



KERING

letter

TO SHAREHOLDERS

SEPTEMBER 2019

**MESSAGE FROM
THE CHAIRMAN AND CEO**

"Our strategy is clearly
paying off"

**FIRST-HALF
2019 RESULTS**

€7.6 bn in revenue
€2.3 bn in recurring
operating income

GROUP NEWS

Boucheron
Gucci
Balenciaga
Kering Eyewear

MESSAGE FROM THE CHAIRMAN AND CEO



Dear Shareholders,

Kering delivered another very strong set of results in the first half of 2019.

Kering's revenue growth handily topped market trends, and was highly profitable. We created an additional €1.2 billion in revenue in the six months, and our operating margin reached a record 29.5%. Our strategy is clearly paying off. The success of our brands, built on creativity, innovation, and customer dedication, along with rigorous execution and financial discipline, are delivering a superior combination of organic growth and sustainable profitability.

We would like to thank you, our shareholders, for your continued trust and loyalty.

François-Henri Pinault

FIRST-HALF 2019 RESULTS

Revenue
€7.6 bn
 up 18.8% reported
 up 15.3% comparable (constant scope and exchange rate)

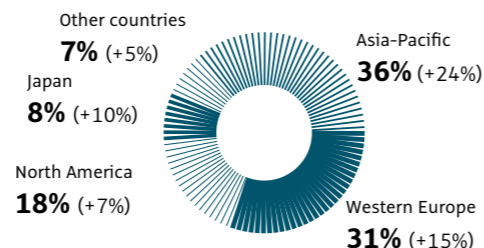
Recurring operating income
€2.3 bn
 up 25.3%¹

Recurring operating margin
29.5%
Net income attributable to owners of the parent
€580m

Recurring net income attributable to owners of the parent
€1.6 bn²

1- The changes presented are based on 2018 financial data restated under IFRS 16.
 2- Net income from continuing operations attributable to owners of the parent, excluding non-recurring items.

BREAKDOWN OF REVENUE BY REGION
 as a % of revenue (% comparable growth)



Kering's consolidated **revenue** for the first half of 2019 amounted to €7,638.4 million, with a remarkable increase of 18.8% year on year as reported and 15.3% based on a comparable Group structure and exchange rates. This strong growth was driven by all of the Group's geographic regions, with increases of 24.2% in Asia-Pacific (excluding Japan), 10.2% in Japan, 14.8% in Western Europe and 7.3% in North America.

Recurring operating income amounted to a very high €2,252.7 million, up 25.3% versus first-half 2018 (restated under IFRS 16), and **recurring operating margin** rose 160 basis points to 29.5%.

Attributable net income totaled €579.7 million, while attributable recurring net income stood at €1,556.1 million (up 24.7%).

Provisional calendar

Thursday, October 24, 2019
 Third-quarter 2019 revenue

Analysis of the results

Total revenue generated by Kering's Houses amounted to €7,364.4 million, up 18.6% as reported and 15.2% on a comparable basis. This strong year-on-year growth – which was achieved despite particularly high bases of comparison – was fueled evenly by (i) sales from directly operated stores and online (up 16.1% on a comparable basis), and (ii) wholesale (up 11.6% on a comparable basis). Growth was particularly strong for the Houses' online sales, which rose 19.7%. All of the main product categories contributed to the strong year-on-year revenue increase and the Houses registered robust growth in all geographic regions, particularly Asia-Pacific (up 24.5% on a comparable basis) and Western Europe (up 14.0%).

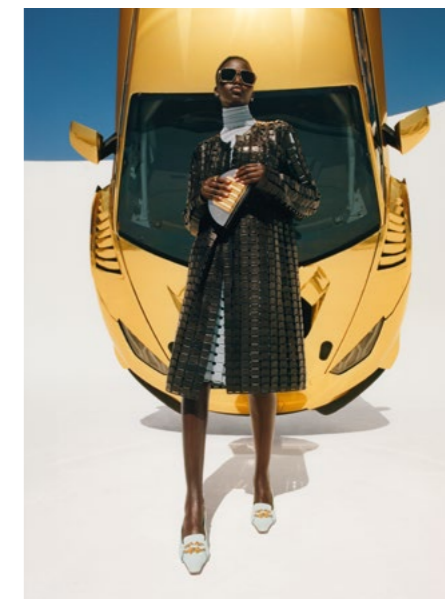
Recurring operating income of the Houses totaled €2,370 million in the first six months of 2019, surging 24.1% compared to the first half of 2018 (restated under IFRS 16). Recurring operating margin of the Houses widened by 140 basis points to 32.2%.



Gucci registered another very good showing in the first half of 2019, with revenue totaling €4,617.1 million (up 19.8% as reported and 16.3% on a comparable basis). This performance was all the more remarkable in view of the growth that the brand has already delivered since mid-2016. Recurring operating income for the first half of 2019 amounted to €1,876.1 million, up 26.7% on the first half of 2018 (restated under IFRS 16). The brand's recurring operating margin increased by 220 basis points to a new record of 40.6%.



Yves Saint Laurent kept up its buoyant growth trajectory, rigorously and effectively executing its strategy, with revenue climbing 16.6% on a comparable basis to €973.0 million. All of the brand's regions and distribution channels contributed to this overall good performance. In the first half of 2019, Yves Saint Laurent had recurring operating income of €251.7 million, up from €202.5 million in the corresponding prior-year period (restated under IFRS 16), a year-on-year increase of 24.3%.



Bottega Veneta's revenue retreated 3.8% on a comparable basis and 0.6% as reported. Although the new collections of Creative Director Daniel Lee still only make up a small proportion of the House's assortment available in its stores, they have been very well received. The second quarter of the year was encouraging, with comparable sales up 0.8%. Recurring operating income totaled €103.9 million in the first half of 2019.

Revenue for Kering's **Other Houses** rose 20.3% on a comparable basis in the first half of 2019, reaching €1,225.3 million. This performance reflects strong momentum at Balenciaga and Alexander McQueen, as well as sales growth from the Jewelry Houses. Recurring operating income of the Group's Other Houses rose 54.5% from the first half of 2018 (restated under IFRS 16) to €138.3 million in the first six months of 2019.

BOUCHERON

PARIS DEPUIS 1858

BOUCHERON CONVEYS ITS OWN UNIQUE VIEW OF PARIS IN ITS HIGH JEWELRY COLLECTION, *PARIS, VU DU 26*

A glimpse at three emblematic creations.

CHAPTER 1: PARIS

VERRIÈRE

This piece is inspired by the dome of the Grand Palais as if it had been unexpectedly taken over by flora. The bar portrays the building as seen from above, while the top of the blown glass tassel is a real winter garden.

CHAPTER 2: PLACE VENDÔME

DUO TAILLE EMERAUDE

A tribute to the shape of Place Vendôme, these double signature rings sport 31.03 and 32.50 carat yellow beryls, which are worn horizontally across two fingers. In keeping with the Maison's stylistic codes, its shape is emphasized by an onyx border.

CHAPTER 3: 26V

26V

The Maison pays tribute to Frédéric Boucheron, giving life to his creative daring by designing, for the very first time, its own stone. A genuine technical feat, this stone is three-dimensional marquetry, combining onyx, rock crystal and white agate. The stone is detachable, allowing the necklace to be worn with its tassel only.



1- Verrière necklace
2- Duo Taille
Emeraude rings
3- 26V necklace

GUCCI

GUCCI OPENS ITS FIRST BOUTIQUE DEDICATED TO HIGH JEWELRY AT 16 PLACE VENDÔME, AND PRESENTS ITS *HORTUS DELICIAMUM* COLLECTION



On July 2, 2019, Place Vendôme, the iconic epicenter of high jewelry, welcomed a Gucci boutique dedicated to fine and high jewelry designed by Alessandro Michele, Creative Director of the House. Renowned for his passion for jewelry and poetic vision, Michele has personally sourced unique stones and designed the first ever high jewelry collection for Gucci.

Hortus Deliciarum echoes the eclectic quixotism of Michele's vision.

The *Hortus* collection is inhabited by magical beasts and totemic symbols, distilling the beauty of past and present and evoking the splendor of love and nature. The collection comprises more than 200 pieces, mainly one of a kind.



BALENCIAGA

BALENCIAGA NEW YORK FLAGSHIP MOVES TO A NEW LOCATION ON MADISON AVENUE

On September 14, 2019, Balenciaga opened its new Manhattan flagship, with over 4,400 square feet of uniquely designed retail space, taking up the southwest corner of Madison Avenue and 59th Street.

The new store's architecture reflects creative director Demna Gvasalia's interest in the concept of a public space. A mostly glass storefront leads the eye to the street if inside and to the diverse interior if outside. From either side, one sees a mix of elements taken from metropolitan exterior design and original artworks.

BALENCIAGA
620 Madison Avenue
New York City
USA



SUCCESSFUL LAUNCH OF BALENCIAGA EYEWEAR



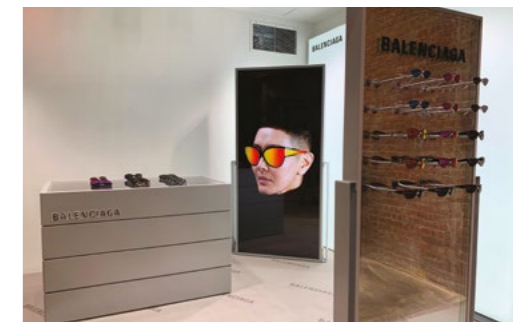
From its inception in 2014, Kering Eyewear has devoted itself to the development of products fully reflecting each brand's DNA and values through a distinctive design approach driven by the highest attention to quality and detail.

In 2019, the Company launched Balenciaga Eyewear in complete synergy with the brand's exclusive signature aesthetics and creative vision.

In line with Balenciaga values, the eyewear product range challenges innovation and advanced techniques to push the boundaries of the eyewear industry.

One-of-a-kind masterpieces have been created, such as those of the *Hybrid* collection: an unconventional pairing of category archetypal front shapes with sports-derived temples representing a breakthrough in the eyewear industry.

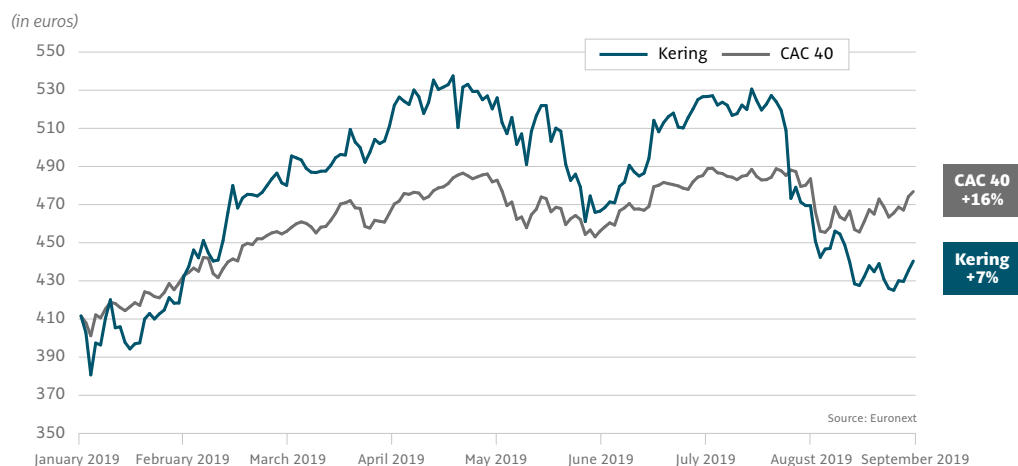
Exclusive 360° marketing projects have been implemented in partnership with the most globally recognized and opinion-leading stores in the luxury market. Balenciaga Eyewear has dominated key flagship locations across the globe, making an impactful statement for the launch. Each activation included a unique retail-inspired pop-up store.



- 1- Balenciaga Hybrid (BB0024S 002)
- 2- Kering Eyewear headquarters in Padua, Villa Zaguri (Italy)
- 3- Balenciaga Eyewear Exclusive Pop-Up at London Dover Street Market

Performance of the Kering share

compared to the CAC 40 index (rebased) from January 1 to August 30, 2019



MARKET CAPITALIZATION

as of August 30, 2019

€55.6 bn

LOWEST SHARE PRICE

between January 1 and August 30, 2019

€380.70
(on January 3, 2019)

HIGHEST SHARE PRICE

between January 1 and August 30, 2019

€537.50
(on April 17, 2019)

SHAREHOLDERS' NOTEBOOK

Contact information

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NB: the trade order form is available for download at www.kering.com/en (Finance > Shareholders information section).

* If you own administered registered shares, the financial intermediary who manages your account remains your point of contact.

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