleled quality and design. The execution of the strategy will continue to focus on a well-balanced growth between product categories and distribution channels, a best-in-class retail and customer experience and a unique desirability of both iconic lines and novelty.



ANTHONY VACCARELLO
Artistic Director
of Yves Saint Laurent

"I want to bring together a vision that mixes freedom, sensuality, confidence and chic. To me, those values embody what a modern woman wants from her clothes. You need more than just "clothes". Today, you can buy clothes everywhere, any time, everything is just a click away. That's why creating a dream, an attraction, a strong vision, something that gives a true purpose and a unique feeling to what you buy is more important than ever."

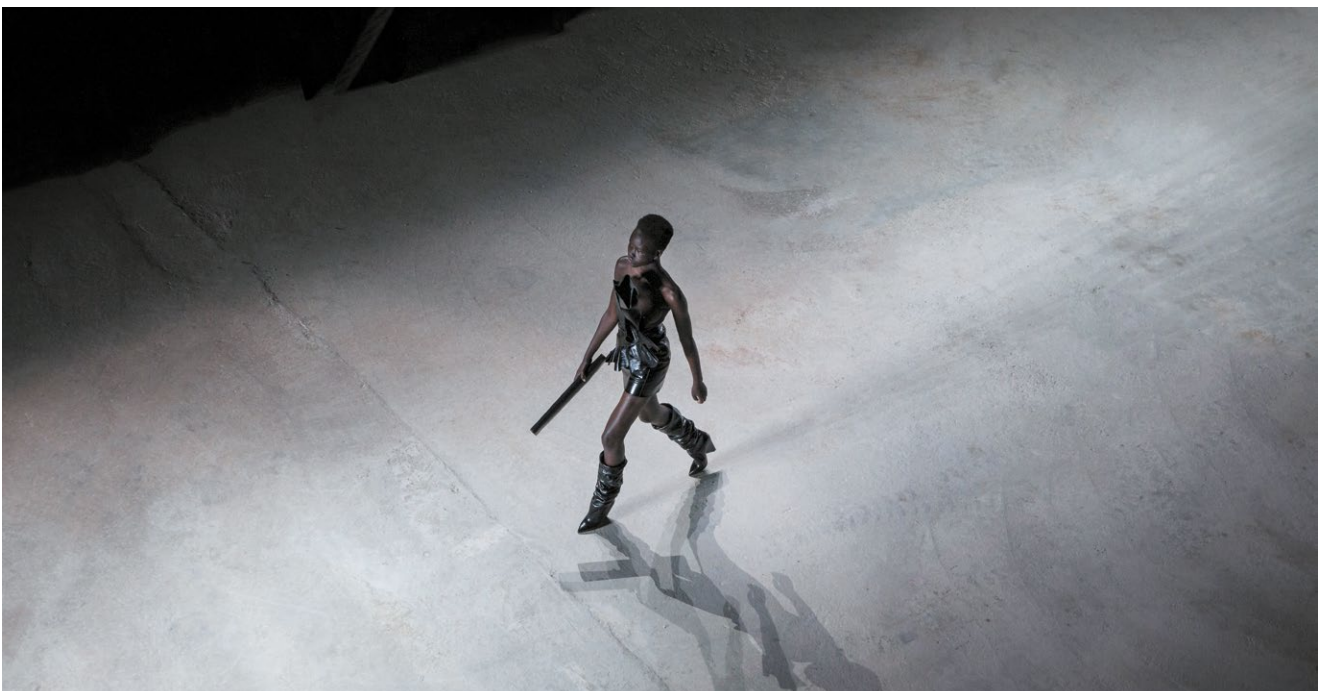
In a world where high-tech is key to evolution and growth, Saint Laurent's continued strategy is also focused on the revamping of its e-commerce site and stronger investments in digital communication. E-commerce is part of an omni-channel strategy. In an increasingly competitive environment, the success of luxury brands is more than ever based on their ability to offer an exceptional, coherent experience across all distribution channels, including online (services, ergonomics, etc.), and to maintain a privileged relationship with customers. Therefore, it is today more necessary than ever to embrace a clear digital strategy and build a consistent and strong social media presence to establish a stronger online visibility, by developing owned channels (website revamping, social editorial strategy), while reinforcing earned/shared media and creating relevant content.

A brand is made by people and it is important to keep working on building an innovative and sustainable future by focusing on retaining and hiring the best talents, promoting gender equality and developing a sustainable way of doing business, while preserving heritage craft and exploring new business models. With this strategy firmly in place, Saint Laurent is confident in its continuing evolution as highly desirable 21st century brand with a strong and unique DNA, made authentic by its unique history in the world of couture and fashion. The next chapter took place in Paris on the 26th of September 2017, with the presentation of Anthony Vaccarello's third collection.



FRANCESCA BELLETTINI
President and CEO
of Yves Saint Laurent

"I am incredibly proud of the results we achieved under the creative leadership of Anthony Vaccarello who has his own vision and identity together with a deep and natural understanding of the brand. Those results confirmed the positive trend of Saint Laurent's evolution driven by creativity, trust and respect as fundamental values to push the brand to the next level."



POMELLATO 50TH ANNIVERSARY, EXPERIENCE AND EXPERIMENTATION

To honor the 50th anniversary of its foundation (in Milan in 1967), Pomellato has recently introduced two new jewelry collections.

Iconica, which pays tribute to Pomellato's goldsmith history and a special interpretation of the **Ritratto** collection in hard stones.



POMELLATO



Iconica is a collection of rings, bracelets and pendants of white or rose gold, available with varying degrees of diamonds. The hero item is a modern gold version of the *Band Ring*, one of Pomellato's most coveted and iconic jewels from the 1970s while the bracelets and pendants recall its mastery with chain

designs, still one of the most important emblems of the Maison.

Perfectly synchronizing Pomellato's past, present and future, Iconica jewels can also be playfully paired together into stackable, linkable, or mix-and-match combinations.

As the pioneering Maison was the first to bring prêt-à-porter innovation to the world of jewelry, Pomellato continues in this vein with wearable, unconventional, and audacious jewels.

Ritratto 50th anniversary special edition is a new one-of-a-kind collection of 50 pieces that honors the values of the Milanese Maison: anti-conformism, creativity, craftsmanship and color. Since its inception, Pomellato jewels have focused on unconventional gems and stones.

The Ritratto 50th anniversary special edition dynamically confirms its rebellious, pioneering spirit. Rising to the challenge of a material yet unexplored in the Maison's long history, Pomellato designed a collection that explores the unique magnificence of hardstones.

Shining as the star of this poetic project, the Maison's Ritratto setting (*Ritratto*, the Italian word for "portrait") embraces a large central stone – each one as intense and intricate as an actual painted portrait.

CAMPAIGN

From the very beginning, Pomellato unconventional DNA has been echoed in provocative campaigns shot by world-renowned photographers, such as Helmut Newton, Herb Ritts, Michel Comte among others. The new Pomellato advertising campaign, shot by Peter Lindbergh, features a striking cast of strong-willed, independent women of all ages and from all walks of life, beyond the traditional aesthetic canon and clichés. A gallery of women chosen for the charm of their unique personality and their determination to be themselves: real women, not idealized beauties, with whom women of the world can naturally identify.

1- Collection Iconica in rose gold, white gold and diamonds.
2- Special edition Ritratto 50th anniversary collection rings in rose gold, rhodochrosite and emeralds, in rose gold, verdite and diamonds, in rose gold, amazonite and Paraíba tourmalines.

Performance of the Kering share

compared to the CAC 40 index since January 1, 2017



**MARKET
CAPITALISATION**
as of August 31, 2017

€39.8 bn

**HIGHEST
SHARE PRICE**
between January 1
and August 31, 2017

€315.30

**LOWEST
SHARE PRICE**
between January 1
and August 31, 2017

€209.60

The Kering share enjoyed a record performance, increasing by 48% over the first eight months of the year. Kering posted much larger gains than the rest of the CAC 40, which rose 5% over the same period.

Since the start of the year, the share price has sustained and amplified the sharp rebound that began in the second half of 2016, when it jumped nearly 47%.

This performance was driven by a series of excellent results announcements that exceeded the industry average as well as market expectations. The Group's results confirmed the robust momentum enjoyed by all of its brands.

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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For any other request, please contact:

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

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

Provisional calendar

October 24, 2017

2017 3rd quarter revenue

Kering – Société anonyme (a French corporation) with a share capital of €505,117,288 — Registered Office: 40 rue de Sèvres – 75007 Paris — 552 075 020 RCS Paris — Phone: +33 (0)1 45 64 61 00 — www.kering.com

Published by the Kering Financial Communications department.
Design and production: **côtécorp**. Photo credits: ©David Sims.