

K E R I N G



letter
TO SHAREHOLDERS

FEBRUARY 2018

**MESSAGE FROM
THE CHAIRMAN AND CEO**

« A phenomenal year
for Kering. »

2017 ANNUAL RESULTS

€15.5bn in revenue
€2.95bn in recurring
operating income

STRATEGY

Kering, a Luxury pure player
PUMA, becoming the
world's fastest sports brand
Stock dividend in the form
of PUMA shares

MESSAGE FROM THE CHAIRMAN AND CEO

Dear Shareholders,

2017 was a phenomenal year for Kering and for our Houses in more ways than one. I know of no other group of our scale that enjoyed such stellar annual growth. We generated €3 billion in purely organic revenue growth in the year, including €2.3 billion in Luxury alone. Our recurring operating income jumped by over €1 billion and our share price has reflected this performance, gaining more than 84% over the year.

Aside from this spectacular performance and the remarkable development of Gucci's appeal on all of its markets, Saint Laurent continued along its fast-paced growth trajectory, Bottega Veneta's redeployment continued, Balenciaga is in the process of making good on its promises, and our other Luxury brands also make headways.

2017 will be remembered as the year in which we unequivocally demonstrated the strength of our business model. It was the year that saw Kering lifted to the world no. 2 position in our industry. Our business model, which emphasises creative vision as the core value of our brands, influences the entire industry.

2017 was also the final year in our gradual transformation into a Luxury pure player. In early January 2018, we announced our intention to distribute the bulk of our stake in PUMA to Kering shareholders, subject to your approval at the forthcoming Annual General Meeting.

We have an extremely robust financial structure and generate very strong levels of cash flow.

We considered it only fitting, therefore, that Kering shareholders, who have supported us throughout the years of PUMA's recovery, should benefit directly from the brand's significant potential.

PUMA's growth trajectory is only just beginning.

Newly focused on our core assets, we will increase the attention and resources we give to our Houses, allowing them to further amplify growth and value creation.



Besides the inherent potential of each brand, our capacity to outperform our markets is a result of our integrated business model and ever deepening synergies.

We owe this success primarily to the Group's employees. Together, we have given tangible force to our slogan "*Empowering imagination*". We are giving free rein to our imagination, key to both creation and execution.

As we enter a decisive stage in our transformation, we remain convinced that our strategy, strengths and talents are perfectly aligned with the trends in our markets. Unforeseen global events resulting from political, economic or financial risks could obviously impact our performance. However, the complementary nature of our Houses, our broad geographic footprint and diverse customer base combined with our strength as an integrated Group should allow us to outperform our markets once again in 2018.

François-Henri Pinault

A handwritten signature in black ink, which appears to read 'Pinault'.

2017 ANNUAL RESULTS

We achieved record operating results in 2017.

Revenue neared €15.5 billion in 2017, up 25% as reported and up more than 27% based on a comparable Group structure and exchange rates.

Revenue remained well balanced in geographical terms, with minor changes year on year. The proportion of revenue derived in Europe and Asia Pacific moved up several percentage points, primarily at the expense of Japan. These two regions now represent 33% and 27% of revenue, respectively, and were lifted by growth of more than 32% on a comparable basis. Japan now accounts for less than 10% of revenue, although trends swung upwards throughout the second half of the year. North America, which now accounts for 21% of revenue, saw 23% comparable revenue growth in 2017 on the back of a good fourth quarter.

Recurring operating income leapt 56.3% year-on-year to €2.95 billion, yet another record for the Group in absolute terms.

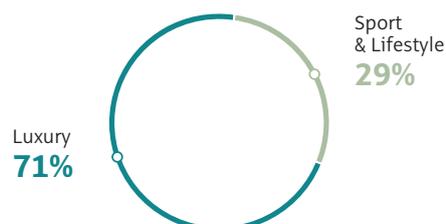
Recurring operating margin came to 19.0%, up 380 basis points on 2016.

Net attributable income jumped more than 119% to €1.79 billion.

At €2.32 billion, **free cash flow from operations** in 2017 was double the 2016 amount, after taking into account capital spending which was maintained at around 5% of consolidated revenue.

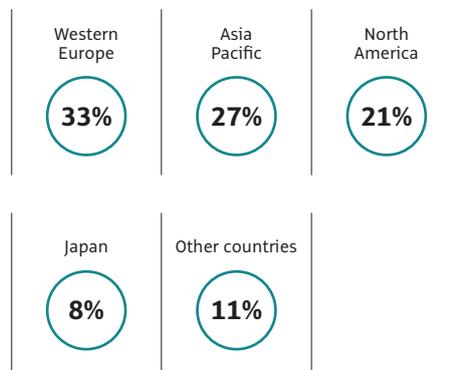
In line with our capital allocation strategy, we used most of this cash flow to reduce our net debt, which fell by over €1.3 billion to around €3 billion. The forthcoming Annual General Meeting will be asked to approve a **2017 cash dividend** of €6.00 per share, up 30% year-on-year.

BREAKDOWN OF REVENUE (by activity/excluding Corporate⁽¹⁾ and other)



(1) Includes Kering Eyewear.
Including Corporate and other, the breakdown is as follows:
Luxury: 70%, Sport & Lifestyle: 28%, Corporate and other: 2%

BREAKDOWN OF REVENUE (by region)



3

GROUP

2017
revenue

€15.5bn

up 25.0% on a reported basis
up 27.2% on a comparable basis

2017 recurring operating
income

€2.95bn

up 56.3% on a reported basis

2017 recurring operating
margin

19.0%

KERING, A LUXURY PURE PLAYER

Kering is setting the trend, purposefully shaping the Luxury of tomorrow, a Luxury that is more responsible and more in tune with our times while remaining true to the exceptional history and heritage of our Houses. Our ambition is to be the world's most influential Luxury group in terms of creativity, sustainability and economic performance.

Our global scope, the strength of our brands, the creative autonomy we grant each of our Houses position the Group as one of the very best players in our sector. Based on a long-term vision, our multibrand model relies on agility, balance and responsibility.

Our Luxury brands are at various stages of maturity, which is the source of the Group's strength as well as its potential: while our firmly established Houses continue to build strong ties with an ever broader range of customers, our emerging brands are growing by conquering new territories.

The significant growth potential of each of our Houses is amplified and hastened by the integrated growth model adopted by the Group, which directly manages any function that may benefit from pooled resources. Our integrated model fosters rapid growth for our brands and creates the space for them to thrive.

For Kering, a Group which sets store by human, family and entrepreneurial values, Luxury should be sustainable and both socially and environmentally responsible over the long term.

Following the distribution in kind of PUMA shares, Kering's new financial profile will be among the best in the Luxury industry.

Pro forma data regarding the financial impact of this transaction on the 2017 financial statements are available on the website www.kering.com

GUCCI • BOTTEGA VENETA • SAINT LAURENT

BALENCIAGA • ALEXANDER MCQUEEN

STELLA MCCARTNEY • CHRISTOPHER KANE • BRIONI

BOUCHERON • POMELLATO • DODO • QEELIN

GIRARD-PERREGAUX • ULYSSE NARDIN

KERING EYEWEAR



Founded by François Pinault in 1963 as a lumber and building materials business, the Kering Group repositioned itself on the retail market in the mid-1990s and soon became one of the leading players in this sector in France.

The acquisition of a controlling stake in Gucci Group in 1999, and the establishment of a multi-brand Luxury Group, marked a new stage in its development and international outlook. In 2007, the Group seized a further growth opportunity with the purchase of a controlling stake in PUMA, a global benchmark in Sport & Lifestyle.

Over the last decade, Kering has undergone a major strategic shift to become a leader in the Luxury sector, the Group's main driver of growth and profitability. Between 2008 and 2017, revenue from the Luxury activities tripled to almost €11 billion, while their recurring operating margin rose from 23% to 27%. This was mainly achieved through organic growth.

Today, with the distribution in kind of PUMA shares, Kering has a clear positioning in the Luxury sector, focusing its energy on innovation and its boldness on brand development.

PUMA, BECOMING THE WORLD'S FASTEST SPORTS BRAND

As one of the world's leading sports brands, PUMA designs, develops, and markets footwear, apparel and accessories.

The global sporting goods industry saw further robust growth in 2017. Its main drivers were the increase in consumer spending as well as a higher sports participation around the world, including more women taking up sports. Another major trend is the closer relationship between sports and fashion, with sports-inspired apparel and footwear increasingly worn in everyday life.

For 70 years, PUMA has been producing the most innovative products for the fastest athletes on the planet. It has established a reputation in Performance categories such as football, running and training, golf and motorsports. PUMA's Sportstyle products are designed for both men and women in search of a style inspired by the brand's sporting roots but suited to everyday wear.

Under the direction of a new management team since 2013, PUMA has

continued to roll out Forever Faster, a business plan aimed at enhancing the brand's appeal, offering a range of innovative new products, developing a leading range for women, and improving distribution quality and organisational agility in terms of product development, procurement and market launch.

Thanks to the determined and consistent execution of this strategy, significant progress has been made, resulting in a swing back to revenue growth. In 2017 PUMA's revenue grew by more than 40% to top €4 billion. Operating income almost quadrupled over the period, reflecting the brand's initial investment and restructuring efforts and subsequent growth in gross profit margin and operating leverage. Its operating margin was 5.9% in 2017, up from 2.1% in 2016. Standing at €5.5 billion as of December 31, 2017, PUMA's market capitalisation also testifies to its swing back to profitable growth.



#FOREVERFASTER

The strength and credibility of the PUMA brand are built on its rich sporting heritage and association with some of the biggest names in sport, including Pelé, Maradona, Tommie Smith, Boris Becker, Lothar Matthäus, and Linford Christie among others. Today, PUMA enjoys a host of partnership with legendary athletes and teams such as Usain Bolt, Antoine Griezmann, Arsenal FC, Borussia Dortmund, and soon, Olympique de Marseille and AC Milan. PUMA has also developed a unique way of working with icons from the worlds of culture and fashion, allowing it to capture the imagination of the young generations and stay ahead of the game.

The brand also works with Rihanna, The Weeknd and Selena Gomez.

PUMA SHARE PRICE (share listed on the Frankfurt and Munich stock exchanges), compared to the SDAX index (rebased) since January 1, 2017



(1) Between January 1st and December 31, 2017 Source: Nasdaq

PUMA

2017 revenue⁽²⁾

€4.1bn

up 14.0% on a reported basis
up 15.9% at comparable exchange rates

2017 operating income⁽²⁾

€244.6m

up 91.7% on a reported basis

2017 operating margin⁽²⁾

5.9%

(2) Figures published by PUMA

**DISTRIBUTION IN KIND
OF PUMA SHARES**

TERMS & CONDITIONS, CALENDAR

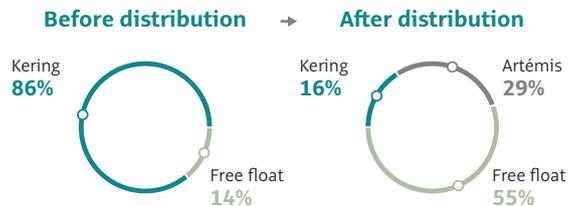
Boosting the appeal of the Kering and PUMA shares

By paying a stock dividend corresponding to 70% of outstanding PUMA shares, Kering is establishing its positioning as a pure player in Luxury, with a higher-margin profile. Kering is aiming to continue to grow and develop its Luxury Houses by leveraging its strong cash flow generation and robust financial position.

The payment of a stock dividend in the form of PUMA shares will also allow our shareholders to benefit directly from future value creation at PUMA.

Current and future PUMA shareholders will benefit from the enhanced liquidity of the PUMA share.

PUMA shareholders⁽¹⁾



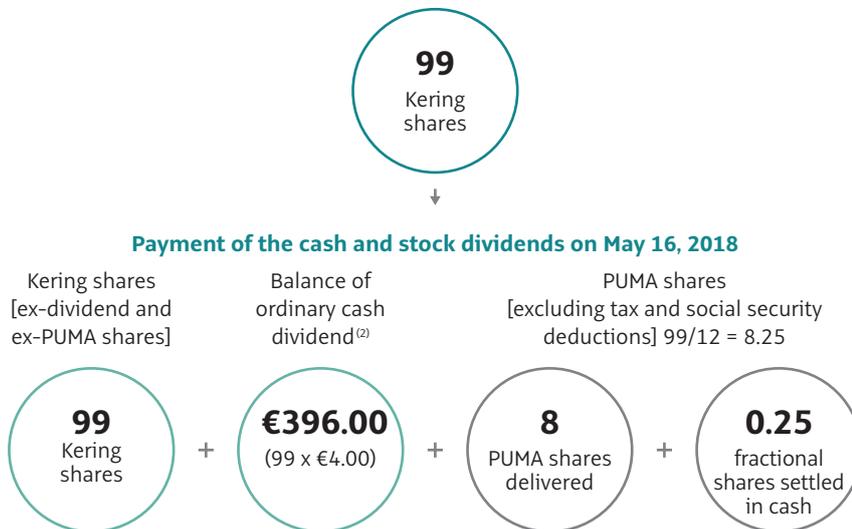
Terms & conditions



May 16, 2018: Distribution of PUMA shares and payment of the balance of the ordinary cash dividend, i.e., €4.00 per share⁽²⁾.

Illustrative example

Ex-dividend date **May 14, 2018 (before market)**



IMPORTANT

- The stock dividend in the form of PUMA shares is subject to statutory tax treatment on dividends (personal income tax and social security contributions for persons resident in France for tax purposes).
- The tax and social security deductions applicable to the stock dividend in the form of PUMA shares may exceed the net balance of the ordinary cash dividend.
- The financial flows relating to the payment of the balance of the ordinary cash dividend, the settlement of fractional shares and any tax and social security deductions, may occur separately and be staggered in time.

Payout calendar



(1) Based on the number of outstanding PUMA shares. Artémis held 40.9% of Kering's share capital at December 31, 2017. Rounded data.

(2) An interim dividend of €2.00 per share was paid on January 17, 2018.

(3) The timing of the cash payment for fractional shares will vary according to the shareholders' financial intermediary.

DISTRIBUTION IN KIND OF PUMA SHARES

Q&A

1 | Will Kering and its shareholder Artémis be PUMA shareholders?

Kering is confident in PUMA's potential and will retain c.16% of PUMA's share capital. Kering can benefit from the future potential for value creation at PUMA. Upon distribution of the stock dividend, Artémis will become PUMA's leading shareholder with c.29% of its share capital. Kering and Artémis have undertaken to hold their PUMA shares for six and twelve months, respectively.

2 | Why is PUMA not just being sold outright?

A stock dividend in the form of PUMA shares is the simplest and most efficient way to ensure that all of our shareholders benefit from the value created by both a leader in Luxury and a leader in Sport & Lifestyle.

3 | I hold 21 Kering shares. How many PUMA shares will I receive?

You will be entitled to 1.75 PUMA shares for your 21 Kering shares. Consequently, excluding tax and social security deductions, 1 PUMA share will be delivered to you and you will receive a cash payment for the undelivered 0.75 PUMA share. You will not be able to buy fractions of PUMA shares to make up a whole share.

4 | How can I avoid a cash payment for fractional shares?

If the number of Kering shares you hold is a multiple of 12, the stock dividend in the form of PUMA shares will not give rise to any fractional shares.

If the number of shares you hold is not a multiple of 12, the stock dividend will not represent a whole number of PUMA shares. The number of PUMA shares you will receive will be rounded down to the nearest whole number, and you will be compensated for any fractional shares by a balancing cash payment made by your financial intermediary. The amount of the balancing cash payment will be calculated in proportion to the net selling price of the fractional PUMA shares on the market.

5 | How much are fractional shares worth?

The net value of fractional shares will depend on the value of the PUMA share upon the sale of undelivered shares.

6 | What tax treatment applies to the stock dividend in the form of PUMA shares?

The stock dividend in the form of PUMA shares will be treated for tax purposes as a payment of dividends to Kering shareholders. Accordingly, it will be subject to the same tax treatment as a cash dividend.

The value of the stock dividend for tax purposes will depend on:

- the opening price of the PUMA share on the date the stock dividend is paid; and
- any cash payment received for fractional shares, before tax and social security deductions.

The balance of the ordinary cash dividend amounting to €4.00 per share, paid at the same time as the stock dividend in the form of PUMA shares, will allow financial intermediaries to deduct the appropriate statutory withholdings, taxes and social security contributions.

If the withholdings applicable exceed the balance of the ordinary cash dividend, financial intermediaries may deduct the amounts due from their clients' cash accounts or call in the additional payments required.

We recommend that you contact your financial intermediary.

7 | What do I need to do in respect of this stock dividend?

Excluding taxes and social security contributions due on the stock dividend:

- if you hold shares in bearer or administered registered form, you do not need to do anything in order to receive your PUMA shares and any cash payment for fractional shares;
- if you hold direct registered shares, you must choose a share account into which the PUMA shares will be paid and provide CACEIS Corporate Trust with details of this account in accordance with the procedure set out in a note to be sent by CACEIS Corporate Trust in mid-May 2018.

Where appropriate, Kering shareholders should discharge their tax liabilities in respect of the stock dividend in the form of PUMA shares. Failure to do so within the time indicated by your financial intermediary could lead to your PUMA shares being unavailable or even to some or all of your PUMA shares being sold in order to discharge those liabilities.

8 | Will a dividend for 2017 be paid on the PUMA shares delivered?

No. The PUMA shares delivered will be ex-coupon. The PUMA dividend for 2017 will have been paid in April 2018.

9 | Are PUMA shares listed on the Paris stock exchange?

PUMA shares are listed on the Frankfurt and Munich stock exchanges. They are traded in the Standard Prime segment and form part of the German stock exchange's SDAX index. You can place your stock exchange orders via your financial intermediary. Note that the ISIN code of PUMA shares is DE0006969603.

Distribution in kind of PUMA shares

You hold Kering shares in direct registered form

You must choose a share account into which your PUMA shares will be paid and provide CACEIS Corporate Trust with details of this account within a reasonable timeframe.

If no share account details are sent, your PUMA shares will be considered to be unclaimed and will follow the appropriate legal procedure.

You hold Kering shares in a share savings plan ("PEA")

The PUMA shares, any fractional shares and the balance of the ordinary cash dividend will be delivered to or paid into your share savings plan. The applicable tax treatment in this case is the same as

for dividends within a share savings plan (i.e., no immediate taxation is due). For further information on how your share savings plan works, we recommend you contact your financial intermediary.

TO FIND OUT MORE

Visit

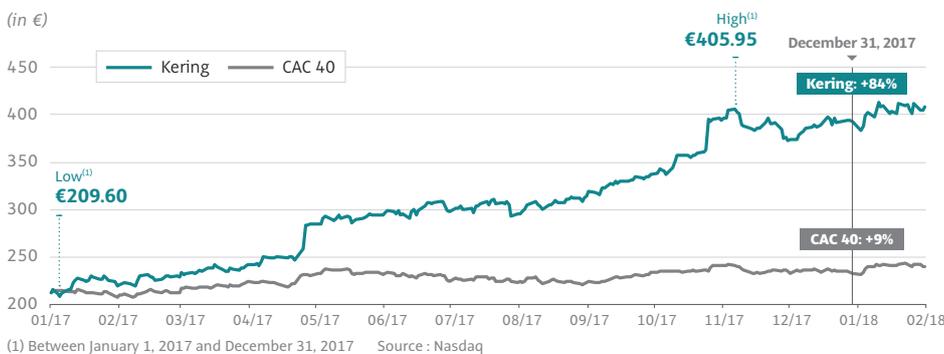
www.kering.com

- Press releases
- Simulator
- Q&A

about.puma.com/en

Performance of the Kering share

compared to the CAC 40 index (rebased) since January 1, 2017



MARKET
CAPITALISATION
as of January 31, 2018
€51.5bn

SHAREHOLDER'S NOTEBOOK

Ordinary cash dividend

The forthcoming Annual General Meeting will be asked to approve a dividend of €6.00 per share for 2017, up 30% year on year.

Since an interim dividend of €2.00 was paid on January 17, 2018, the remaining balance of the ordinary cash dividend for 2017 is €4.00.

Shareholder contacts

CACEIS Corporate Trust

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Kering Shareholder's Department

Tel.: +33 (0)1 45 64 65 64 (line not to be used for matters relating to the PUMA transaction)
08 05 650 660 (line for matters relating to the PUMA transaction) - Calls free of charge from a fixed line in France
Email: actionnaire@kering.com

Provisional calendar

April 24, 2018
(after market close)
First-quarter 2018 revenue

April 26, 2018
Annual General Meeting

May 14, 2018
(before market)
Ex-dividend date

May 16, 2018
Payment of the dividend and delivery of PUMA shares

Kering – Société anonyme (a French corporation) with a share capital of €505,117,288
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