



*letter to
shareholders*

september 2013

MESSAGE FROM THE CHAIRMAN



François-Henri Pinault

Dear Shareholders,

Kering delivered strong financial and operating performances in the first half of 2013.

Revenue was up 4% on a comparable basis, driven by the Luxury Division whose sales grew by 8% in the first half of the year and over 9% in the second quarter. The Group's operating margin continued to improve, at 18%, and net income from continuing operations (excluding non-recurring items) attributable to owners of the parent advanced over 4% during the first six months of the year. Free cash flow from operations surged by nearly 14% over the period.

Results for the Luxury Division were powered by strong performances in directly-operated stores – with growth of nearly 10% in the second quarter – and in mature markets, particularly Japan and North America. Fashion and Leather Goods recorded solid growth and sales of Men's collections rose significantly as a direct result of our sustained investments in this promising segment. The first half of the year also saw upbeat sales momentum for all brands, continued improvement to operating profitability in the Luxury Division, and recurring operating income of nearly €790 million, up almost 8%.

The contraction in the Sport & Lifestyle Division's sales reflects the worsening economic context in the apparel and action sports sectors, particularly in Western Europe. Despite the downturn in the Division's current operating income and margin, the roll-out of PUMA's transformation programme will be stepped up following the arrival in early July of the new management

***“the first half of the year
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in the luxury division”***

the first half of the year. Firstly, the listing of Groupe Fnac shares and the sale of several Redcats' activities have brought us closer to our goal of divesting our retail operations. The consolidation of Qeelin and Christopher Kane as well as the acquisition of the jeweller Pomellato, which will be consolidated in the second half of the year, has bolstered our presence in the Luxury sector. And to top off this transformation, shareholders overwhelmingly approved the Group's new name, Kering, at the Annual General Meeting of June 18.

Having described the highlights of the first half of 2013, I would like to conclude by summing up the key drivers which should be shaping the last six months of the year.

team headed by Björn Gulden. PUMA's revenue drop is in line with the guidance for the full year.

Several stages of our strategic repositioning in the apparel and accessories markets were completed during

In the Sport & Lifestyle Division, the transformation of PUMA is underway. The PUMA management team will work on the acceleration and intensification of the brand's transformation programme. PUMA does not anticipate that such brand renovation process will yield a rebound in the Division's revenue and profitability for full year 2013.

The positive momentum supporting the growth of the Group's Luxury Division should be extended to the second half, as each of the Division's brands targets the optimisation of its distribution, notably through the selective expansion of its directly operated store network.

In this context, we maintain our goal of improving the Group's operating and financial performances in the full year.



2013 FIRST-HALF RESULTS

a solid first-half performance

€4.7bn



+4.2%

Compared to first-half 2012

€843m



+2.3%

Compared to first-half 2012

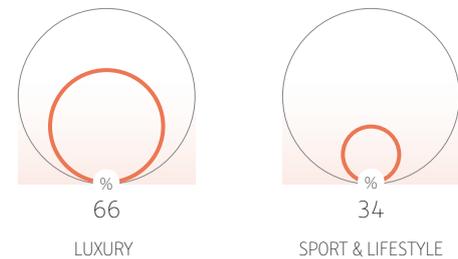
Kering posted solid first-half 2013 results. Robust sales growth in the Luxury Division fuelled the Group's strong operating performance, despite headwinds at PUMA. Consolidated revenue came in at €4.7 billion, up more than 4% on a comparable basis compared to first-half 2012. Business was especially brisk in the Luxury Division, where sales were up nearly 8% on a comparable basis and by 9% in the second quarter.

Reflecting further appreciation in gross margin across the main Luxury brands and the positive impact of hedging, Kering's recurring operating income reached €843 million in the first half of the year, up 2.3% on the same period last year. This drove recurring operating margin up 10 basis points year on year to a record 18%. EBITDA also progressed sharply, reaching €983 million, with a 21% margin on sales.

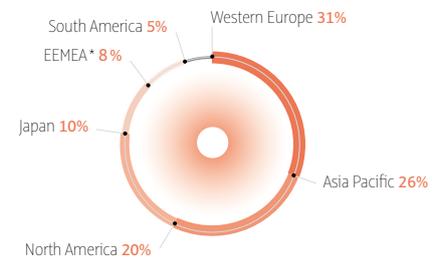
Excluding non-recurring items, consolidated net income from continuing operations, Group share, reached €582 million, up 4.1% on first-half 2012, or €4.63 per share (up 4.3%).

The continued strength of operating performance, tight monitoring of working capital and a controlled rise in operating investments led to a 14% surge in free cash flow from operations to close to €400 million.

Breakdown of revenue by Division



Breakdown of revenue by region



*EEMEA: Eastern Europe, Middle East and Africa.

Breakdown of recurring operating income by Division (excluding Corporate)

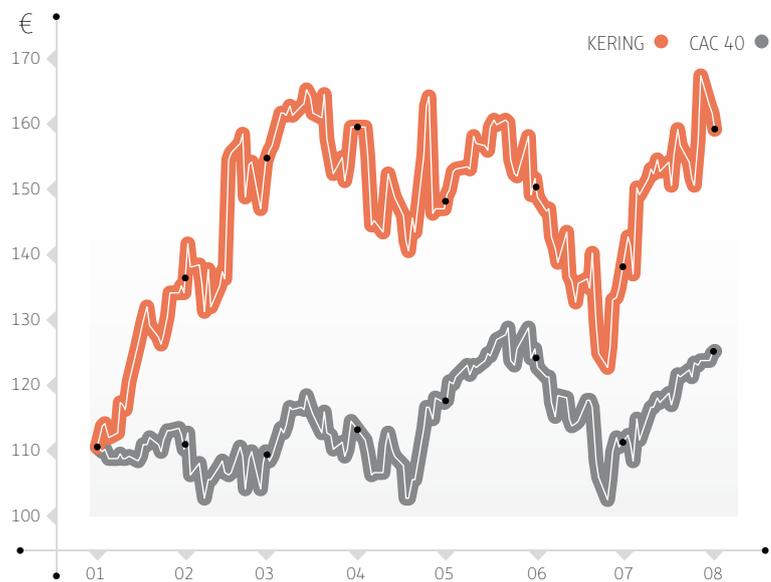


performance of the Kering share in the first half of 2013

The Kering share surged by nearly 23% between January 1 and July 31, 2013. This excellent first-half performance was achieved amid signs of a stronger economic recovery in the United States and Japan and despite persistent uncertainty in the eurozone and China. The CAC 40 reported more modest growth, up 7% over the same period.

The outperformance of our share price reflects both the robust results of Kering's Luxury Division in the first six months of the year and the Group's decreasing exposure to French and European markets. The Group has nearly completed its repositioning in the Luxury and Sport & Lifestyle sectors following Groupe Fnac's listing in June, and this also contributed to the excellent stock performance.

Change in the price of the Kering share compared to the CAC 40 Index since January 1, 2013



Source: Thomson/Reuters

Stock market data

€21.7 bn

MARKET CAPITALISATION
AT JULY 31, 2013

€177.5

HIGHEST SHARE PRICE
BETWEEN JANUARY 1 AND JULY 31, 2013

€141.2

LOWEST SHARE PRICE
BETWEEN JANUARY 1 AND JULY 31, 2013

a new name for a new identity

Kering can be pronounced and understood as "caring". Kering stands for more than a change or scope in activity. The new name describes our distinctive attitude towards our brands, people, customers, stakeholders and the environment. The change of name is also an opportunity to reaffirm the Group's international dimension while acknowledging its origins in the Brittany region of France. In the Breton language *ker* means "home". Kering is therefore the family home which our brands and our employees inhabit.

Our new emblem is an owl, the sign of wisdom. It represents the visionary side of the Group, our ability to anticipate trends and spot potential. A discreet and protective animal, it is a powerful symbol for a company that guides and nurtures its brands and people. The new identity is the outcome of the transformation of our business, begun several years ago. Kering is now a cohesive, integrated and international Group.

Who are we now?

A family-controlled, listed company, Kering is a world leader in apparel and accessories with an ensemble of powerful brands. Our entrepreneurial spirit has driven the growth and transformation of the Group over the past fifty years. Today, we are focused on a single business, which is to design, manufacture and market desirable products across two fast-growing segments: Luxury and Sport & Lifestyle.

We are developing a set of complementary brands, all with strong potential for organic growth:

- Luxury: Gucci, Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Christopher Kane, McQ, Stella McCartney, Sergio Rossi, Boucheron, Dodo, Girard-Perregaux, JEANRICHARD, Pomellato and Qeelin;
- Sport & Lifestyle: PUMA, Volcom, Cobra, Electric and Tretorn.



K E R I N G

In tune with underlying societal trends – increases in purchasing power, people seeking to affirm their personality and the desire to look and feel good – our mission is to allow our customers to express, fulfill and enjoy themselves through our products.

Empowering imagination

By empowering imagination, we create value in the broadest sense. We encourage the creativity and agility of our brands and employees by empowering them to go beyond their limits, to lead and innovate, to realise their artistic and financial potential – in the most sustainable manner. We place sustainability at the heart of everything we do. It gives us an opportunity to create value and competitive advantage, while helping to make a better world economically, socially and environmentally.

Kering strategy is primarily based on the organic growth of our existing brands. We help them expand into new, growth markets, reinforce their presence in mature markets and develop their distribution network and channels, including e-commerce. In parallel, acquisitions of small to medium size, with promising expansion prospects and meeting strict criteria, will strengthen and complement our brand portfolio.

Empowering Imagination

new luxury brands joining the group



Qeelin

Inspired by millennia of Chinese cultural history, Qeelin turns mythical and superstitious Chinese symbols into timeless, meaningful and state-of-the-art contemporary jewels. The brand's classic Wulu collection revisits the legendary Chinese gourd filled with auspicious associations.

Qeelin is also well known for its Bo Bo collection, featuring an articulated, diamond panda bear, China's treasured national symbol.

Launched in 2004, Qeelin is the first Chinese luxury jeweller to have developed a network of boutiques in the most prestigious shopping districts around the world.



Christopher Kane

The Christopher Kane brand was founded by the eponymous designer and his sister Tammy Kane in 2006. Christopher Kane has developed a reputation as one of the most talented and innovative British designers. The brand is known for its inventive and imaginative fashion, offering classic yet subtly daring designs. Originally focused on ready-to-wear for women, the brand expanded into menswear in 2010.



Pomellato

Synonymous with creativity and character on the international jewellery scene, Pomellato was established in 1967. The brand has a strong and distinctive identity thanks to the intuition of its founder, Pino Rabolini, who was the first to introduce the *prêt-à-porter* concept into the world of jewellery. This enabled Pomellato to rapidly gain ground in the Italian market, and subsequently in the rest of the world. Pomellato creations are immediately recognisable, and have built a consistent, characteristic style over time. Jewels are crafted by the expert hands of 100 goldsmiths, transforming the spirit of the brand into gold.



Dodo

In 1995, a revolutionary concept spawned Dodo, the first jewels to communicate a message. Each animal charm in the extensive Dodo range says something, expressing a message of love and friendship. So Dodo jewellery isn't just stylish, it tells a story. From the outset, Dodo has shown an interest in nature and its protection, donating a percentage of its sales to WWF Italy. A theme that, over the years, has become increasingly topical and close to the younger generation.

news from sport & lifestyle brands



PUMA

The global Sportlifestyle company is breathing new life into its positioning on the sports market with a new marketing campaign: The Nature of Performance.

Its launch coincided with the Spring/Summer 2013 presentation of an innovative and revolutionary new product range of Performance Running and Training footwear and clothing.

PUMA Mobium Elite is the first generation of PUMA Adaptive Running™ shoes, incorporating technologies owned by PUMA that allow the shoe to expand and contract so that the foot can function naturally when running. PUMA has identified the new Adaptive Running category of running shoes after two years of research, development and intensive biomechanical tests.



Volcom

Volcom is a modern lifestyle brand that embodies the creative spirit of youth culture. The company was founded on liberation, innovation and experimentation while remaining dedicated to the breakdown of established traditions. Volcom's avant-garde approach to clothing and branding has set it apart in the action sports industry and beyond.

The goal of Volcom is to provide clothing to people who share a passion for art, music, film, skateboarding, surfing, and snowboarding. The brand is focused on supporting athletes, artists and musicians – providing a means for creative individuals to come together and collectively express themselves. This collaborative effort results in everything from the ever-growing “Let the Kids Ride Free” contest series to the high-profile “Volcom Pipe Pro” surf competition, on down to its in-house independent record label – Volcom Entertainment.

On Saturday 5 October 2013, from 2pm onwards at the CENTQUATRE in Paris, Volcom will present: “The world of Volcom Stone”. This event will feature the world premiere of the Veeco productions film *TRUE TO THIS*, Volcom skateboarding team exhibition, concert by Black Bananas and a DIY workshop.

TRUE TO THIS is a movie that celebrates the 20 years since the original release of *Alive We Ride*, the seminal 1993 film that acted as a blueprint for the DNA of Volcom.

a deep, long-term commitment to sustainability

Sustainability for Kering is both a business and a leadership opportunity. Inherent in the quality of our products, it creates value for our stakeholders and provides us with a competitive advantage. It offers new business development opportunities, stimulates innovation and, in many cases, helps reduce costs.

1
GROUP ENVIRONMENTAL
PROFIT AND LOSS ACCOUNT
FOR ALL LUXURY AND SPORT &
LIFESTYLE BRANDS BY 2016

Sustainable business is smart business

Our sustainability engagement is intrinsic to our organisation and has clear goals.

We encourage every employee to play a part in making sustainability a reality. This includes the sustainable development committee of the Kering Board of Directors and the CEOs of every brand.

Kering has also defined a **number of quantifiable targets** for our brands to reach ambitious environmental and social measures, at both process and product level, for 2016. These relate to raw materials sourcing, including alternatives; paper and packaging; water use, waste and carbon emissions and hazardous chemicals; while offsetting our remaining CO₂ emissions and supporting suppliers in their progress.

Kering is simultaneously working on an **Environmental Profit & Loss Account (EP&L)** in order to place a monetary value on the environmental impact along the entire supply chain of a given business. This tool is being implemented at Group level and will help to identify the most effective avenues for improvement.



Supporting our brands in their commitment to sustainability

Kering propels its brands to lead with new business models that contribute to a better world economically, socially and environmentally.

Among current actions, **Gucci** has developed a method to reduce the environmental impact of tanning, having launched the first leather in the luxury sector that is tanned without heavy metals. **Stella McCartney** supports local Kenyan communities with a range of hand-made recycled canvas made by local craftsmen. By providing work and training, a sustainable livelihood is being created for some of the most disadvantaged communities in Africa. **PUMA** has launched an 'InCycle Collection', a range of shoes, apparel and accessories produced from products returned by the consumer at the end of their lifecycle. **Volcom** has joined the program "1% for the Planet", where one per cent of every dollar customers spend on a pair of jeans from the "VCo-Logical" collection is donated to environmental protection organisations.



Sustainability: a positive differentiating criterion for the Group

Kering's initiatives reinforce sustainable action for the benefit of its brands. The Group launched the **Materials Innovation Lab** (MIL) to expand the use of sustainable materials by our brands by providing the tools, resources and knowledge to stimulate the creation of more sustainable products.

The Group signed the Global Compact in 2008 and has bolstered its commitment to human rights in its **Code of ethics**, a new edition of which will be published in the fourth quarter of 2013.

Kering is also strongly involved in social and humanitarian action. Through the **Kering Corporate Foundation**, founded in 2009 and chaired by François-Henri Pinault, the Group has been combating violence against women and aiding their empowerment.

More info on <http://www.kering.com/en/sustainability>

* In 2012, compared to 2011

SHAREHOLDER CONTACT

Managing your account

For all requests regarding the management of your pure registered share⁽¹⁾ account, CACEIS is your main contact:

CACEIS

14 rue Rouget de Lisle
92862 Issy-Les-Moulineaux Cedex 9
France
Tel: +33 1 57 78 34 44
Fax: +33 1 57 78 32 19
Email: ct-contact@caceis.com

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

For any other request, please contact

Kering's Shareholder's department:

By phone: +33 1 45 64 65 64

By email: actionnaire@kering.com

Provisional calendar

October 24, 2013:

2013 3rd quarter sales

(1) If you own administered registered shares, your account manager remains your main contact.



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Tel.: +33 1 45 64 61 00
kering.com

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Empowering Imagination

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